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*Private*

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*Multinational*

*of Latin*

*America*

ANNUAL REPORT 2002

**ENERSIS**

**ENERSIS**

# Table of Contents

|  |     |
|--|-----|
| Letter From the Chairman of the Board                      | 2   |
| Identification of the Company                              | 6   |
| Ownership and Control                                      | 9   |
| Board of Directors   | 14  |
| Organizational Structure                                   | 17  |
| Management   | 18  |
| Activities   | 21  |
| Business Activities  | 25  |
| Corporate Structure  | 32  |
| <b>Generation</b>  |     |
| Endesa Chile   | 34  |
| <b>Distribution</b>  |     |
| Chilectra  | 40  |
| Río Maipo  | 42  |
| Edesur   | 44  |
| Edelnor  | 46  |
| Cerj   | 48  |
| Coelce   | 50  |
| Codensa  | 52  |
| <b>Others Businesses</b>                                   |     |
| Synapsis   | 54  |
| CAM  | 60  |
| Manso de Velasco   | 62  |
| Liability Statement  | 64  |
| Identification of other Subsidiaries and Related Companies | 65  |
| <b>Financial Statement</b>                                 |     |
| Consolidated Financial Statements                          | 68  |
| Unconsolidated Financial Statements                        | 227 |
| Financial Statements of Subsidiaries                       | 283 |

## Letter from the Chairman of the Board

***Dear Shareholder:***

I am pleased to submit the 2002 Annual Report on the management and operations of the Enersis Group for your consideration.

Before starting the summary of the activity of the Group that I am honored to preside, I deem it essential to refer to the global context in which our activity was developed.

As each one of us could appreciate, the decrease in the economic activity in the region became worse during the year 2002. This could be confirmed by a decrease in the levels of investment, deterioration of the exchange terms of our countries, fall of the employment rate and exchange rate instability, with the addition of political instability in some important countries where we operate.

Due to these circumstances, during the first and second quarters of the year 2002, the foreign investors, mainly institutional ones based on the United States of America, tried to reduce their shareholding positions in Latin American companies, in an effort for reducing the risk on

their portfolios. For that purpose, they chose to sell shares of those companies that presented the best liquidity. In that context, a strong sales trend came upon the Enersis shares, which explained, in great measure, the deep fall in the stock-exchange valuation of our titles.

The steady slow down of the United States of America, the low expectations for the recovery of the stock-exchange markets of some relevant Asian actors, and, moreover, the threats of war in the Middle East, which have strongly impacted the stability of the energy prices and the exchange rate stability of the region, were all added to the previous problems.

However, our company has calmly responded to this environment of difficult prediction, keeping its long and short term objectives unaltered. In fact, and despite the adverse circumstances, our best effort has been focused on reinforcing the management of our main businesses.

In the first place, and as an essential element to compensate the previously mentioned effects, Enersis has designed and launched during the year 2002, an ambitious financial strengthening plan, intended to solve the liquidity problems in the short term, to renegotiate the bank debt and to increase the equity of the Group, which was reduced in US\$ 290 million due to the recognition of the negative goodwill associated with the investments in Argentina and Brazil because of the regional crisis.

In the operational area, the efforts to improve efficiency, which had begun several years before, continued, thus increasing the productivity from 1,379 customers per employee to 1,409 customers per employee between the years 2001 and 2002. Furthermore, as a part of the efforts destined

# Chairman of the Board

to serve the natural growth of our market, we increased our customer base by 275,000, which is equivalent to having incorporated a company of the size of our subsidiary Río Maipo, without having incurred in expansion investments. However, this has been carried out in an unfavorable environment that operated during the whole year 2002, and that has resulted in a reduction in the average consumption per customer of 5.5% compared to the year 2001.

Regarding the generation business, it has been a good hydroelectric year which, together with the conclusion of the important interconnection of 2,000 MW between Argentina and Brazil carried out by our Group, has permitted to compensate the lower levels of activity with an aggressive reduction of the energy costs.

Another element of particular interest for our shareholders is that, due to the efforts to increase the rationalization of the organizational structure of the Group, selling and administrative expenses were reduced by 20.2%. This strong reduction is related with the decrease in the observed expenses due to the lower levels of activity and devaluations, and is also due to the urgent measures applied by the management to contain the negative effects produced by the tariff reduction, especially the tariffs freezing in Argentina.

Precisely in this context of optimization of the existing resources, another important measure was to reduce the recurrent investments in fixed assets. This reduction, which reached a 6.9%, was made with the purpose of contributing to relieve the cash tensions, without compromising the service quality standards demanded by more than ten million customers that form our business platform in the five countries where we operate.



*Pablo Yrarrázaval  
Chairman*

A consequence of all the aforesaid has been the debt reduction achieved during the year, starting from a consolidated figure of US\$ 9,326 million by the end of 2001 and ending with US\$ 8,980 millions, a decrease of 3.7%.

As you can appreciate, our main effort during the year 2002 was focused on how to best confront a year that appeared as an extraordinarily difficult and complex one, where the uncertainties were generalized during the period.

Therefore, and despite all those difficulties, we continue to work on the strengthening of the company, the only way to overcome the challenge from the environment, without letting sadness stop us from perseverantly continuing to improve efficiency.

We closed the year with losses, mainly accounting losses, due to the above mentioned goodwill adjustments. The net income of US\$ 224,000 million losses was due to the accounting adjustments made in order to better reflect the economic reality of our businesses in Argentina and Brazil, and also due to other minor

# Letter from the ch

investments in Chile. In the first two countries, and in agreement with the Chilean accounting rules, the net balance of positive and negative goodwill for investments made both in generation and distribution was accelerated. In Argentina, there was a write off equivalent to US\$ 49 million, in Brazil, US\$ 315 million, and finally in Chile, US\$ 23 million, corresponding to our investments in the real estate business. The consolidated effect of US\$ 387 million, net of minorities, was partially compensated by US\$ 97 million in provisions made by Enersis during the year 2002, with which the final effect on results was of US\$ 290 million.

As stated above, these adjustments showed our interest in reflecting, with total transparency, the real impact that the uncertain environment in Argentina and Brazil was having on the company. It was necessary to establish, with full clarity and once and for all, the real scope of this situation to this day, and thus put an end to many speculations about the magnitude of the impact of the crisis on our investments abroad. In this respect, and based on the opinions of investors and analysts, I can say that this write off was very well received by the market.

I am going to briefly mention now the scope of the Financial Strengthening Plan to which I referred previously. We conceived a plan of steps that would allow the Enersis Group to foster its capabilities, even in the midst of difficulties in the region, with the object of being in the best conditions when the Group resumes its usual growth levels.

In this way, last October we launched our Strengthening Plan, based on four pillars which were totally interrelated: Refinancing liabilities due in the short and middle term for US\$ 2,300

million, strengthening the equity base through a capital increase up to US\$ 2,000 million, divestments for about US\$ 900 million including the debt associated with the divested assets, and finally continuing to improve the operations by increasing the generation of free cash flow by US\$ 130 million, a goal which is achievable in a three-year term.

These objectives will allow the Company to reduce, during the year 2003, its consolidated debt for about US\$ 2,600 million, and, even though they generated skepticism at first and many questions later, they ended up by attracting the interest and support of the market. This is because those who know our companies realize that, beyond the short term adverse circumstance, the foundations of our business remain unaltered and, when the region improves its activity levels, Enersis should again be one of the best and most trustworthy alternatives of investment.

#### **The state of each of these ambitious goals is the following:**

With respect to the refinancing of liabilities, the company, after hard negotiations with banks, reached an unprecedented agreement in the Chilean private area, which consists in extending the bank debt for US\$ 2,330 million due in 2003 and 2004 to the year 2008, and removing the acceleration clauses associated with the rating grids, in function of which the credit cost increase depending on the rating risk classification.

Since the new refinancing is not linked to the rating and permits prepayment in advance at any time, without extra costs, the short term financing pressures have been solved, thus contributing, as the first pillar of the plan, to provide financial stability to the Group.

# Chairman of the Board

With respect to the capital increase, a main pillar in our process of strengthening the equity base of the company and reducing financial expenses, we want to take advantage of the good disposition of our controller shareholder regarding his express desire to capitalize the debt that Enersis still has with the company, amounting to an approximate figure of US\$ 1,400 million. We believe this strong demonstration of trust in the future of the company should encourage the rest of the shareholders to show their support once more, despite the real “voyage through the desert” during these last two years, a circumstance that we hope to overcome in the shortest possible time.

With respect to the process of divestments, it is important to comment on the real interest evidenced in the purchase of our companies Río Maipo and Central Canutillar. As will be publicly informed, to January 27th, we had received thirteen non binding offers for said companies, and we hope to conclude the process by the end of March 2003.

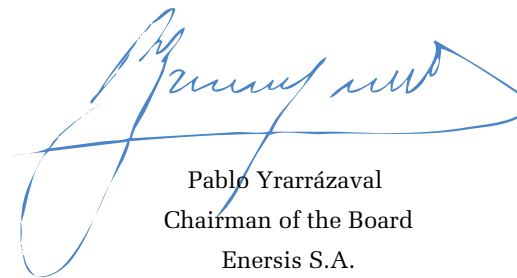
Finally, with respect to the operating improvements planned for a period of three years, which will result in the generation of free cash flow, it is worth highlighting the new objectives in the matters of productivity, efficiency in collections, theft and investment per customer, which would allow us to rescue, after a period of three years, the US\$ 130 million target of additional free cash flow over the baseline of the year 2002.

In summary, the four levers of action will converge to achieve a sustained improvement of the Group’s free cash flow, and at the same time increase its solvency in order to be in the best disposition to confront the future more optimistically.

Finally, let me tell you that while some relevant actors of this sector are leaving the region, the Enersis Group is renewing its commitment to continue being a regional energetic leader. To fulfill these expectations, we have the best work team, to whom I dedicate my special appreciation for the great contribution and commitment with their work during a very difficult 2002.

Dear Shareholders, 2002 is already past, we have learnt from it and we have been able to define the best lessons to confront the future. Here is where we stand. This is our challenge and we will assume it with confidence, with determination, and with a strong commitment toward our shareholders.

Kind regards,



Pablo Yrarrázaval  
Chairman of the Board  
Enersis S.A.

# Identification

## GENERAL IDENTIFICATION

Corporate name  
**ENERSIS S.A.**

Type of company  
**Limited Liability  
Stock Company**

Tax register number  
**94.271.000 - 3**

Address  
**Santa Rosa No. 76, Santiago**

Telephone  
**(56-2) 353 4400  
(56-2) 378 4400**

Fax  
**(56-2) 378 4788**

P.O. Box  
**1557, Santiago**

## Identification of the company

### **ARTICLES OF INCORPORATION AND BY-LAWS**

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

The existence of the Company was authorized and its by-laws were approved pursuant to resolution No 409-S of July 17, 1981, issued by the Superintendence of Securities and Insurance. The abstract of such authorization and its approval were recorded in the Official Commerce Register of Santiago, on page 13,099 No 7,629 of the year 1981, and published in the Official Gazette on July 23, 1981.

To date, the by-laws have been subsequently amended. The existence of the company under the current name of Enersis S.A. dates back

to August 1, 1988. The latest amendment is acknowledged in a public deed of July 24, 2002, executed before Patricio Zaldívar, Notary Public in Santiago. The abstract was recorded in the Official Commerce Register of Santiago on page 21,885, No 17.850 and published in the Official Gazette on August 19, 2002.

### **HISTORICAL OVERVIEW**

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

In 1985, as a result of the privatization policy enacted by the Government of Chile, the transfer of the capital stock of Compañía Chilena Metropolitana de Distribución Eléctrica S.A. to the private sector began. This process was completed on August 10, 1987. Through this process, private pension funds (A.F.P.), the company's workers, institutional investors and thousands of small investors became stockholders of the Company.

The organizational structure was based upon operating activities or functions in which attainments were evaluated on a functional basis and profitability was limited by a tariff



mechanism originating from the exclusive involvement of the Company in the business of electricity distribution. In 1987, the Board of Directors proposed a division of the different activities of the parent company. Thus, four subsidiaries were formed, making it possible to manage them as business units with objectives of their own, thereby expanding the activities of the company to other non-regulated businesses, though still related to the core business.

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

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

Furthermore, to the effects of providing enhanced customer service, as of June 1, 1989, it was approved the division of subsidiary Distribuidora Chilectra Metropolitana S.A. into a successor company that retained the corporate name, and a new company incorporated under the name of Compañía Eléctrica del Río Maipo S.A., that currently serves the electric energy distribution

and sales needs of the rural and semi-urban areas of Chile's Metropolitan Region.

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

#### ***CORPORATE PURPOSE***

The purpose of the company is to undertake both in Chile and abroad, the exploitation, development, operation, generation, distribution, transmission, transformation and/or sales of energy of whatever nature and in any form, directly or through other companies, as well telecommunication activities and the provision of engineering advisory services, either in Chile or abroad. Its purpose will further be to invest and manage company investments in subsidiaries or related companies that generate, transmit, distribute or commercialize electric energy, or that are involved in the following lines of business: (i) energy in any of its forms or nature, (ii) the supply of public services or companies having energy as their main input, (iii) telecommunications and information systems, (iv) intermediation business through the Internet. In the fulfillment of its main objective, the company will develop the following functions:

# Identification of the company

- a) Promote, organize, set up, modify, dissolve or liquidate companies of any nature, whose corporate purpose is similar or related to those of the Company.
- b) Propose to its subsidiary companies investment, financing and commercial policies as well as the accounting practices and principles which such companies shall abide by.
- c) Supervise the management of its subsidiary companies.
- d) Provide its subsidiary or related companies with the needed financial resources to develop their business activities, and in addition, furnish management services as well as financial, commercial, technical, legal and auditing services and, in general, any other

services such as may appear necessary for a more adequate performance.

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

1.- The acquisition, exploitation, construction, rental, management, intermediation, marketing and disposal of any kind of movable property and real estate, either directly or through subsidiary or related companies.

2.- All types of financial assets, including shares, bonds, debentures, commerce paper, and in general all kinds of securities and equity contributions to companies, either directly or through subsidiary or related companies.



# Ownership and Control

## Ownership and Control

### **OWNERSHIP STRUCTURE**

The capital stock of the company is divided into 8,291,020,100 shares of the same and only one series with no par value.

At December 31, 2002, a total of 8,291,020,100 shares of common stock were subscribed and paid in, with the following breakdown:

| Shareholders   | Number of Shareholders | Number of shares     | %             |
|--|------------------------|----------------------|---------------|
| Endesa S.A.  | 3                      | 5,389,163,065        | 65.00%        |
| A.F.P  | 28                     | 1,035,179,340        | 12.49%        |
| Citibank N.A.  | 1                      | 328,916,750          | 3.97%         |
| Stockbrokers, Mutual Funds, Insurance Companies and Foreign Investment Funds | 86                     | 922,979,777          | 11.13%        |
| Other Shareholders   | 10,076                 | 614,781,168          | 7.41%         |
| <b>Total</b>   | <b>10,194</b>          | <b>8,291,020,100</b> | <b>100.00</b> |

### **CONTROLLERS IDENTIFICATION**

Pursuant to Title XV of Law 18,045, the ownership interest of the controller, Endesa S.A., in Enersis of 65% derives from the controlling stake it has in the ownership of Compañía de Inversiones Chispa Uno S.A. (21.5%) and Endesa Internacional S.A. (8.4%) plus the 35.1% direct interest in the ownership through Elesur S.A.

### **LIST OF THE TWELVE LARGEST SHAREHOLDERS OF THE COMPANY**

At December 31, 2002, Enersis was owned by 10,194 shareholders. The twelve largest were:

| Shareholders                                 | Tax Register Number | Number of Shares     | %              |
|--|---------------------|----------------------|----------------|
| Elesur S.A.                                  | 96.800.570-7        | 2,914,325,536        | 35.15%         |
| Compañía de Inversiones Chispa Uno S.A.      | 96.641.060-4        | 1,780,246,340        | 21.47%         |
| Endesa Internacional S.A.                    | 59.072.610-9        | 694,591,189          | 8.38%          |
| Citibank N.A. (according to Circ. 1,375 SVS) | 97.008.000-7        | 328,916,750          | 3.97%          |
| AFP Habitat S.A.                             | 98.000.100-8        | 323,304,197          | 3.90%          |
| AFP Provida S.A.                             | 98.000.400-7        | 255,812,109          | 3.09%          |
| AFP Cuprum S.A.                              | 98.001.000-7        | 178,611,688          | 2.15%          |
| Banchile Corredores de Bolsa S.A.            | 96.571.220-8        | 178,368,323          | 2.15%          |
| AFP Santa María S.A.                         | 98.000.000-1        | 150,793,071          | 1.82%          |
| Bancard S.A.                                 | 96.894.180-1        | 91,338,455           | 1.10%          |
| AFP Summa Bansander S.A.                     | 98.000.600-K        | 91,054,355           | 1.10%          |
| Larraín Vial S.A. Corredores de Bolsa        | 80.537.000-9        | 72,983,101           | 0.88%          |
| Subtotal: 12 shareholders                    |                     | 7,060,345,114        | 85.16%         |
| Others: 10,182 shareholders                  |                     | 1,230,674,986        | 14.84%         |
| <b>Total: 10,194 shareholders</b>            |                     | <b>8,291,020,100</b> | <b>100.00%</b> |

# Ownership and

## ***MOST IMPORTANT CHANGES IN OWNERSHIP***

During 2002, the most important changes in the ownership of Enersis were:

| Shareholder                               | Tax Register Number | Number of Shares 2001 | Number of Shares 2002 | Variation % |
|---|---------------------|-----------------------|-----------------------|-------------|
| Citibank (according to Circ. 1,375 SVS)   | 97.008.000-7        | 744,587,100           | 328,916,750           | (55.83)     |
| AFP Habitat S.A.                          | 98.000.100-8        | 246,829,975           | 323,304,197           | 30.98       |
| AFP Provida S.A.                          | 98.000.400-7        | 354,857,654           | 255,812,109           | (27.91)     |
| AFP Cuprum S.A.                           | 98.001.000-7        | 213,592,328           | 178,611,688           | (16.38)     |
| Banchile Corredores de Bolsa S.A.         | 96.571.220-8        | 43,915,204            | 178,368,323           | 306.17      |
| AFP Santa María S.A.                      | 98.000.000-1        | 156,254,454           | 150,793,071           | (3.50)      |
| Bancard S.A.                              | 96.894.180-1        | 17,819,771            | 91,338,455            | 412.57      |
| AFP Summa Bansander S.A.                  | 98.000.600-K        | 129,094,720           | 91,054,355            | (29.47)     |
| Larrain Vial Corredores de Bolsa          | 80.537.000-9        | 26,028,630            | 72,983,101            | 180.40      |
| Cía de Seguros de Vida Consorcio Nacional | 99.012.000-5        | 48,752,062            | 61,996,453            | 27.17       |
| Bolsa de Comercio de Santiago             | 90.249.000-0        | 13,883,000            | 47,995,976            | 245.72      |
| Consorcio Corredores de Bolsa S.A.        | 96.772.490-4        | 5,102,454             | 42,267,412            | 728.37      |

## ***STOCK EXCHANGE TRADING BY DIRECTORS AND MAIN EXECUTIVE OFFICERS***

Enersis shares traded by directors and main executive officers of the Company during 2002 are as follows:

| Shareholder                           | Tax Reg. Number | No. of Shares Traded | Unit Price | Relationship with the Company                         |
|---------------------------------------|-----------------|----------------------|------------|---|
| Inversiones y Asesorías Sydarta Ltda. | 78.133.360-3    | 1,000,000            | Ch\$ 123.0 | Company related to Ernesto Silva, Director of Enersis |

## ***SANTIAGO STOCK EXCHANGE, CHILEAN ELECTRONIC STOCK EXCHANGE AND VALPARAISO STOCK EXCHANGE***

The number of shares traded in the stock exchange where Enersis shares are traded, both in Chile, through the Santiago Stock Exchange, the Chilean Electronic Stock Exchange, and the Valparaíso Stock Exchange, as well as in the United States and Spain, through the New York Stock Exchange (NYSE) and Latin American Stock Exchange of Madrid (Latibex) correspondingly, are detailed below:

## QUARTERLY STOCK EXCHANGE INFORMATION OF THE LAST THREE YEARS

| Santiago Stock Exchange | Units       | Amount (\$)    | Average Price |
|-------------------------|-------------|----------------|---------------|
| 1st Quarter 2000        | 190,988,277 | 40,078,550,323 | 216.22        |
| 2nd Quarter 2000        | 110,101,006 | 23,513,620,910 | 213.51        |
| 3rd Quarter 2000        | 88,658,193  | 18,383,256,232 | 209.79        |
| 4th Quarter 2000        | 198,483,727 | 39,102,614,613 | 200.73        |
| 1st Quarter 2001        | 217,618,425 | 44,437,043,299 | 205.94        |
| 2nd Quarter 2001        | 292,388,256 | 57,663,194,013 | 197.59        |
| 3rd Quarter 2001        | 226,195,786 | 41,936,113,910 | 185.74        |
| 4th Quarter 2001        | 393,051,599 | 73,344,332,507 | 183.26        |
| 1st Quarter 2002        | 512,037,133 | 72,041,084,807 | 140.70        |
| 2nd Quarter 2002        | 474,079,058 | 48,911,115,424 | 103.17        |
| 3rd Quarter 2002        | 692,521,240 | 54,285,443,986 | 78.39         |
| 4th Quarter 2002        | 684,639,252 | 44,147,517,186 | 64.48         |

During 2002, 2,363 million shares, equivalent to Ch\$ 219,385 million were traded. The share price closed at Ch\$ 59.

| Chile Electronic Stock Exchange | Units       | Amount (\$)    | Average Price |
|---------------------------------|-------------|----------------|---------------|
| 1st Quarter 2000                | 73,157,401  | 15,149,830,280 | 207.17        |
| 2nd Quarter 2000                | 61,091,600  | 13,142,859,608 | 213.97        |
| 3rd Quarter 2000                | 50,955,676  | 10,684,550,675 | 207.78        |
| 4th Quarter 2000                | 72,312,976  | 14,105,017,267 | 195.78        |
| 1st Quarter 2001                | 83,608,430  | 17,152,644,402 | 205.77        |
| 2nd Quarter 2001                | 158,055,600 | 31,321,294,251 | 197.13        |
| 3rd Quarter 2001                | 109,886,421 | 20,354,381,577 | 186.42        |
| 4th Quarter 2001                | 169,896,292 | 31,038,862,776 | 182.94        |
| 1st Quarter 2002                | 269,920,400 | 37,714,503,611 | 139.72        |
| 2nd Quarter 2002                | 359,523,772 | 48,319,942,414 | 134.40        |
| 3rd Quarter 2002                | 386,541,593 | 35,646,626,810 | 92.22         |
| 4th Quarter 2002                | 257,464,603 | 19,923,582,845 | 77.38         |

During 2002, 1,273 million shares were traded, equivalent to Ch\$ 141,605 million. The share price closed at Ch\$ 58.6.

| Valparaíso Stock Exchange | Units      | Amount (\$)   | Average Price |
|---------------------------|------------|---------------|---------------|
| 1st Quarter 2000          | 4,651,539  | 966,141,613   | 207.70        |
| 2nd Quarter 2000          | 3,320,362  | 694,944,396   | 209.29        |
| 3rd Quarter 2000          | 743,378    | 155,761,788   | 209.53        |
| 4th Quarter 2000          | 812,885    | 164,792,985   | 202.72        |
| 1st Quarter 2001          | 1,170,182  | 241,026,099   | 205.97        |
| 2nd Quarter 2001          | 2,746,772  | 532,712,377   | 193.94        |
| 3rd Quarter 2001          | 2,071,416  | 389,093,093   | 187.83        |
| 4th Quarter 2001          | 4,724,089  | 856,465,194   | 181.29        |
| 1st Quarter 2002          | 18,797,002 | 2,597,626,847 | 138.19        |
| 2nd Quarter 2002          | 7,970,306  | 748,664,861   | 93.93         |
| 3rd Quarter 2002          | 22,259,663 | 1,751,836,764 | 78.70         |
| 4th Quarter 2002          | 9,087,665  | 570,105,970   | 62.73         |

During 2002, 58 million shares were traded, equivalent to Ch\$ 5,668 million. The share closed at Ch\$ 59.

# Ownership and

## ***New York Stock Exchange ( NYSE)***

The shares of Enersis started trading in the New York Stock Exchange (NYSE) on October 20, 1993. The ADR for the Company consists of 50 shares and its stock exchange ticker symbol is ENI. Citibank N.A. performs as depositary bank and Banco de Chile performs as custodian bank in Chile.

During 2002, in the United States of America, 22 million ADR's (1 ADR = 50 shares), equivalent to US\$ 174 million, were traded. The price of the ADR closed at US\$ 4.09.

## ***Latin American Stock Exchange of Madrid Stock Exchange (LATIBEX)***

The shares of Enersis started trading in the Latin American Stock Exchange (Latibex) on December 17, 2001. The contract unit for the company is 50 shares and its stock exchange ticker symbol is XENI. Santander Central Hispano Investment S.A. performs as linking entity and Banco Santander performs as custodian bank in Chile.

In Latibex, during 2002, 3,775,758 titles were traded (1 title = 50 shares), equivalent to 25 million Euros. The price of the share closed at 3.92 Euros.

## ***DIVIDEND POLICY FOR THE YEAR 2003***

All present members of the Board of Directors unanimously agreed to submit to the Enersis Ordinary Shareholders' Meeting, scheduled for March 31, 2003, the following Dividend Policy they expect to enforce during the period 2003:

Distribute in May, August and November of the year 2003, and in February 2004, an interim dividend to be charged to the net income of the year 2003, amounting to 85% of the income before

amortization of negative goodwill from normal operations in the quarters ending in March, June, September and December of such fiscal year. For purposes of the above calculation, the interim dividends for the year 2003 already distributed on such distribution date will be deducted from the 85% of the cumulative income before amortization of negative goodwill.

Dividends established in pursuance of this policy will be applied to the income originated from normal company operations, understanding as such the income before amortization of negative goodwill obtained by the Company in the period 2003, without considering those resulting from the following events:

1. Accounting effects deriving from the valuation of equity contributions made to subsidiary companies.
2. Accounting effects deriving from the recognition of the premium in equity placement by subsidiaries of their own stock.
3. Profits arising, directly or indirectly, from participation in related companies organized in Chile or abroad.
4. Profits generated by subsidiary companies organized abroad or by subsidiary companies in which the participation of the Company, either directly or indirectly, is less than 60% of the capital stock of those companies, as well as profits deriving from the disposal of assets in such companies.
5. Accounting recognition of positive and negative goodwill associated with such investments.

# Control

The Board of Directors shall not distribute interim dividends based on the income before amortization of negative goodwill that arise from the above events and the Ordinary Shareholders' Meeting shall state their view thereon when approving the final dividend.

The foregoing is the intention of the Board of Directors of the Company and, consequently, its fulfillment will be subject to the income before amortization of negative goodwill as well as to the results reflected in the projections that the

Company makes from time to time, or to the existence of given conditions.

As for the final dividend policy, it is the purpose of the Board of Directors that such dividends are as a minimum the interim dividends already distributed or the minimum stated by the Chilean Law on Stock Companies, whichever of the two is higher.

The following table shows the dividends per share paid out over the last five years.

| Dividend Number | Dividend Type | Closing Date | Due Date | Ch\$ per Share (\$ of each year) | Accrued in |
|-----------------|---------------|--------------|----------|----------------------------------|------------|
| 67              | Interim       | 20.02.98     | 26.02.98 | 0.800000                         | 1997       |
| 68              | Definitive    | 07.05.98     | 13.05.98 | 4.500000                         | 1997       |
| 69              | Interim       | 20.11.98     | 26.11.98 | 1.600000                         | 1998       |
| 70              | Definitive    | 11.05.99     | 17.05.99 | 4.000000                         | 1998       |
| 71              | Definitive    | 19.04.01     | 25.04.01 | 1.806391                         | 2000       |

## **DISTRIBUTABLE PROFITS** (in thousands of Ch\$ to December 2002)

|   |               |
|---|---------------|
| Profits of the period                                       | (223,748,087) |
| Negative goodwill amortization                              | 112,247,774   |
| Income before amortization of negative goodwill             | (335,995,861) |
| Percentage on distributable profits distributed as dividend | 0%            |

## **SYNTHESIS OF SHAREHOLDERS' COMMENTS AND PROPOSALS**

No comments were submitted to Enersis regarding businesses carried out from January 1st to December 31st, 2002, either from senior partners or groups of shareholders that total 10% or more of the shares issued with voting right, pursuant to the provisions of Article 74 of Law No. 18,046 and the Articles 82 and 83 of the Regulation of the Law on Stock Companies.

# Board of Directors



**CHAIRMAN**  
**Pablo Yrarrázaval**  
Tax register number:  
5.710.967-K  
Chairman of the Santiago de  
Chile Stock Exchange



**VICECHAIRMAN**  
**Rafael Miranda**  
Tax register number:  
48.070.966-7  
Profession:  
Industrial Engineer  
Instituto Católico de Artes e  
Industrias (ICAI) de Madrid



**DIRECTOR**  
**José L. Palomo**  
Tax register number:  
51.316.595-F  
Profession: B.S. in Economic  
and Business Sciences, in Law  
and in Sociology  
Universidad de Madrid

## Board of Directors

Enersis is managed by a Board of Directors made up by seven members who serve a three-year term and may be reelected.

The Board of Directors was elected in the Ordinary Shareholders' Meeting on April 2, 2001.

On July 26, 2002, due to the resignation of the Directors Mr. Alfredo Llorente and Mr. Luis Rivera, the Board of Directors agreed to appoint Mr. Pablo Yrarrázaval as Director and Chairman of the Board, and Mr. José L. Palomo as Director.

### **REMUNERATION OF THE BOARD OF DIRECTORS**

Pursuant to the provisions of Article 33, Law No. 18,046 on Joint Stock Companies, the Ordinary Shareholders' Meeting held on April 11, 2002, agreed upon the remuneration that corresponds to the Board of Directors for the accounting period 2002.

Details on amounts paid to the Directors of Enersis members of the Committee of Directors, and to those who were Directors of this Company and performed as subsidiary directors as well, are shown below:



# Directors



**DIRECTOR**  
**José M. Fesser**  
 Tax register number:  
 48.064.839-0  
 Profession: Lawyer  
 Universidad de Sevilla



**DIRECTOR**  
**Ernesto Silva**  
 Tax register number:  
 5.126.588-2  
 Profession: Commercial Engineer  
 Pontificia Universidad  
 Católica de Chile



**DIRECTOR**  
**Hernán Somerville**  
 Tax register number:  
 4.132.185-7  
 Profession: Lawyer  
 Universidad de Chile



**DIRECTOR**  
**Eugenio Tironi**  
 Tax register number:  
 5.715.860-3  
 Profession: Sociologist  
 School of High Studies in Social  
 Sciences, Paris, France

**SECRETARY OF THE  
 BOARD OF DIRECTORS:**  
**Domingo Valdés**  
 Tax register number:  
 6.973.465-0  
 Profession: Lawyer  
 Universidad de Chile

| DIRECTOR          | At December 31, 2002,<br>ThCh\$ |                      |                | At December 31, 2001,<br>ThCh\$ |                      |                  |                |
|-------------------|---------------------------------|----------------------|----------------|---------------------------------|----------------------|------------------|----------------|
|                   | ENERSIS<br>BOARD                | ENERSIS<br>COMMITTEE | TOTAL          | ENERSIS<br>BOARD                | ENERSIS<br>COMMITTEE | OTHER<br>SUBSID. | TOTAL          |
| Alfredo Llorente  | 28,406                          | 1,180                | 29,586         | 49,323                          | 2,340                | -                | 51,663         |
| Pablo Yrarrázaval | 22,814                          | 2,411                | 25,225         | -                               | -                    | -                | -              |
| Rafael Miranda    | 37,524                          | -                    | 37,524         | 35,183                          | -                    | -                | 35,183         |
| Luis Rivera       | 13,019                          | -                    | 13,019         | 24,006                          | -                    | -                | 24,006         |
| José L. Palomo    | 11,407                          | -                    | 11,407         | -                               | -                    | -                | -              |
| José M. Fesser    | 24,406                          | -                    | 24,406         | 24,597                          | -                    | -                | 24,597         |
| Ernesto Silva     | 25,015                          | 3,591                | 28,606         | 24,601                          | 2,332                | 8,539            | 35,472         |
| Hernán Somerville | 25,015                          | 3,591                | 28,606         | 24,601                          | 2,332                | -                | 26,933         |
| Eugenio Tironi    | 24,413                          | -                    | 24,413         | 24,599                          | -                    | -                | 24,599         |
| <b>TOTAL</b>      | <b>212,019</b>                  | <b>10,773</b>        | <b>222,792</b> | <b>206,910</b>                  | <b>7,004</b>         | <b>8,539</b>     | <b>222,453</b> |

## BOARD OF DIRECTORS' EXPENSES

During 2002, the Board of Directors did not make use of the budget for functioning expenses approved by the Ordinary Shareholders' Meeting held on April 2002.

# Board of Directors

## **COMMITTEE OF DIRECTORS**

Pursuant to the provisions of Article 50 bis of Law No. 19,705, Enersis has a Committee of Directors made up of three members, with the powers and duties provided in such article.

On July 27, 2002, the Board of Directors of the Company appointed Pablo Yrarrázaval, Hernán Somerville and Ernesto Silva as members of the Committee of Directors of Enersis. In turn, in its Meeting No. 03/2002 on July 31 of that year, all present members of the Board of Directors unanimously agreed to appoint Pablo Yrarrázaval as Chairman of the Committee and Domingo Valdés as Secretary of the same Committee.

## **ACTIVITIES OF THE COMMITTEE DURING 2002**

In its first session of the period, on February 26, 2002, the Committee of Directors examined the External auditors' report regarding the Balance Sheet and the Financial Statements corresponding to the accounting period 2001, and the examination of the External auditors' report on bank draft and money brokerage.

In the aforementioned session and for the fiscal year 2002, the Committee of Directors proposed to the Board of Directors as follows: Arthur Andersen-Langton Clarke as External auditors, Feller Rate and Fitch Chile as domestic risk

rating private companies and Fitch, Moody's and Standard & Poor's as international risk rating private companies, proposals that were accepted by such Board, with the exception of the independent External auditors for reasons well-known to the public, being replaced by Deloitte & Touche.

The Committee of Directors quarterly analyzed and approved the Individual and Consolidated Statements of the Company; examined the antecedents of the operations referred to by Articles 44 and 89 of Law 18,046 on Stock Companies; issued reports on such subject matters; and examined the remuneration systems and compensation plans for managers and main executive officers as well.

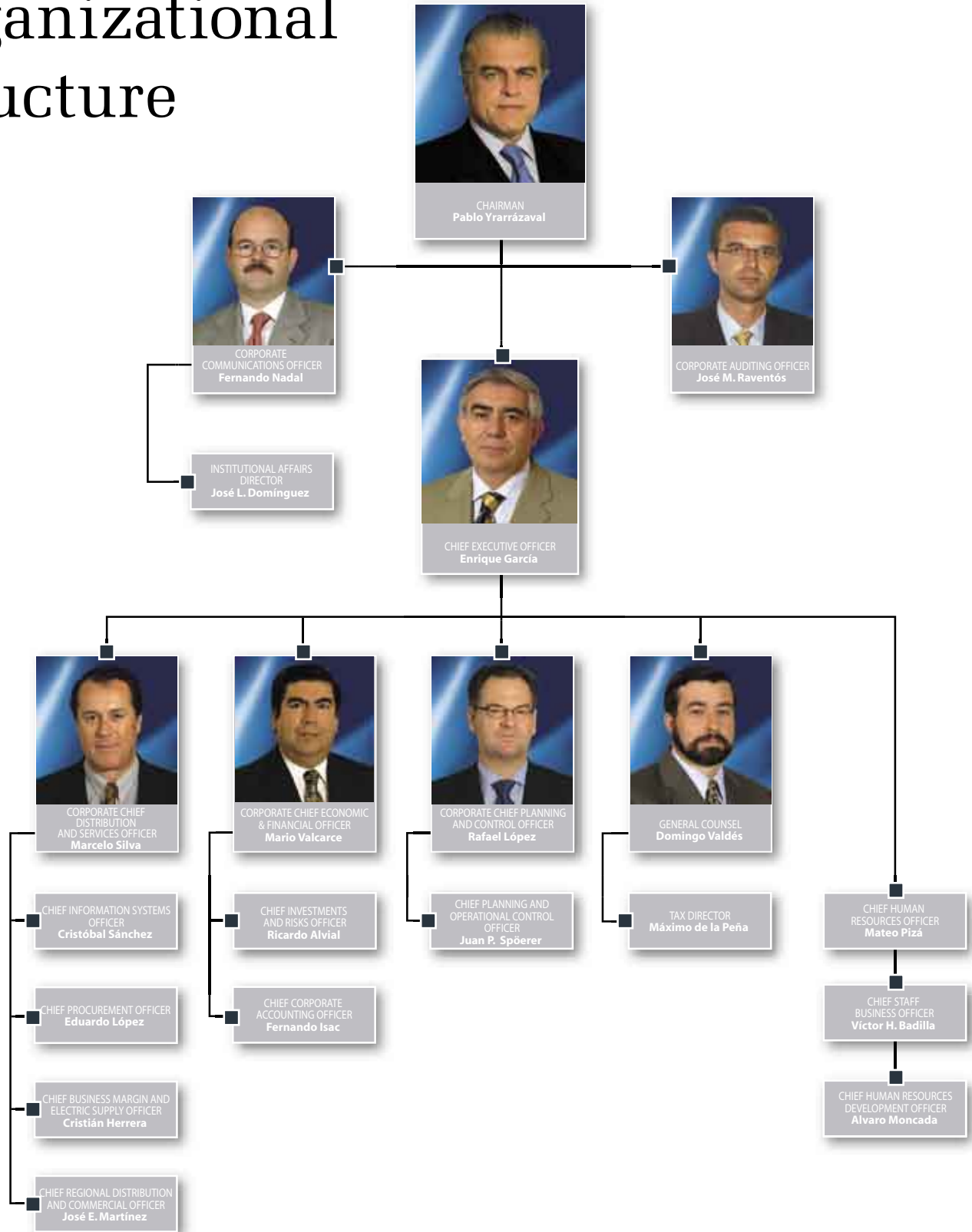
As a conclusion, during the fiscal year 2002, Enersis's Committee of Directors not only has properly dealt with the issues provided in Article 50 bis of Law 18,046 on Stock Companies, but has also conducted a prompt follow-up of the economic-financial situation of the Company.

## **EXPENSES OF THE COMMITTEE**

During 2002, the Committee of Directors did not make use of the budget for functioning expenses approved by the Ordinary Shareholders' Meeting held on April 2002. Additionally, the Committee has not required to hire professional consultants to perform its functions.

# Organizational Structure

## Organizational Structure



# Management

## Management

### MANAGEMENT OF ENERSIS

#### CHIEF EXECUTIVE OFFICER:

**Enrique García**  
Tax register number:  
14.704.156-K  
Profession: Civil Engineer  
(Infrastructure)  
Escuela Técnica Superior de  
ICCP de Madrid

#### CORPORATE CHIEF DISTRIBUTION AND SERVICES OFFICER:

**Marcelo Silva**  
Tax register number:  
5.056.359-6  
Profession: Commercial Engineer  
Universidad de Chile

#### CORPORATE CHIEF ECONOMIC & FINANCIAL OFFICER:

**Mario Valcarce**  
Tax register number:  
5.850.972-8  
Profession: Commercial Engineer  
Universidad  
Católica de Valparaíso

#### CORPORATE CHIEF PLANNING AND CONTROL OFFICER:

**Rafael López**  
Tax register number:  
14.709.119-2  
Profession: B.S. in Economic  
and Business Sciences  
Universidad de Málaga

#### CORPORATE COMMUNICATIONS OFFICER:

**Fernando Nadal**  
Tax register number:  
14.683.859-6  
Profession: Journalist and  
Lawyer  
Universidad Alcalá de Henares  
de Madrid

#### CORPORATE AUDITING OFFICER:

**José M. Raventós**  
Tax register number:  
14.743.221-6  
Profession: B.S. in Economic  
and Business Sciences  
Universidad de Sevilla

#### GENERAL COUNSEL: **Domingo Valdés**

Tax register number:  
6.973.465-0  
Profession: Lawyer  
Universidad de Chile

#### CHIEF INVESTMENTS AND RISKS OFFICER:

**Ricardo Alvia**  
Tax register number:  
7.330.389-3  
Profession: Public Administrator  
Universidad de Chile

#### CHIEF CORPORATE ACCOUNTING OFFICER:

**Fernando Isac**  
Tax register number:  
14.733.649-7  
Profession: Economist  
Universidad de Zaragoza

#### INSTITUTIONAL AFFAIRS DIRECTOR:

**José L. Domínguez**  
Tax register number:  
6.372.293-6  
Profession: Civil Engineer  
Pontificia Universidad  
Católica de Chile

#### CHIEF INFORMATION SYSTEMS OFFICER:

**Cristóbal Sánchez**  
Tax register number:  
48.072.431-3  
Profession: B.S. Information  
Systems  
Universidad Politécnica  
de Madrid

#### CHIEF PROCUREMENT OFFICER:

**Eduardo López**  
Tax register number:  
7.706.387-0  
Profession: Commercial Engineer  
Universidad Católica  
de Valparaíso

#### CHIEF BUSINESS MARGIN AND ELECTRIC SUPPLY OFFICER:

**Cristián Herrera**  
Tax register number:  
10.545.763-4  
Profession: Industrial Civil  
Engineer  
Pontificia Universidad  
Católica de Chile

#### CHIEF REGIONAL DISTRIBUTION AND COMMERCIAL OFFICER:

**José E. Martínez**  
Tax register number:  
37.314.692-K  
Profession: Telecommunications  
Engineer  
Universidad Politécnica  
de Catalunya

#### CHIEF PLANNING AND OPERATIONAL CONTROL OFFICER:

**Juan P. Spöerer**  
Tax register number:  
10.877.023-6  
Profession: Commercial Engineer  
Pontificia Universidad  
Católica de Chile

#### TAX DIRECTOR:

**Máximo de la Peña**  
Tax register number:  
5.897.849-3  
Profession: Lawyer  
Universidad de Chile

#### CHIEF HUMAN RESOURCES OFFICER:

**Mateo Pizá**  
Tax register number:  
14.756.238-1  
Profession: Senior Industrial  
Engineer  
Escuela Técnica Superior de  
Ingenieros Industriales de  
Barcelona

#### CHIEF STAFF BUSINESS OFFICER:

**Víctor H. Badilla**  
Tax register number:  
7.284.550-1  
Profession: Psychologist B.S. in  
Psychology  
Pontificia Universidad  
Católica de Chile

#### CHIEF HUMAN RESOURCES DEVELOPMENT OFFICER:

**Álvaro Moncada**  
Tax register number:  
8.074.284-3  
Profession: Commercial Engineer  
Universidad de Concepción

# Management



## MANAGEMENT OF SUBSIDIARIES

CHIEF EXECUTIVE OFFICER  
ENDESA CHILE:  
**Héctor López**  
Tax register number:  
48.062.402-5  
Profession: B.S. in Law and  
Economic Sciences  
ICADE de Madrid

CHIEF EXECUTIVE OFFICER  
CHILECTRA:  
**Julio Valenzuela**  
Tax register number:  
4.469.173-6  
Profession: Civil Engineer  
(Electric)  
Pontificia Universidad  
Católica de Chile

CHIEF EXECUTIVE OFFICER  
RÍO MAIPO:  
**Alejandro Gómez**  
Tax register number:  
6.975.457-0  
Profession: Civil Engineer  
Universidad de Chile

CHIEF EXECUTIVE OFFICER  
EDESUR:  
**José M. Hidalgo**  
Spanish Passport:  
10.0120778 G  
Profession: B.S. in Economic  
and Business Sciences  
Universidad de Santiago  
de Compostela

CHIEF EXECUTIVE OFFICER  
EDELNOR:  
**Emilio García**  
Tax register number:  
NIF 71.249.480-B  
Profession: Industrial Engineer  
Escuela Técnica Superior de  
Ingenieros Industriales de Bilbao

CHIEF EXECUTIVE OFFICER  
CERJ:  
**Manuel Montero**  
Tax register number:  
NIF 30.785.023-Y  
Profession: Industrial Engineer  
Escuela Técnica  
Superior de Ingenieros  
Industriales de Madrid

CHIEF EXECUTIVE OFFICER  
COELCE:  
**Celestino Izquierdo**  
Tax register number:  
NIF 05.872.282-Z  
Profession: Industrial Engineer  
Universidad Politécnica de  
Madrid

CHIEF EXECUTIVE OFFICER  
CODENSA:  
**José M. Martínez**  
Tax register number:  
36.547.347-W  
Profession: Senior Industrial  
Engineer  
Escuela de Barcelona

CHIEF EXECUTIVE OFFICER  
SYNAPSIS SOLUCIONES  
Y SERVICIOS IT LTDA.:  
**Victor H. Muñoz**  
Tax register number:  
7.479.024-0  
Profession: Civil Engineer  
Universidad Federico Santa  
María de Valparaíso

CHIEF EXECUTIVE OFFICER  
COMPANÍA AMERICANA  
DE MULTISERVICIOS:  
**Pantaleón Calvo**  
Tax register number:  
6.611.573-9  
Profession: Civil Engineer  
Universidad de Chile

CHIEF EXECUTIVE OFFICER  
INMOBILIARIA  
MANSO DE VELASCO:  
**Andrés Salas**  
Tax register number:  
6.002.870-2  
Profession: Civil Engineer  
Universidad de Chile

## REMUNERATION OF CHIEF OFFICERS

The total remuneration obtained by the  
aforementioned Enersis' managers, during the  
year 2002, amounts to Ch\$ 2,453 million. This  
amount includes the remuneration of the existing  
officers at December 31, 2002, as well as those of  
the officers who disassociated along the period.

## INCENTIVE PLANS

Enersis has a yearly bonus plan for its executives  
for goal achievement and individual contribution  
level to the Company's results. This plan includes  
a definition of bonus ranges in accordance with  
its executives' hierarchical level. The bonuses that  
are occasionally given to the executives consist of  
a given number of monthly gross remuneration.

## COMPENSATIONS

Compensations paid during 2002 add up to  
Ch\$ 321 million. This amount corresponds to  
aforementioned managers who disassociated  
along the fiscal year 2002.

# Management

## ***DISTRIBUTION OF HUMAN RESOURCES***

The distribution of human resources of Enersis, in its subsidiaries, to December 31, 2002, was as follows:

| COMPANY               | TOP EXECUTIVES | PROFESSIONALS AND TECHNICIANS | ADMINISTRATIVE STAFF | TOTAL         |
|-----------------------|----------------|-------------------------------|----------------------|---------------|
| Enersis               | 31             | 106                           | 105                  | 242           |
| Endesa Chile (1)      | 58             | 1,658                         | 221                  | 1,937         |
| Chilectra (2)         | 22             | 487                           | 211                  | 720           |
| Río Maipo             | 1              | 53                            | 22                   | 76            |
| Edesur                | 32             | 1,611                         | 608                  | 2,251         |
| Edelnor               | 14             | 357                           | 194                  | 565           |
| Cerj                  | 34             | 874                           | 543                  | 1,451         |
| Codensa               | 19             | 726                           | 57                   | 802           |
| Coelce                | 25             | 538                           | 838                  | 1,401         |
| Synapsis (3)          | 15             | 659                           | 52                   | 726           |
| Cam (4)               | 6              | 569                           | 219                  | 794           |
| Inm. Manso de Velasco | 4              | 12                            | 13                   | 29            |
| <b>TOTAL</b>          | <b>261</b>     | <b>7,650</b>                  | <b>3,083</b>         | <b>10,994</b> |

(1) Includes: *Endesa Chile, Ingendesa, Pangué, Pehuenche, Celta, San Isidro, Central Costanera, El Chocón, Edegel, Emgesa, Betania, Cachoeira Dourada, Infraestructura 2000, Autopista Los Libertadores, Autopista del Sol, Túnel El Melón.*

(2) Includes: *Empresa Eléctrica de Colina*

(3) Includes: *Synapsis Chile, Synapsis Argentina, Synapsis Colombia, Synapsis Brazil, Synapsis Perú*

(4) Includes: *Cam Chile, Cam Argentina, Cam Brazil, Cam Colombia, Cam Perú*

This year, the rearrangement in the use of the physical facilities of the Group in Chile continued with Enersis moving to its new corporate building located at Santa Rosa No. 76, Santiago. Thus, the regional heads of the business lines of the Group are now present and operate in the same building.

The Contractor Management model for Latin America was defined. Its diffusion to the companies of the Group in Latin America and

the follow-up regarding the establishment of the model in said companies began in August. Additionally, together with the Regional Distribution Business Line, we generated bases for bids for distribution services, in the matters of human resources and safety at work, according to this new model.

In September 2002, the human resources system named Meta4 E-Mind Nómina (a world-class technology product) came into operation. This system encompassed all the companies of the Group in Chile, and permitted a homologation of the different systems that were used up to that date.

Another relevant fact relates to the continuation of the training of the region's executive officers in an integration and development program in Spain, allowing them to share a wider and global vision of business, as well as to work on management skills that are essential to improve the management potential of this group. The training program is the only corporate activity that gathers executive officers from different countries, cultures, education and business lines under the same umbrella, which results in a higher commitment with the present and future Group's company project.

Likewise, the training plans carried out for workers (professional and administrative), which had been carried out in 2001, continued during 2002. They were aimed at consolidating corporate values and the achievement of the Group's strategic objectives, totaling 11,974 hours/man.

# Activities

## Activities

### ***CULTURAL ACTIVITIES***

Enersis has reaffirmed its commitment to the community, with a strong bet on education and culture as an integration channel and a real contribution to society. In August 2002, the sustained effort on cultural activities made by Enersis during the last years was rewarded by Corporación Amigos del Arte, a Chilean institution, with the Great Prize “Ernesto Pinto Lagarrigue” in recognition for the Company’s permanent support to the cultural development

in Chile. In the words of Corporación Amigos del Arte, this distinction was awarded to Enersis as a token of appreciation to the Company which “through time has sustained a policy of cooperation with the public that has undoubtedly favored our national artists as well as a massive audience, always grateful for every possibility to know and admire the various aspects of each exhibitor.”

The prestigious award obtained was a confirmation to Enersis that it is doing a very good job with the activities which, year after year, it has been conducting in the cultural area. During 2002, these activities can be summarized as follows:

### ***II Latin American Painting Contest***

For the third consecutive year, Enersis called for painters to create. This initiative, which began in the year 2000 as a contest for Chilean painters, continued in 2001 with a Latin American exhibition. Due to the great success of this contest, during the second semester of 2002,



# Activities



Enersis organized the II Latin American Painting Contest, “Power and the World”, with a select group of 25 outstanding artists from Argentina, Brazil, Chile, Colombia and Perú.

The topmost event was the opening ceremony for the exhibition of all the works participating in the contest, which took place at the end of October in the Museo de Artes Visuales de Santiago. During that ceremony, prizes were awarded for the best works by a jury presided by the Director of the National Museum of Fine Arts. The winner was the Brazilian artist Abraham Palatnik, who received a prize of US\$ 15,000. The second and third awards were granted to the Colombian artists Santiago Cárdenas and María Cristina Cortés, respectively.

## ***Churches Lighting Agreement***

The agreement between Enersis and Endesa-España Foundation, together with the subsidiaries Chilectra and Endesa Chile, and the Chilean Bishops’ Assembly for the lighting of cathedrals, churches and religious temples in Chile, involving a total amount of US\$ 1.2 million in five years, materialized in seven projects during the year. During 2002, modern lighting was installed in the following churches: Sagrado Corazón de Jesús Church in Puerto Varas, St. Joseph’s Church in La Unión, Metropolitan Cathedral of Santiago, Votive Temple of Maipú, Cathedral of Valparaíso, Corazón de María Basilica in Antofagasta, and Cathedral of Copiapó. These projects are added to those carried out in 2001, totalling eleven churches with brand new lighting.

## ***International Book Fair***

For the eleventh consecutive year, Enersis sponsored the International Book Fair of Santiago, a meeting of literature and culture, which year to year gathers more than 200,000 visitors at





# Activities



the Centro Cultural de la Estación Mapocho. In addition to its role as sponsor, the Company organized a daily contest between the attendants, raffling ten libraries including books valued at half a million Chilean pesos.

### ***Energy Information Center***

The Company has played an important role in communicating information on electric energy to children and youngsters, according to the guidelines defined by the Ministry of Education. During 2002, the Energy Information Center was visited by about 7,000 students aged 5-18, who were able to learn about how electricity is produced and how it is distributed.

### ***Other initiatives***

In 2001, together with its subsidiary Chilectra, the Company began to recover the Photographic Archive, which became the starting point for the book "Lights of Modernity". This represented a

significant step in the recovery of the historical patrimony of the city of Santiago. During 2002, the photographic pieces continued to be restored and catalogued. There are approximately 20,000 pieces, including glass plates, acetates and positives. The travelling exhibition with a selection of 60 images has already been presented in Antofagasta, Copiapó and Santiago.

Enersis also took part in the donation of libraries to rural public schools for poor children, the sponsoring for the literary (story) contest organized by SOFOFA and the Architecture Biennial Exhibition, as well as seminars and meetings of the energy sector. Also in the social area, Enersis contributed to the campaign for providing a roof to the homeless, named "Un Techo para Chile", together with its subsidiaries Endesa Chile and Chilectra.



# Activities



## ***FINANCIAL ACTIVITIES***

As of December 31, 2002 the consolidated leverage ratio is 1.5 times.

Changes in the indebtedness of the Company occurred during 2002 were essentially oriented to reschedule the existing debt to improve its conditions.

In this sense, during 2002, Enersis subscribed the following credits, directly and through its Agency in Cayman Islands:

August: Citibank for US\$ 25 million

November: BBVA Bank for US\$ 48 million

With the resources from these funding, prepayments of the bilateral credits were made. These were taken within the framework defined by the so called Genesis Project in 1999.

As for amendments to credit agreements, the credits with Elesur for approximately UF 60 million and the bilateral credits with ABN Bank for US\$ 100 million and with the Bank of Tokyo for US\$ 50 million were extended along the year.

## Business Activities

### *HISTORICAL EXPANSION*

Enersis is the largest private electrical Group in Latin America. This has been achieved through a stable and balanced growth in its business activities in electric energy, generation and distribution, as well as in businesses related to these activities.

The electric energy distribution business has been performed jointly with its subsidiary Chilectra S.A., a company whose main aim is the distribution of electric energy in the Metropolitan Region and abroad. It also participates in the distribution and sale of electric energy together with its subsidiary, Compañía Eléctrica del Río Maipo S.A., in the areas surrounding those served by Chilectra.

Through its subsidiary Empresa Nacional de Electricidad S.A. (Endesa Chile), it has been materializing its investments in the generation of electric energy in the country and abroad.

Additionally, Enersis is present in business areas complementary to its main activities, through the ownership of a majority stake in the following companies:

### *Synapsis Soluciones y Servicios IT Ltda.*

Aimed at providing services and equipment related to computing and data processing.

### *Inmobiliaria Manso de Velasco Ltda.*

In the real estate business, committed to the integral development of real estate projects, and to the management, leasing, purchasing and sales of real estate owned by Enersis and its subsidiaries in Chile.

### *Compañía Americana de Multiservicios Ltda.*

Whose areas of action are related to commercial and other operations in networks for public service companies, preferably in measuring systems for utilities, and as a purchase agent, an importer and exporter, and also as a merchandiser and materials supplier for the subsidiary companies of Enersis and third parties.

### *INTERNATIONAL DEVELOPMENT*

Enersis started its process of expansion to other countries during 1992, by participating in various privatization processes in the neighboring countries of Latin America, thus developing a significant presence in the electric sectors of Argentina, Perú, Colombia, and Brazil.

In July of 1992, Edesur, a company that distributes electric energy to the city of Buenos Aires, Argentina, was adjudicated to Distrielec Inversora S.A., a company in which Enersis participates. Afterwards, in December, 1995, Enersis purchased an additional 39% of that company, becoming its controller since then.

# Business Activities



Between July 1994 and December 1995, Enersis, through the company Inversiones Distrilima S.A. purchased 60% of the stock capital of the Empresa de Distribución Eléctrica de Lima Norte S.A. (Edelnor) in Perú. In that same year, it purchased Edechancay.

In 1996, Enersis entered into the Brazilian market for the first time, jointly purchasing with other partners an important part of the stock of the Companhia de Eletricidade do Rio de Janeiro (Cerj) which distributes electric energy in the city of Rio de Janeiro, Brazil.

In 1997, Enersis successfully participated through a consortium in the process of capitalization and subsequent control of Codensa S.A. ESP, a company that distributes electricity in the city of Bogotá and the district of Cundinamarca, Colombia.

At the beginning of 1998, Enersis participated in the Brazilian market once again. This time, through a consortium which acquired control of Companhia Energética de Ceará S.A. (Coelce), a company that distributes electricity in Northern Brazil, in the State of Ceará.

During 1999, Endesa España became the controlling stockholder of Enersis. Through a Tender Offer (OAA), in which it offered Ch\$ 320 per share, the Spanish multinational company bought another 32% of Enersis which, added to the 32% it had acquired in August 1997, increased Endesa España's final stake in the ownership of Enersis to 64%. The transaction, ended on April 7, 1999, involved an investment of US\$ 1,450 million.

On May 11, 1999, Enersis acquired an additional 35% interest in the ownership of Endesa Chile, where it already held a 25% of the capital stock. Consequently, Enersis attained an approximately 60% share in the ownership of the generation company and became its parent company, allowing Enersis to consolidate itself as one of the largest private electricity Groups in Latin America.

Important operations were carried out during 2000, which may be summarized as follows: the Company's equity increased by US\$ 520 million. Furthermore, proceeds of US\$ 1,400 million were received as a result of the sale of our subsidiaries Transelec, Esval, Aguas Cordillera and some real



# Business Activities

estate divestments, within the strategic scope provided for in the Genesis Project.

Important investments were made during 2001: US\$ 364 million to increase the company's stake in the capital stock of Chilectra; US\$ 150 million in the purchasing of Edesur's capital stock by 10%, in Argentina, which was owned by the company workers; US\$ 132 million to increase the participation in the Brazilian company Cerj; and US\$ 23 million to increase the participation of Enersis in Río Maipo by 15%.

## **GROWTH AND DEVELOPMENT**

Enersis' main objective is to maximize the economic value of its equity, through stable growth founded on electric businesses rigorously evaluated and managed. The attainment of this objective is sustained by an investment strategy, focused on increasing the value of the subsidiaries and related companies, and the purchasing of new companies.

A key factor of this strategy involves making investments that significantly call for the experience, management skills and operating capabilities of Enersis and its subsidiaries. Such requirement makes it necessary to invest in companies in which Enersis has a final decision on their management and operation, and the power to approve or reject its investment projects.

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

The above mentioned factors enable Enersis to make investments that contribute to the growth of profits, with an adequate weighting of risks deriving from its business activities.

## **INVESTMENTS AND DIVESTMENTS**

### **Chile**

Chile's most important investment during 2002 was the continuation of the building of Ralco hydroelectric power station, which is being developed by the Endesa Chile subsidiary. During 2002, US\$ 119 million were invested in the building of the power station and a physical progress of 74% was achieved by the end of the year.

Within the Genesis Project, Enersis obtained US\$ 13 million for the disposal of real estate property, industrial lots and macrolots of various real estate projects of Inmobiliaria Manso de Velasco.

### **Brazil**

During 2002, Enersis strengthened the financial situation of Companhia de Eletricidade do Rio de Janeiro (Cerj) by converting into capital US\$ 100 million in convertible bonds, and by a capital increase of additional US\$ 100 million, in progress.

Pursuant to the strategic objective of increasing the presence in Brazil, particularly in the generation sector, Enersis jointly with Endesa S.A. proceeded with the construction of the Fortaleza Thermoelectric Power Station in the state of Ceará. During 2002, Enersis made an equity contribution of US\$ 21 million for the development of this power station, having an installed capacity of 310 MW and a foreseen

# Business Activities

investment of US\$ 203 million, which will supply the Coelce distributor as of 2004. In this manner, Coelce's electric supply is assured, in a market with one of the highest growth indexes in Brazil.

Also, the commercial operation of the second stage of the electric interconnection between Argentina and Brazil was launched. The first module of 550 MW began its operation in May, and the second module of additional 550 MW began in August, thus totaling a transmission capacity of 2,200 MW between both countries.

## **Perú**

During 2002, Enersis invested US\$ 1.6 million to increase its stake in the capital stock of Distrilima by 1.73%. Through this consortium, Enersis controls Edelnor.

## **PROSPECTS FOR THE YEAR 2003**

### **Chile**

During 2003, the financial strengthening plan for Enersis will be carried out, by increase of its own funds, disposal of assets and debt reduction. Besides, the consolidation process and the efficiency improvement, as set forth in the Genesis Project, will continue.

This plan involves increasing funds of its own by approximately US\$ 2,000 million. This capital increase will be open to all of Enersis' shareholders and can be materialized through money contributions and/or capitalization of shareholders' debts.

A part of the financing which Enersis has provided to its subsidiaries and related companies



# Business Activities

will be substituted by credits subscribed by these companies with third parties.

There are plans for the divestment of assets, by offering for sale Río Maipo distributing company, Manso de Velasco real estate company and several real estate properties owned by the Group.

Endesa Chile subsidiary will continue with the construction of Ralco hydroelectric power station, which is being developed at the Biobío river and which is expected to go into operation during 2004.

## **Brazil**

The development of Fortaleza's thermoelectric project and the management improvement in distributors Companhia de Eletricidade do Rio de Janeiro (Cerj) and Companhia Energética do Ceará will continue.

## **Colombia**

It is expected that Codensa will maintain its performance in the areas of loss decrease and quality service improvement, keeping customers' orientation and profitability as the objectives of future management.

## **INVESTMENT AND FINANCING POLICY OF THE YEAR 2002**

The Ordinary Shareholders' Meeting, held on April 11, 2002, approved the Investment and Financing Policy as follows:

### **1. INVESTMENTS**

#### **(a) Investment areas**

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



- Equity contributions for investment or creation of subsidiary or related companies, whose scope of business is similar, related or connected to energy in any of its forms or nature, or the provision of public services or that has energy as their main input.
- Investments consisting in the acquisition, exploitation, construction, rental, management, marketing and disposal of any kind of real estate, either directly or through subsidiary companies.
- Other investments in any kind of financial assets, titles and movable property.

#### **(b) Maximum investment limits**

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

# Business Activities



- i) Investments in its subsidiaries of the electric sector, as needed to enable such subsidiaries to attain their respective corporate purpose.
- ii) Investment in other subsidiary companies, such that the total of the proportions of the fixed assets corresponding to the participation in each one of these other subsidiary companies does not exceed the proportion of fixed assets corresponding to the participation in the subsidiaries of the electric sector and of Enersis S.A.
- iii) Other investments, such that the clean assets factor for accounting purposes of Enersis, calculated on the basis of the individual balance sheet represents, as a proportion of Enersis's assets, a same or higher percentage than that stipulated in the first paragraph of article 45 bis of Decree Law N 3,500, as long as this provision is in force.

### **(c) Controlling participation in investment areas**

In order to control areas of investment and pursuant to what is defined in the corporate purpose of the Enersis, actions as far as possible will be taken as follows:

- Propose to the Shareholders' Meetings of the subsidiary and related companies, the appointment of directors that correspond to

Enersis's participation in the ownership of such companies, with appointees originating preferably from the Board of Directors or the senior management of both the Company and its subsidiaries.

- Propose to the subsidiary companies the investment, financial and commercial policies, as well as the accounting systems and criteria, which they are to abide by.
- Supervise the management of the subsidiary and related companies.
- Maintain a permanent control of the borrowing limits and the clean assets factor for accounting purposes, in a manner such that the investments or equity contributions made or to be made do not involve a variation that departs from the parameters defining the maximum investment limits. Said control, in respect of the clean assets factor for accounting purposes, will be maintained as long as it remains in force.

## 2. FINANCING

### **(a) Maximum leverage level**

The maximum leverage level for Enersis will be based on a ratio of total debt to equity plus minority interest equal to 1.75 of the consolidated balance sheet.

### **(b) Authority of management to agree with creditors on restrictions to dividend distributions**

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



# Business Activities

**(c) Authority of management to agree with creditors on the granting of collateral**

The management of the Company has the authority to agree with creditors on granting real and personal collateral, in compliance with the law and the Company's by-laws.

**(d) Essential assets for the operation of the Company**

The shares of common stock that represent equity contributions made by Enersis S.A. to its subsidiaries Chilectra and Compañía Eléctrica del Río Maipo are essential assets for the operation of Enersis.

**RISK FACTORS**

Enersis is an investment company whose assets are properly diversified in five countries in the region, which provides it with a balanced corporate risk profile.

In the same manner, the financial flows of Enersis follow the same diversification, with the additional advantage that they correspond to generation, distribution and other related business, which grants a higher stability to the company's financial situation.

The above has been duly considered by domestic and international risk rating companies. Indeed, such companies acknowledge that, among other factors, one of the strengths of the Group lies in its balanced investment portfolio, which has allowed Enersis to keep a company classification of "Investment Grade", beyond the contingencies experienced by the region during the last years.

The international and national risk ratings assigned to Enersis to December 31, 2002 are as follows:

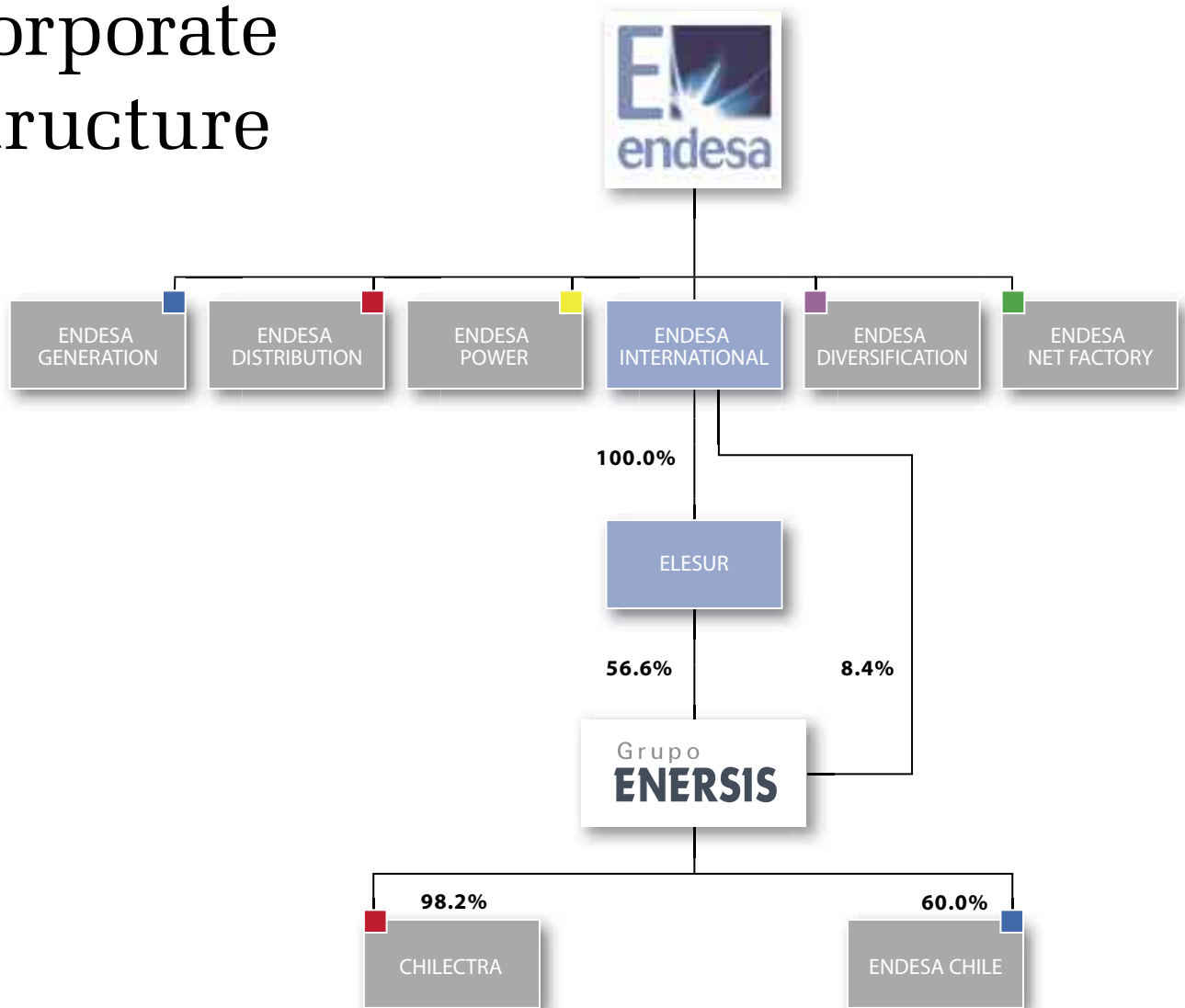
|                          | Fitch | Standard & Poor's | Moody's |
|--------------------------|-------|-------------------|---------|
| Debt in local currency   | BBB+  | BBB               | -       |
| Debt in foreign currency | BBB+  | BBB               | Baa3    |

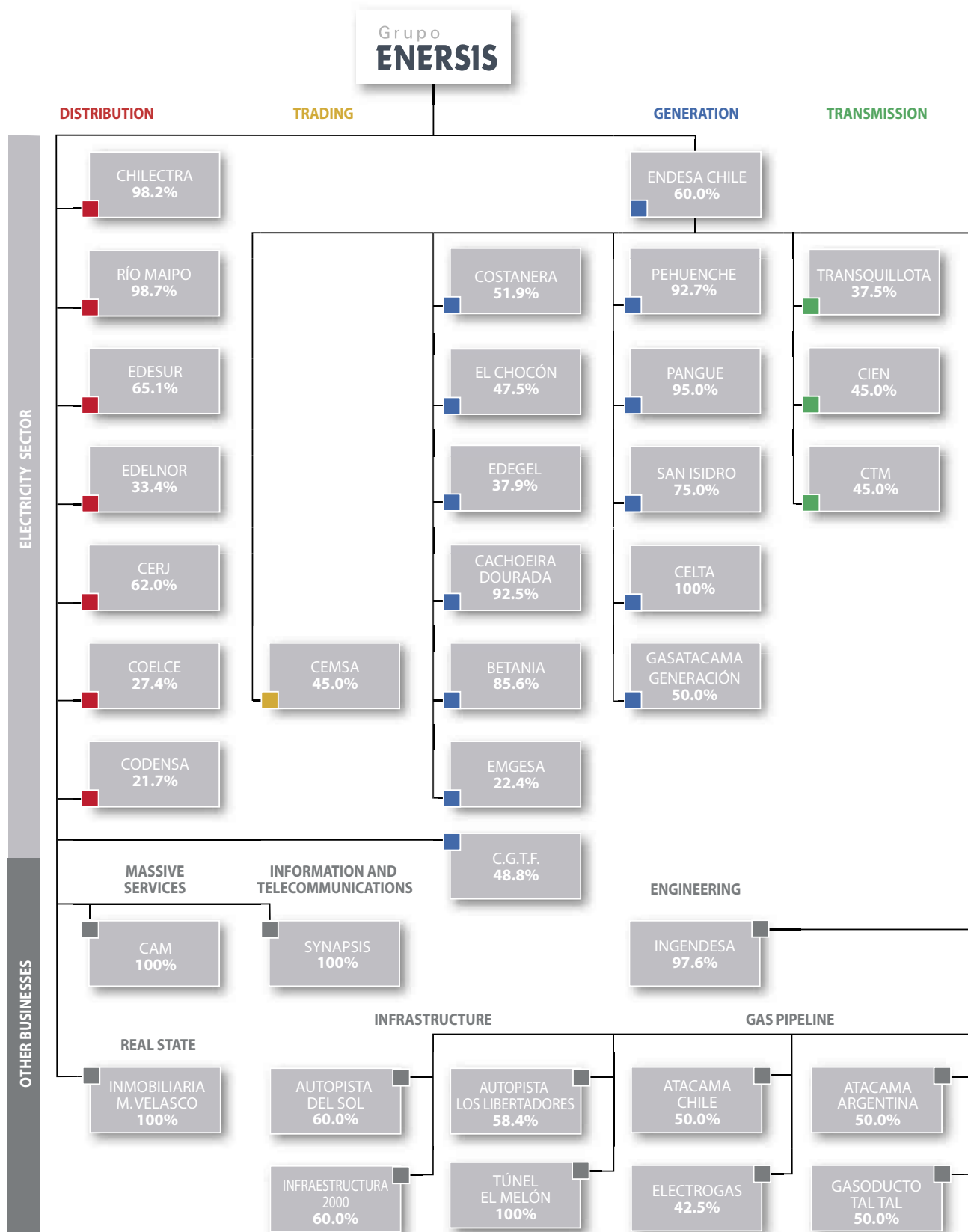
|        | Fitch               | Feller Rate         |
|--------|---------------------|---------------------|
| Shares | First Class Level 1 | First Class Level 1 |
| Bonds  | AA-                 | AA-                 |

The corporate strategy applied by the Group to contain the inherent risks to an investment company in the electric industry, has been to manage the company's assets with both prudence and responsibility. This policy can be observed during last year by the strengthening of cash, decrease of debts, improvement in the quality service index, concentration on primary activities and continuous monitoring of the economic and regulatory situation in each operating country.

A concrete measure within the global context of the Group's risk proactive handling was the creation, during 2001, of the Enersis Group Risk Committee, aimed at identifying the most diverse risks that could affect the company and propose, in due time, the contention measures needed. This Committee has elaborated a Group's risk map and it is operating under state-of-the-art techniques of Company Risk Management.

## Corporate Structure





# Generation





COLOMBIA  
2.732 MW

PERU  
1.003 MW

BRAZIL  
658 MW

ARGENTINA  
3.622 MW

CHILE  
3.935 MW

# Chile

## IDENTIFICATION OF THE COMPANY

Corporate name *Empresa Nacional de Electricidad S.A*

Type of company *Limited Liability Stock Company*

Tax register number *91.081.000-6*

Address *Santa Rosa N°76 Santiago, Chile*

Telephone *(56-2) 630 9000*

Fax *(56-2) 635 4720 (56-2) 635 3938*

Web site *www.endesa.cl*

E-mail *comunicacion@endesa.cl*

Securities register number *N°114*

External Auditors *Ernst & Young, Serv. Prof. de Auditoría Ltda.*

Subscribed and paid in capital *(ThCh\$) 1,009,510,570*

Corporate purpose *Generation and provision of electric energy, sale of consulting and engineering services within the country and abroad, and construction and exploitation of infrastructure works.*

# Endesa Chile

## COMPANY OWNERSHIP

Enersis, the main stockholder in Endesa Chile with 60% of the property, has channeled investment in the area of electric generation through this company. Its shareholders are:

|                  |        |
|------------------|--------|
| Enersis          | 60,0 % |
| ADR's            | 4,5 %  |
| AFP's            | 18,7 % |
| Retail Investors | 7,5 %  |
| Others           | 9,3 %  |

## OPERATIONAL ACTIVITY

The main activities carried out by Endesa Chile and its subsidiaries are related to the generation and commercialization of electric energy and, additionally, to the sales of consulting and engineering services in all specialties.

Endesa Chile is the main electric generation company in Chile and one of the country's largest companies. In Chile, it operates a total of 3,935 MW, representing 37.1% of the country's installed capacity. 73.7% of the installed capacity of Endesa Chile and its subsidiaries in Chile is hydraulic energy, and the rest is thermal energy.

Its annual generation added up to 16,286 GWh, and its energy sales amounted to 18,334 GWh, during 2002.

Endesa Chile participates in the Central Interconnected System (SIC), the main interconnected system in the country, covering an area that serves approximately 93% of the national population. Endesa Chile and its subsidiaries in the country have an installed capacity of 3,753 MW in this system, which represents approximately 53.6% of the SIC.

The company also participates in the Northern Interconnected System (SING), through its subsidiary Celta, and indirectly through the companies Gasoducto Atacama Chile Limitada and GasAtacama Generación Limitada, serving various mining companies and selling energy in the spot market. The installed capacity in this system is 182 MW, which represents 5.1% of the SING. When including GasAtacama Generación, where Endesa participates with a 50% ownership, the installed capacity in the SING totals 25.7%.

Endesa Chile has presence in Argentina, through Central Costanera S.A. and Hidroeléctrica El Chocón S.A., operating a total of 3,622 MW,

*Property Structure*  
**60%**

*BOARD OF DIRECTORS*  
*Chairman*  
**Luis Rivera**

*Vice-Chairman*  
**Antonio Pareja**

*Directors*  
**Rodolfo Martín**  
**Jaime Bauzá**  
**José M. Hidalgo**  
**Emilio García**  
**Andrés Regué**  
**Antonio Tuset**  
**Leonidas Vial**

*Officers*  
*Chief Executive Officer*  
**Héctor López**  
  
*Chief Communications Officer*  
**Rodolfo Nieto**

*Legal Counsel*  
**Carlos Martín**

*Chief Financial Officer*  
**Alfredo Ergas**

*Chief Human Resources Officer*  
**Juan C. Mundaca**

*Chief Planning and Control Officer*  
**Julio Valbuena**

*Chief Trading and Commercialization Officer*  
**José Venegas**

*Chief Energy Planning Officer*  
**Rafael Errázuriz**

*Chief Production and Transport Officer*  
**Rafael Mateo**

*Chief Generation Chile Officer*  
**Claudio Iglesias**

which represents 16% of the Argentinean Interconnected System's total, with an annual generation of 7,168 GWh and annual sales of 7,897 GWh.

In Brazil, it participates through Centrais Elétricas Cachoeira Dourada S.A., operating a total of 658 MW, representing approximately 1% of the installed capacity in that country, with an annual generation of 2,467 GWh and annual sales of 3,591 GWh. Likewise, through the interconnection line with Argentina operated by CIEN, 2,000 MW are added to said market, the energy and power being supported by the Argentinean subsidiary Central Costanera S.A.

In Perú, the company participates through Edegel, operating a total of 1,003 MW, representing 23% of the Peruvian system, with an annual generation of 4,279 GWh and annual sales amounting to 4,158 GWh.

Finally the company participates in Colombia, through Central Hidroeléctrica de Betania S.A. E.S.P. and the power generation company Emgesa, operating a total of 2,732 MW, representing 20% of the installed capacity in Colombia, with an annual generation of 10,616 GWh and annual sales adding up to 14,639 GWh.



## ***ELECTRIC PROJECTS***

The most important activities and projects along 2002 were:

# Chile

## ***CIEN, Energy Interconnection Argentina-Brazil***

On August 1, 2002, the fourth and last module of the converter station Garabí in Brazil began its commercial operation. This was the endpoint of an ambitious project, which has had to overcome a number of geographic and technical difficulties. Thus becoming not only a model from the technological point of view, but also the most important electric interconnection in Latin America and one of the most modern throughout the world.



The total investment for this project has amounted to over US\$ 700 million. With this investment

effort, the Group provides more than half the annual requirements of capacity in Brazil, an extraordinary figure compared to the participation of its companies in that market.

Finally, the CIEN project is totally in service, practically all its capacity being engaged in contracts. The contracts are for: 300 MW with Tractebel, 700 MW with Furnas, 800 MW with Copel and 200 MW with Cerj, totalling 2,000 MW. Additionally, in the short term, the company should supply to Coelce, energy purchased from Petrobrás (106 MW in 2003 and 54 MW in 2004).





### ***Ralco Project***

The Ralco project is located at the Alto Biobío area, about 120 km southeast of Los Angeles and 30 km upstream from the Pangué power station. The project involves the construction of various works which will constitute a dam power station. Its nominal power will be 570 MW and it will annually contribute an average generation of 3,100 GWh to the Interconnected Central System (ICS).

At December 2002, the physical progress of the works construction was 73.9%.

Regarding the environmental issues of the project, during 2002, Endesa Chile has successfully developed all the plans and programs engaged, and have achieved significant progress, both in what was offered in the environmental impact study and in what was imposed by the environmental evaluation decisions on the project.

### ***Ralco Power Station-SIC Joint***

This project includes the construction of a transmission line of 220 kV and 140 km two-circuit line, which will join the Ralco Hydroelectric Power Station and the Charrúa Substation, from which electricity will be delivered to the Central Interconnected System.

During 2002, the company continued to engage in agreements for rights of way with the property owners affected by the line. On the other hand, the proceedings for the electric concession have reached the final stage.

This project is being materialized by the Abengoa Chile S.A. company, under the modality that Endesa Chile pays an annual toll for 20 years, a term after which the transmission line will



become its property. During 2002, the contractor company made progress in the excavation, construction of foundations, mounting of structures and laying of the conductor. The starting on service is foreseen for the second semester of 2003.

### ***OTHER BUSINESSES***

Among other businesses, the Ingendesa company may be pointed out, which participated in important investment projects in Chile and Latin America, particularly in the areas of energy, infrastructure, mining, public works and telecommunications, through services rendered to the companies of the Group as well as to other non-related customers.

Additionally, Endesa Chile manages the companies Sociedad Concesionaria Túnel El Melón S.A. which operates on Ruta 5 Norte; Sociedad Concesionaria Autopista del Sol S.A. engaged in the design, construction and operation of the Santiago-San Antonio highway, and a new 24-km section in the urban area Santiago-Mallico; and Sociedad Concesionaria Autopista Los Libertadores, comprising the expansion and improvement of the General San Martín highway.

# Distribution





COLOMBIA  
1.910.737 Clientes

PERU  
871.430 Clientes

BRAZIL  
3.787.819 Clientes

ARGENTINA  
2.089.997 Clientes

CHILE  
1.620.981 Clientes

# Chile

## IDENTIFICATION OF THE COMPANY

Corporate name:  
**Chilectra S.A.**

Type of company:  
**Limited Liability Stock  
Company**

Tax register number:  
**96.524.320-8**

Address:  
**Santa Rosa N°76, Piso 8  
Santiago, Chile**

Telephone:  
**(56-2) 675 2000**

Fax:  
**(56-2) 675 2999**

P.O. Box:  
**1557, Santiago**

Web site:  
**www.chilectra.cl**

E-mail:  
**rpp@chilectra.cl**

Securities register number:  
**N°321**

External auditors:  
**Deloitte & Touche Sociedad de  
Auditores y Consultores Ltda.**

Total number of shares:  
**366,045,401**

Subscribed and paid in capital  
(ThCh\$):  
**282,119,751**

Chilean stock exchange ticker  
symbol  
**Chilectra**

Participation of Enersis (direct  
and indirect):  
**98.2%**

# Chilectra

## COMPANY OWNERSHIP

Enersis, its main shareholder having 98.2% of ownership, has destined Chilectra as its operator in the investments in the area of energy distribution.

## OPERATING ACTIVITY

Chilectra is the largest electric energy distribution company in the country. It serves 33 boroughs of the Metropolitan Region including 2,118 sq km within its concession area, and has 555 km of different high tension circuit lines. It also owns 52 substations and 122 power transformers with a capacity of 4,927 MVA.

### Sales and Purchases of Energy

The physical energy sales reached 9,952 GWh during 2002, representing a 3.8% increase as compared to the same period of 2001. Out of the total energy invoiced, 29.1% corresponds to residential sales, 26.9% to industrial sales, 21.5% to commercial sales and 22.5% to other areas.

During 2002, Chilectra purchased energy from several generation companies in the country, such as Endesa Chile (30.0%), AES Gener S.A. (34.6%), Pangué S.A. (11.7%), Colbún S.A. (18.6%),

Puyehue S.A. (1.1%), ESSA (1.1%), and others (2.9%).

### Tariff Setting Process

The electricity rates are set every four years, in compliance with the current regulations (DFL No. 1 of 1982 issued by the Ministry of Mining). The next tariff review will take place in the year 2004.

### Energy Losses

During 2002, Chilectra continued with its efforts to control energy losses. There were inspections to closed customers and to those with dubious demands. The company maintained its levels of investment in new projects related to technical measures and in the control and maintenance of those already existing, together with preventive and corrective activities carried out on site. All of the large customers' electric connections were inspected and a special plan of removal of service connections and closing of distribution boxes was implemented.

This set of measures and activities made it possible to keep the energy loss index under relatively constant values, amounting to 5.6% at the end of the period.

Corporate purpose:  
**Operate, either in Chile or abroad, in the distribution and sales of hydraulic, thermal or any other form of electric energy.**

**BOARD OF DIRECTORS**  
Chairman  
**Jorge Rosenblut**  
Vice-Chairman  
**José M. Fernández**

Directors  
**Pedro Buttazoni**  
**Alberto Martín**  
**Marcelo Llévén**  
**Álvaro Quirralte**  
**Hernán F. Errázuriz**

Officers  
Chief Executive Officer  
**Julio Valenzuela**  
Chief Communications Officer  
**Marcelo Castillo**  
Chief Distribution Officer  
**Rolando Hechenleitner**

Chief Commercial Officer  
**Juan C. Olavarría**  
Chief Regulation Officer  
**Guillermo Pérez**  
Legal Counsel  
**Gonzalo Vial**

### **Commercial Activity**

The number of customers amounted to 1,319,428 at December 31, 2002, which represents a 2.4% increase as compared to the same period of 2001.

Chilectra made progress in the strengthening and positioning of the company in the energy distribution market, providing services and electric products for homes, companies and industries. In this respect, Chilectra intensified the sales plan for products that use electric energy as input, as well as services such as protected energy insurance, electronic payment via the Internet and others, thus achieving almost 8,000 sales for these items.

Special mention should be made of the historical agreement reached with Metro S.A. to provide the electricity transportation service through Chilectra's network for the present and future lines of public transportation, making available to Metro S.A. up to 150,000 kW starting from mid 2004 and during a 30-year term. This is the most important business of the year, because it creates a long-term relationship with one of the greatest consumers of Chilectra's concession area.

Likewise, during 2002, important projects of electric supply for large customers materialized which implied increasing the installed capacity by over 63.000 kW. Also, important long-term supply contracts were renewed, which means 4,400 GWh of projected energy sales.

During 2002, Chilectra developed activities that will directly or indirectly favor millions of people, including those outside its concession area. In all these initiatives, Chilectra contributed more than US\$ 350 million for different items.



# Chile

## IDENTIFICATION OF THE COMPANY

Corporate name  
**Compañía Eléctrica del Río Maipo S.A.**

Type of company  
**Limited Liability Stock Company**

Tax register number  
**96.557.330-5**

Address  
**Covadonga N°139,  
San Bernardo, Chile**

Telephone  
**(56-2) 600 858 5858**

Fax  
**(56-2) 540 7007**

P.O. Box  
**30, San Bernardo**

E-mail  
**riomaipo@rmaipo.enersis.cl**

Securities register number  
**N°345**

External Auditors  
**Deloitte & Touche Sociedad de  
Auditores y Consultores Ltda.**

Total number of shares  
**360,613,552**

Subscribed and paid in capital  
**(Th Ch\$) 15,463,145**

Chilean stock exchange ticker  
symbol  
**Río Maipo**

Participation of Enersis (direct  
and indirect)  
**98.7%**

# Río Maipo

## COMPANY OWNERSHIP

At December 31, 2002, Enersis, its main shareholder, controls 98.7% of the shares of the company.

## OPERATING ACTIVITY

Río Maipo is the fourth largest electric energy distribution company in Chile. Its concession area comprises the boroughs of San José de Maipo, Puente Alto, La Pintana, El Bosque, San Bernardo, Calera de Tango, Isla de Maipo, Talagante, Peñaflo, Padre Hurtado and Curacaví, serving a population of about 1,500,000 people, over an area of 1,596 sq. km. It currently owns 27 km of high-tension lines, a power substation and 10 transformers with a total capacity of 81 MVA.

## Energy Sales And Purchases

In 2002, the physical energy sales reached 1,274 GWh, representing a 2.8% increase as compared to the same period the year before. Out of this total, 40.0% corresponds to residential sales, 7.7% to the commercial sector, 42.2% to the industrial sector and 10.1% to other sectors.

Additionally in 2002, Río Maipo purchased energy from Chilectra (98%) and from AES Gener (2%).

## Tariff Setting Process

The electricity rates, in compliance with the current regulations (DFL No.1 of 1982, issued by the Ministry of Mining) are set every four years. The next Tariff Setting Process will take place in 2004.

## Energy Losses

During 2002, Río Maipo continued with efforts in the control of energy losses, undertaking a series of actions and investments in new projects of technical measures, and in the control and maintenance of the already existing ones.

All of this, together with the preventive and corrective activities carried out on site, allowed us to maintain the energy loss rate at relatively constant values, which improved by the end of the year. Despite the macroeconomic condition that the country is still going through, the loss rate reached a level of 6.2% for the period from January to December 2002.

*Corporate purpose*  
**To exploit the distribution and sales of electric energy, hydraulic, thermal or of any other nature.**

*BOARD OF DIRECTORS*  
*Chairman*  
**Julio Valenzuela**

*Directors*  
**Jorge Claro**  
**Pantaleón Calvo**  
**Rolando Hechenleitner**  
**Fernando Urbina**  
**Guillermo Pérez**

*Chief Executive Officer*  
**Alejandro Gómez**



### ***Commercial Activity***

At December 31, 2002, the company's customers totaled 301,553, which represented an increase of 2.7% as compared to the same period last year. Out of that figure, 96.4% are residential customers, 2.3% are commercial customers and the remaining 1.3% corresponds to industrial and other customers.

Río Maipo aims its commercial work at achieving excellence in service quality and service to residential, commercial and industrial customers.

To this effect and with the purpose of having a tool to improve customers' service, in 2002 Río Maipo carried out three service quality measurements, in order to set customers' satisfaction indexes in all contact areas: Maipo phone, Emergency Service, Commercial and Sales Offices, and Municipalities. As a result of these measurements, the global satisfaction index of residential customers and the Small and Medium Size Companies (PYME) for the period was 81.5%, which represents an increase by 1.2% compared to the year 2001. It is important to point out the improvement obtained by our

commercial offices, which were assessed by our customers with a 77.6% rating, which represents an improvement of 6.9% as compared to 2001.

As a part of the global project for changing their public image and enlarging the relation with customers, we developed a new consumption bill that was introduced in November. This change of format aims at the consolidation of the bill as an efficient communication instrument to the customer, which delivers more information about energy consumption, new products, and social campaigns in which the company is involved.

Likewise, in 2002, Río Maipo carried out 3,074 hours/man training, aimed at improving service quality mainly in the following: customers' service, regulation in force, electricity supply, and the company's services and products.

# Argentina

## IDENTIFICATION OF THE COMPANY

Corporate name  
**Empresa Distribuidora Sur S.A.  
(EDESUR S.A.)**

Type of company  
**Stock Company**

Address  
**San José N°140 (1076),  
Buenos Aires, Argentina**

Telephone  
**(54-11) 4370 3700**

Fax  
**(54-11) 4381 0708**

Web site  
**www.edesur.com.ar**

E-mail  
**servicio@edesur.com.ar**

External auditors  
**Pistrelli Díaz y Asociados S.R.L.**

Total number of shares  
**898,585,028**

Subscribed and paid in capital  
**(Argentinean \$) 898,585,028**

Corporate purpose  
**Distribution and  
commercialization of electric  
energy and associated  
operations.**

**BOARD OF DIRECTORS**  
Chairman  
**Enrique García**  
(Enersis Chief Executive Officer)

Vice-Chairman  
**Rafael Fernández**

## Edesur

### OPERATING ACTIVITY

Edesur S.A.'s main purpose is the distribution and commercialization of electric energy in the southern area of Buenos Aires, comprising two thirds of the Federal Capital and twelve districts in the Province of Buenos Aires. It has a total concession area of 3,309 sq km, serving a total of 2,089,997 customers with a level of physical sales of 12,138 GWh, which represents a decrease of 6% with respect to the same period in the year 2001.

On January 7, 2002, Law No. 25,561 was dictated, declaring a public emergency in social, economic, administrative, financial and exchange matters. This law modified the convertibility law and deleted the indexing clauses based on other countries' price indexes and every other indexing mechanism in the contracts agreed upon by the public administration, among them contracts for works and public services. In this way, the prices and tariffs resulting from those clauses were left established in pesos with the exchange rate 1 peso = US\$ 1. Furthermore, the law authorized

the Executive Power to renegotiate the contracts for works and public services.

The approval of this law affected Edesur's situation during 2002. Due to the measures adopted against the crisis, a great alteration in the company's economic-financial equation occurred, which drove it to a particularly critical situation regarding the provision of services and the fulfillment of its contractual obligations according to the original terms.

With the purpose of trying to repair this situation, in February the Executive dictated Decree No. 293/02, which ordered the Ministry of Economy to renegotiate, through an ad hoc committee, the contracts for works and public services, within a maximum term of 120 days.

Since the original deadline was not met, in September the Executive dictated Decree No. 1839/02, extending the term for the renegotiation process by 120 additional working days.



*Directors*

**Marcelo Silva**  
*(Enersis Chief Distribution and Services Officer)*  
**Domingo Valdés**  
*(Enersis Legal Counsel)*  
**Pablo Alejandro**  
**Juan C. Cassagne**  
**Rafael Arias**  
**Jorge Volpe**  
**Alfredo Mac Laughlin**

*Deputy Directors*

**Santiago Daireaux**  
**Manuel M. Benites**  
**Pablo Casado**  
**Horacio Babino**  
**Jorge G. Casagrande**  
**Pablo M. Lepiane**  
**Alan Arntsen**  
**Pedro E. Aramburu**  
**Mariano F. Grondona**

*Main Officers*

**Chief Executive Officer**  
**José M. Hidalgo**

**Legal Affairs Director**  
**Alvaro Estivariz**

**Human Resources Director**  
**Héctor Ruiz**

**Commercial Director**  
**Sandro Rollan**

**Distribution Director**  
**Daniel H. Colombo**

**Service Director**  
**Daniel R. Alasia**

**Planning and Control Director**  
**Juan Garade**

**Management and Finance Director**  
**Juan Verbitsky**

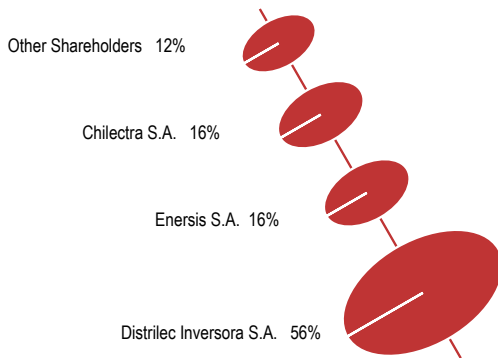
With respect to granting urgency tariff raises, and in anticipation of the final result of the renegotiation process, in December the Executive dictated Decree No. 2437/02 granting a raise to the distribution companies. The effects were suspended by two judicial resolutions which have been appealed by the government and by Edesur.

The management of Edesur, regarding technical, commercial, administrative, fiscal and financial matters during 2002, was totally designed to try to minimize the serious effects of the emergency and of the measures adopted by the authorities.

Despite this situation, Edesur made the greatest possible effort to accomplish the investments necessary to maintain the provision and quality of service. The amount invested by the company during 2002 totaled US\$ 26 million.

As a result of these investments, Edesur was able to keep the level of energy losses to 11.6% in 2002, as compared to 9.9% during 2001.

**Company Ownership**



# Peru

## IDENTIFICATION OF THE COMPANY

Corporate name  
**Empresa de Distribución  
Eléctrica de Lima  
Norte S.A.A.**

Type of company  
**Limited Liability Stock Company**

Address  
**Jr. Teniente César López Rojas  
N°201, Urb. Maranga,  
San Miguel, Lima, Perú**

Telephone  
**(51-1) 561 2001**

Fax  
**(51-1) 452 3007**

Web site  
**www.edelnor.com.pe**

E-mail  
**enlinea@edelnor.com.pe**

External auditors  
**Gris, Hernández y Asociados,  
S.C. – Deloitte & Touche**

Total number of shares  
**1,174,902,874**

Subscribed and paid in capital  
**(Peruvian Soles) 1,174,902,874**

Corporate purpose  
**Engage in activities pertaining  
to the delivery of distribution,  
transmission and generation of  
electric energy services.**

**BOARD OF DIRECTORS**  
Chairman  
**Reynaldo Llosa**

Directors  
**Emilio García  
Julio Valenzuela  
Fernando Fort  
Fernando Urbina  
Guillermo Morales  
José Griso**

# Edelnor

## OPERATING ACTIVITY

Edelnor is the concession holding company of the public electricity service for the northern part of Metropolitan Lima and the Constitutional Province of Callao, as well as for the provinces of Huaura, Huaral, Barranca and Oyón. It serves 52 districts on an exclusive basis and shares another 5 districts with the distribution company for the southern part. The concession area awarded to Edelnor extends over 2,440 sq km, 1,838 sq km of which corresponds to the northern part of Lima and Callao.

The physical energy sales in 2002 reached 3,872 GWh, which represents an increase by 5.1% as compared to 2001. Out of the total energy sold, 38.1% corresponds to residential sales, 27.6% to industrial sales, 17.3% to commercial sales and 17% to sales to other sectors.

During 2002, the number of customers reached 871,430, that is a 0.48% increase compared to 2001.

During the year 2002, Edelnor purchased energy from six generation companies; Electroperú (50%), Edegel (23.4%),

Eepsa (7.8%) Egenor (15.3%), Cahua (3.2%), Pacasmayo (0.2%). The remaining 0.1% corresponds to self-generation of the isolated systems which supply the rural areas of the Norte Chico zone.

The distribution tariffs remain in force for four-year periods and are determined considering an efficient model distribution company and taking into account the different components established by law. The last distribution tariff fixation came into force on November 1, 2001 and will end up on October 31, 2005.

On December 10, 2002, experts from the International Certification Services (SGS of Perú, S.A.C.) finished auditing the Certification of the Quality Management System of Edelnor, and concluded that the company satisfactorily complies with Rule ISO 9001:2000.

The energy losses at the end of the year 2002 reached an annual 8.5%. This result was achieved by following the strategic plan based on the follow-up of critical electric feeders, inspections and normalizations in distribution networks, as well as a stricter control on customers who steal from the company.

Main Officers  
Chief Executive Officer (\*)  
**Emilio García**

Chief Commercial Officer  
**Enrique Demarini**

Chief Human Resources Officer  
**Carlos Ureta**

Chief Communication Officer  
**María Dávila**

Chief Technical Officer  
**Walter Sciutto**

Chief Management  
and Control Officer  
**Juan Yamamoto**

Legal Counsel  
**Luis Salem**

(\*) In a Board of Directors Meeting which took place on December 16, 2002, Mr. Ignacio Blanco was appointed Chief Executive Officer, and it was established that this appointment would be effective as of January 16, 2003.



Finally, the planned strategy to control the collectable accounts during 2002 was based mainly on a strong electricity cutoff and cutoff verification policy, which was oriented to customers having two unpaid bills, thus permitting to control the growth of new unpaid debts.

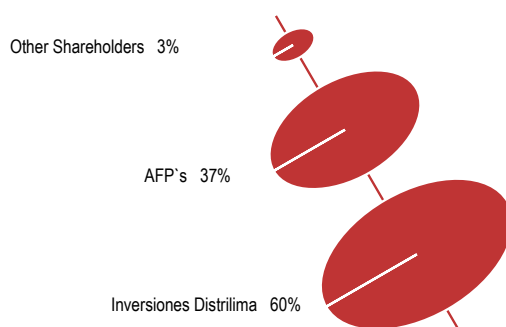
Within the frame of the Edelnor Corporate Bonds Issue Program, three successful bond issues were made in the local market. On January 2002, the Third Issue of Edelnor Bonds was placed by an amount of S/.30 million (about US\$ 8.5 million) for a 2-year term, achieving a cutoff rate of 6.5%. In April 2002, the Fourth and Fifth Bond Issues were placed, by amounts of S/.20 million (about US\$ 5.7 million) and S/.19 million (about US\$ 5.3 million) for 2- and 5-year terms, obtaining rates of 6.34% and VAC + 6.1875%, respectively.

Likewise, within the frame of Edelnor's first Short-Term Obligation Program, in August, the fifth Securities Issue was placed for S/.25 million (about US\$ 7.1 million), in two series. Series C was placed for a term of 270 days, obtaining a 5% rate and Series D was placed for a term of 360 days, obtaining a 5.25% rate.

In September, the second short-term Obligation Program was registered for an amount of up to US\$ 50 million, with the purpose of maintaining the access of local money to the market and complying with the refinancing obligations.

Thanks to the advantages offered by these debt issuance, and despite the volatility of the interest rates, Edelnor was able to reduce the cost of its financial debt, which is totally denominated in local currency, from 9.5% in December 2001, to 7.7% in December 2002.

#### Company Ownership



# Brazil

## IDENTIFICATION OF THE COMPANY

Corporate name  
**Cerj-Companhia de  
Eletricidade do Rio de Janeiro**

Type of company  
**Stock Company**

Address  
**Praça Leoni Ramos Nº1, São  
Domingos, Niterói, Rio de  
Janeiro, Brazil**

Telephone  
**(55-21) 2613 7000**

Fax  
**(55-21) 2613 7153**

Web site  
**www.cerj.com.br**

E-mail  
**cerj@cerj.com.br**

External auditors  
**Deloitte & Touche Tohmatsu**

Total number of shares  
**2,124,730,536,352**

Subscribed and paid in capital  
**(Th Brazilian reales)  
545,424,306**

Corporate purpose  
**Generation, transmission,  
distribution and  
commercialization of electric  
energy.**

## Cerj

### OPERATING ACTIVITY

The concession area of Companhia de Eletricidade do Rio de Janeiro (Cerj) covers 31,741 sq km, corresponding to 73.3% of the Rio de Janeiro State. The company serves a population of 4.1 million people, through 1,778,407 customers in 66 municipal districts. The main areas in which the company serves are Niterói, Sao Gonçalo, Petrópolis, Campos and the Los Lagos area.

Energy sales in the period amounted to 7,146 GWh, which is higher by 6% compared to the same period in 2001. Out of the total energy sold in the year 2002, 38.4% corresponds to residential sales, 24.2% to industrial customers, 18.9% to commercial customers and 18.5% to other customers.

To serve this market, Cerj bought electric energy mainly from Furnas (78.3%) and Itaipú (19.0%), with a 2.7% that was self-generated.

Cerj's distribution tariffs are adjusted as set forth in the Concession Agreement of November 1996. In December of each year, ANEEL (National Electric Energy Agency) reviews the tariffs according to the variations occurred in some variables stipulated in the contracts during a

certain period. The last adjustment took place in December 2002, and tariffs were raised by 28.56%.

Cerj has dedicated a special effort to the control of energy losses, for which purpose the following measures were taken:

- 435,000 inspections were accomplished, generating, in this way, 96,000 normalizations. Within these normalizations, 73,000 collection bills were issued for non registered consumption.
- Two projects were developed, Jardim Catarina and Morros Comunitarios, serving areas with a high concentration of low socioeconomic level customers.
- Measurements were taken in the distribution transformers, thus focusing on the site of electric energy theft.
- Collections and cutoffs were carried out more effectively and in less time.

The latter led to the fact that, as of October 2002, the energy losses started to decrease systematically from 23.3% to 20.7% in

**BOARD OF DIRECTORS**

*Chairman*  
**Eduardo J. Bernini**

*Vice-Chairman*  
**Emilio López**

*Directors*

**Juan A. Madrigal**  
**Antonio M. García**  
**Fernando Nadal**  
*(Enersis Corporate  
Communications Director)*  
**Luiz C. Barcelos**  
**Marcelo Llévenes**  
**Marcelo Silva**  
*(Enersis Corp. Chief Distribution  
and Services Officer)*  
**Alfonso Arias**

*Deputy Directors*

**Manuel F. das Neves**  
**Luis F. Goncalves**  
**Francisco J. Arias**  
**Fernando G. Urbina**

*Main Officers*

*Chief Executive Officer*  
**Manuel Montero**

*Chief Financial Officer*  
**Julio Moratalla**

*Chief Human Resources Officer*  
**Claudio Mendes**

*Chief Commercial Officer*  
**Gonzalo Mardones**

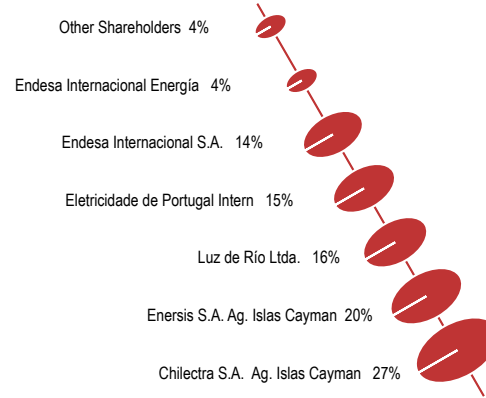
*Chief Technical Officer*  
**Manuel F. das Neves**

*Legal Counsel*  
**Antonio P. Fagundes**

December 2002. The level of accumulated losses for 12 months reached 22.6%, being slightly lower than the 22.7% reached in 2001.

Among the most relevant facts in the financial area of the company, which occurred during 2002, is the conversion of Luz de Río Bonds (Debentures). This, due to a capital increase in Cerj by R\$ 260.8 million (about US\$ 75 million) during the month of July, as well as a second capital increase which will conclude during the month of January 2003, which consists in the capitalization of the debt of Enersis S.A. by a total amount of R\$ 370 million (about US\$ 105 million).

**Company Ownership**



# Brazil

## IDENTIFICATION OF THE COMPANY

*Corporate name*  
**Companhia Energética do Ceará**

*Type of company*  
**Limited Liability Stock Company**

*Address*  
**Av. Barão de Studart, 2917, Bairro Dionísio Torres, Fortaleza, Ceará, Brazil CEP 60.127-900**

*Telephone*  
**(55-85) 216 1100**

*Fax*  
**(55-85) 216 1410**

*Web site*  
**www.coelce.com.br**

*E-mail*  
**investor@coelce.com.br**

*External auditors*  
**Deloitte & Touche Tohmatsu**

*Total number of shares*  
**155,710,600,088**

*Subscribed and paid in capital (Brazilian reals)*  
**433,057,722.64**

*Corporate purpose*  
**Exploit the distribution and sales of electric energy, thermal, hydraulic or any other form.**

## Coelce

### OPERATING ACTIVITY

Coelce is the electric energy distribution company of the State of Ceará, in the northeast of Brazil, covering a total concession area of 146,817 sq km. The company serves a population of more than seven million people, represented by 2,009,412 customers. The customers' growth rate for the year 2002 was of 4.8%.

The energy sales at December, 2002 amounted to 5,558 GWh, that is, an increase of 3.8% compared to the same date in 2001. Out of the total energy sold, 30.4% corresponds to industrial customers, 29.9% to residential customers, 18.1% to commercial customers, and 21.6% to other customers. On the other hand, the peak demand occurred during December, amounting to 1,020 MW.

99% of the energy required by the company was purchased from Companhia Hidroelétrica do Sao Francisco-Chesf.

During 2002, Coelce invested US\$ 58.2 million in the development, improvement and expansion of the electric system, within which the company built 30 feeders and 5,745 km of medium

and high tension lines, installed 8,088 new distribution transformers, increased power and built 9 substations, among others things.

As defined in the concession contract, in April the tariffs were adjusted by 14.27%. During that same month, an extraordinary raise was authorized, intended to repair the losses caused by the electric rationing, as a consequence of the severe drought suffered by Brazil from the year 2001 to February 2002. The tariffs were raised by 2.9% for residential customers and by 7.9% for industrial and commercial customers, and these new tariffs will be valid until 2004.

Likewise, during the month of April, the tariff revision process for Coelce was initiated. It should end by April 2003 with the application of new tariffs that will remain in force for the company during the four following years. During September 2002, the National Agency of Electric Energy (ANEEL) defined the calculation methodology for the remuneration basis of the company's assets, through Resolution No. 493 / 2002.

With respect to the commercial activities of the company during 2002, Coelce focused on lowering the customers' delay in payment,

**BOARD OF DIRECTORS**

**Chairman**  
**Marcelo Llévanes**

**Vice-Chairman**  
**Ignacio Blanco**

**Directors**

**Manuel Soto**  
**Fernando Urbina**  
**Juan A. Madrigal**  
**Antonio Cleber**  
**Fernando A. de Moura**  
**Emilio López**  
**Jorge Parente**  
**Manuel F. das Neves**  
**Fernando Nadal**  
*(Enersis Corporate  
Communications Director)*

**Main Officers**

**Chief Executive Officer**  
**Celestino Izquierdo**

**Chief Commercial Officer**  
**Josep Pujols**

**Chief Strategic Planning and  
Management Control Officer**  
**Juan P. Harrison**

**Chief Distribution Officer**  
**José Távora**

**Chief Administrative, Financial  
and Investor Relations Officer**  
**Antonio O. Alves**

**Chief Management  
and HR Officer**  
**José R. Ferreira**

**Chief Institutional  
Project Officer**  
**José Nunes**

**Legal Counsel**  
**Silvia Cunha**

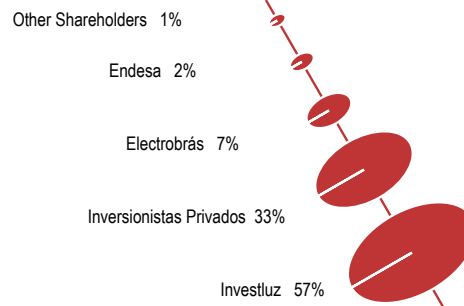
reducing energy losses and increasing energy consumption. For those purposes, the following activities were carried out:

- 215,954 inspections were accomplished, thus generating 31,507 normalizations where 3 million reales were recovered. As for large customers, 1,866 inspections were made, resulting in an increase of 120 thousand reales in collection of non registered consumption.
- 11,116 customers with irregular payments were reconnected, thus generating a consumption of 8,267 MWh.
- Measurements were taken in the distribution transformers, so as to focus on the site of electric energy theft.
- Collections and cutoffs were carried out more effectively and in less time.

As a result of these activities, the energy losses at December 31, 2002 reached 12.95% (accumulated for 12 months), slightly lower than the 13.0% registered in 2001.



**Company Ownership**



# Colombia

## IDENTIFICATION OF THE COMPANY

Corporate name  
**Codensa S.A. E.S.P.**

Type of company  
**Private Stock Company**

Address  
**Carrera 13ª N° 93-66  
Bogotá, Colombia**

Telephone  
**(571) 601 6060**

Fax  
**(571) 601 5917**

Web site  
**www.codensa.com.co**

E-mail  
**tservice@codensa.com.co**

External auditors  
**Deloitte Colombia Ltda.**

Total number of shares  
**132,093,274**

Subscribed and paid in capital  
**(Th Colombian \$)  
1,320,855,815,028**

Corporate purpose  
**Distribution and  
commercialization of electric  
energy, as well as all the  
similar, complementary and  
related activities.**

## Codensa

### OPERATING ACTIVITY

Codensa S.A. E.S.P. renders services in the distribution and commercialization of energy in the city of Santa Fe de Bogotá and in 96 municipal districts in the Departments of Cundinamarca, Tolima and Boyacá. The total concession area comprises 14,087 sq km, of which 1,587 sq km correspond to urban areas.

During 2002, Codensa supplied 9,015 GWh, which is 4% higher than the 8,673 GWh registered in the same period of 2001, to 1,910,737 customers. The company's customers increased by 60,248 during 2002.

With respect to the tariff setting process of Codensa, the methodology for the calculation of the rate of return was approved in April. This rate





**BOARD OF DIRECTORS**

*Chairman*  
**Andrés Regué**

*Directors*

**David F. Acosta**  
**José M. Martínez**  
**Cristián Herrera**  
*(Chief Business Margin and  
Electric Supply Officer)*  
**José A. Vargas**  
**Israell Fainboim**  
**Moisés Rubinstein**

*Deputy Directors*

**Alvaro Bolaños**  
**Germán Castro**  
**Lucía Piedrahita**  
**Roberto Ospina**  
**Henry Navarro**  
**Silvia Escobar**  
**Carmenza Saldías**

*Main Officers*

*Chief Executive Officer*  
**José M. Martínez**

*Chief Commercial Officer*  
**David F. Acosta**

*Chief Communication Officer*  
**Emilia Sarracino**

*Chief Distribution Officer*

**Germán Castro**

*Chief Financial Officer*  
**Lucía Piedrahita**

*Legal Counsel*  
**Álvaro Camacho**

*Chief Planning and Control  
Officer*

**Roberto Ospina**

*Chief Human Resources  
Officer*  
**Alvaro Bolaños**

*Chief Regulation Officer*  
**Omar Serrano**

will be used to calculate the remuneration of the distribution activity during the next tariff setting period. This rate (WACC) was set at 16.06% before taxes (it used to be 9%). Moreover, the Regulation Commission approved, in October 2002, a tariff transition with a monthly raise of the distribution costs by 2.4% through March 2003, thus accumulating an increase of 15.29% to that date.

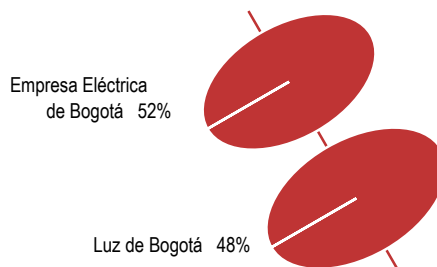
With respect to the commercial activities of the company, the following were carried out:

- Plans were developed for the collection policy. As a result, the uncollectable of Codensa was of Co\$ 55,427 million (about US\$ 19 million) by the end of the year, thus achieving a net reduction of Co\$ 13,445 million (about US\$ 5 million) during the year.
- The accumulated twelve-month energy losses index was reduced by 1.5 percentage points, going from 11.8% to 10.3%.
- 212,000 jobs were accomplished, corresponding to normalizations in marginal neighborhoods, 92,000 meters replaced and 28,000 inspections made.

- Activities of promotion and development were accomplished, intended to establish a relationship with the community in order to guarantee the development of the operations and the improvement of Codensa's image.

During September 2002, the company's capital was reduced by an amount of Co\$ 551,000 million (about US\$ 192 million), in order to optimize and make better use of the financial structure of the company.

**Company Ownership**





# Others Businesses





COLOMBIA  
Synapsis  
CAM

PERU  
Synapsis  
CAM

BRAZIL  
Synapsis  
CAM

ARGENTINA  
Synapsis  
CAM

CHILE  
Synapsis  
CAM

Inmobiliaria  
Manso de  
Velasco

# Synapsis

## IDENTIFICATION OF THE COMPANY

*Corporate name*  
**Synapsis Soluciones y Servicios IT Ltda.**

*Type of company*  
**Limited Liability Stock Company**

*Tax register number*  
**96.529.420-1**

*Address*  
**Catedral N° 1284,  
Santiago, Chile**

*Telephone*  
**(56-2) 632 1240**

*Fax*  
**(56-2) 699 2695**

*Web site*  
**[www.synapsis-it.com](http://www.synapsis-it.com)**

*E-mail*  
**[synapsis@synapsis-it.com](mailto:synapsis@synapsis-it.com)**

*External auditors*  
**Deloitte & Touche**

*Subscribed and paid in capital*  
**(ThCh\$) 3,943,580**

# Synapsis

## COMPANY OWNERSHIP

Synapsis is 100% property of Enersis. This is the Group's professional service company for information technologies.

## OPERATING ACTIVITY

Founded in 1988, with its main office in Santiago, Chile, and offices in the most important capital cities of the region, Synapsis is consolidated as the most experienced and trustworthy specialist in business consulting services for IT solutions in the Latin American market.

The pillars of Synapsis are its work team formed by more than 700 highly qualified professionals, and its presence in Argentina, Brazil, Colombia, Perú and Chile, thus ensuring the coverage of all the Latin American region.

Its strengths lie in the technological development with the generation of advanced solutions in software; experience and wide knowledge of the problems of the Latin American market, and commitment to continuous improvement with the object of providing high quality products and services, that confer added value to its customers' businesses.

The services provided by Synapsis are addressed to large companies and institutions in various economic sectors, both in the domestic and the international market, covering practically any need from a technological point of view. Starting from a thorough knowledge of its customers' problems, Synapsis designs and implements solutions and tools, taking the best advantage of the information technologies, as instruments of innovation, improvement and support for company management.

During 2002, Synapsis continued to follow the guidelines given by the Genesis Project, generating a great change in the structure of the company, with a new approach based on three pillars: Consulting Services, Software Plant and Operation. With this new business approach, centered on offering technology and business



*Corporate purpose*  
**Supply and sell services and equipment related to computers, data processing, telecommunication systems and control systems for public utility companies and others, both domestic and foreign.**

*Participation of Enersis*  
**100%**

*Agents*  
**Cristóbal Sánchez**  
(Enersis Chief Information Systems Officer)  
**Víctor H. Muñoz**

*Main Officers*  
*Chief Executive Officer*  
**Víctor H. Muñoz**

*Chief Financial Officer*  
**Rodrigo A. Morelli**

*Chief Consulting Services Officer*  
**Gustavo Pardo**

*Chief Operations Officer*  
**María A. Letelier**

*Chief Plant Officer*  
**Guillermo Toro**

*Chief New Business Officer*  
**Manuel de Andrés**

consulting services, Synapsis becomes a strategic partner for its customers.

Several achievements during 2002, which foretell important successful events in the future, are: the ISO 9000 Certification, Synapsis being one of the first professional services companies to obtain this quality certification; the opening of the new Santa Rosa Data Processing Center, with an investment of US\$ 1,400,000 and a total area of 400 m<sup>2</sup>; and the expansion of the Call Center with more than 300 operators and the most modern technological tools, in order to provide better service to the customers.

During the year, Synapsis obtained important contracts for outsourcing services, and accomplished large projects with state-of-the-art technology, among which it is worth pointing out: Nova Era, presently being established in Coelce, Brazil; the establishment of Synergi@ 4i commercial system in Enelbar, Venezuela; the Medellín City Hall project in Colombia; the establishment of SDE-SAC in Edelnor, Perú; the conclusion of the Electra project with Synergi@ 4i in Panama; the SDE project in Edesur, Argentina; and the establishment of Scada system for the San Gaban company in Perú.



In Chile, Synapsis achieved the renewal of the Scada system for the main electric companies, the Scada and Telecommunications project in Essbio company, the establishment of Synergi@ 4i in Chilectra and Río Maipo, the SAP project in Empresa de Ferrocarriles del Estado (EFE), the adoption of the Synergi@ 4i product in Abastible company, the generation of the Sirhena system for Human Resources management in Chilectra, the full establishment of SIE 2000A, based on SAP, in all the companies of the Group, the control system project in CDEC-SIC, and the microinformation system and service quality improvement project of the Call Center for Smartcom, among others.

# CAM

## IDENTIFICATION OF THE COMPANY

*Corporate name*  
**Compañía Americana de Multiservicios Ltda.**

*Type of company*  
**Limited Liability Stock Company**

*Tax register number*  
**96.543.670-7**

*Address*  
**Bulnes N°1238, Santiago, Chile**

*Telephone*  
**(56-2) 389 7300**

*Fax*  
**(56-2) 389 7342**

*E-mail*  
**cam@cam.enersis.cl**

*Web site*  
**www.camchile.cl**

*External auditors:*  
**Deloitte & Touche Sociedad de Auditores y Consultores Ltda.**

*Subscribed and paid in capital (ThCh\$)*  
**2,572,038**

*Corporate purpose*  
**Perform, on its own behalf, for third parties and/or in association with third parties, both in Chile and abroad, general services, real estate services and building of real estate, import, export and distribution of products of any nature.**

*Participation of Enersis*  
**100%**

*Agents*  
**Pantaleón Calvo  
Eduardo López  
(Enersis Chief Procurement Officer)**

# CAM

## GENERAL INFORMATION

### Merger

Compañía Americana de Multiservicios (CAM) was merged with Distribuidora de Productos Eléctricos (Diprel) with the purpose of rendering massive integral services to electric distribution, water, gas and telecommunications companies.

The merger of both companies strengthened the operating, commercial and competitive capabilities, by having under the same management, the responsibility for the materials and logistics to be included in the services, thus providing ready-to-use solutions.

### Operating activity

The main office in Chile and its subsidiaries in Argentina, Brazil, Colombia and Perú have consolidated their presence in the region, and have supported the management of the distribution companies of the Group by expanding the customers portfolio and rendering services to other companies.

The expertise and ability demonstrated in the integral service for measurement systems has allowed CAM to fully provide and operate today, electric and water measurement equipment in the region, being technically responsible for more

than 10 million meters. In this area, a modern laboratory was set up in CAM Perú, which will enable to keep an exact registry of the meters in the commercial systems of Edelnor and third parties. In Chile, the laboratories were once again credited (authorized) by the SEC to operate as certification institutions.

In commercial services for utility companies, CAM has improved its position as an efficient service provider among the main companies, both electric and water, diversifying its supply of services and increasing the number of services effectively rendered. In 2002, agreements were signed with Aguas Andinas for providing the services of meter readings, delivery, cutoff and reconnection, and payment collection.

In engineering, construction and assembly services, CAM has consolidated its presence in the domestic market. Some good examples are the works achieved during 2002 for Colbún generation company, accomplishing the construction and assembly of Candelaria and Minero 220 kV substations, having 7 and 19 pieces of land, respectively. Additionally, CAM materialized the construction of the Casablanca-Algarrobo 110 kV line for Chilquinta distribution company, and is presently engaged in the construction and assembly of the 110 kV

*Deputy Agents*  
**Andreas Gebhardt**  
**Cristóbal Sánchez**  
(Enersis Chief Information  
Systems Officer)

*Main Executive Officers*  
Chief Executive Officer  
**Pantaleón Calvo**

*CAM Brazil Chief Executive  
Officer*  
**Pablo Calderón**

*CAM Perú Chief Executive  
Officer*  
**Mario Albornoz**

*CAM Colombia Chief Executive  
Officer*  
**Fernando Foix**

*CAM Argentina Legal  
Representative*  
**Mauricio Naser**



Transmission Subsystem for Codelco Chile, El Teniente division.

In order to improve the access of CAM's customers to information regarding its services, a special system with a platform was implemented in the Internet. In this way, the mandator has a book of virtual works available, which he can access from any place in the country.

Another line of basic business is the integral service in the construction of distribution networks. In this area, CAM has built the feeders for Chilectra and Río Maipo, for a total of 138 km during 2002; aerial and underground electric networks with an extension of 170 km; and, jointly with Chilectra, has transferred distribution networks corresponding to 200 km in Medium Tension.

### ***Presence in the region***

CAM Colombia became the first company to expand its services to gas utilities, when it was awarded two contracts for the company Gas Natural de Bogotá. In this context, there was obtained the certification of the laboratory as a constituent part of the Colombian metrology network, and a contract signed with Electrocosta for the calibration and certification of 100,000 electronic meters.

In Perú, sales to third parties amounted to US\$ 3.7 million, representing a 2.5 fold increase compared to the previous period. Additionally, CAM consolidated the technical and commercial services for Edelnor distribution company. Also, CAM Perú was awarded the international bid for supply of materials made by UNOPS, for the extension of the rural electric boundary of the country, for an amount of US\$ 5.5 million.

In Argentina, it is worth pointing out the continuity of the ISO 9,002 quality certification and the ISO 14,001 environmental certification for an additional year, and the renewal of the contract with Edenor for the repair of meters and the measurement of electric variables.

CAM Brazil obtained the contract for "Fiscalización de Empresas Contratistas", that is, the supervision of contractor companies that render commercial services to Cerj, for a three-year period. This is the first contract awarded under the bidding system presently in force in Brazil. On the other hand, Cerj assigned CAM the integral service of measurement systems, both in the laboratory and on site, for its meter equipment consisting of about 1.7 million units. The same supervision service, but for distribution works in Low Tension, Medium Tension and High Tension, was rendered during the year to Coelce.

## IDENTIFICATION OF THE COMPANY

*Corporate name*  
**Inmobiliaria Manso de Velasco  
Ltda.**

*Type of company*  
**Limited Liability Stock  
Company**

*Tax register number*  
**96.909.280-8**

*Address*  
**Santa Rosa N°76, Piso 9  
Santiago, Chile**

*Telephone*  
**(56-2) 378 4700**

*Fax*  
**(56-2) 378 4702**

*E-mail*  
**rch@mvelasco.enersis.cl**

*External auditors*  
**Deloitte & Touche**

*Subscribed and paid in capital*  
**(ThCh\$) 5,848,651**

*Participation of Enersis*  
**100%**

# Manso de Velasco

## **REAL ESTATE PROJECTS**

Manso de Velasco develops important real estate projects, mainly for the residential (Santuario del Valle and Puerto Pacífico) and the industrial sector (ENEA). During 2002, important progress was achieved in the urbanization and marketing of different projects, despite the depressed status of the real estate market.

### **Enea Project**

This project corresponds to a real estate development in a 1,000 ha area, strategically located in western Santiago, borough of Pudahuel, next to the International Airport “Arturo Merino Benítez”. The remarkable road relationship and connectivity of the project have been complemented by future works in the vial link of Av. Américo Vespucio, Av. San Pablo and the highway under concession Costanera Norte, which should be in full operation in 2006. This connectivity positions ENEA near the key centers of the city, and therefore will permit an important development of this Business Center.

It is currently in its Phase I, corresponding to the concept of Industrial and Business Center. However, other areas intended for housing and commercial purposes are being sold as well. The project has innovative facilities, and green areas

were implemented according to the master plan, thus offering better equipment and service areas to the lots and users.

In the 2002 fiscal year, ENEA obtained important progress in commercial terms and in the development of its urbanization works. Important companies joined our Business Center, among them: Transportes Nilo, Sociedad Concesionaria Vespucio Norte Express (to build the main offices and the operation center for the above mentioned Costanera Norte highway), and the development of the Santa Catalina Housing Project.

Inserted in the project is Aguas Santiago Poniente company, which provides the water utility services associated with the real estate development of the ENEA project. Due to the important sale levels achieved by the project, the company has had to activate its water infrastructure works, and is presently serving more than 1,500 residential and industrial customers. In view of this prospect, Aguas Santiago Poniente is in the process of a notorious increase of its economic value, due to the certainty that the customers who join the Enea project will require the services of this company.

### **Santuario del Valle Project**

Santuario del Valle, located in the La Dehesa neighborhood, is being consolidated as one of the most important real estate projects in the country.



*Corporate purpose*  
**Purchase, sell, parcel, subdivide, market and commercially operate, in any way, all types of real property, either on its own behalf or on behalf of others.**

*Agents*  
**Cristóbal Sánchez**  
*(Enersis Chief Information Systems Officer)*  
**Andrés Salas**

*Main Officers*  
**Chief Executive Officer**  
**Andrés Salas**

*Legal Counsel*  
**Alfonso Salgado**

*Chief Real Estate Development Officer*  
**Gustavo Cardemil**

*ENEA Project Manager*  
**Bernardo Küpfer**

During 2002, the Santuario del Valle project was devoted to the sales of single-family residential lots oriented towards the high socio-economic segment of the population, and of macrolots, which are larger lots to be developed by third parties as housing condominiums oriented towards the same socio-economic segment.

The sales of the 486 lots corresponding to Sectors 1 to 5 was considered finished, with sales of single-family lots for Ch\$ 1,637 million during the year. Up to date, 94% of the total project has been sold. Only 50 lots of Sector 6, the last stage, remain for sale. As for macrolots, a total area of 12 ha was sold during 2002, for a total of Ch\$ 7,037 million.

### ***Tapihue Project***

Tapihue project includes properties corresponding to lands associated to the farms Tapihue, Amancay (lot B) and La Petaca. Such properties, as a whole, involve an area of 7,302 ha in the borough of Til-Til, province of Chacabuco, Metropolitan region, and are classified as CUDA (Conditioned Urban Development Area), as per the Santiago Metropolitan Urban Development Plan.

### ***Meseta Puerto Pacífico***

The company owns a property of more than 35,000 m<sup>2</sup> in Viña del Mar, located in an excellent site (15 Norte Street and Nueva Libertad Street),

near important commercial areas and only 5 minutes away from downtown Viña del Mar.

In 2002, the property was subdivided into nine sublots, which the company expects to sell during the next few months. Two of these sublots have already been sold.

### ***REAL PROPERTY***

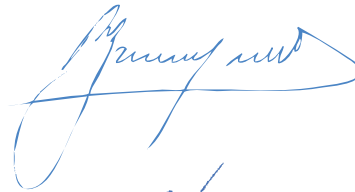
Inmobiliaria Manso de Velasco Ltda. manages a total of 43,241 built m<sup>2</sup>, corresponding to office buildings, parking buildings and stores, most of which are rented to related companies and third parties, having generated an income of Ch\$ 1,774 million in 2002.



# Liability Statement

## Liability Statement

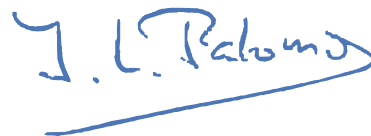
The undersigned Directors and Chief Executive Officer of Enersis are liable under oath for the truthfulness of all the information provided in the present annual report, in compliance with the General Rule No.30 issued by the Superintendence of Securities and Insurance.



CHAIRMAN  
**Pablo Yrarrázaval**  
Tax registry number:  
5.710.967-K



VICECHAIRMAN  
**Rafael Miranda**  
Tax registry number:  
48.070.966-7



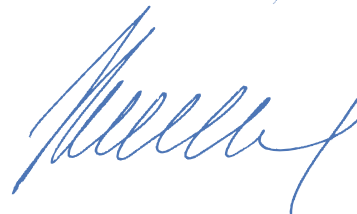
DIRECTOR  
**José L. Palomo**  
Tax registry number:  
51.316.595-F



DIRECTOR  
**José M. Fesser**  
Tax registry number:  
48.064.839-0



DIRECTOR:  
**Ernesto Silva**  
Tax registry number:  
5.126.588-2



DIRECTOR:  
**Hernán Somerville**  
Tax registry number:  
4.132.185-7



DIRECTOR:  
**Eugenio Tironi**  
Tax registry number:  
5.715.860-3



GERENTE GENERAL:  
**Enrique García**  
Tax registry number:  
14.704.156-K

# Identification of Other Subsidiaries and Related Companies

## Identification of Other Subsidiaries and Related Companies

### **DISTRILEC**

*Corporate name*  
**Distrilec Inversora S.A.**

*Type of company*  
**Foreign Closed Stock Company**

*Address*  
**San José N° 140 (C1076AAD)  
Buenos Aires - Argentina**

*Telephone*  
**(54-11) 4114 3000**

*Fax*  
**(54-11) 4114 3001/3002**

*External auditors*  
**Pistrelli Díaz y Asociados S.R.L.**

*Subscribed and paid in capital*  
**(Arg\$) 497,612,021**

*Participation of Enersis*  
*(direct and indirect)*  
**51.5%**

*Corporate purpose*  
**The exclusive purpose of capital investment in companies, already organized or to be organized, that have as main activity the distribution of electric energy.**

**BOARD OF DIRECTORS**  
*Chairman*  
**Rafael Fernández**

*Vice-Chairman*  
**Enrique García**  
*(Enersis Chief Executive Officer)*

*Directors*  
**Marcelo Silva**  
*(Enersis Corp. Chief Distribution and Services Officer)*  
**Domingo Valdés**  
*(Enersis Legal Counsel)*  
**Mariano F. Grondona**  
**Alan Arntsen**  
**Horacio R. Babino**  
**Luis M. Sas**  
**Jorge G. Casagrande**  
**Daniel J. Maggi**

*Deputy Directors*  
**Pablo Casado**  
**Manuel M. Benites**  
**Luis D. Barry**  
**Pedro E. Aramburu**  
**Santiago Daireaux**  
**Rigoberto Mejía**  
**Jorge R. Barros**  
**Pablo A. Ferrero**  
**Nicolás Carusoni**  
**Antonello Tramonti**

*Chief Executive Officer*  
**José M. Hidalgo**

### **ENERSIS DE ARGENTINA**

*Corporate name*  
**Enersis de Argentina S.A.**

*Type of company*  
**Foreign Stock Company**

*Address*  
**Suipacha N°1111 Piso 18,  
Buenos Aires, Argentina**

*Telephone*  
**(54-11) 4114 3000**

*Fax*  
**(54-11) 4114 3001**

*External auditors*  
**Pistrelli Díaz y Asociados S.R.L.**

*Subscribed and paid in capital*  
**(Arg\$) 12,000**

*Participation of Enersis*  
*(direct and indirect)*  
**100%**

*Corporate purpose*  
**Mainly financial, able to carry out all types of financial and investment activities.**

# Identification of Other Subsidi

## **ENERSIS ENERGÍA DE COLOMBIA (en liquidation)**

Corporate name  
**Enersis Energía de Colombia S.A. E.S.P.**

Type of company  
**Foreign Stock Company**

Address  
**Carrera 13A N° 93-66, Piso 2,  
Bogotá, Colombia**

Telephone  
**(57-1) 601 5790**

Fax  
**(57-1) 601 5799**

External auditors  
**Deloitte Colombia Ltda.**

Subscribed and paid in capital  
**(Col\$) 300,000,040**

Participation of Enersis  
(direct and indirect)  
**100%**

Corporate purpose  
**Purchase of electric energy and sales  
to final users, either regulated or non  
regulated.**

**LIQUIDATORS**  
Main Liquidator  
**Fernando Foix**

Deputy Liquidator  
**Álvaro Pérez**

## **ENERSIS INTERNACIONAL**

Corporate name  
**Enersis Internacional**

Type of company  
**Foreign Stock Company**

Address  
**P.O. BOX 309,  
Ugland House, South Church St,  
Grand Cayman, Cayman Islands**

Telephone  
**(345) 949 8066**

Fax  
**(345) 949 8080**

External auditors  
**Deloitte & Touche**

Subscribed and paid in capital  
**(Th US\$) 360,557,687**

Participation of Enersis  
(direct and indirect)  
**100%**

Corporate purpose  
**Any legal activity related with energy  
or fuel.**

**BOARD OF DIRECTORS**  
Chairman  
**Mario Valcarce**  
(Enersis Chief Economic Financial  
Officer)

Secretary  
**Máximo de la Peña**  
(Enersis Tax Director)

## **INVESTLUZ**

Corporate name  
**Investluz S.A.**

Type of company  
**Foreign Stock Company**

Address  
**Av. Barao de Studart N°2917,  
Dionisio Torres  
Fortaleza, Ceará, Brazil**

Telephone  
**(55-85) 216 1123**

Fax  
**(55-85) 216 1423**

External auditors  
**Deloitte & Touche Tohmatsu**

Subscribed and paid in capital  
**(R\$) 954,618,954.27**

Participation of Enersis  
(direct and indirect)  
**48.4%**

Corporate purpose  
**Participation in the capital of Coelce  
and in other companies in Brazil and  
abroad, as a shareholder.**

**MAIN EXECUTIVE OFFICERS**  
Chairman Director  
**Celestino Izquierdo**

Finance Vice-Chairman  
**Antonio O. Alves**

Directors  
**José R. Ferreira  
Manuel M. Montero  
Silvia Cunha  
Eduardo J. Bernini  
Juan P. Harrison**

## **DISTRILIMA**

Corporate name  
**Inversiones Distrilima S.A.**

Type of company  
**Foreign Stock Company**

Address  
**Tnte. César López Rojas N° 201,  
Urbanización Maranga, San Miguel,  
Lima, Perú**

Telephone  
**(51-1) 561 1604**

Fax  
**(51-1) 452 3007**

External auditors  
**Deloitte & Touche**

Subscribed and paid in capital  
**(S/.) 595,422,815.98**

Participation of Enersis  
(direct and indirect)  
**55.7%**

Corporate purpose  
**Making investments in other companies,  
especially in those related with  
distribution and generation of electric  
energy.**

**BOARD OF DIRECTORS**  
Chairman  
**Julio Valenzuela**

Vice-Chairman  
**Reynaldo Llosa**

Directors  
**José Griso  
Marciano Izquierdo  
Fernando Urbina  
Emilio García  
José Chueca**

Deputy Directors  
**Mario Albornoz  
Fernando Fort  
Patricia Mascaró  
Marco de Andrea  
Enrique Demarini  
Walter Sciutto  
Pilar Dávila**

Chief Executive Officer  
**Emilio García**

# aries and Related Companies

## **LUZ DE BOGOTÁ**

Corporate name  
**Luz de Bogotá S.A.**

Type of company  
**Foreign Stock Company**

Address  
**Carrera 13A N° 93-66, Piso 6,  
Bogotá, Colombia**

Telephone  
**(571) 601 5402**

Fax  
**(571) 601 5905**

External auditors  
**Deloitte Colombia Ltda.**

Subscribed and paid in capital  
**(Col\$) 336,780,602,632**

Participation of Enersis  
(direct and indirect)  
**44.7%**

Corporate purpose  
**Any legal activity related with energy  
or fuel or with public utility services.**

BOARD OF DIRECTORS  
Chairman  
**Andrés Regué**

Directors  
**Felipe Acosta  
José M. Martínez  
Cristián Herrera**  
Enersis Chief Business Margin  
and Electric Supply Officer

Deputy Directors  
**Marcelo Llévanes  
Germán Castro  
José Inostroza  
Lucio Rubio**

Chief Executive Officer  
**José M. Martínez**

## **CGTF**

Corporate name  
**CGTF – Central Geradora  
Termelétrica Fortaleza S.A.**

Type of company  
**Foreign Stock Company**

Address  
**Av. Barrao de Studart N°2917/83,  
Dionisio, Fortaleza, Ceará, Brazil**

Telephone  
**(55-85) 216 1100**

Fax  
**(55-85) 216 1410**

External auditors  
**Deloitte & Touche Tohmatsu**

Subscribed and paid in capital  
**(R\$) 41,472,571**

Participation of Enersis  
(direct and indirect)  
**48.8%**

Corporate purpose  
**Development of thermoelectric  
generation projects in Brazil.**

Chairman  
**Juan A. Madrigal**

Directors  
**Francisco Bugallo  
Marcelo Llévanes**

Chief Executive Officer  
**Hernán Salazar**

## **ENDESA MARKET PLACE**

Corporate name  
**Endesa Market Place S.A.**

Type of company  
**Stock Company**

Address  
**Paseo de la Castellana N°95,  
Madrid, Spain**

Telephone  
**(34-91) 213 4100**

Fax  
**(34-91) 213 4199**

External auditors  
**Deloitte & Touche**

Subscribed and paid in capital  
**(Euros) 6,743,800**

Participation of Enersis  
(direct and indirect)  
**15.0%**

Corporate purpose  
**B2B and new technologies.**

Associated Managers  
**Evaristo Villa  
Ignacio Antoñanzas**

# Consolidated Consolidated

## Energis Consolidated Financial Statements



## INDEX

|  |     |
|--|-----|
| Accounts Inspector's Report                                | 70  |
| Independent Accountant's Report                            | 71  |
| Consolidated Balance Sheets                                | 72  |
| Consolidated Statements of Income                          | 74  |
| Consolidated Statements of Changes in Shareholders' Equity | 75  |
| Consolidated Statements of Cash Flow                       | 76  |
| Notes to the Consolidated Financial Statements             | 78  |
| Consolidated Relevant Facts                                | 198 |
| Consolidated Management Analysis                           | 209 |

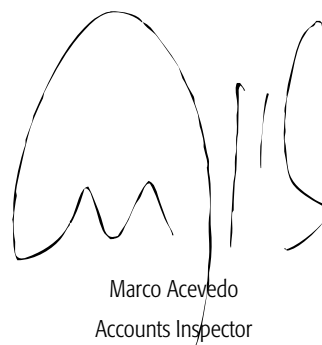
## ACCOUNTS INSPECTOR'S REPORT

Pursuant to the provisions in law No. 18,046 on Limited Liability Stock Companies and in compliance with the mandate granted by the Ordinary Shareholders' Meeting held on April 11, 2002, we have examined the Consolidated Financial Statements of Enersis S.A. for period between January 1 and December 31, 2002.

Our assignment was focused on verifying, on a selective basis, the coincidence of the figures presented in the Financial Statements with the official records of the Company and its subsidiaries and to such end we compared the figures presented in the ledger with the grouping and classification worksheets. To subsequently ascertain if these amounts which are the balances of accounts of the same nature match with those included in the Financial Statements, a revision which entailed no objections.



Marcela Araya  
Accounts Inspector



Marco Acevedo  
Accounts Inspector

Santiago, January 31, 2003



Deloitte & Touche Sociedad de Auditores y Consultores Limitada  
Av. Providencia 1760, Pisos 6º, 7º, 8º y 9º  
Santiago  
Chile

Tel: (56-2) 270 3000  
Fax: (56-2) 374 9177  
www.deloitte.cl

**Deloitte  
& Touche**

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of Enersis S.A.:

We have audited the accompanying consolidated balance sheets of Enersis S.A. and Subsidiaries (the "Company") as of December 31, 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements at consolidated December 31, 2002, of certain subsidiaries and investees, representing 34.44% and 30.40% of consolidated total assets and consolidated total revenues, respectively. These financial statements were audited by other auditors, whose reports have been provided to us. The report of these auditors on the financial statements of the subsidiary Edesur S.A., contains an emphasis that explains Argentina's politically and economically unstable situation. Our opinion, insofar as it relates to the amounts included for these companies, is based solely on the reports of such other auditors. The consolidated financial statements at December 31, 2001, were audited by other auditors, who issued an unqualified opinion on same in their report dated February 26, 2002, with an emphasis paragraph on uncertainty arising from the effects of the politically and economically unstable situation in Argentina.

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

In our opinion, based on our audit and the report of the other auditors, such consolidated 2002 financial statements present fairly, in all material respects, the financial position of Enersis S.A. and Subsidiaries as of December 31, 2002, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles in Chile.

The 2002 financial statements have been translated into United States dollars, as described in Note 2, solely for the convenience of the reader.

*Deloitte & Touche*

Santiago, Chile  
January 31, 2003

**Deloitte  
Touche  
Tohmatsu**

# Consolidated Balance Sheets

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2002 and thousands of US dollars)

| ASSETS                                    | 2001<br>ThCh\$        | 2002<br>ThCh\$        | 2002<br>ThUS\$    |
|---|-----------------------|-----------------------|-------------------|
| <b>CURRENT ASSETS:</b>                    |                       |                       |                   |
| Cash                                      | 37,648,796            | 48,184,878            | 67,053            |
| Time deposits                             | 178,113,234           | 145,626,894           | 202,651           |
| Marketable securities                     | 203,072               | 1,543,290             | 2,148             |
| Accounts receivable, net                  | 550,248,992           | 458,839,724           | 638,510           |
| Notes receivable, net                     | 5,683,330             | 5,131,349             | 7,141             |
| Other accounts receivable, net            | 72,220,719            | 62,776,096            | 87,358            |
| Amounts due from related companies        | 18,019,578            | 195,398,835           | 271,912           |
| Inventories                               | 77,424,074            | 60,382,653            | 84,027            |
| Income taxes recoverable                  | 57,510,102            | 54,435,976            | 75,752            |
| Deferred income taxes                     | 24,162,101            | 51,955,793            | 72,300            |
| Prepaid expenses                          | 13,971,567            | 7,666,018             | 10,668            |
| Other current assets                      | 127,241,229           | 132,021,608           | 183,718           |
| <b>Total current assets</b>               | <b>1,162,446,794</b>  | <b>1,223,963,114</b>  | <b>1,703,238</b>  |
| <b>PROPERTY, PLANT AND EQUIPMENT, NET</b> |                       |                       |                   |
|   | <b>9,625,049,659</b>  | <b>9,879,458,183</b>  | <b>13,748,011</b> |
| <b>OTHER ASSETS:</b>                      |                       |                       |                   |
| Investments in related companies          | 167,448,008           | 194,164,157           | 270,194           |
| Investments in other companies            | 149,560,997           | 159,466,794           | 221,910           |
| Long-term receivables                     | 101,903,562           | 125,850,513           | 175,130           |
| Goodwill, net                             | 1,318,832,593         | 847,513,499           | 1,179,379         |
| Negative goodwill, net                    | (181,194,560)         | (95,172,950)          | (132,440)         |
| Amounts due from related companies        | 170,667,792           | 898,167               | 1,250             |
| Intangibles                               | 71,697,080            | 80,915,893            | 112,601           |
| Accumulated amortization                  | (25,148,069)          | (34,648,290)          | (48,216)          |
| Other assets                              | 198,535,455           | 238,755,596           | 332,246           |
| <b>Total other assets</b>                 | <b>1,972,302,858</b>  | <b>1,517,743,379</b>  | <b>2,112,054</b>  |
| <b>TOTAL ASSETS</b>                       |                       |                       |                   |
|   | <b>12,759,799,311</b> | <b>12,621,164,676</b> | <b>17,563,303</b> |

The accompanying notes are an integral part of these consolidated financial statements

| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                      | <b>2001<br/>ThCh\$</b> | <b>2002<br/>ThCh\$</b> | <b>2002<br/>ThUS\$</b> |
|--|------------------------|------------------------|------------------------|
| <b>CURRENT LIABILITIES:</b>  |                        |                        |                        |
| <i>Short-term debt due to banks and financial institutions</i>                   | 301,010,064            | 425,049,260            | 591,488                |
| <i>Current portion of long-term debt due to banks and financial institutions</i> | 425,536,729            | 605,261,953            | 842,268                |
| <i>Promissory notes</i>  | 54,630,248             | 13,189,514             | 18,354                 |
| <i>Current portion of bonds payable</i>  | 62,848,322             | 498,501,344            | 693,702                |
| <i>Current portion of long-term notes payable</i>                                | 26,580,340             | 41,628,914             | 57,930                 |
| <i>Dividends payable</i>   | 7,008,951              | 14,554,203             | 20,253                 |
| <i>Accounts payable</i>  | 258,955,300            | 222,075,984            | 309,036                |
| <i>Short-term notes payable</i>  | 45,429,070             | 4,833,074              | 6,726                  |
| <i>Miscellaneous payables</i>  | 53,324,443             | 73,417,551             | 102,166                |
| <i>Amounts payable to related companies</i>                                      | 31,120,649             | 16,285,712             | 22,663                 |
| <i>Accrued expenses</i>  | 79,920,329             | 84,930,321             | 118,187                |
| <i>Withholdings</i>  | 53,957,592             | 55,485,759             | 77,213                 |
| <i>Income taxes payable</i>  | 77,283,022             | 27,532,029             | 38,313                 |
| <i>Deferred income</i>   | 11,314,564             | 9,085,674              | 12,643                 |
| <i>Other current liabilities</i>   | 150,383,758            | 59,541,957             | 82,857                 |
| <b>Total current liabilities</b>   | <b>1,639,303,381</b>   | <b>2,151,373,249</b>   | <b>2,993,799</b>       |
| <b>LONG-TERM LIABILITIES:</b>  |                        |                        |                        |
| <i>Due to banks and financial institutions</i>                                   | 1,971,249,920          | 1,691,338,670          | 2,353,625              |
| <i>Bonds payable</i>   | 2,271,468,659          | 2,097,845,568          | 2,919,310              |
| <i>Long-term notes payable</i>   | 215,513,230            | 220,886,690            | 307,381                |
| <i>Accounts payable</i>  | 34,746,948             | 22,606,529             | 31,459                 |
| <i>Amounts payable to related companies</i>                                      | 1,001,707,159          | 988,291,605            | 1,375,282              |
| <i>Accrued expenses</i>  | 234,388,938            | 226,922,617            | 315,780                |
| <i>Deferred income taxes</i>   | 36,059,964             | 61,740,871             | 85,917                 |
| <i>Other long-term liabilities</i>   | 67,228,005             | 103,975,862            | 144,690                |
| <b>Total long-term liabilities</b>   | <b>5,832,362,823</b>   | <b>5,413,608,412</b>   | <b>7,533,444</b>       |
| <b>MINORITY INTEREST</b>   | <b>4,073,571,128</b>   | <b>4,050,602,721</b>   | <b>5,636,719</b>       |
| <b>SHAREHOLDERS' EQUITY:</b>   |                        |                        |                        |
| <i>Paid-in capital, no par value</i>   | 751,208,197            | 751,208,197            | 1,045,363              |
| <i>Additional paid-in capital – share premium</i>                                | 33,370,057             | 33,370,057             | 46,437                 |
| <i>Other reserves</i>  | 27,176,075             | 41,942,477             | 58,366                 |
| <i>Retained earnings</i>   | 360,653,617            | 402,807,650            | 560,537                |
| <i>Net income (loss) for the year</i>  | 42,154,033             | (223,748,087)          | (311,362)              |
| <b>Total shareholders' equity</b>  | <b>1,214,561,979</b>   | <b>1,005,580,294</b>   | <b>1,399,341</b>       |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                | <b>12,759,799,311</b>  | <b>12,621,164,676</b>  | <b>17,563,303</b>      |

# Consolidated Statements of Income

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2002 and thousands of US dollars)

|   | 2001<br>ThCh\$       | 2002<br>ThCh\$       | 2002<br>ThUS\$     |
|---|----------------------|----------------------|--------------------|
| <b>OPERATING INCOME:</b>  |                      |                      |                    |
| Sales   | 3,059,380,761        | 2,485,873,220        | 3,459,280          |
| Cost of sales   | (2,025,312,072)      | (1,730,050,356)      | (2,407,496)        |
| Gross profit  | 1,034,068,689        | 755,822,864          | 1,051,784          |
| Administrative and selling expenses   | (279,524,922)        | (223,178,503)        | (310,570)          |
| <b>Operating income</b>   | <b>754,543,767</b>   | <b>532,644,361</b>   | <b>741,214</b>     |
| <b>NON-OPERATING INCOME AND EXPENSE:</b>  |                      |                      |                    |
| Interest income   | 56,592,832           | 85,284,624           | 118,680            |
| Equity in income of related companies   | 3,629,292            | 14,996,244           | 20,868             |
| Other non-operating income  | 194,693,581          | 308,143,887          | 428,805            |
| Equity in losses of related companies   | (14,328,089)         | (6,732,461)          | (9,369)            |
| Amortization of goodwill  | (80,576,348)         | (506,344,171)        | (704,616)          |
| Interest expense  | (452,801,275)        | (439,536,318)        | (611,646)          |
| Other non-operating expenses  | (183,929,244)        | (241,196,604)        | (335,643)          |
| Price-level restatement, net  | 2,175,075            | 4,964,890            | 6,909              |
| Exchange difference, net  | (30,542,651)         | (16,110,247)         | (22,419)           |
| <b>Non-operating expense, net</b>   | <b>(505,086,827)</b> | <b>(796,530,156)</b> | <b>(1,108,431)</b> |
| <b>INCOME (LOSS) BEFORE INCOME TAXES<br/>EXTRAORDINARY ITEMS, MINORITY INTEREST<br/>AND AMORTIZATION OF NEGATIVE GOODWILL</b> |                      |                      |                    |
|   | <b>249,456,940</b>   | <b>(263,885,795)</b> | <b>(367,217)</b>   |
| Income taxes  | (129,850,137)        | (66,016,985)         | (91,868)           |
| Extraordinary items   | -                    | (22,375,640)         | (31,137)           |
| <b>INCOME (LOSS) BEFORE MINORITY INTEREST AND<br/>AMORTIZATION OF NEGATIVE GOODWILL</b>                                       |                      |                      |                    |
|   | <b>119,606,803</b>   | <b>(352,278,420)</b> | <b>(490,222)</b>   |
| Minority interest   | (125,152,619)        | 16,282,559           | 22,658             |
| <b>INCOME BEFORE AMORTIZATION OF NEGATIVE<br/>GOODWILL</b>  |                      |                      |                    |
|   | <b>(5,545,816)</b>   | <b>(335,995,861)</b> | <b>(467,564)</b>   |
| Amortization of negative goodwill   | 47,699,849           | 112,247,774          | 156,202            |
| <b>NET INCOME (LOSS) FOR THE YEAR</b>   |                      |                      |                    |
|   | <b>42,154,033</b>    | <b>(223,748,087)</b> | <b>(311,362)</b>   |

The accompanying notes are an integral part of these consolidated financial statements

# Consolidated Statements of Changes in Shareholders' Equity

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

|   | Number<br>of shares<br>(in thousands) | Paid-in<br>capital<br>ThCh\$ | Additional<br>paid-in<br>capital<br>ThCh\$ | Other<br>reserves<br>ThCh\$ | Retained<br>earnings<br>ThCh\$ | Net income<br>(loss) for<br>the year<br>ThCh\$ | Total<br>ThCh\$      |
|---|---------------------------------------|------------------------------|--|-----------------------------|--------------------------------|--|----------------------|
| As of January 1, 2001                                 | 8,291,020                             | 707,398,979                  | 31,423,970                                 | 7,266,721                   | 264,427,970                    | 90,082,590                                     | 1,100,600,230        |
| Transfer of prior year income to<br>retained earnings | -                                     | -                            | -  | -                           | 90,082,590                     | (90,082,590)                                   | -                    |
| Dividends   | -                                     | -                            | -  | -                           | (14,976,824)                   | -  | (14,976,824)         |
| Price-level restatement of capital                    | -                                     | 21,929,368                   | 974,144                                    | 225,268                     | 10,615,407                     | -  | 33,744,187           |
| Cumulative translation adjustment                     | -                                     | -                            | -  | 18,892,550                  | -                              | -  | 18,892,550           |
| Net income for the year                               | -                                     | -                            | -  | -                           | -                              | 40,926,246                                     | 40,926,246           |
| <b>As of December 31, 2001</b>                        | <b>8,291,020</b>                      | <b>729,328,347</b>           | <b>32,398,114</b>                          | <b>26,384,539</b>           | <b>350,149,143</b>             | <b>40,926,246</b>                              | <b>1,179,186,389</b> |
| <b>As of December 31, 2001 (1)</b>                    | <b>8,291,020</b>                      | <b>751,208,197</b>           | <b>33,370,057</b>                          | <b>27,176,075</b>           | <b>360,653,617</b>             | <b>42,154,033</b>                              | <b>1,214,561,979</b> |
| As of January 1, 2002                                 | 8,291,020                             | 729,328,347                  | 32,398,114                                 | 26,384,539                  | 350,149,143                    | 40,926,246                                     | 1,179,186,389        |
| Transfer of prior year income to retained earnings    | -                                     | -                            | -  | -                           | 40,926,246                     | (40,926,246)                                   | -                    |
| Price-level restatement of capital                    | -                                     | 21,879,850                   | 971,943                                    | 791,536                     | 11,732,261                     | -  | 35,375,590           |
| Cumulative translation adjustment                     | -                                     | -                            | -  | 14,766,402                  | -                              | -  | 14,766,402           |
| Net loss for the year                                 | -                                     | -                            | -  | -                           | -                              | (223,748,087)                                  | (223,748,087)        |
| <b>As of December 31, 2002</b>                        | <b>8,291,020</b>                      | <b>751,208,197</b>           | <b>33,370,057</b>                          | <b>41,942,477</b>           | <b>402,807,650</b>             | <b>(223,748,087)</b>                           | <b>1,005,580,294</b> |

(1) Restated in thousands of constant Chilean pesos as of December 31, 2002.  
The accompanying notes are an integral part of these consolidated financial statements

# Consolidated Statements of Cash Flows

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2002 and thousands of US dollars)

|   | Years ended December 31, |                    |                |
|---|--------------------------|--------------------|----------------|
|   | 2001<br>ThCh\$           | 2002<br>ThCh\$     | 2002<br>ThUS\$ |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                          |                    |                |
| Net income (loss) for the year  | 42,154,033               | (223,748,087)      | (311,362)      |
| Gain on sales of property, plant and equipment                                      | (5,734,441)              | (1,095,916)        | (1,525)        |
| <b>Charges (credits) to income which do not represent cash flows:</b>               |                          |                    |                |
| Depreciation  | 426,020,442              | 454,471,134        | 632,431        |
| Amortization of intangibles   | 8,031,971                | 10,389,287         | 14,457         |
| Write-offs and accrued expenses   | 83,298,120               | 55,938,311         | 77,842         |
| Equity in income of related companies   | (3,629,292)              | (14,996,244)       | (20,868)       |
| Equity in losses of related companies   | 14,328,089               | 6,732,461          | 9,369          |
| Amortization of goodwill  | 80,576,348               | 506,344,171        | 704,616        |
| Amortization of negative goodwill   | (47,699,849)             | (112,247,774)      | (156,201)      |
| Price-level restatement, net  | (2,175,075)              | (4,964,890)        | (6,909)        |
| Foreign currency translation, net   | 30,542,651               | 16,110,247         | 22,419         |
| Other credits to income which do not represent cash flows                           | (85,418,284)             | (229,054,815)      | (318,747)      |
| Other charges to income which do not represent cash flows                           | 69,401,896               | 147,655,390        | 205,474        |
| <b>Changes in assets which affect cash flows:</b>                                   |                          |                    |                |
| Decrease in trade receivables   | 119,961,261              | 55,973,106         | 77,891         |
| Decrease in inventory   | 1,211,389                | 11,768,733         | 16,377         |
| Decrease (increase) in other assets   | 24,428,653               | (23,047,923)       | (32,073)       |
| <b>Changes in liabilities which affect cash flows:</b>                              |                          |                    |                |
| Increase (decrease) in accounts payable associated with operating results           | (62,185,972)             | (49,587,699)       | (69,005)       |
| Increase in interest payable  | 7,825,819                | 55,125,046         | 76,711         |
| Decrease in income tax payable  | (54,073,346)             | (45,838,237)       | (63,787)       |
| Increase (decrease) in other accounts payable associated with non-operating results | (93,868,474)             | 30,029,884         | 41,789         |
| Net decrease in value added tax and other similar taxes payable                     | (117,627,568)            | (1,891,294)        | (2,632)        |
| Income (loss) attributable to minority interest                                     | 125,152,619              | (16,282,559)       | (22,658)       |
| <b>Net cash flows provided by operating activities</b>                              | <b>560,520,990</b>       | <b>627,782,332</b> | <b>873,609</b> |

The accompanying notes are an integral part of these consolidated financial statements

|   | Years ended December 31, |                      |                  |
|---|--------------------------|----------------------|------------------|
|   | 2001<br>ThCh\$           | 2002<br>ThCh\$       | 2002<br>ThUS\$   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                          |                          |                      |                  |
| Issuance of shares  | -                        | 1,905,653            | 2,652            |
| Proceeds from the issuance of debt                                    | 1,936,899,708            | 978,914,577          | 1,362,233        |
| Proceeds from bond issuances  | 280,374,847              | 131,515,409          | 183,014          |
| Other sources of financing  | 57,920,839               | 26,348,466           | 36,666           |
| Capital decrease subsidiary   | -                        | (119,286,568)        | (165,996)        |
| Dividends paid  | (144,467,460)            | (100,446,315)        | (139,779)        |
| Payment of debt   | (1,870,062,467)          | (1,094,545,835)      | (1,523,143)      |
| Payment of bonds  | (74,167,788)             | (29,347,204)         | (40,839)         |
| Payment of loans obtained from related companies                      | (100,900,143)            | (44,389,633)         | (61,771)         |
| Payment of bond issuance costs  | (996,147)                | (11,140,779)         | (15,503)         |
| Other disbursements for financing                                     | (43,615,899)             | (24,567,635)         | (34,188)         |
| <b>Net cash provided by (used) in financing activities</b>            | <b>40,985,490</b>        | <b>(285,039,864)</b> | <b>(396,654)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                          |                          |                      |                  |
| Proceeds from sales of property, plant and equipment                  | 19,716,715               | 22,605,406           | 31,457           |
| Proceeds from loans obtained from related parties                     | 5,525,961                | -                    | -                |
| Other receipts from investments                                       | 13,675,849               | 18,556,146           | 25,822           |
| Additions to property, plant and equipment                            | (341,553,736)            | (317,915,443)        | (442,403)        |
| Long-term investments   | (12,879,738)             | (23,465,277)         | (32,654)         |
| Investment in financial instruments                                   | -                        | (724,403)            | (1,008)          |
| Other loans granted to related companies                              | (233,615)                | -                    | -                |
| Other investment disbursements  | (187,891,023)            | (35,935,186)         | (50,009)         |
| <b>Net cash used in investing activities</b>                          | <b>(503,639,587)</b>     | <b>(336,878,757)</b> | <b>(468,795)</b> |
| <b>POSITIVE NET CASH FLOW FOR THE YEAR</b>                            | <b>97,866,893</b>        | <b>5,863,711</b>     | <b>8,160</b>     |
| <b>EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND CASH EQUIVALENTS</b> | <b>(74,996)</b>          | <b>(2,499,632)</b>   | <b>(3,478)</b>   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                      | <b>97,791,897</b>        | <b>3,364,079</b>     | <b>4,682</b>     |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                 | <b>120,035,704</b>       | <b>217,827,601</b>   | <b>303,123</b>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                       | <b>217,827,601</b>       | <b>221,191,680</b>   | <b>307,805</b>   |

The accompanying notes are an integral part of these consolidated financial statements

# Notes to the Consolidated Financial Statements

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2002, except as stated)

## 1.

### DESCRIPTION OF BUSINESS

- a. Enersis S.A. (the "Company") is registered in the Securities Register under N°0175 and is regulated by the Chilean Superintendency of Securities and Insurance (the "SVS"). The Company issued publicly registered American Depositary Receipts in 1993 and 1996. Enersis S.A. is a reporting company under the United States Securities and Exchange Act of 1934.
- b. The Company's subsidiaries, Chilectra S.A., Compañía Eléctrica del Río Maipo S.A. (Río Maipo S.A.), Empresa Nacional de Electricidad S.A. (Endesa S.A.) are registered in the Securities Register under N°s 0321, 0345, 0114, respectively.

## 2.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. *General*

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Chile and the regulations established by the SVS (collectively "Chilean GAAP"), and the specific corporate regulations of Law N°18,046, related to the formation, registration and liquidation of Chilean corporations, among others. Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

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

Reclassifications – For purposes of comparison, in the 2001 of financial statements the following reclassifications were made in the 2001 financial statements:



**Balance sheet reclassifications**

| <b>From</b>                                | <b>Charge (credit)<br/>ThCh\$</b> | <b>To</b>  | <b>Charge (credit)<br/>ThCh\$</b> |
|--|-----------------------------------|--|-----------------------------------|
| Notes receivable                           | (6,334,876)                       | Other accounts receivable, net   | 6,334,876                         |
| Goodwill                                   | 3,391,332                         | Negative goodwill, net   | (3,391,332)                       |
| Land                                       | (34,153,467)                      | Other assets   | 34,153,467                        |
| Technical appraisal                        | 17,117,163                        | Accumulated depreciation   | (17,117,163)                      |
| Current portion of long-term notes payable | 5,571,195                         | Current portion of long-term debt<br>due to banks and financial institutions | (4,619,536)                       |
| Miscellaneous payables                     | (5,718,123)                       |  |                                   |
| Due to banks and financial institutions    | (17,545,577)                      | Other current liabilities  | 4,766,464                         |
| Other long-term liabilities                | (21,520,395)                      | Short-term notes payable   | 18,453,424                        |
| Other reserves                             | 1,210,739                         | Bonds payable  | 20,612,548                        |
|  |                                   | Deficit during development period of subsidiaries                            | (1,210,739)                       |

**Statement of income reclassifications**

| <b>From</b>                       | <b>Charge (credit)<br/>ThCh\$</b> | <b>To</b>                         | <b>Charge (credit)<br/>ThCh\$</b> |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Other non-operating expenses      | 1,586,072                         | Other non-operating income        | 1,940,610                         |
| Income taxes                      | (4,444,572)                       | Interest expense                  | 3,629,529                         |
| Deferred income taxes             | (2,392,830)                       | Foreign currency translation, net | (318,809)                         |
| Amortization of negative goodwill | (248,147)                         | Amortization of goodwill          | 248,147                           |

**Statement of Cash flow reclassifications**

| <b>From</b>  | <b>Charge (credit)<br/>ThCh\$</b> | <b>To</b>   | <b>Charge (credit)<br/>ThCh\$</b> |
|--|-----------------------------------|---|-----------------------------------|
| Payment of bonds   | 85,102,292                        | Other accounts payable associated<br>with non-operating results | (102,068,728)                     |
| Other credits to income which do not represent<br>cash flows | 24,250,320                        | Decrease in income tax payable                                  | (7,283,884)                       |
| Other sources of financing                                   | 27,586,411                        | Other charges to income which do not<br>represent cash flows    | (17,297,324)                      |
| Other charges to income which do<br>not represent cash flows | 906,583                           | Other disbursements for financing                               | (10,289,087)                      |
|  |                                   | Amortization of intangibles                                     | (906,583)                         |

The accompanying financial statements reflect the consolidated results of operations of Enersis S.A. and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation. Investments in companies in the development stage are accounted for using the equity method, except that income or losses are included directly in equity instead of being reflected in the Company's consolidated statement of income. The Company consolidates the financial statements of companies in which it controls over 50% of the voting shares, which are the following:

| Company name                                   | Percentage participation as of December 31, |                |          |        |
|--|---|----------------|----------|--------|
|  | 2001<br>Total                               | 2002<br>Direct | Indirect | Total  |
| Chilectra S.A.                                 | 98.24                                       | 98.24          | -        | 98.24  |
| Compañía Eléctrica del Río Maipo S.A.          | 98.74                                       | 98.74          | -        | 97.74  |
| Synapsis Soluciones y Servicios IT Ltda.       | 100.00                                      | 99.99          | 0.01     | 100.00 |
| Inmobiliaria Manso de Velasco Ltda.            | 100.00                                      | 99.99          | 0.00     | 100.00 |
| Cía. Americana de Multiservicios Ltda. (4)     | 100.00                                      | 99.93          | 0.07     | 100.00 |
| Endesa Chile S.A. (1)                          | 59.98                                       | 59.98          | -        | 59.98  |
| Enersis de Argentina S.A.                      | 100.00                                      | 100.00         | -        | 100.00 |
| Enersis International Ltd.                     | 100.00                                      | 100.00         | -        | 100.00 |
| Inversiones Distrilima S.A.                    | 54.54                                       | 15.93          | 39.75    | 55.68  |
| Empresa Distribuidora Sur S.A. (Edesur)        | 65.09                                       | 16.02          | 49.07    | 65.09  |
| Empresa Eléctrica de Panamá S.A. (3)           | 99.67                                       | -              | -        | -      |
| Interocean Developments Inc. (3)               | 100.00                                      | -              | -        | -      |
| Luz de Bogotá S.A. (2)                         | 44.66                                       | 25.71          | 18.95    | 44.66  |
| Cerj   | 58.16                                       | 20.37          | 41.58    | 61.95  |
| Investluz (2)                                  | 47.02                                       | 15.61          | 32.80    | 48.41  |
| Cía. Americana de Multiservicios Uno Ltda. (4) | 100.00                                      | -              | -        | -      |
| Enersis Energia de Colombia S.A.               | 100.00                                      | 100.00         | -        | 100.00 |

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

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

(3) These companies were absorbed by the parent company.

(4) On January 1 2002, Cía. Americana de Multiservicios Ltda. merged with Cía. Americana de Multiservicios Uno.

### Situation in Argentina

In Argentina, at the end of 2001, as a result of the serious economic crisis, a change in the economic model and in the law of convertibility was implemented with the promulgation of new National Government regulations. This situation gave rise to, among other consequences: devaluation of the Argentinean peso with respect to the US dollar and the pesification of certain assets and liabilities recorded in foreign currency in said country, pesification of public service tariffs, introduction of deposit withdrawal limitations in financial institutions, limitations to make certain transfers abroad for capital services and financial loan interest without prior authorization of the Central Bank of the Republic of Argentina.

Considering the above mentioned unstable environment, the company performed an evaluation of the recoverability of its investments in Argentinean companies. Management believes that the evolution of the aforementioned measures will not result in significant adjustments different to those recognized in these financial statements.

### b. Periods covered

These financial statements reflect the Company's financial position as of December 31, 2002 and 2001, and the results of its operations, the changes in its shareholders' equity and its cash flows for the years ended December 31, 2002 and 2001.

**c. Constant currency restatement**

The cumulative inflation rate in Chile as measured by the Chilean Consumer Price Index ("CPI") for the two-year period ended December 31, 2002 was approximately 6.19%.

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

The financial statements of the Company have been price-level restated in order to reflect the effects of the changes in the purchasing power of the Chilean currency during each year. All non-monetary assets and liabilities, all equity accounts and income statement accounts have been restated to reflect the changes in the CPI from the date they were acquired or incurred to year-end (see also Note 24).

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

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

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

|                          | <i>Index</i>  | <i>Change over Previous<br/>November 30,</i> |
|--------------------------|---------------|--|
| <i>November 30, 2002</i> | <i>113.36</i> | <i>3.0%</i>                                  |
| <i>November 30, 2001</i> | <i>110.10</i> | <i>3.1%</i>                                  |

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

|                          | <i>Index</i>  | <i>Change over Previous<br/>December 31,</i> |
|--------------------------|---------------|--|
| <i>December 31, 2002</i> | <i>112.86</i> | <i>2.8%</i>                                  |
| <i>December 31, 2001</i> | <i>109.76</i> | <i>2.6%</i>                                  |

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

### **Index-linked assets and liabilities**

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

|                   | <b>Ch\$</b> |
|-------------------|-------------|
| December 31, 2002 | 16,744.12   |
| December 31, 2001 | 16,262.66   |

### **Comparative financial statements**

For comparative purposes, the 2001 consolidated financial statements and the amounts disclosed in the related Notes have been restated in terms of Chilean pesos of December 31, 2002, purchasing power.

### **Convenience translation to U.S. dollars**

The financial statements are stated in Chilean pesos. The translations of Chilean pesos into US dollars are included solely for the convenience of the reader, using the observed exchange rate reported by the Chilean Central Bank as of December 31, 2002 of Ch\$718.61 to US\$1.00. The convenience translations should not be construed as representations that the Chilean peso amounts have been, could have been, or could in the future be, converted into US dollars at this or any other rate of exchange.

#### **d. Assets and liabilities in foreign currencies**

Assets and liabilities denominated in foreign currencies are detailed in Note 30. These amounts have been stated at the observed exchange rates reported by the Central Bank of Chile as of each year-end as follows:

| <b>Currency</b>                 | <b>Symbol used</b> | <b>2001<br/>Ch\$</b> | <b>2002<br/>Ch\$</b> |
|---------------------------------|--------------------|----------------------|----------------------|
| United States dollar (Observed) | US\$               | 654.79               | 718.61               |
| British pound sterling          | £                  | 948.01               | 1,152.91             |
| Colombian peso                  | \$ Col             | 0.29                 | 0.25                 |
| New Peruvian sol                | Soles              | 190.29               | 204.73               |
| Brazilian real                  | Rs                 | 282.97               | 203.57               |
| Japanese yen                    | ¥                  | 4.99                 | 6.07                 |
| Euro                            | €                  | 578.18               | 752.55               |
| French Franc (2)                | FFr                | 88.36                | -                    |
| Pool Unit (IBRD)(1)             | UP                 | 7,742,160.26         | 9,089,158.76         |
| Unidad de Fomento (UF)          | UF                 | 16,262.66            | 16,744.12            |
| Unit of Account (IDB) (1)       | UC                 | 929.26               | 1,093.75             |
| Argentine peso                  | \$ Arg             | 385.17               | 219.09               |

(1) Units of measurement used by the International Bank for Reconstruction and Development (IBRD) and Interamerican Development Bank (IDB) to express the weighted-average of multicurrency loan obligations granted using fixed currency rates to the US dollar, at a determined date.

(2) Beginning on January 1, 2002, these currency will be expressed in the Euro.

**e. Time deposits and marketable securities**

Time deposits are presented at original placement plus accrued interest and UF indexation adjustments, as applicable. Marketable securities include investments in quoted shares they are valued at the lower of cost or market value. The investments are in both short-term highly liquid fixed rate investments shares and mutual fund units valued at cost plus interest and indexation or redemption value as appropriate.

**f. Allowance for doubtful accounts**

Accounts receivable are classified as current or long-term, depending on their collection terms. Current and long-term trade accounts receivable, notes receivable and other receivables are presented net of allowances for doubtful accounts (see Note 5). Write-offs of uncollectible accounts amounted to ThCh\$115,349,531 and ThCh\$52,836,900 for the years ended December 31, 2002 and 2001, respectively. In addition, the total sum owed by the companies that have gone into bankruptcy amounting to ThCh\$707,755 (ThCh\$585,195 in 2001) is included in the bad debts estimation.

**g. Inventories**

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

The costs and revenues of construction in progress are accounted for under the completed contract method in accordance with Technical Bulletin N°39 of the Chilean Association of Accountants and are included in current assets as their realization is expected in the short-term.

**h. Property, plant and equipment**

Property, plant and equipment are valued at net replacement cost as determined by the former Superintendency of Electric and Gas Services (SEG) adjusted for price-level restatement in accordance with D.F.L. N°4 of 1959. The latest valuation under the D.F.L. 4 was in 1980.

Property, plant and equipment acquired after the latest valuation of net replacement cost are shown at cost, plus price-level restatement. Interest on debt directly obtained to finance construction projects is capitalized during the period of construction (only in power generators).

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

The Company and its subsidiaries have evaluated the recoverability of the book value of their property, plant and equipment in accordance with Technical Bulletin N°33 of the Chilean Accounting Association.

As a result of this evaluation no adjustments have been arrived at that affect the book values of these assets.

**i. Depreciation**

Depreciation expense is calculated on the revalued balances using the straight-line method over the estimated useful lives of the assets. Depreciation expense was ThCh\$454,471,134 and ThCh\$426,020,442 as of December 31, 2002 and 2001, respectively. Depreciation expense of ThCh\$439,903,194 and ThCh\$413,824,670 was included in Cost of sales and ThCh\$14,567,940 and ThCh\$12,195,772 were included in Administrative and selling expenses, respectively.

***j. Leased assets***

The leased assets, whose contracts have financial lease characteristics, are accounted for as acquisition of property plants and equipment, recognizing the total obligation and the unaccrued interest. Said assets do not legally belong to the Company, for which reason, as long as the call option is not exercised, it will not be able to freely dispose of them.

***k. Power installations financed by third parties***

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

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

***l. Investments in related companies***

Investments in related companies are included in "Other assets" using the equity method. This valuation method recognizes in income the Company's equity in the net income or loss of each investee on the accrual basis (Note 11).

Investments in foreign affiliates are recorded in accordance with Technical Bulletin No.64 of the Chilean Association of Accountants.

The Company and its subsidiaries have evaluated the recoverability of the book value of their property, plant and equipment in accordance with Technical Bulletin N°33 of the Chilean Accounting Association.

As a result of this evaluation no adjustments have been arrived at that affect the book values of these assets.

***m. Intangibles, other than goodwill***

Intangibles, other than goodwill, correspond mainly to easements, parent company contributions, and rights for the use of telephone lines and are amortized in accordance with Technical Bulletin N°55 of the Chilean Association of Accountants.

***n. Severance indemnity***

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

***o. Revenue recognition***

This is revenue for electric power generation and distribution, among which are included energy supplied and unbilled at each year-end, valued at the selling price using the current rates and has been included in revenue from operations. The unbilled amount is presented in current assets as trade receivables and the corresponding cost is included in cost of operations. The Company also recognizes revenues for amounts received from highway tolls for motorized vehicles, income related to computer advisory services, engineering services and sale of materials.

**p. Income tax and deferred income taxes**

At December 31, 2002 and 2001, the Company recorded current tax expense according to the tax laws and regulations in each country of ThCh\$155,527,993 and ThCh\$124,813,922, respectively. The Company records income taxes in accordance with Technical Bulletin N°60 of the Chilean Association of Accountants, and with circular N°1466 issued on January 27, 2000 by the SVS, recognizing, using the liability method, recognizing the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities using the tax rates to be in effect at the time of reversal.

**q. Accrued vacation expense**

In accordance with Technical Bulletin No.47 issued by the Chilean Association of Accountants, employee vacation expense is recorded on the accrual basis.

**r. Reverse repurchase agreements**

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

**s. Statements of cash flows**

The Consolidated Statements of Cash Flows have been prepared in accordance with the indirect method.

Investments considered as cash equivalents, as indicated in point 6.2 of Technical Bulletin N°50 issued by the Chilean Association of Accountants, include time deposits, investments in fixed income securities classified as marketable securities, repurchase agreements classified as other current assets, and other, cash balances classified as other accounts receivable with maturities less than 90 days.

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

**t. Financial derivative contracts**

As of December 31, 2001 and 2002 the Company and its subsidiary have forward contracts, currency swaps, and interest swaps and collars with several financial institutions, defined as cover, which are recorded according to Technical Bulletin N°57 of the Chilean Association of Accountants. In 2001, such contracts were defined as investment.

**u. Goodwill and negative goodwill**

Goodwill and negative goodwill are determined according to Circular N°368 of the SVS. Amortization is determined using the straight-line method, considering the nature and characteristic of each investment, foreseeable life of the business and investment return, and does not exceed 20 years.

The Company has evaluated the recoverability of its goodwill and negative goodwill value arising from investments abroad, and in virtue of Technical Bulletin N°56 of the Chilean Association of Accountants, it has resorted to IAS 36 "Impairment of Assets Value".

**v. Pension and post-retirement benefits**

Pension and post-retirement benefits are recorded in accordance with the respective Collective Bargaining Contracts of the employees based on the actuarially determined projected benefit obligation.

**w. Bonds**

Bonds payable are recorded at the face value of the bonds. The difference between the face value and the placement value, equal to the premium or discount, is deferred and amortized over the term of the bonds.

**x. Investments in other companies**

Investments in other companies are presented at acquisition cost adjusted for price-level restatement.

**y. Research and development costs**

Costs incurred by the Company in research and development are either general in nature (water-level studies, hydroelectric research, seismic-activity surveys) which are expensed as incurred, or studies related to specific construction projects which are capitalized.

During 2001 and 2002 there have been no expenses under this caption.

### 3.

#### CHANGE IN ACCOUNTING PRINCIPLES

There were no changes in accounting principles during 2002 that would effect the comparison with the prior year financial statements.

### 4.

#### TIME DEPOSITS

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

| <i>Financial Institution</i>        | <i>Annual Rate %</i> | <i>Scheduled Maturity</i> | <i>2001 ThCh\$</i> | <i>2002 ThCh\$</i> |
|-------------------------------------|----------------------|---------------------------|--------------------|--------------------|
| <i>Banco Bilbao Vizcaya</i>         | 1.28                 | 30.01.03                  | 28,873,651         | 4,539,102          |
| <i>Banco CCF Brasil</i>             | -                    | -                         | 812,623            | -                  |
| <i>Banco Colpatría</i>              | 8.50                 | 02.01.03                  | 8,654,209          | 14,808,363         |
| <i>Banco Continental</i>            | 2.42                 | 01.02.03                  | -                  | 3,369,062          |
| <i>Banco Crédito del Perú</i>       | 1.13                 | 03.01.03                  | 1,762,858          | 179,675            |
| <i>Banco de Bogotá</i>              | 7.50                 | 02.01.03                  | 444,764            | 606,954            |
| <i>Banco de Chile</i>               | 1.10                 | 02.01.03                  | 491,759            | 149,484            |
| <i>Banco de Chile N.Y.</i>          | 1.10                 | 02.01.03                  | 3,339,638          | 344,943            |
| <i>Banco do Brasil</i>              | 18.55                | 15.09.03                  | -                  | 1,060,351          |
| <i>Banco do Estado do Ceará</i>     | -                    | -                         | 4,959,682          | -                  |
| <i>Banco Frances</i>                | 25.00                | 07.01.03                  | -                  | 603,576            |
| <i>Banco Ganadero</i>               | -                    | -                         | 11,119             | -                  |
| <i>Banco Holandes</i>               | 3.50                 | 01.01.03                  | -                  | 431,741            |
| <i>Banco Interbank</i>              | 1.46                 | 14.01.03                  | 391,658            | 2,862,988          |
| <i>Banco Itau</i>                   | 3.00                 | 01.01.03                  | -                  | 213,069            |
| <i>Banco Liberal</i>                | -                    | -                         | 482,268            | -                  |
| <i>Banco Nationale de Paris</i>     | 2.75                 | 01.01.03                  | 13,048,776         | 693,825            |
| <i>Banco Pactual</i>                | 1.46                 | 01.01.03                  | -                  | 2,923,141          |
| <i>Banco Provincia Buenos Aires</i> | 6.50                 | 02.01.03                  | -                  | 650,606            |
| <i>Banco Río</i>                    | 7.30                 | 21.01.03                  | 9,832              | 5,125,732          |
| <i>Banco Santander</i>              | 2.90                 | 02.01.03                  | 796,736            | 2,339,169          |



| <b>Financial Institution</b>       | <b>Annual Rate %</b> | <b>Scheduled Maturity</b> | <b>2001 ThCh\$</b> | <b>2002 ThCh\$</b> |
|------------------------------------|----------------------|---------------------------|--------------------|--------------------|
| Banco Santander CDB                | 7.50                 | 02.01.03                  | 1,058,196          | 4,312              |
| Banco Santander Do Brasil          | 18.55                | 02.01.03                  | 909,937            | 1,170,656          |
| Banco Sudameris                    | -                    | -                         | 3,800,198          | -                  |
| Banco Tequendama                   | -                    | -                         | 2,936,874          | -                  |
| Banco Union Colombiano             | -                    | -                         | 2,720,943          | -                  |
| Banco Votorantim                   | 19.40                | 23.09.03                  | -                  | 3,228,008          |
| Banco Wiese Sudameris              | 1.44                 | 02.01.03                  | 166,454            | 431,166            |
| Bank Boston                        | 1.10                 | 03.01.03                  | 1,322,428          | 94,094             |
| Bank of America                    | 0.87                 | 01.01.03                  | 17,553,537         | 5,320,419          |
| Banco Credito-Soles                | 1.13                 | 02.01.03                  | -                  | 3,932,045          |
| Bonos de Solidaridad               | 10.00                | 02.01.03                  | 675                | 1,070              |
| Bradesco                           | 19.37                | 15.09.03                  | 683,371            | 3,764,259          |
| Citibank N.Y.                      | 1.10                 | 02.01.03                  | 54,433,352         | 55,244,377         |
| Cititrust                          | 6.24                 | 02.01.03                  | -                  | 56                 |
| Colcorp S.A.                       | 9.00                 | 03.02.03                  | 1,673,922          | 1,024,239          |
| Corficolombia                      | 8.12                 | 02.01.03                  | -                  | 3,687,381          |
| Corfivalle                         | 7.98                 | 02.01.03                  | 9,812,357          | 3,724,459          |
| Corporacion las Villas             | -                    | -                         | 3,480,285          | -                  |
| Cuenta Corriente Remunerada        | -                    | -                         | 2,749,309          | -                  |
| Encargo Fiduciario Banco Santander | 6.18                 | 02.01.03                  | -                  | 2,363,837          |
| Fiduciaria Banco Colpatría         | -                    | -                         | 19,448             | -                  |
| Fiduciaria Banco de Bogotá         | -                    | -                         | 6,292,881          | -                  |
| Fiduciaria Bancolombia             | 8.12                 | 01.01.03                  | -                  | 226                |
| Fiduciaria Cititrust               | 6.55                 | 01.01.03                  | 41,848             | 475                |
| Fiduciaria de Crédito              | -                    | -                         | 297,505            | -                  |
| Fiduciaria de Santander            | 9.00                 | 02.01.03                  | 23,540             | 161,687            |
| Fiduciaria Lloyds Bank             | -                    | -                         | 52,337             | -                  |
| Fiduciaria Cancolombia             | -                    | -                         | 1,431,793          | -                  |
| Fiducolombia                       | -                    | -                         | 125,117            | -                  |
| Fiduganadero                       | -                    | -                         | 774,567            | -                  |
| Fiduoccidente                      | 7.73                 | 02.01.03                  | 5,070              | 9,728              |
| Fiduvale                           | 7.66                 | 01.01.03                  | -                  | 761,371            |
| HSBC - Bamerindus                  | 3.00                 | 01.01.03                  | 586,792            | 5,450,031          |
| Megabanco                          | -                    | -                         | 42,296             | -                  |
| Merrill Lynch                      | 1.50                 | 06.01.03                  | -                  | 8,211,535          |
| Suvalor                            | 9.04                 | 02.01.03                  | -                  | 4,015,453          |
| Time Deposit                       | -                    | -                         | 1,038,629          | -                  |
| Unibanco                           | 7.00                 | 08.09.03                  | -                  | 2,124,229          |
| <b>Total</b>                       |                      |                           | <b>178,113,234</b> | <b>145,626,894</b> |

## 5.

## ACCOUNTS, NOTES AND OTHER RECEIVABLES

Current accounts, notes and other receivables and related allowances for doubtful accounts as of each December 31, are as follows:

| Account                         | As of december 31, |                |                   |                |                |                    |                    |                    |                    |
|---------------------------------|--------------------|----------------|-------------------|----------------|----------------|--------------------|--------------------|--------------------|--------------------|
|                                 | Under 90 days      |                | 91 days to 1 year |                | Sub total      | Current            |                    | Long-term          |                    |
|                                 | 2001<br>ThCh\$     | 2002<br>ThCh\$ | 2001<br>ThCh\$    | 2002<br>ThCh\$ | 2002<br>ThCh\$ | 2001<br>ThCh\$     | 2002<br>ThCh\$     | 2001<br>ThCh\$     | 2002<br>ThCh\$     |
| Accounts receivable             | 576,467,295        | 487,395,335    | 17,305,993        | 76,912,334     | 564,307,669    | 550,248,992        | 458,839,724        | -                  | -                  |
| Allowance for doubtful accounts |                    |                |                   |                | (105,467,945)  |                    |                    |                    |                    |
| Notes receivable                | 6,295,375          | 4,653,993      | 407,105           | 1,442,684      | 6,096,677      | 5,683,330          | 5,131,349          | -                  | -                  |
| Allowance for doubtful accounts |                    |                |                   |                | (965,328)      |                    |                    |                    |                    |
| Other receivables               | 42,743,736         | 53,684,615     | 37,770,437        | 18,007,739     | 71,692,354     | 72,220,719         | 62,776,096         | 101,903,562        | 125,850,513        |
| Allowance for doubtful accounts |                    |                |                   |                | (8,916,258)    |                    |                    |                    |                    |
| <b>Total</b>                    |                    |                |                   |                |                | <b>628,153,041</b> | <b>526,747,169</b> | <b>101,903,562</b> | <b>125,850,513</b> |

Current and long-term accounts receivable per country as of each December 31, are as follows:

| Country      | As of December 31, |               |                    |               |
|--------------|--------------------|---------------|--------------------|---------------|
|              | 2001<br>ThCh\$     | %             | 2002<br>ThCh\$     | %             |
| Chile        | 180,592,722        | 24.74         | 145,659,152        | 22.32         |
| Peru         | 40,147,163         | 5.50          | 58,187,147         | 8.92          |
| Argentina    | 75,119,315         | 10.29         | 40,461,768         | 6.20          |
| Colombia     | 127,104,349        | 17.41         | 99,788,238         | 15.29         |
| Brasil (1)   | 307,093,054        | 42.06         | 308,501,377        | 47.27         |
| <b>Total</b> | <b>730,056,603</b> | <b>100.00</b> | <b>652,597,682</b> | <b>100.00</b> |

(1) In accordance with Decree Law N°14 and Resolution N°91 of the Council for Managing the Electric Energy Crisis (CGCEE), both dated December 21, 2001, and based on Resolution N°31 of the National Agency of Electric Energy (ANEEL) dated January 24, 2002, the Company's distribution subsidiaries in Brasil have recognized as of December 31, 2001 and at March 1, 2002, a regulated asset, which will be recovered through extraordinary tariffs in order to recover losses experienced during the period of energy rationing from June 1, 2001 to March 1, 2002.

The Brazilian rationing program came to an end on March 1, 2002, the Brazilian Congress ratified the law to compensate Brazilian electric companies on April 16, 2002. The law approved a 2.9% and 7.9% increase for residential and industrial customers, respectively.

ANNEL subsequently established an 18.6% tariff adjustment for CERJ to be effective on January 1, 2002; also, ANNEL set a 14.3% tariff adjustment for Coelce, to become effective on April 22, 2002.

## 6.

## TRANSACTIONS WITH RELATED COMPANIES

Balances of accounts receivable and payable are as follows at December 31, 2001 and 2002:

## a. Notes and accounts receivable:

| Company  | As of December 31, |                    |                    |                |
|--|--------------------|--------------------|--------------------|----------------|
|  | Short-term         |                    | Long-term          |                |
|  | 2001<br>ThCh\$     | 2002<br>ThCh\$     | 2001<br>ThCh\$     | 2002<br>ThCh\$ |
| <i>Aguas Santiago Poniente S.A.</i>            | 2,496,548          | 257,796            | -                  | -              |
| <i>Atacama Finance Co.</i>                     | 4,297,348          | 182,046,895        | 169,196,652        | -              |
| <i>Central Geradora Term. de Fortaleza</i>     | 11,383             | 3,861              | -                  | -              |
| <i>Cía. Interconexión Energética S.A.</i>      | 3,004,871          | 4,101,221          | -                  | 37             |
| <i>Com. de Energía del Mercosur</i>            | 3,369,682          | 4,422,881          | -                  | -              |
| <i>Consortio Energetico Punta Cana-Macao</i>   | 967                | 939                | -                  | -              |
| <i>Distrilec Inversora S.A.</i>                | 6,810              | 7,257              | -                  | -              |
| <i>Edenor S.A.</i>                             | 187,117            | -                  | -                  | -              |
| <i>Elesur S.A.</i>                             | 20,379             | 24,217             | -                  | -              |
| <i>Empresa Eléctrica de Bogotá S.A.</i>        | 133,978            | 171,747            | -                  | -              |
| <i>Empresa Eléctrica Piura S.A.</i>            | 100,180            | 279,542            | -                  | -              |
| <i>Endesa España</i>                           | 364,605            | 322,122            | -                  | -              |
| <i>Endesa Internacional S.A.</i>               | 2,387,673          | 1,632,089          | -                  | -              |
| <i>Etevensa</i>                                | 190,584            | 220,020            | -                  | -              |
| <i>Fundación Endesa</i>                        | -                  | 165,273            | -                  | -              |
| <i>Gasoducto Atacama Generación</i>            | 49,224             | 570,445            | -                  | -              |
| <i>Gasoducto Tal Tal Ltda.</i>                 | 313,819            | 144,871            | -                  | -              |
| <i>Ingendesa Do Brasil Ltda.</i>               | -                  | -                  | -                  | 16,021         |
| <i>Inversiones Electrica Quillota S.A.</i>     | 1,030              | 1,000              | -                  | -              |
| <i>Sacme S.A.</i>                              | 175,047            | 101,097            | -                  | -              |
| <i>Smartcom S.A.</i>                           | 896,261            | 619,403            | -                  | -              |
| <i>Soc. de Inv. Chispa Uno S.A.</i>            | 830                | 1,937              | -                  | -              |
| <i>Transmisora Eléctrica de Quillota Ltda.</i> | 11,242             | 304,222            | 1,471,140          | 882,109        |
| <b>Total</b>                                   | <b>18,019,578</b>  | <b>195,398,835</b> | <b>170,667,792</b> | <b>898,167</b> |

**b. Notes and accounts payable:**

| <b>Company</b>                          | <b>2001<br/>ThCh\$</b> | <b>2002<br/>ThCh\$</b> | <b>2001<br/>ThCh\$</b> | <b>2002<br/>ThCh\$</b> |
|---|------------------------|------------------------|------------------------|------------------------|
| Aguas Santiago Poniente S.A.            | 8                      | 631                    | -                      | -                      |
| Com. de Energía del Mercosur            | 7,175,604              | 760,170                | -                      | -                      |
| Compañía Transmisión del Mercosur S.A.  | 339,240                | 107,045                | -                      | -                      |
| Electrogas S.A.                         | -                      | 233,837                | -                      | -                      |
| Elesur S.A.                             | 17,289,294             | 11,465,695             | 984,980,016            | 987,371,066            |
| Empresa Eléctrica de Bogotá S.A.        | 3,629,114              | 1,226,667              | -                      | 920,539                |
| Empresa Eléctrica Piura S.A.            | 720,573                | 857,426                | -                      | -                      |
| Endesa Internacional S.A.               | 342,658                | 1,109,741              | 16,727,143             | -                      |
| Endesa Inversiones Generales S.A.       | -                      | 8,589                  | -                      | -                      |
| Endesa Servicios                        | -                      | 116,041                | -                      | -                      |
| Etevensa S.A.                           | 1,116,904              | -                      | -                      | -                      |
| Gasoducto Tal Tal Ltda.                 | 213,599                | 160,559                | -                      | -                      |
| Mundivia S.A.                           | 76                     | -                      | -                      | -                      |
| Sacme S.A.                              | 185,803                | 101,720                | -                      | -                      |
| Smartcom S.A.                           | 65,236                 | 55,189                 | -                      | -                      |
| Transmisora Eléctrica de Quillota Ltda. | 42,540                 | 82,402                 | -                      | -                      |
| <b>Total</b>                            | <b>31,120,649</b>      | <b>16,285,712</b>      | <b>1,001,707,159</b>   | <b>988,291,605</b>     |

**c. Effects in income (expense) in each year are as follows:**

| <b>Company</b>                      | <b>Nature of Transaction</b> | <b>Income (expense)</b> |                        |
|-------------------------------------|------------------------------|-------------------------|------------------------|
|                                     |                              | <b>2001<br/>ThCh\$</b>  | <b>2002<br/>ThCh\$</b> |
| Atacama Finance Co.                 | Interest                     | 10,056,288              | 6,659,856              |
|                                     | Monetary correction          | 4,575,344               | 498,688                |
|                                     | Exchange difference          | 17,033,254              | 11,107,652             |
| Central Geradora Term. de Fortaleza | Services                     | 473,819                 | -                      |
|                                     | Exchange difference          | (21,636)                | -                      |
| Com. de Energía del Mercosur        | Sale of energy               | 22,810,613              | 19,152,859             |
|                                     | Purchase of energy           | (15,347,195)            | (1,958,213)            |
|                                     | Interest                     | (62,519)                | -                      |
|                                     | Services                     | 73,855                  | -                      |
| Com. Transmisión del Mercosur S.A.  | Purchase of energy           | (3,985,903)             | (1,397,696)            |
|                                     | Exchange difference          | 450                     | -                      |
|                                     | Monetary correction          | 210                     | -                      |
| Cía. Interconexión Energética S.A.  | Sale of energy               | 46,839,739              | 26,990,992             |
|                                     | Exchange difference          | (3,523)                 | -                      |
|                                     | Services                     | 903,382                 | 272,906                |
| Inversiones Eléctrica Quillota S.A. | Interest                     | 134,407                 | 144,050                |
|                                     | Services                     | -                       | 5,066                  |
|                                     | Monetary correction          | 43,994                  | -                      |

| Company                       | Nature of Transaction | Income (expense) |                     |
|-------------------------------|-----------------------|------------------|---------------------|
|                               |                       | 2001<br>ThCh\$   | 2002<br>ThCh\$      |
| Empresa Eléctrica Piura S.A.  | Sale of energy        | 938,354          | 1,457,382           |
|                               | Purchase of energy    | (9,812,046)      | (9,619,648)         |
|                               | Services              | 1,213,149        | 175,914             |
|                               | Exchange difference   | (809)            | -                   |
| Gasoducto Tal Tal Ltda.       | Services              | -                | 40,494              |
| Elesur S.A.                   | Interest              | (51,512,360)     | (43,408,831)        |
|                               | Services              | 20,478           | 15,919              |
|                               | Monetary correction   | (30,547,186)     | (29,082,684)        |
|                               | Exchange difference   | (753,213)        | -                   |
| Etevensa S.A.                 | Sale of energy        | 3,063,312        | 5,757,877           |
|                               | Services              | 3,247,425        | 153,617             |
|                               | Exchange difference   | (563)            | -                   |
| Electrogas S.A.               | Services              | (2,449,634)      | (2,978,702)         |
| Edenor S.A.                   | Services              | 4,434,499        | -                   |
| Smartcom S.A.                 | Services              | 4,093,653        | 3,407,292           |
| Agua Santiago Poniente S.A.   | Interest              | 209,426          | 70,757              |
|                               | Services              | 29,798           | 32,060              |
| Endesa Internacional S.A.     | Services              | 242,914          | 182,716             |
|                               | Interest              | (2,193,466)      | (1,026,534)         |
| Sacme S.A.                    | Services              | (823,528)        | (364,396)           |
| Empresa Propietaria de la Red | Services              | -                | 346,994             |
| Mundivia S.A.                 | Services              | 61,157           | -                   |
| Soc. de Inv. Chispa Uno S.A.  | Services              | 6,582            | 8,432               |
| <b>Total</b>                  |                       | <b>3,317,895</b> | <b>(12,769,303)</b> |

The transfer of short-term funds between related companies, is on the basis of a current cash account, at a variable interest rate based on market conditions. The resulting accounts receivable and accounts payable are essentially on 30 day terms, with automatic rollover for the same period and settlement in line with cash flows.

Conditions of the long-term payables are as follows:

| Company                                 | Type            | Due Date | Currency | Capital     | Interest Rate |
|---|-----------------|----------|----------|-------------|---------------|
| Elesur S.A.                             | Account payable | May 2004 | UF       | 35,827,780  | 4.57%         |
|   | Account payable | May 2004 | UF       | 22,873,999  | 1.46%         |
|   | Account payable | Aug 2004 | UF       | 266,448     | 2.95%         |
| Transmisora Eléctrica de Quillota Ltda. | Account payable | 2006     | UF       | 70,242      | 9.00%         |
| Atacama Finance Co.                     | Account payable | 2003     | US\$     | 250,872,179 | 3.33%         |

## 7.

## INVENTORIES

Inventories include the following items and are presented net of an allowance for obsolescence amounting to ThCh\$4,104,724 and ThCh\$4,342,197 as of December 31, 2001 and 2002, respectively:

|  | <i>As of December 31,</i> |                        |
|--|---------------------------|------------------------|
|  | <b>2001<br/>ThCh\$</b>    | <b>2002<br/>ThCh\$</b> |
| <i>Real estate under development</i>       | 27,262,972                | 23,804,228             |
| <i>Materials in transit</i>                | 499,963                   | 1,104,204              |
| <i>Operation and maintenance materials</i> | 41,944,252                | 32,051,573             |
| <i>Other</i>                               | 7,716,887                 | 3,422,648              |
| <b>Total</b>                               | <b>77,424,074</b>         | <b>60,382,653</b>      |

## 8.

## DEFERRED INCOME TAXES

- a. Income taxes (recoverable) payable as of each year-end are as follows:

|                                       | <i>As of December 31,</i> |                        |
|---------------------------------------|---------------------------|------------------------|
|                                       | <b>2001<br/>ThCh\$</b>    | <b>2002<br/>ThCh\$</b> |
| <i>Income tax provision – current</i> | 77,283,022                | 27,532,029             |
| <i>Recoverable tax credits</i>        | (57,510,102)              | (54,435,976)           |
| <b>Total</b>                          | <b>19,772,920</b>         | <b>(26,903,947)</b>    |

- b. The Company incurred taxable losses of ThCh\$110,967,917 and ThCh\$89,744,825 for the years ended December 31, 2002 and 2001, respectively.
- c. The balance of taxed retained earnings and the related tax credits are as follows:

| <b>Year</b> | <b>Amount of</b>       |                          |
|-------------|------------------------|--------------------------|
|             | <b>loss<br/>ThCh\$</b> | <b>Credit<br/>ThCh\$</b> |
| 2002        | 23,698,947             | 4,524,557                |
| 2001        | (18,159,574)           | -                        |

d. The net effect of timing differences resulted in a net charge to income of ThCh\$9,072,273 and a net credit of ThCh\$18,862,491 during the years ended December 31, 2002 and 2001, respectively.

e. In accordance with BT N°60 and 69 of the Chilean Association of Accountants, and Circular N°1,466 of the SVS, the Company and its subsidiaries have recorded consolidated deferred income taxes as of December 31, 2002 and 2001 as follows:

|   | As of December 31, 2001 |                     |                      |                     | As of December 31, 2002 |                     |                      |                     |
|---|-------------------------|---------------------|----------------------|---------------------|-------------------------|---------------------|----------------------|---------------------|
|   | Asset                   |                     | Liability            |                     | Asset                   |                     | Liability            |                     |
|   | Short-term<br>ThCh\$    | Long-term<br>ThCh\$ | Short-term<br>ThCh\$ | Long-term<br>ThCh\$ | Short-term<br>ThCh\$    | Long-term<br>ThCh\$ | Short-term<br>ThCh\$ | Long-term<br>ThCh\$ |
| Allowance for doubtful accounts                                   | 26,027,011              | 12,307,740          | -                    | -                   | 24,128,592              | 8,089,173           | -                    | -                   |
| Deferred income   | 684,649                 | 1,822,685           | -                    | -                   | 921,547                 | 1,824,544           | -                    | -                   |
| Vacation accrual  | 1,395,215               | -                   | -                    | -                   | 1,211,297               | -                   | -                    | -                   |
| Intangibles   | -                       | -                   | 24,954               | -                   | -                       | -                   | -                    | -                   |
| Leasing assets  | -                       | 3,475,357           | -                    | -                   | -                       | 2,301,708           | -                    | -                   |
| Depreciation  | -                       | 3,500,985           | 115,620              | 388,240,574         | -                       | 3,730,312           | 63,991               | 425,486,736         |
| Severance indemnities   | -                       | 4,166               | -                    | 1,954,040           | -                       | 5,248               | -                    | 814,241             |
| Other events  | 1,507,717               | 1,859,468           | 6,603,676            | 3,707,977           | 4,211,789               | 2,083,015           | 4,376,406            | 9,391,056           |
| Contingencies   | 4,325,818               | 39,102,316          | -                    | -                   | 6,594,295               | 38,042,633          | -                    | -                   |
| Bond discount   | -                       | -                   | 421,131              | 1,704,883           | -                       | -                   | 154,508              | 1,717,127           |
| Cost of studies   | -                       | -                   | -                    | 4,675,640           | -                       | -                   | -                    | 7,972,554           |
| Finance costs   | -                       | 194,771             | -                    | 8,304,618           | -                       | 117,034             | -                    | 13,755,855          |
| Imputed interest on construction                                  | -                       | -                   | -                    | 4,830,117           | -                       | -                   | -                    | 4,863,433           |
| Deferred charges  | -                       | -                   | -                    | 1,510,731           | -                       | -                   | -                    | -                   |
| Actuarial deficit (companies in Brazil)                           | 7,487,563               | -                   | 1,230,644            | 4,339,981           | 6,766,431               | -                   | -                    | 2,301,708           |
| Withholdings  | 566,417                 | 1,597,733           | 5,659                | -                   | 2,391,794               | 860,956             | 5,494                | 193,144             |
| Regulated assets  | -                       | -                   | -                    | -                   | -                       | -                   | 3,828,000            | -                   |
| Derivative contracts  | 2,775                   | 1,000,985           | -                    | 512,289             | 350,818                 | 234,174             | -                    | -                   |
| Provision real estate projects                                    | -                       | -                   | -                    | -                   | 2,656,047               | -                   | -                    | -                   |
| Materials used  | -                       | -                   | -                    | 3,349,399           | -                       | -                   | -                    | 1,086,289           |
| Salaries for construction-in-progress                             | -                       | 5,843,294           | -                    | -                   | -                       | 3,926,807           | -                    | -                   |
| Tax losses  | 2,905,532               | 77,167,379          | -                    | -                   | 15,305,920              | 99,985,069          | -                    | -                   |
| Híd. El Chocón investment   | -                       | -                   | -                    | 119,374             | -                       | -                   | 37                   | 2,897,754           |
| Capitalized expenses  | -                       | -                   | 552,418              | 4,506,944           | -                       | -                   | 770,801              | 3,112,269           |
| Provision for labor benefits                                      | 306,354                 | 192,678             | 559                  | -                   | 447,462                 | 1,179,874           | 517                  | 516                 |
| Differences between the financial and tax value of Río Maipo S.A. | -                       | -                   | -                    | -                   | -                       | -                   | 1,475,222            | -                   |
| Exchange difference -subsidiaries                                 | -                       | -                   | -                    | -                   | 1,288,870               | 3,866,610           | -                    | -                   |
| Complementary account, net  | (12,121,039)            | (49,272,564)        | (28,750)             | (296,221,936)       | (3,647,280)             | (42,168,372)        | (3,187)              | (290,044,693)       |
| Valuation allowance   | -                       | (3,322,326)         | -                    | -                   | -                       | (2,271,667)         | -                    | -                   |
| <b>Total</b>  | <b>33,088,012</b>       | <b>95,474,667</b>   | <b>8,925,911</b>     | <b>131,534,631</b>  | <b>62,627,582</b>       | <b>121,807,118</b>  | <b>10,671,789</b>    | <b>183,547,989</b>  |

f. Income tax expense for the years ended December 31, 2001 and 2002 is as follows:

|   | <b>2001</b><br><b>ThCh\$</b> | <b>2002</b><br><b>ThCh\$</b> |
|---|------------------------------|------------------------------|
| <b>Tax expense</b>                            |                              |                              |
| <i>Income tax provision</i>                   | (114,099,337)                | (74,581,690)                 |
| <b>Deferred taxes</b>                         |                              |                              |
| <i>Adjustment for tax expense-prior year</i>  | 3,111,691                    | (507,568)                    |
| <i>Deferred taxes</i>                         | (36,891,994)                 | 24,471,978                   |
| <i>Benefits for tax losses</i>                | 13,509,821                   | 5,043,185                    |
| <i>Amortization of complementary accounts</i> | 6,143,861                    | (15,501,218)                 |
| <i>Change in valuation allowance</i>          | (1,607,004)                  | (126,575)                    |
| <i>Other charges or credits</i>               | (17,175)                     | (4,815,097)                  |
| <b>Total</b>                                  | <b>(129,850,137)</b>         | <b>(66,016,985)</b>          |

## 9.

### OTHER CURRENT ASSETS

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

|  | <b>As of December 31,</b>    |                              |
|--|------------------------------|------------------------------|
|  | <b>2001</b><br><b>ThCh\$</b> | <b>2002</b><br><b>ThCh\$</b> |
| <i>Forward contracts and swaps (1)</i>             | 110,734,637                  | 72,800,589                   |
| <i>Guarantees and indemnities</i>                  | 1,785,077                    | 1,183,406                    |
| <i>Deferred expenses</i>                           | 3,115,540                    | 5,709,113                    |
| <i>Post-retirement benefits</i>                    | 884,210                      | 908,669                      |
| <i>Deposits for commitments and guarantees (2)</i> | 1,656,844                    | 26,098,519                   |
| <i>Investment projects</i>                         | 3,303,579                    | 8,399,481                    |
| <i>Fair value-derivates contracts</i>              | -                            | 11,603,424                   |
| <i>Reverse repurchase agreements</i>               | 1,909,395                    | -                            |
| <i>Other</i>                                       | 3,851,947                    | 5,318,407                    |
| <b>Total</b>                                       | <b>127,241,229</b>           | <b>132,021,608</b>           |

(1) See detail in Note 27.

(2) Infraestructura 2000 S.A. Th\$25,342,941 of time deposits in 2002.

The balance included under this item corresponds to time deposits invested with funds from the issuance of bonds and that are to be kept in reserve accounts as agreed in the corresponding finance contracts.



## PROPERTY, PLANT AND EQUIPMENT

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

|  | As of December 31,    |                       |
|--|-----------------------|-----------------------|
|  | 2001<br>ThCh\$        | 2002<br>ThCh\$        |
| <b>Land</b>  | <b>123,257,963</b>    | <b>129,904,787</b>    |
| <i>Buildings and infrastructure</i>                            | 6,305,284,319         | 6,605,971,611         |
| <i>Distribution and transmission lines and public lighting</i> | 4,702,594,096         | 5,061,388,676         |
| <i>Less: third party contributions</i>                         | (55,731,873)          | (45,056,759)          |
| <b>Sub-total</b>   | <b>10,952,146,542</b> | <b>11,622,303,528</b> |
| <b>Machinery and equipment</b>                                 | <b>1,823,140,358</b>  | <b>1,978,358,503</b>  |
| <i>Work in progress</i>  | 351,183,870           | 364,506,933           |
| <i>Construction materials</i>                                  | 63,882,077            | 56,458,627            |
| <i>Leased assets</i>   | 2,552,754             | 715,141               |
| <i>Furniture and fixtures, tools, and computing equipment</i>  | 82,938,365            | 79,254,829            |
| <i>Vehicles</i>  | 15,595,644            | 13,097,921            |
| <i>Equipment in transit</i>                                    | 8,193,631             | 7,462,991             |
| <i>Other assets</i>  | 13,938,603            | 13,364,422            |
| <b>Sub-total</b>   | <b>538,284,944</b>    | <b>534,860,864</b>    |
| <i>Technical appraisal</i>                                     | 697,624,932           | 740,645,407           |
| <b>Total property, plant and equipment</b>                     | <b>14,134,454,739</b> | <b>15,006,073,089</b> |
| <i>Less: accumulated depreciation</i>                          | (4,509,405,080)       | (5,126,614,906)       |
| <b>Total property, plant and equipment, net</b>                | <b>9,625,049,659</b>  | <b>9,879,458,183</b>  |

Enerjis S.A. and its local subsidiaries have proceeded to carry out an analysis of the book values of their property, plant and equipment and of the companies in which it has invested abroad. This analysis is motivated by the appearance of negative circumstances in the economies of the region's countries and by the fact that the property, plant and equipment in these countries are measured in US dollars. The analysis consisted of evaluating both the recoverability of property, plant and equipment of these companies', and the recorded goodwill and negative goodwill, in accordance with accounting principles generally accepted in Chile.

The property, plant and equipment recoverability analysis, as explained in Note 2 k, was carried out considering that when there is evidence that the company's operations do not permanently have sufficient earnings to cover all costs, including the depreciation of property, plant and equipment taken as a whole, and when the book value of said assets exceed its realization value, these values must be written down to recoverable amounts, charging non operating income.

The results of this analysis determined that no adjustments affecting the Company and its Subsidiaries' book values of property, plant and equipment are required.

## 11.

### INVESTMENT IN RELATED COMPANIES

#### a. Investments as of each year-end are as follows:

| Related Companies                              | Number of shares | Percentage owned % | Related equity ThCh\$ | Carrying Value     |                    | Equity in net income (losses) |                  |
|--|------------------|--------------------|-----------------------|--------------------|--------------------|-------------------------------|------------------|
|  |                  |                    |                       | 2001 ThCh\$        | 2002 ThCh\$        | 2001 ThCh\$                   | 2002 ThCh\$      |
| Aguas Santiago Poniente S.A. (1)               | 1,031,949        | 55.00              | 2,270,319             | -                  | 1,248,675          | -                             | -                |
| Cia. de Interconexión Energética S.A.          | 128,270,527      | 45.00              | 118,325,971           | 50,667,801         | 53,246,687         | (5,826,850)                   | 7,230,684        |
| Gas Atacama Generación                         | -                | 50.00              | 67,770,629            | 36,300,892         | 33,885,315         | (3,441,037)                   | (4,793,334)      |
| Gasoducto Atacama Argentina Ltda.              | -                | 50.00              | 64,226,451            | 27,899,622         | 32,113,226         | (4,686,666)                   | 2,386,141        |
| Gasoducto Atacama Chile Ltda.                  | -                | 50.00              | 55,859,069            | 23,197,393         | 27,929,534         | 3,303,780                     | 3,212,680        |
| Inversiones Eléctricas Quillota S.A.           | 608,676          | 50.00              | 17,127,364            | 7,602,220          | 8,563,682          | (29,794)                      | 1,310,128        |
| Inversiones Electrogas S.A.                    | 425              | 42.50              | 15,712,743            | 6,037,668          | 6,677,916          | 34,091                        | 638,377          |
| Com. de Energía del Mercosur S.A.              | 6,305,400        | 45.00              | 7,614,035             | 4,680,261          | 3,426,316          | 48,872                        | (1,524,596)      |
| Transquillota Ltda.                            | -                | 50.00              | 5,032,660             | 2,389,373          | 2,516,330          | 87,840                        | 126,529          |
| Atacama Finance Co.                            | 3,150,000        | 50.00              | 5,179,023             | 2,555,396          | 2,589,511          | 120,819                       | (133,267)        |
| Endesa Market Place                            | 210              | 15.00              | 3,199,945             | 602,376            | 479,992            | (336,407)                     | (281,264)        |
| Sacme S.A.                                     | 12,000           | 50.00              | 78,684                | 41,818             | 39,342             | (7,335)                       | 15,523           |
| Consortio ARA - Ingendesa Ltda..               | -                | -                  | 105,854               | -                  | 52,883             | -                             | 56,927           |
| Electrogas S.A.                                | 85               | 0.02               | 11,190,123            | 2,038              | 2,378              | 37                            | 339              |
| Distrilec Inversora S.A.                       | 4,416,141        | 51.50              | -                     | 11,288             | -                  | 11,289                        | -                |
| Consortio Ingendesa – Minmetal Ltda.           | -                | 50.00              | 3,676                 | 23,623             | 1,838              | 22,564                        | 18,916           |
| Central Geradora Termoelectrica Fortaleza S.A. | 20,246,908       | 48.82              | -                     | 5,386,640          | 21,333,090         | -                             | -                |
| Ingendesa do Brasil Limitada (1)               | -                | 100.00             | -                     | 49,599             | 57,442             | -                             | -                |
| <b>Total</b>                                   |                  |                    |                       | <b>167,448,008</b> | <b>194,164,157</b> | <b>(10,698,797)</b>           | <b>8,263,783</b> |

(1) There subsidiaries were in development stage for the years shown and accordingly, were not consolidated under Chilean GAAP.

b. Income and (losses) recognized by Enersis S.A. based on the participation in the related companies as of December 31, 2002, amounted to ThCh\$14,996,244 (ThCh\$6,732,461 in 2001), and ThCh\$14,328,089 (ThCh\$3,629,292 in 2001).

- c. In accordance with Technical Bulletin N°64 of the Chilean Association of Accountants for the years ended December 31, 2002 and 2001, the Company has recorded foreign exchange gains and losses on liabilities related to net investments in foreign countries that are denominated in the same currency as the functional currency of those foreign investments. Such gains and losses are included in the cumulative translation adjustment account in shareholders' equity, and in this way, act as a hedge of the exchange risk affecting the investments. As of December 31, 2002 the corresponding amounts are as follows:

| <b>Company</b>                          | <b>Country of Origin</b> | <b>Investment ThCh\$</b> | <b>Reporting Currency</b> | <b>Liability ThCh\$</b> |
|---|--------------------------|--------------------------|---------------------------|-------------------------|
| Central Hidroeléctrica Betania          | Colombia                 | 600,762,975              | US\$                      | 336,577,165             |
| Cachoeira Dourada                       | Brasil                   | 430,106,204              | US\$                      | 530,228,953             |
| Edegel S.A.                             | Peru                     | 220,917,766              | US\$                      | 243,486,508             |
| Cía. Interconexión Energética S.A.      | Brasil                   | 53,246,687               | US\$                      | 62,574,905              |
| Atacama Finance Co.                     | Islas Caymán             | 2,589,511                | US\$                      | 1,854,668               |
| Hidroeléctrica El Chocón S.A.           | Argentina                | 212,761,767              | US\$                      | 121,855,669             |
| Com. de Energía del Mercosur S.A.       | Argentina                | 3,426,316                | US\$                      | 3,952,377               |
| Central Costanera S.A.                  | Argentina                | 89,044,456               | US\$                      | 65,498,672              |
| Edesur S.A.                             | Argentina                | 482,071,599              | US\$                      | 392,146,648             |
| Edelnor S.A.                            | Peru                     | 52,786,427               | US\$                      | 23,385,019              |
| Cía. do Electricidade do Rio do Janeiro | Brasil                   | 362,673,182              | US\$                      | 385,080,177             |
| Codensa S.A.                            | Colombia                 | 276,586,841              | US\$                      | 306,287,700             |
| Coelce                                  | Brasil                   | 93,034,182               | US\$                      | 116,004,085             |
| <b>Total</b>                            |                          | <b>2,880,007,913</b>     |                           | <b>2,588,932,546</b>    |

- d. The investments made by Enersis S.A. and its affiliates during the year ended December 31, 2002, amounted to ThCh\$23,465,277, which are detailed as follows:

| <b>Acquisitions</b>                   | <b>As of December 31,</b> |                    |
|---------------------------------------|---------------------------|--------------------|
|                                       | <b>2001 ThCh\$</b>        | <b>2002 ThCh\$</b> |
| Luz de Río Ltda.                      | -                         | 61,469             |
| Central Termelétrica Fortaleza S.A.   | 5,911,275                 | 15,480,376         |
| Chilectra S.A.                        | 4,982,826                 | -                  |
| Compañía Eléctrica del Río Maipo S.A. | 498,137                   | 1,134              |
| Cachoeira Dourada S.A.                | 1,487,500                 | 58,931             |
| Aguas Santiago Poniente S.A.          | -                         | 1,633,280          |
| Pangué S.A.                           | -                         | 4,998,894          |
| Inversiones Distrilima S.A.           | -                         | 1,190,289          |
| Other                                 | -                         | 40,904             |
| <b>Total</b>                          | <b>12,879,738</b>         | <b>23,465,277</b>  |

- In May of 2002, Enersis S.A. acquired 6,824,495 Sociedad Inversiones Distrilima S.A. shares equivalent to 1.14% of issued capital for US\$1,767,761,22 increasing its direct interest from 14.79% to 15.93%.
- In February and April of 2002 Enersis S.A. made contributions of US\$22,773,195.87 to Central Geradora Termelétrica Fortaleza S.A. for a capital increase, maintaining its 48.82% interest equivalent to 20,246,908 shares.
- During 2002, Lajas Inversora (Endesa subsidiary) acquired 753,627 (0.0803%) Central Eléctrica Cachoeira Dourada S.A. (Brasil) shares for Th\$58,931, increasing its interest to 99.59%.in said company.
- On September 13, 2002, Endesa acquired 7,275,433 (2.51%) Pangué S.A. (Chile) shares for Th\$4,998,894, increasing its interest to 94.97% in said company.
- Debenture capitalization in Cerj  
On July 11, 2002, the company Luz de Río Ltda. and Endesa Internacional Energía Ltda., holders of convertible bonds issued by Companhia de Electricidade do Río de Janeiro, exercised the option to capitalize their investment. To that effect, 420,705,127,532 no par value shares were issued.

Said capitalization resulted in a net increase of the consolidated interest in the company to 61.95%.

## 12.

### INVESTMENTS IN OTHER COMPANIES

Investments in other companies at December 31, 2001 and 2002 are as follows:

| Company                                 | Number of shares | Percentage owned % | As of December 31, |                    |
|---|------------------|--------------------|--------------------|--------------------|
|   |                  |                    | 2001 ThCh\$        | 2002 ThCh\$        |
| <i>Distasa S.A. E.S.P.</i>              | 1                | -                  |                    | 6                  |
| <i>Emgesa S.A. E.S.P.</i>               | 1                | -                  |                    | 3                  |
| <i>Club de la Banca y Comercio</i>      | 2                | 0.001              | 2,572              | 2,699              |
| <i>Club Empresarial</i>                 | 2                | 0.001              | 6,328              | 6,150              |
| <i>Edegas</i>                           | 1                | 0.010              | 2,616              | 3,422              |
| <i>Empresa Eléctrica de Aysen S.A</i>   | 2,516,231        | -                  | 1,978,031          | 1,978,031          |
| <i>Inmobiliaria España S.A.</i>         | 1                | -                  | 98                 | 98                 |
| <i>Inverandes S.A.</i>                  | 1,011,899        | -                  | 3,420              | 3,420              |
| <i>Cooperativa Eléctrica de Chillán</i> | -                | -                  | 12,907             | 12,907             |
| <i>CDEC-SIC Ltda.</i>                   | -                | 30.770             | 153,100            | 223,114            |
| <i>Empresa Eléctrica de Bogotá S.A.</i> | 12,818,264       | 11.000             | 147,160,783        | 156,799,970        |
| <i>Autopista del Río Maipo S.A.</i>     | 25               | 0.200              | 4,827              | 4,827              |
| <i>Financiera Eléctrica Nacional</i>    | -                | 0.100              | 124,006            | 353,555            |
| <i>Saelpa</i>                           | -                | -                  | 1,036              | 725                |
| <i>Teleceara</i>                        | -                | -                  | 738                | 516                |
| <i>Supra CCVM Ltda.</i>                 | -                | -                  | 37,906             | 26,525             |
| <i>Banco Destak</i>                     | -                | -                  | 61,376             | 42,947             |
| <i>Menescal Produções Artísticas</i>    | -                | -                  | 8,344              | 5,838              |
| <i>Termocartagena</i>                   | 22               | -                  | -                  | 6                  |
| <i>Coger</i>                            | -                | -                  | 2,909              | 2,035              |
| <b>Total</b>                            |                  |                    | <b>149,560,997</b> | <b>159,466,785</b> |

- a. In accordance with current standards, recognition has been given to the excess of purchase price of the proportional equity in the net assets acquired (goodwill) in the purchase of shares as of December 31, 2001 and 2002, as follows:

| Company                                     | As of December 31,     |                       |                        |                       |
|---|------------------------|-----------------------|------------------------|-----------------------|
|   | 2001                   |                       | 2002                   |                       |
|   | Amortization<br>ThCh\$ | Net Balance<br>ThCh\$ | Amortization<br>ThCh\$ | Net Balance<br>ThCh\$ |
| Central Costanera S.A. (1)                  | (1,635,472)            | 22,542,503            | (24,019,065)           |                       |
| Chilectra S.A.                              | (6,178,814)            | 112,424,542           | (6,244,383)            | 106,276,518           |
| Cía. de Electricidade do Río de Janeiro (1) | (6,802,644)            | 102,650,570           | (109,374,320)          | -                     |
| C. Hidroeléctrica Cachoeira Dourada (1)     | (4,080,506)            | 65,288,089            | (69,564,545)           | -                     |
| Coelce (1)                                  | (12,171,789)           | 200,834,527           | (213,989,455)          | -                     |
| Codensa                                     | (1,677,992)            | 26,569,990            | (1,787,998)            | 26,522,265            |
| Distrilec Inversora S.A. (1)                | (660,678)              | 10,926,526            | (11,642,227)           | -                     |
| Edegel S.A.                                 | (37,900)               | 609,554               | (41,020)               | 608,459               |
| Edesur S.A. (1)                             | (639,580)              | 8,900,820             | (9,483,835)            | -                     |
| Emgesa S.A.                                 | (1,516,659)            | 24,013,765            | (1,615,435)            | 23,970,674            |
| Empresa Eléctrica de Colina S.A.            | (185,188)              | 2,731,517             | (185,188)              | 2,546,329             |
| Empresa Eléctrica de Pangué S.A.            | -                      | -                     | (69,692)               | 3,275,515             |
| Endesa (Chile)                              | (42,958,281)           | 710,600,834           | (42,958,280)           | 667,642,554           |
| Gasoducto Atacama y Cía Ltda.               | (4,772)                | 81,927                | (4,772)                | 77,154                |
| Hidroeléctrica El Chocón S.A. (1)           | (810,026)              | 9,450,309             | (10,069,320)           | -                     |
| Hidroinvest S.A. (1)                        | (77,694)               | 1,294,904             | (1,379,722)            | -                     |
| Inversiones Distrilima S.A.                 | (1,408)                | 18,301                | (1,500)                | 18,000                |
| Investluz S.A. (1)                          | (62,297)               | 1,027,913             | (1,095,242)            | -                     |
| Lajas Inversora S.A. (1)                    | (105,474)              | 1,687,590             | (1,798,130)            | -                     |
| Luz de Bogotá S.A.                          | (402,719)              | 6,376,384             | (445,628)              | 6,348,417             |
| Cía. Eléctrica del Río Maipo S.A.           | (566,455)              | 10,802,028            | (574,414)              | 10,227,614            |
| <b>Total</b>                                | <b>(80,576,348)</b>    | <b>1,318,832,593</b>  | <b>(506,344,171)</b>   | <b>847,513,499</b>    |

- b. Following current standards, recognition has been given to the excess of the equity in the net assets purchased over the purchase price (negative goodwill) in the purchase of shares as of December 31, 2001 and 2002 as follows:

| Company  | As of December 31,     |                       |                        |                       |
|--|------------------------|-----------------------|------------------------|-----------------------|
|  | 2001                   |                       | 2002                   |                       |
|  | Amortization<br>ThCh\$ | Net Balance<br>ThCh\$ | Amortization<br>ThCh\$ | Net Balance<br>ThCh\$ |
| <i>Inversiones Destrilinga S.A.</i>                | -                      | -                     | 18,366                 | 611,346               |
| <i>Hidroeléctrica El Chocón S.A. (1)</i>           | 248,147                | 3,391,331             | 3,613,468              | -                     |
| <i>Synapsis Soluciones y Servicios IT Ltda.</i>    | 15,315                 | 156,983               | 15,315                 | 141,668               |
| <i>Edelnor S.A.</i>                                | 1,167,676              | 3,696,809             | 1,244,160              | 2,694,795             |
| <i>Central Hidroeléctrica Betania S.A.</i>         | 33,765,719             | 56,035,189            | 34,886,018             | 24,819,551            |
| <i>Cía. Eléctrica Cachoeira Dourada (1)</i>        | 1,996,761              | 34,362,010            | 36,869,705             | -                     |
| <i>Edegel S.A.</i>                                 | 9,661,331              | 68,866,610            | 10,294,161             | 63,083,303            |
| <i>Empresa de Energía de Bogotá S.A.</i>           | 239,139                | 3,826,225             | 254,803                | 3,822,287             |
| <i>Cía. de Electricidade do Rio de Janeiro (1)</i> | 118,238                | 2,246,500             | 15,874,719             | -                     |
| <i>Coelce (1)</i>                                  | 487,523                | 8,612,903             | 9,177,059              | -                     |
| <b>Total</b>                                       | <b>47,699,849</b>      | <b>181,194,560</b>    | <b>112,247,774</b>     | <b>95,172,950</b>     |

(1) To carry out the analysis of the recoverability of goodwill and negative goodwill on investments abroad, as explained in Note 2 u, the Company used International Accounting Standard (IAS) N°36.

The analysis determined that the impairment of goodwill and negative goodwill in the companies, related to investments in Argentina and Brazil, is 100%, as, when comparing cash flows generated by the companies in said countries, such flows do not cover the recorded goodwill and negative goodwill. Thus, these balances have been fully amortized, resulting in a higher net charge to income for the period of ThCh\$236,434,558, net of minorities, that are included in goodwill and negative goodwill amortization in the income statement.

## 14.

### OTHER ASSETS

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

|   | As of December 31, |                    |
|---|--------------------|--------------------|
|   | 2001<br>ThCh\$     | 2002<br>ThCh\$     |
| <i>Bond discount</i>                                  | 23,317,438         | 20,817,166         |
| <i>Bond issuance cost</i>                             | 2,227,309          | 11,513,319         |
| <i>Forwards contracts and swaps</i>                   | 6,778,289          | 9,363,825          |
| <i>Deferred expenses</i>                              | 29,372,305         | 32,395,491         |
| <i>Deferred commissions on foreign currency loans</i> | 8,504,753          | 10,428,709         |
| <i>Post-retirement benefits</i>                       | 50,753,635         | 19,278,057         |
| <i>Guarantee deposits for contingencies</i>           | 17,219,611         | 23,650,617         |
| <i>Presumed minimum net income</i>                    | 4,401,120          | 6,185,401          |
| <i>Reimbursable contributions</i>                     | 1,644,724          | 1,445,742          |
| <i>Argentinean Government bond (Edesur)</i>           | 6,744,337          | 793,976            |
| <i>Income taxes recoverable</i>                       | 12,537,121         | 8,390,378          |
| <i>Regulated assets</i>                               | 28,334,477         | 36,046,501         |
| <i>Fair value-derivative contracts</i>                | -                  | 51,900,113         |
| <i>Others</i>   | 6,700,336          | 6,546,301          |
| <b>Total</b>  | <b>198,535,455</b> | <b>238,755,596</b> |

## a. Short-term debt due to banks and financial institutions:

| Financial Institution                        | Foreign Currency          |                    |                          |                    |                  |                   | Total              |                    |
|--|---------------------------|--------------------|--------------------------|--------------------|------------------|-------------------|--------------------|--------------------|
|  | US\$                      |                    | Other foreign currencies |                    | Ch\$             |                   |                    |                    |
|  | 2001<br>ThCh\$            | 2002<br>ThCh\$     | 2001<br>ThCh\$           | 2002<br>ThCh\$     | 2001<br>ThCh\$   | 2002<br>ThCh\$    | 2001<br>ThCh\$     | 2002<br>ThCh\$     |
| Short-term:                                  |                           |                    |                          |                    |                  |                   |                    |                    |
| ABN Amro Bank                                | -                         | 6,557,278          | -                        | -                  | -                | -                 | -                  | 6,557,278          |
| Banco Alfa                                   | -                         | -                  | 9,978,137                | 2,914,580          | -                | -                 | 9,978,137          | 2,914,580          |
| Banco Banrisul                               | -                         | -                  | 2,943,626                | 2,033,821          | -                | -                 | 2,943,626          | 2,033,821          |
| Banco Bayerische Landes                      | 3,900                     | 8,744,459          | -                        | -                  | -                | -                 | 3,900              | 8,744,459          |
| Banco BBVA Argentina                         | 19,383,881                | 15,389,863         | -                        | 7,176,274          | -                | -                 | 19,383,881         | 22,566,137         |
| Banco BBVA BHIF                              | 11,690,051                | 14,868,221         | -                        | -                  | 260              | 20,387,682        | 11,690,311         | 35,255,903         |
| Banco Beal                                   | -                         | 14,077,559         | -                        | -                  | -                | -                 | -                  | 14,077,559         |
| Banco Brasileiros                            | -                         | -                  | 325,235                  | -                  | -                | -                 | 325,235            | -                  |
| Banco Granahorrar                            | -                         | -                  | -                        | 5,058,544          | -                | -                 | -                  | 5,058,544          |
| Banco Continental - Perú                     | -                         | 8,967              | 15,050,838               | 3,688,212          | -                | -                 | 15,050,838         | 3,697,179          |
| Banco Continental - Soles                    | 6,091,898                 | -                  | -                        | 20,734,860         | -                | -                 | 6,091,898          | 20,734,860         |
| Banco Crédito (Perú)                         | -                         | -                  | 20,726,463               | 20,534,043         | -                | -                 | 20,726,463         | 20,534,043         |
| Banco Crédito Inversiones                    | 6,249                     | -                  | 4,401,289                | -                  | -                | 5,677,901         | 4,407,538          | 5,677,901          |
| Banco de Bogotá                              | -                         | -                  | -                        | 12,605,923         | -                | -                 | -                  | 12,605,923         |
| Banco de Chile                               | -                         | 1,395,421          | -                        | 53,818             | 94               | 7,074,827         | 94                 | 8,524,066          |
| Banco de Occidente                           | -                         | -                  | -                        | 5,024,251          | -                | -                 | -                  | 5,024,251          |
| Banco Davivienda                             | -                         | -                  | -                        | 2,297,651          | -                | -                 | -                  | 2,297,651          |
| Banco Europeu de Investimentos               | -                         | 986,292            | -                        | -                  | -                | -                 | -                  | 986,292            |
| Banco Ganadero                               | -                         | -                  | 8,328,537                | 884,609            | -                | -                 | 8,328,537          | 884,609            |
| Banco HBSC                                   | -                         | 14,966,456         | -                        | -                  | -                | -                 | -                  | 14,966,456         |
| Banco Itau                                   | 14,868,328                | 17,336,064         | -                        | -                  | -                | -                 | 14,868,328         | 17,336,064         |
| Banco Lloyds                                 | 12,725,024                | 11,001,720         | -                        | 962,348            | -                | -                 | 12,725,024         | 11,964,068         |
| Banco Nationale de Paris                     | 5,451,346                 | -                  | -                        | -                  | -                | -                 | 5,451,346          | -                  |
| Banco Nazionale del Lavoro                   | 25,998                    | -                  | -                        | -                  | -                | -                 | 25,998             | -                  |
| Banco Real                                   | 3,285,690                 | -                  | -                        | -                  | -                | -                 | 3,285,690          | -                  |
| Banco Río                                    | 15,773,388                | 5,169,358          | 22,748                   | 4,638,644          | -                | -                 | 15,796,136         | 9,808,002          |
| Banco Safra                                  | 4,621,310                 | -                  | -                        | -                  | -                | -                 | 4,621,310          | -                  |
| Banco Santander                              | 1,505,541                 | 10,494,702         | 8,441,260                | 11,236,876         | -                | 116               | 9,946,801          | 21,731,694         |
| Banco Santander Central Hispano              | -                         | 88,495             | -                        | 6,756,148          | -                | -                 | -                  | 6,844,643          |
| Banco Santiago                               | 1,407,374                 | 944,155            | -                        | -                  | 2,363,855        | 30,047,885        | 3,771,229          | 30,992,040         |
| Banco Wiese                                  | 36,542                    | -                  | 23,274                   | -                  | -                | -                 | 59,816             | -                  |
| Bank Boston                                  | 22,883,118                | 21,573,421         | 12,840,183               | 7,617,506          | -                | -                 | 35,723,301         | 29,190,927         |
| Bank of América                              | 18,039,049                | -                  | -                        | -                  | -                | -                 | 18,039,049         | -                  |
| Bank of Tokio                                | 129,569                   | 12,207,873         | -                        | -                  | -                | -                 | 129,569            | 12,207,873         |
| Barings                                      | 6,767,943                 | 5,034,740          | -                        | -                  | -                | -                 | 6,767,943          | 5,034,740          |
| Bndes  | -                         | -                  | -                        | 3,797,550          | -                | -                 | -                  | 3,797,550          |
| BNP Paribas                                  | -                         | -                  | -                        | 1,728,888          | -                | -                 | -                  | 1,728,888          |
| Brandesco                                    | 11,929,665                | 4,069,600          | 6,643,422                | -                  | -                | -                 | 18,573,087         | 4,069,600          |
| Caixa General de Depósitos                   | -                         | -                  | -                        | 4,488,965          | -                | -                 | -                  | 4,488,965          |
| Chase Manhattan Bank                         | 578                       | -                  | 2,943,675                | -                  | -                | -                 | 2,944,253          | -                  |
| Citibank                                     | 22,932,354                | 17,080,123         | 7,618,861                | 10,622,525         | -                | -                 | 30,551,215         | 27,702,648         |
| Deutsche Bank                                | 3,510,307                 | -                  | 173                      | 723,970            | -                | -                 | 3,510,480          | 723,970            |
| Interbank                                    | -                         | 24                 | -                        | -                  | -                | -                 | -                  | 24                 |
| San Paolo IMI Bank                           | -                         | 40,312,584         | -                        | -                  | -                | -                 | -                  | 40,312,584         |
| Santander Overseas Bank                      | 10,119,892                | -                  | -                        | -                  | -                | -                 | 10,119,892         | -                  |
| Unibanco                                     | 5,169,139                 | 3,973,468          | -                        | -                  | -                | -                 | 5,169,139          | 3,973,468          |
| <b>Total</b>                                 | <b>198,358,134</b>        | <b>226,280,843</b> | <b>100,287,721</b>       | <b>135,580,006</b> | <b>2,364,209</b> | <b>63,188,411</b> | <b>301,010,064</b> | <b>425,049,260</b> |
| <b>Total Principal</b>                       | <b>161,053,463</b>        | <b>172,781,954</b> | <b>66,462,707</b>        | <b>122,203,397</b> | <b>2,364,209</b> | <b>63,024,860</b> | <b>229,880,379</b> | <b>358,010,211</b> |
| <b>Weighted average annual interest rate</b> | <b>10.98%</b>             | <b>8.14%</b>       | <b>11.28%</b>            | <b>14.84%</b>      | <b>4.62%</b>     | <b>2.48%</b>      | <b>10.99%</b>      | <b>9.42%</b>       |
|  | <b>As of December 31,</b> |                    |                          |                    |                  |                   |                    |                    |
|  | <b>2001</b>               | <b>2002</b>        |                          |                    |                  |                   |                    |                    |
|  | <b>%</b>                  | <b>%</b>           |                          |                    |                  |                   |                    |                    |
| Percentage of debt in foreign currency:      | 99.21                     | 85.13              |                          |                    |                  |                   |                    |                    |
| Percentage of debt in local currency:        | 0.79                      | 14.87              |                          |                    |                  |                   |                    |                    |
| <b>Total</b>                                 | <b>100.00</b>             | <b>100.00</b>      |                          |                    |                  |                   |                    |                    |

**b. Current portion of long-term debt due to banks and financial institutions:**

| Financial Institution                        | Foreign Currency   |                    |                  |                  |                |                   |                        |                   |                   |                  |                    |                    |
|--|--------------------|--------------------|------------------|------------------|----------------|-------------------|------------------------|-------------------|-------------------|------------------|--------------------|--------------------|
|  | US\$               |                    | Euros            |                  | Yen            |                   | Other foreign currency |                   | UF                |                  | Total              |                    |
|  | 2001<br>ThCh\$     | 2002<br>ThCh\$     | 2001<br>ThCh\$   | 2002<br>ThCh\$   | 2001<br>ThCh\$ | 2002<br>ThCh\$    | 2001<br>ThCh\$         | 2002<br>ThCh\$    | 2001<br>ThCh\$    | 2002<br>ThCh\$   | 2001<br>ThCh\$     | 2002<br>ThCh\$     |
| Current portion of long-term:                |                    |                    |                  |                  |                |                   |                        |                   |                   |                  |                    |                    |
| ABN Amro Bank                                | 4,641,206          | 2,636,765          | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 4,641,206          | 2,636,765          |
| Corporación Fin. del Valle                   | -                  | 55,827             | -                | -                | -              | -                 | -                      | -                 | -                 | -                | -                  | 55,827             |
| Banco Bayernische Landes                     | 21,333,470         | 5,622,544          | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 21,333,470         | 5,622,544          |
| Banco BBVA Bhif                              | 586,366            | 1,447,394          | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 586,366            | 1,447,394          |
| Banco Beal                                   | 15,484,073         | -                  | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 15,484,073         | -                  |
| Banco de Chile                               | -                  | -                  | -                | -                | -              | -                 | -                      | -                 | 17,742,450        | -                | 17,742,450         | -                  |
| Banco do Brasil                              | 147,266            | 152,837            | -                | -                | -              | -                 | 916,285                | -                 | -                 | -                | 1,063,551          | 152,837            |
| Banco do Estado de Ceará                     | -                  | -                  | -                | -                | -              | -                 | 6,865                  | 882,985           | -                 | -                | 6,865              | 882,985            |
| Banco do Nordeste do Brasil                  | -                  | -                  | -                | -                | -              | -                 | 185,154                | 1,987             | -                 | -                | 185,154            | 1,987              |
| Banco Estado                                 | 1,654,097          | 931,318            | -                | -                | -              | -                 | -                      | 42,548            | 19,679,568        | 1,739,232        | 21,333,665         | 2,713,098          |
| Bancolumbia                                  | -                  | 107,119            | -                | -                | -              | -                 | -                      | -                 | -                 | -                | -                  | 107,119            |
| Banco HBSC                                   | 21,590             | 10,824,955         | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 21,590             | 10,824,955         |
| Banco Hermes                                 | 6,577,752          | 5,391,528          | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 6,577,752          | 5,391,528          |
| Banco Lloyds                                 | -                  | 7,219,445          | -                | -                | -              | 7,067,648         | -                      | -                 | -                 | -                | -                  | 14,287,093         |
| Banco Medio Crédito                          | 4,214,536          | -                  | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 4,214,536          | -                  |
| Banco Nacional Desarrollo Soc.               | -                  | -                  | -                | -                | -              | -                 | 651,402                | 2,019,382         | -                 | -                | 651,402            | 2,019,382          |
| Banco Real                                   | -                  | -                  | -                | -                | -              | -                 | -                      | 470,332           | -                 | -                | -                  | 470,332            |
| Banco Rio                                    | -                  | -                  | -                | -                | -              | -                 | 1,896                  | -                 | -                 | -                | 1,896              | -                  |
| Banco Nacional del Lavoro                    | -                  | 171,165            | -                | -                | -              | 3,365,645         | -                      | 2,409             | -                 | -                | -                  | 3,539,219          |
| Banco San Paolo                              | 67,508,298         | -                  | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 67,508,298         | -                  |
| Banco Santander                              | 3,744,556          | 768,636            | -                | -                | -              | -                 | 2,178,745              | -                 | 17,742,450        | -                | 23,665,751         | 768,636            |
| Banesto                                      | 4,292,992          | 4,601,056          | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 4,292,992          | 4,601,056          |
| Bank Boston                                  | -                  | 600,561            | -                | -                | -              | 14,637,719        | -                      | -                 | -                 | -                | -                  | 15,238,280         |
| Bank of América                              | 69,521,918         | 97,779,555         | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 69,521,918         | 97,779,555         |
| Bank of Tokio - Mitsubishi                   | 56,082,775         | 46,988,580         | -                | 127,292          | 395,184        | 14,585,777        | 496,814                | -                 | -                 | -                | 56,974,773         | 61,701,649         |
| Banque Nationale Paris                       | 4,626,119          | 11,861,505         | -                | -                | -              | -                 | -                      | 456,684           | -                 | -                | 4,626,119          | 12,318,189         |
| Birf   | -                  | -                  | -                | -                | -              | -                 | 1,066,471              | -                 | -                 | -                | 1,066,471          | -                  |
| Chase Manhattan Bank                         | 57,741,816         | 596,408            | -                | -                | -              | -                 | -                      | 1,195,763         | -                 | -                | 57,741,816         | 1,792,171          |
| BNP Paribas                                  | -                  | -                  | -                | -                | -              | -                 | -                      | 6,615,690         | -                 | -                | -                  | 6,615,690          |
| Citibank N.A.                                | 22,631,820         | 24,295,402         | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 22,631,820         | 24,295,402         |
| Dresner B. Luxemburg                         | 232,752            | 82,932,830         | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 232,752            | 82,932,830         |
| Electrobras - Brasil                         | -                  | -                  | -                | -                | -              | -                 | 2,969,352              | -                 | -                 | -                | 2,969,352          | -                  |
| Eximbank                                     | -                  | -                  | -                | -                | -              | -                 | -                      | 459,473           | -                 | -                | -                  | 459,473            |
| Export Develop. Corp.                        | 1,681,533          | 2,506,978          | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 1,681,533          | 2,506,978          |
| J.P.Morgan Chase Bank                        | -                  | 408,710            | 3,624,390        | 4,545,759        | -              | -                 | -                      | -                 | -                 | -                | 3,624,390          | 4,954,469          |
| Kreditanstalt Fur Weideraubau                | 403,235            | 424,774            | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 403,235            | 424,774            |
| Midland Bank                                 | 5,085,611          | 5,668,452          | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 5,085,611          | 5,668,452          |
| Santander Central Hispano                    | -                  | 215,947,206        | -                | -                | -              | 6,481,411         | -                      | -                 | -                 | -                | -                  | 222,428,617        |
| Santander Inv. Bank                          | 5,063,018          | 6,349,226          | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 5,063,018          | 6,349,226          |
| Scotiabank                                   | 559,807            | -                  | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 559,807            | -                  |
| Skandinaviska Enskildabnken                  | 2,229,111          | 2,375,122          | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 2,229,111          | 2,375,122          |
| Societe Generale                             | 1,740,953          | 1,845,522          | -                | -                | -              | -                 | -                      | -                 | -                 | -                | 1,740,953          | 1,845,522          |
| Unibanco                                     | -                  | -                  | -                | -                | -              | -                 | 73,033                 | 52,797            | -                 | -                | 73,033             | 52,797             |
| <b>Total</b>                                 | <b>357,806,670</b> | <b>540,511,420</b> | <b>3,624,390</b> | <b>4,673,051</b> | <b>395,184</b> | <b>46,138,200</b> | <b>8,546,017</b>       | <b>12,200,050</b> | <b>55,164,468</b> | <b>1,739,232</b> | <b>425,536,729</b> | <b>605,261,953</b> |
| <b>Total principal</b>                       | <b>307,836,499</b> | <b>513,485,849</b> | <b>3,624,390</b> | <b>4,647,499</b> | <b>395,184</b> | <b>45,826,512</b> | <b>8,544,119</b>       | <b>8,884,706</b>  | <b>55,164,468</b> | <b>1,554,097</b> | <b>375,564,660</b> | <b>574,398,663</b> |
| <b>Weighted average annual interest rate</b> | <b>6.03%</b>       | <b>3.24%</b>       | <b>4.26%</b>     | <b>3.79%</b>     | <b>0.90%</b>   | <b>2.08%</b>      | <b>8.60%</b>           | <b>8.53%</b>      | <b>7.50%</b>      | <b>8.73%</b>     | <b>6.27%</b>       | <b>3.30%</b>       |

|   | As of December 31, |               |
|---|--------------------|---------------|
|   | 2001<br>%          | 2002<br>%     |
| Percentage of debt in foreign currency: | 87.04              | 99.71         |
| Percentage of debt in local currency:   | 12.96              | 0.29          |
| <b>Total</b>                            | <b>100.00</b>      | <b>100.00</b> |



In order to develop their investment plans, Enersis S.A., Endesa S.A. (Enersis subsidiary) and Pehuenche S.A. (Endesa S.A. subsidiary), have obtained financing from banks and financial institutions or through issuance of financial instruments, both in the local market and abroad and which contain financial and non-financial covenants.

# 16.

## LONG-TERM PORTION OF DEBT DUE TO BANKS AND FINANCIAL INSTITUTIONS

| Financial Institution          | Currency | As of December 31, 2002                |  |  |   |                |                  | Annual interest rate average | Total Long-term portion - 2001 ThCh\$ |                                |
|--------------------------------|----------|--|--|--|---|----------------|------------------|------------------------------|---------------------------------------|--------------------------------|
|                                |          | After 1 year but within 2 years ThCh\$ | After 2 year but within 3 years ThCh\$ | After 3 year but within 5 years ThCh\$ | After 5 year but within 10 years ThCh\$ | After 10 years |                  |                              |                                       | Total Long-term portion ThCh\$ |
|                                |          |  |  |  |   | years          | ThCh\$           |                              |                                       |                                |
| ABN Amro Bank                  | US\$     | 10,060,540                             | -                                      | -                                      | -                                       | -              | -                | 10,060,540                   | 2.75%                                 | 1,963,737                      |
|                                | US\$     | 71,861,000                             | -                                      | -                                      | -                                       | -              | -                | 71,861,000                   | 2.81%                                 | 67,443,370                     |
|                                | US\$     | 348,727                                | 348,727                                | 697,454                                | 697,457                                 | -              | -                | 2,092,365                    | 2.70%                                 | -                              |
| Banco Bayernische Landes       | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 2,085,128                      |
| Banco BBVA                     | US\$     | 467,096,500                            | -                                      | -                                      | -                                       | -              | -                | 467,096,500                  | 2.66%                                 | 406,852,130                    |
| Banco Estado                   | \$ Reaj. | 14,644,588                             | 39,055,660                             | 2,936,985                              | -                                       | -              | -                | 56,637,233                   | 4.32%                                 | 58,028,908                     |
|                                | US\$     | 4,604                                  | -                                      | -                                      | -                                       | -              | -                | 4,604                        | 6.50%                                 | 864,034                        |
| Banco Europeo de Investimentos | US\$     | -                                      | -                                      | 11,976,834                             | 23,953,666                              | -              | -                | 35,930,500                   | 1.37%                                 | -                              |
| Banco do Brasil                | Rs       | 1,612,832                              | 806,416                                | 1,612,832                              | 4,032,080                               | -              | 201,601          | 8,265,761                    | 19.13%                                | 10,016,239                     |
|                                | US\$     | 666,812                                | 310,166                                | 543,906                                | 1,223,757                               | -              | 1,802,494        | 4,547,135                    | 4.05%                                 | 4,363,330                      |
| Banco Medio Crédito            | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 35,267,772                     |
|                                | \$ Arg   | 1,843,524                              | 1,843,524                              | 1,843,524                              | 6,440,033                               | -              | -                | 11,970,605                   | 1.75%                                 | -                              |
| Banco Nacional Desarrollo Soc. | Rs       | 924,558                                | 462,279                                | -                                      | -                                       | -              | -                | 1,386,837                    | 9.04%                                 | 2,548,105                      |
| Banco Nacional del Lavoro      | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 3,303,104                      |
| Banco Nazionale de Paris       | US\$     | 10,624,361                             | 10,624,361                             | 21,248,722                             | 16,661,934                              | -              | -                | 59,159,378                   | 4.35%                                 | 65,648,923                     |
|                                | US\$     | 1,927,400                              | 1,927,400                              | 3,854,800                              | 5,895,808                               | -              | 2,575,466        | 16,180,874                   | 4.70%                                 | 7,477,621                      |
| Bancolombia                    | US\$     | -                                      | -                                      | 484,743                                | -                                       | -              | -                | 484,743                      | 3.00%                                 | 7,327,862                      |
|                                | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 7,729,276                      |
| Banco Santander                | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 708,728                        |
|                                | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 20,680                         |
| Scotiabank                     | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 130,840,138                    |
|                                | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 366,386,108                    |
| Banco Santander Central His.   | US\$     | 287,444,000                            | -                                      | -                                      | -                                       | -              | -                | 287,444,000                  | 2.64%                                 | -                              |
|                                | Yen      | 6,979,153                              | -                                      | -                                      | -                                       | -              | -                | 6,979,153                    | 2.09%                                 | -                              |
| Banesto                        | US\$     | 3,545,818                              | 3,545,818                              | 7,091,636                              | 14,183,276                              | -              | -                | 28,366,548                   | 4.30%                                 | 32,850,615                     |
| Bank Boston                    | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 14,247,345                     |
| Bank of America                | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 27,584,337                     |
|                                | US\$     | 6,895,050                              | 6,895,050                              | -                                      | -                                       | -              | -                | 13,790,100                   | 2.66%                                 | 14,785,268                     |
| Bank Tokio - Mitsubishi        | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 8,138,664                      |
|                                | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 19,413,538                     |
|                                | Lira     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 293,321                        |
|                                | Pound    | 438,973                                | 438,973                                | -                                      | -                                       | -              | -                | 877,946                      | 4.81%                                 | 1,115,357                      |
|                                | Yen      | 462,018                                | 462,018                                | -                                      | -                                       | -              | -                | 924,036                      | 0.89%                                 | 1,173,625                      |
| Bco. do Estado de Ceará        | Rs       | 145,548                                | -                                      | -                                      | -                                       | -              | -                | 145,548                      | 9.83%                                 | 166,106                        |
| Bco. do Nordeste do Brasil     | Rs       | 83,792                                 | 34,914                                 | -                                      | -                                       | -              | -                | 118,706                      | 8.04%                                 | 221,316                        |
| BIRF                           | U.P.     | 1,189,530                              | -                                      | -                                      | -                                       | -              | -                | 1,189,530                    | 5.32%                                 | 2,056,583                      |
| BNDES                          | Rs       | -                                      | 49,049,488                             | -                                      | -                                       | -              | -                | 49,049,488                   | 10.00%                                | 9,441,620                      |
|                                | Rs       | 21,350,096                             | 7,116,699                              | -                                      | 10,519,313                              | -              | -                | 38,986,108                   | 26.00%                                | -                              |
| J.P.Morgan Chase Bank          | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 74,113                         |
|                                | US\$     | -                                      | 39,523,550                             | 17,965,250                             | -                                       | -              | -                | 57,488,800                   | 8.53%                                 | 53,954,696                     |
|                                | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 5,395,470                      |
|                                | Euros    | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 3,589,264                      |
| Citibank N.A.                  | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 52,991,219                     |
| Citibank N.Y.                  | US\$     | 22,584,885                             | 11,292,443                             | -                                      | -                                       | -              | -                | 33,877,328                   | 3.88%                                 | 36,311,511                     |
|                                | US\$     | 359,305,000                            | -                                      | -                                      | -                                       | -              | -                | 359,305,000                  | 2.56%                                 | 362,170,897                    |
| Corfinsura                     | US\$     | -                                      | -                                      | 32,609,567                             | -                                       | -              | -                | 32,609,567                   | 12.38%                                | -                              |
| Electrobas - Brasil            | Rs       | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 524,017                        |
| Export Develop. Corp.          | US\$     | 987,113                                | 987,113                                | 1,974,226                              | 4,935,565                               | -              | 1,974,229        | 10,858,246                   | 2.90%                                 | 6,478,693                      |
|                                | US\$     | 1,043,482                              | 1,043,482                              | 2,086,964                              | 2,608,704                               | -              | -                | 6,782,632                    | 2.75%                                 | 7,552,397                      |
| HBSC Bank                      | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 10,116,506                     |
| Kreditanstalt Fur Weideraubau  | US\$     | 393,104                                | 393,104                                | 786,208                                | 589,654                                 | -              | -                | 2,162,070                    | 4.85%                                 | 2,398,095                      |
|                                | US\$     | 1,135,176                              | -                                      | -                                      | -                                       | -              | -                | 1,135,176                    | 5.75%                                 | 6,744,337                      |
| Lloyd's Bank                   | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 1,011,651                      |
|                                | Yen      | 1,077,915                              | -                                      | -                                      | -                                       | -              | -                | 1,077,915                    | 2.09%                                 | -                              |
| Midland Bank                   | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 12,525,197                     |
| Santander Investment           | US\$     | 3,664,911                              | -                                      | -                                      | -                                       | -              | -                | 3,664,911                    | 7.25%                                 | 9,307,185                      |
| Skandinaviska Enskildabnken    | US\$     | 2,375,122                              | 2,375,122                              | 2,375,007                              | -                                       | -              | -                | 7,125,251                    | 0.65%                                 | 8,916,338                      |
| Dresdner Bank                  | US\$     | -                                      | -                                      | -                                      | -                                       | -              | -                | -                            | 0.00%                                 | 77,627,317                     |
| Societe Generale               | US\$     | 1,378,048                              | -                                      | -                                      | -                                       | -              | -                | 1,378,048                    | 1.62%                                 | 3,017,776                      |
| Unibanco                       | Rs       | 78,528                                 | -                                      | -                                      | -                                       | -              | -                | 78,528                       | 6.54%                                 | 180,353                        |
| <b>Total</b>                   |          | <b>1,304,295,688</b>                   | <b>178,659,287</b>                     | <b>110,088,658</b>                     | <b>91,741,247</b>                       | <b>-</b>       | <b>6,553,790</b> | <b>1,691,338,670</b>         |                                       | <b>1,971,249,920</b>           |

|   | As of December 31, |               |
|---|--------------------|---------------|
|   | 2001 %             | 2002 %        |
| Percentage of debt in foreign currency: | 97.06              | 97.13         |
| Percentage of debt in local currency:   | 2.94               | 2.87          |
| <b>Total</b>                            | <b>100.00</b>      | <b>100.00</b> |

## 17.

## OTHER CURRENT LIABILITIES

Other current liabilities at each year-end are as follows:

|  | As of December 31, |                   |
|--|--------------------|-------------------|
|  | 2001<br>ThCh\$     | 2002<br>ThCh\$    |
| Advances and guarantee on construction | 6,803,215          | 601,997           |
| Taxes payable                          | 4,293,154          | 2,482,871         |
| Contingencies - third party claims     | 11,142,417         | 15,212,625        |
| Customer advances                      | 4,341,372          | 3,293,578         |
| Azopardo provision                     | -                  | 2,336,683         |
| Employee obligations                   | 3,187,555          | 2,228,103         |
| Forward contracts and swaps            | 114,377,655        | 5,729,893         |
| Fair value - derivative contracts      | -                  | 11,251,521        |
| Emergency energy provision (Brazil)    | 1,319,668          | 10,708,453        |
| Other current liabilities              | 4,918,722          | 5,696,233         |
| <b>Total</b>                           | <b>150,383,758</b> | <b>59,541,957</b> |

## 18.

## PROMISSORY NOTES

| Financial Instrument              | Face Value<br>ThCh\$ | Maturity Date | Interest Rate<br>% | As of December 31, |                   |
|-----------------------------------|----------------------|---------------|--------------------|--------------------|-------------------|
|                                   |                      |               |                    | 2001<br>ThCh\$     | 2002<br>ThCh\$    |
| 2001-029                          | 42,328,262           | May 13, 2002  | 18.13              | 43,598,110         | -                 |
| Commercial paper                  | 10,456,868           | Feb 01, 2002  | 8.48               | 11,032,138         | -                 |
| Commercial paper                  | 3,030,678            | May, 2003     | 5.00               | -                  | 3,089,607         |
| Commercial paper                  | 2,081,801            | Aug, 2003     | 5.25               | -                  | 2,124,305         |
| Promissory note-AFR               | -                    | Dec, 2003     | 10.00              | -                  | 122,129           |
| OPP-027/2002                      | 1,000                | June, 2003    | -                  | -                  | 3,465,944         |
| Promissory note - Banco Santander | 286,299              | Jan, 2003     | 5.00               | -                  | 286,299           |
| OPP-058/2002                      | 1,000                | Sep, 2003     | -                  | -                  | 4,101,230         |
| <b>Total</b>                      |                      |               |                    | <b>54,630,248</b>  | <b>13,189,514</b> |

## BONDS PAYABLE

a. Details of the current portion of bonds payable is as follows at each year-end:

| Instrument                   | Series               | Currency | Face Value<br>Outstanding<br>ThCh\$ | Interest<br>Rate<br>% | Maturity<br>Date | Par Value         |                    |
|------------------------------|----------------------|----------|-------------------------------------|-----------------------|------------------|-------------------|--------------------|
|                              |                      |          |                                     |                       |                  | 2001<br>ThCh\$    | 2002<br>ThCh\$     |
| Bonds – Distrilima           | 1                    | Soles    | 49,919,000                          | 9.61                  | Feb 01, 2011     | 5,827             | 5,946              |
| Bonds – Distrilima           | 1 <sup>st</sup> Prog | Soles    | 15,104,316                          | 7.50                  | Jul 01, 2006     | 577,643           | 595,057            |
| Bonds – Distrilima           | 1 <sup>st</sup> Prog | Soles    | 6,134,974                           | 6.50                  | Jan 01, 2004     | -                 | 178,340            |
| Bonds – Distrilima           | 1 <sup>st</sup> Prog | Soles    | 4,089,983                           | 6.34                  | Jan 01, 2004     | -                 | 49,009             |
| Bonds – Distrilima           | 1 <sup>st</sup> Prog | Soles    | 3,859,972                           | 7.50                  | Jan 01, 2004     | -                 | 43,787             |
| Bonds – Distrilima           | 1 <sup>st</sup> Prog | Soles    | 18,949,365                          | 6.90                  | Oct 10, 2006     | 273,062           | 289,297            |
| Bond No.269                  | B1 – B2              | UF       | 2,945,863                           | 5.63                  | Jun 15, 2009     | 7,338,014         | 7,707,332          |
| Yankee Bonds – Enersis       | 1                    | US\$     | 300,000,000                         | 6.90                  | Nov 21, 2006     | 1,124,617         | 1,198,281          |
| Yankee Bonds – Enersis       | 2                    | US\$     | 350,000,000                         | 7.45                  | Nov 21, 2016     | 1,004,024         | 1,069,787          |
| Yankee Bonds – Enersis       | 3                    | US\$     | 150,000,000                         | 6.63                  | Nov 21, 2026     | 537,860           | 573,091            |
| Bonds Endesa                 | 1                    | US\$     | 230,000,000                         | 7.88                  | Feb 01, 2027     | 4,559,675         | 4,858,340          |
| Bonds Endesa                 | 2                    | US\$     | 220,000,000                         | 7.33                  | Feb 01, 2037     | 4,528,542         | 4,825,168          |
| Bonds Endesa                 | 3                    | US\$     | 200,000,000                         | 8.13                  | Feb 01, 2097     | 947,084           | 1,009,124          |
| Bonds Endesa                 | 1                    | US\$     | 400,000,000                         | 7.75                  | July 15, 2008    | 9,582,578         | 10,210,249         |
| Bonds Endesa                 | 1                    | US\$     | 400,000,000                         | 8.50                  | Apr 01, 2009     | 5,732,686         | 6,108,185          |
| Bonds Endesa                 | E-1, E-2             | UF       | 6,000,000                           | 6.20                  | Aug 01, 2006     | 2,557,305         | 2,556,325          |
| Bonds Endesa Internacional   | C                    | US\$     | 150,000,000                         | 7.20                  | Apr 01, 2006     | 1,820,971         | 1,940,247          |
| Bonds Endesa                 | B-1, B-2             | UF       | 750,000                             | 6.00                  | Oct 01, 2001     | -                 | -                  |
| Bonds Endesa                 | C2; D1, D2           | UF       | 1,315,960                           | 6.80                  | Nov 01, 2010     | 2,332,264         | 2,448,643          |
| Bonds Pehuenche              | 1                    | US\$     | 170,000,000                         | 7.30                  | May 01, 2003     | 1,394,954         | 123,650,025        |
| Bonds Edegel                 | 1                    | US\$     | 30,000,000                          | 8.75                  | June 13, 2007    | 139,657           | 148,805            |
| Bonds Edegel                 | 2                    | US\$     | 30,000,000                          | 8.41                  | Feb 14, 2007     | 648,384           | 690,620            |
| Bonds Edegel                 | 3                    | US\$     | 30,000,000                          | 8.75                  | Jun 03, 2006     | 91,499            | 97,493             |
| Bonds Edegel                 | 4                    | US\$     | 20,000,000                          | 8.44                  | Nov 21, 2005     | 123,910           | 135,327            |
| Bonds Edegel                 | 5                    | US\$     | 10,000,000                          | 11.50                 | Feb 22, 2003     | 280,254           | 7,450,131          |
| Bonds Emgesa                 | B-1                  | \$ Col.  | 85,000,000                          | 15.80                 | Jun 01, 2006     | 1,721,866         | -                  |
| Bonds Emgesa                 | B-5                  | \$ Col.  | 12,750,006                          | 14.95                 | Oct 09, 2004     | 119,042           | 74,909             |
| Bonds Emgesa                 | B-7                  | \$ Col.  | 19,500,010                          | 15.27                 | Oct 09, 2006     | 186,358           | 118,162            |
| Bonds Emgesa                 | B-10                 | \$ Col.  | 229,825,122                         | 15.60                 | Oct 09, 2009     | 2,247,058         | 1,435,070          |
| Bonds Emgesa                 | C-10                 | \$ Col.  | 19,777,918                          | 10.25                 | Oct 09, 2009     | 136,358           | 43,693             |
| Bonds Emgesa                 | B-10 2 <sup>nd</sup> | \$ Col.  | 273,130                             | 15.78                 | Nov 09, 2009     | 336,523           | 220,970            |
| Bonds Emgesa                 | A-5                  | \$ Col.  | 172,858                             | 8.35                  | Oct 12, 2010     | 228,550           | 70,046             |
| Bonds Emgesa                 | B-3                  | \$ Col.  | 31,525,018                          | 14.79                 | Feb 08, 2002     | 9,461,897         | 10,162,475         |
| Bonds Emgesa                 | A-1                  | \$ Col.  | 15,000,006                          | 13.95                 | July 09, 2006    | 108,833           | 1,426,838          |
| Bonds Endesa                 | F                    | UF       | 1,500,000                           | 6.20                  | Aug 01, 2022     | 639,327           | 639,081            |
| Bonds Emgesa                 | C-10                 | \$ Col.  | 1,245,298                           | 9.88                  | Oct 10, 2010     | -                 | 80,679             |
| Eurobonds                    | First                | Euro     | 400,000,000                         | 3.34                  | July 24, 2003    | 2,061,700         | 303,740,866        |
| Bonds Autopista del Sol S.A. | A-1                  | UF       | 3,466,160                           | 5.80                  | Oct 18, 2018     | -                 | 1,632,119          |
| Bonds Autopista del Sol S.A. | A-2                  | UF       | 861,540                             | 5.80                  | Oct 19, 2018     | -                 | 408,030            |
| Bonds Autopista del Sol S.A. | B-1                  | UF       | 964,372                             | 5.80                  | Oct 20, 2018     | -                 | 486,834            |
| Bonds Autopista del Sol S.A. | B-2                  | UF       | 243,578                             | 5.80                  | Jan 01, 2018     | -                 | 122,963            |
| <b>Total</b>                 |                      |          |                                     |                       |                  | <b>62,848,322</b> | <b>498,501,344</b> |

b. Details of the long-term portion of bonds payable is as follows at each year-end:

| Instrument                  | Series          | Face Value Outstanding ThCh\$ | Currency | Interest Rate % | Maturity Date | Par Value            |                      |
|-----------------------------|-----------------|-------------------------------|----------|-----------------|---------------|----------------------|----------------------|
|                             |                 |                               |          |                 |               | 2001 ThCh\$          | 2002 ThCh\$          |
| Bonos Edelnor               | Uno             | 825,918                       | Soles    | 9.61%           | 01.02.11      | 957,975              | 1,000,390            |
| Bonos Edelnor               | I°Prog.         | 15,104,316                    | Soles    | VAC + 7,5 %     | 01.07.06      | 15,557,445           | 16,482,681           |
| Bonos Edelnor               | I°Prog.         | 18,949,365                    | Soles    | VAC + 6,9 %     | 10.10.06      | 19,517,846           | 20,677,950           |
| Bonos Edelnor               | I°Prog.         | 6,134,974                     | Soles    | 6.5%            | 01.01.04      | -                    | 6,134,974            |
| Bonos Edelnor               | I°Prog.         | 4,089,983                     | Soles    | 6.34%           | 01.01.04      | -                    | 4,089,983            |
| Bonos Edelnor               | I°Prog.         | 3,859,972                     | Soles    | VAC + 7.5%      | 01.03.07      | -                    | 3,859,972            |
| Yankee Bonds - Enersis      | Uno             | 300,000,000                   | US\$     | 0.069           | 21.11.06      | 202,330,110          | 215,583,000          |
| Yankee Bonds - Enersis      | Dos             | 350,000,000                   | US\$     | 0.0745          | 21.11.16      | 168,429,026          | 179,461,350          |
| Yankee Bonds - Enersis      | Tres            | 150,000,000                   | US\$     | 0.0663          | 21.11.26      | 101,165,055          | 107,791,500          |
| Bono N° 269                 | B1              | 2,928,543                     | U.F.     | 0.055           | 15.06.09      | 56,523,126           | 49,035,877           |
| Bono N° 269                 | B2              | 2,500,000                     | U.F.     | 0.0575          | 15.06.22      | 41,876,350           | 41,860,300           |
| Bonos Endesa                | Uno             | 230,000,000                   | US\$     | 0.0788          | 01.02.27      | 138,853,085          | 147,948,145          |
| Bonos Endesa                | Dos             | 220,000,000                   | US\$     | 0.0733          | 01.02.37      | 148,375,414          | 158,094,200          |
| Bonos Endesa                | Tres            | 200,000,000                   | US\$     | 0.0813          | 01.02.97      | 27,257,913           | 29,043,342           |
| Bonos Endesa                | Uno             | 400,000,000                   | US\$     | 0.0775          | 15.07.08      | 269,773,480          | 287,444,000          |
| Bonos Endesa                | Unica           | 400,000,000                   | US\$     | 0.085           | 01.04.09      | 269,773,480          | 287,444,000          |
| Bonos Endesa                | E-1 y E-2       | 6,000,000                     | U.F.     | 0.062           | 01.08.06      | 100,503,239          | 100,464,720          |
| Bonos Endesa                | C2; D1 Y D2     | 1,439,153                     | U.F.     | 0.068           | 01.11.10      | 22,043,038           | 19,831,566           |
| Bonos Endesa                | F               | 1,500,000                     | U.F.     | 0.062           | 01.08.22      | 25,125,810           | 25,116,180           |
| Bonos Pehuenche             | Unica           | 170,000,000                   | US\$     | 0.073           | 01.05.03      | 114,653,729          | -                    |
| Bonos Edegel                | Uno             | 30,000,000                    | US\$     | 0.0875          | 13.08.07      | 20,233,011           | 21,558,300           |
| Bonos Edegel                | Dos             | 30,000,000                    | US\$     | 0.0841          | 14.02.07      | 20,233,011           | 21,558,300           |
| Bonos Edegel                | Tres            | 30,000,000                    | US\$     | 0.0875          | 13.06.06      | 20,233,011           | 21,558,300           |
| Bonos Edegel                | Cuatro          | 20,000,000                    | US\$     | 0.0844          | 21.11.05      | 13,488,674           | 14,372,200           |
| Bonos Edegel                | Cinco A         | 10,000,000                    | Soles    | 0.1154          | 22.08.03      | 6,854,001            | -                    |
| Bonos Edegel                | Cinco B         | 30,000,000                    | Soles    | 0.06            | 22.02.04      | -                    | 6,134,974            |
| Bonos Emgesa                | A-1             | 15,000,006                    | \$ Col.  | 0.1343          | 09.07.06      | 4,415,413            | 3,762,632            |
| Bonos Emgesa                | B-1             | 85,000,000                    | \$ Col.  | 0.1575          | 01.07.06      | 25,020,672           | 21,321,580           |
| Bonos Emgesa                | B-5             | 12,750,006                    | \$ Col.  | 0.1495          | 09.10.04      | 3,753,101            | 3,198,237            |
| Bonos Emgesa                | B-7             | 19,500,010                    | \$ Col.  | 0.1527          | 09.10.06      | 5,740,037            | 4,891,422            |
| Bonos Emgesa                | B-10            | 229,825,122                   | \$ Col.  | 0.156           | 09.10.09      | 67,651,483           | 57,649,691           |
| Bonos Emgesa                | C-10            | 19,777,918                    | \$ Col.  | 0.1025          | 09.10.09      | 5,821,842            | 5,279,069            |
| Bonos Emgesa                | B-10 2° emision | 60,000,031                    | \$ Col.  | 0.1578          | 08.11.09      | 17,661,651           | 15,050,527           |
| Bonos Autopista del Sol S.A | A-1             | 3,446,160                     | U.F.     | 0.058           | 15.01.18      | -                    | 57,702,917           |
| Bonos Autopista del Sol S.A | A-2             | 861,540                       | U.F.     | 0.058           | 15.01.18      | -                    | 14,425,729           |
| Bonos Autopista del Sol S.A | B-1             | 964,372                       | U.F.     | 0.058           | 15.01.18      | -                    | 16,147,555           |
| Bonos Autopista del Sol S.A | B-2             | 243,578                       | U.F.     | 0.058           | 15.01.18      | -                    | 4,078,505            |
| Eurobono                    | Unica           | 400,000,000                   | Euro     | 0.0334          | 24.07.03      | 236,481,576          | -                    |
| Bonos Endesa Internacional  | Unica           | 150,000,000                   | US\$     | 0.072           | 01.04.06      | 101,165,055          | 107,791,500          |
| <b>Total</b>                |                 |                               |          |                 |               | <b>2,271,468,659</b> | <b>2,097,845,568</b> |

c. Bonds payable are comprised of the following:

i. **Enersis S.A. Series B1-B2**

On September 11, 2001, Enersis S.A. registered two series of bearer bonds as of June 14, 2001, as follows:

| <b>Series</b> | <b>Total amount<br/>In UF</b> | <b>N° of bonds<br/>per series</b> | <b>Face value<br/>In UF</b> |
|---------------|-------------------------------|-----------------------------------|-----------------------------|
| B1            | 1,000,000                     | 1,000                             | 1,000                       |
| B1            | 3,000,000                     | 300                               | 10,000                      |
| B2            | 1,000,000                     | 1,000                             | 1,000                       |
| B2            | 1,500,000                     | 150                               | 10,000                      |

The scheduled maturity of the Series B-1 bonds is 8 years, interest and principal payable semi-annually. Annual interest is 5.50%, compounded semi-annually.

The scheduled maturity of the Series B-2 bonds is 21 years, principal payments beginning after 5 years, interest and principal payable semi-annually. Annual interest is 5.75%, compounded semi-annually.

ii. **Enersis S.A. (Yankee Bonds)**

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

| <b>Series</b> | <b>Total amount<br/>In US\$</b> | <b>Years to maturity</b> | <b>Stated annual interest<br/>rate</b> |
|---------------|---------------------------------|--------------------------|--|
| 1             | 300,000,000                     | 10                       | 6.90%                                  |
| 2             | 350,000,000                     | 20                       | 7.40%                                  |
| 3             | 150,000,000                     | 30                       | 6.60%                                  |

Interest is payable on a semi-annual basis and principal is due upon maturity. The Series 3 bond holders have an option to require the Company to redeem all or any US\$1,000 portion thereof on December 31, 2003 at a redemption price equal to face value.

**Repurchase of Yankee Bonds**

During November 2001, the Company made a tender offer to repurchase all or a portion of the Series 2 Yankee Bonds. The offer expired November 21, 2001 and the Company repurchased a total of US\$100,266,000 in bonds with accrued interest, at a price of US\$95,536,000, resulting in a gain of US\$8,201,000 (ThCh\$5,531,051), which is included in other non-operating income (see Note 23a).

### **iii. Edelnor Bonds (Subsidiary of Distrilima S.A.)**

#### **First issue**

|                            |   |   |
|----------------------------|---|---|
| Date of Issue              | : | March 1, 1996                                 |
| Number of bonds subscribed | : | 49,919  |
| Face value                 | : | 100 soles each                                |
| Redemption term            | : | 15 years                                      |
| Interest rate              | : | 9.6136% annual                                |
| Interest payment           | : | Annually, on coupon maturity                  |
| Principal amortization     | : | Amortization of total principal upon maturity |

#### **Second issue**

|                               |   |                                 |
|-------------------------------|---|---------------------------------|
| Date of Issue                 | : | November 10, 1998               |
| Number of bonds subscribed    | : | 146,300                         |
| Face value                    | : | 1,000 soles each                |
| Redemption term               | : | 4 years                         |
| Interest rate                 | : | 14.396%                         |
| Interest payment              | : | Accrued and paid within 90 days |
| Anticipated redemption option | : | Early redemption option         |

#### **Third issue**

|                            |   |                                 |
|----------------------------|---|---------------------------------|
| Date of Issue              | : | August 7, 1998                  |
| Number of bonds subscribed | : | 15,000                          |
| Face value                 | : | US\$1,000 each                  |
| Redemption term            | : | 3 years                         |
| Interest rate              | : | 7.7%                            |
| Interest payment           | : | Accrued and paid within 90 days |

#### **First program of Corporate Bonds**

##### **First issue**

|                  |   |                       |
|------------------|---|-----------------------|
| Date of Issue    | : | October 29, 2001      |
| Face value       | : | 30,000 new soles each |
| Redemption term  | : | 2 years               |
| Interest rate    | : | 7.5%                  |
| Interest payment | : | Semi – annual         |

##### **Second issue**

|                            |   |                      |
|----------------------------|---|----------------------|
| Date of Issue              | : | October 19, 2001     |
| Number of bonds subscribed | : | 20,000               |
| Face value                 | : | 5,000 new soles each |
| Redemption term            | : | 5 years              |
| Interest rate              | : | 6.9%                 |
| Interest payment           | : | Semi – annual        |

**Third issue:**

|                            |   |                        |
|----------------------------|---|------------------------|
| Date of issue              | : | January 24, 2002       |
| Number of bonds subscribed | : | 6,000                  |
| Face value                 | : | 5,000 (new soles each) |
| Redemption term            | : | 2 years                |
| Interest rate              | : | 6.5 % annual           |
| Interest payment           | : | Semi – annual          |

**Fourth issue:**

|                            |   |                        |
|----------------------------|---|------------------------|
| Date of issue              | : | April 24, 2002         |
| Number of bonds subscribed | : | 4,000                  |
| Face value                 | : | 5,000 (new soles each) |
| Redemption term            | : | 2 years                |
| Interest rate              | : | 6.34 % annual          |
| Interest payment           | : | Semi – annual          |

**v. Endesa Chile S.A.**

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

- On September 12, 1988, the Company registered in the Securities Register of the Chilean Superintendency of Securities and Insurance, under N°105, the first issuance of bonds for UF5,000,000, which was fully placed prior to the end of December 31, 1988. This issue was totally cancelled on September 1, 2000.
- On August 24, 1989, the second issuance of bonds was registered under N°111, for UF6,000,000, and was fully placed as of December 31, 1990. This issue was totally cancelled on October 1, 2001.
- On December 7, 1990, the third bond issuance was registered under N°131 for UF4,000,000. Of this issuance, UF2,030,000 has been placed as of December 31, 1997. The balance of UF1,970,000 has been cancelled due to the expiration of the placement period.
- On August 9, 2001, the fourth bond issuance was registered under N°264 for UF7,500,000, and was fully placed as of December 31, 2001.

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

|   | <b>Category</b> |
|---|-----------------|
| - <i>Comisión Clasificadora de Riesgo</i>               | AA              |
| - <i>Fitch IBCA Chile Clasificadora de Riesgo Ltda.</i> | AA              |
| - <i>Clasificadora de Riesgo Humphreys Ltda.</i>        | AA              |

## ISSUANCE TERMS

### Third Issuance

|                       |   |  |
|-----------------------|---|--|
| Issuer                | : | Empresa Nacional de Electricidad S.A.  |
| Securities issued     | : | Bearer bonds in local currency, denominated in Unidades de Fomento   |
| Issuance Value        | : | Four million Unidades de Fomento (UF4,000,000) divided into:<br>- Series C-1: 120 bonds at UF10,000 each<br>- Series C-2: 800 bonds at UF1,000 each<br>- Series D-1: 120 bonds at UF10,000 each<br>- Series D-2: 800 bonds at UF1,000 each |
| Indexation            | : | Based on variations in Unidad de Fomento index   |
| Amortization period   | : | Series C-1 and C-2: 15 years (5-year grace period and 10 years to amortize capital).<br>Series D-1 and D-2: 20 years (5-year grace period and 15 years to amortize capital).   |
| Capital amortization  | : | Series C-1 and C-2: 20 consecutive installments payable semi-annually, starting April 1, 1996. Series D-1 and D-2: 30 consecutive installments payable semi-annually, starting May 1, 1996. Amortization installments are incremental      |
| Early Redemption      | : | As elected by the issuer, starting May 1, 1996 and only on the interest payment and amortization dates.  |
| Nominal interest rate | : | 6.8% annually upon expiration, compound and actual rate per semester on outstanding capital, readjusted by the value of the Unidad de Fomento. The applicable semi-annual interest rate will be equal to 3.34409%.                         |
| Interest Payments     | : | Interest will be paid semi-annually each May 1 and November 1, starting May 1, 1991. Accrued interest at the end of the period amounts to ThCh\$245,619 (ThCh\$268,716 in 2001), and is shown under current liabilities.                   |
| Guarantee             | : | There is no specific guarantee, however, a general guarantee covers all the issuer's assets.   |
| Placement period      | : | 48 months from the registration date in the Chilean Securities Register of the Superintendency of Securities and Insurance.  |

### Fourth Issuance

|                       |   |  |
|-----------------------|---|--|
| Issuer                | : | Empresa Nacional de Electricidad S.A.  |
| Securities issued     | : | Bearer bonds in local currency, denominated in Unidades de Fomento   |
| Issuance Value (1)    | : | Up to seven and a half million (UF7,500,000) divided into:<br>- Series E-1: 1,500 bonds at UF1,000 each.<br>- Series E-2: 600 bonds at UF10,000 each.<br>- Series F: 200 bonds at UF10,000 each. |
| Readjustment          | : | Variation in the UF  |
| Amortization period   | : | Series E-1 and E-2: August 1, 2006.<br>Series F: August 1, 2022.   |
| Early redemption      | : | Only in the Series F case, beginning February 1, 2012.   |
| Nominal interest rate | : | 6.2% annually, compounded semi-annually and effective on the outstanding capital adjusted for the value of the Unidad de fomento. The semi-annual interest rate will be 3.0534%.                 |



|                   |   |   |
|-------------------|---|---|
| Interest payments | : | Accrued interest as of December 31, 2002 amounts to ThCh\$3,195,406 (ThCh\$3,196,631 in 2001) which is shown under current liabilities. |
| Guarantee         | : | There is no specific guarantee; however, a general guarantee covers all the issuer's assets   |
| Placement period  | : | 36 months from the registration date in the Chilean Securities Register of the Superintendency of Securities and Insurance              |

*(1) Through a currency swap, the UF debt was changed to US dollars, leaving a net position of ThCh\$2,192,610 as of December 31, 2002 and which is included in other assets.*

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

#### **First Issuance**

|                       |   |   |
|-----------------------|---|---|
| Issuer                | : | Empresa Nacional de Electricidad S.A.   |
| Securities issued     | : | Marketable securities denominated in US\$(Yankee bonds) in the US market.   |
| Issuance Value        | : | Six hundred and fifty million US Dollars (US\$650,000,000) divided into:<br>- Series 1: US\$230,000,000<br>- Series 2: US\$220,000,000<br>- Series 3: US\$200,000,000   |
| Readjustment          | : | Variation in the US Dollar  |
| Amortization period   | : | Series 1 matures on February 1, 2027: Series 2 matures on February 1, 2037 (Put Option on February 1, period 2009, on which date the holders may redeem 100% of bonds plus accrued interest).<br>Series 3 matures on February 1, 2097.      |
| Nominal interest rate | : | Series 1: 7.875% annually<br>Series 2: 7.325% annually<br>Series 3: 8.125% annually   |
| Interest Payments     | : | Interest will be paid semi-annually each February 1 and August 1 annually, starting January 27, 1997. Accrued interest as of the year end amounts to ThCh\$15,114,018 (ThCh\$14,184,888 in 2001), which is shown under current liabilities. |

#### **Second Issuance**

|                       |   |   |
|-----------------------|---|---|
| Issuer                | : | Empresa Nacional de Electricidad S.A.   |
| Securities issued     | : | Marketable securities denominated in US\$(Yankee bonds) in the US market.   |
| Issuance Value        | : | Four hundred million US Dollars (US\$400,000,000) :   |
| Readjustment          | : | Variation in the US Dollar  |
| Capital amortization  | : | Series 1 matures on July 15, 2008 period  |
| Nominal interest rate | : | Series 1: 7.75% annually  |
| Interest Payments     | : | Interest will be paid semi-annually each January 15 and July 15 annually, starting January 15, 1999. Accrued interest as of the year end amounts to ThCh\$10,210,249 (ThCh\$9,582,578 in 2001), which is shown under current liabilities. |

### Third Issuance

|                       |   |   |
|-----------------------|---|---|
| Issuer                | : | Empresa Nacional de Electricidad S.A.   |
| Securities issued     | : | Marketable securities denominated in US\$(Yankee bonds) in the US market.   |
| Issuance Value        | : | Four hundred million US Dollars (US\$400,000,000) :   |
| Readjustment          | : | Variation in the US Dollar  |
| Capital amortization  | : | Series 1 matures on April 1, 2009.  |
| Nominal interest rate | : | Series 1: 8.502% annually   |
| Interest Payments     | : | Interest will be paid semi-annually each October 1 and April 1 annually, starting October 1, 1999. Accrued interest as of the year end amounts to ThCh\$6,108,185 and ThCh\$5,732,686 in 2002 and 2001, respectively, which is shown under current liabilities. |

The risk rating of these bonds is as follows as of the date of these financial statements:

|                             | Category |
|-----------------------------|----------|
| - Standard & Poor's         | BBB      |
| - Moodys Investors Services | Baa3     |
| - Fitch                     | BBB+     |

### Repurchase of Yankee Bonds

Endesa Chile Internacional, a 100% subsidiary of Endesa, made a tender offer in November 2001, for the total or partial purchase, in cash, of the following bond issue in US dollar (Yankee Bonds) made by its parent company, Endesa.

- Series 1: ThCh\$230,000 at 30 years, maturing in 2027.
- Series 3: ThCh\$200,000 at 100 years, maturing in 2097.

As a result of the offer which expired on November 21, 2001, series 1 and series 2 bonds, for ThUS\$21,324 and ThUS\$134,828, respectively, were purchased, whose nominal values amounted to ThUS\$24,119 and ThUS\$159,584 for each series, resulting in a non-operating gain of ThUS\$27,551 (ThCh\$18,581,792), which is included in other non-operating income.

(See Note 23 a)

### vi. Subsidiaries of Endesa S.A.

- I Endesa Chile Internacional issued Yankee Bonds on April 1, 1996.

Risk rating of the bond issuance is as follows as of December 31, 2002:

|                             | Category |
|-----------------------------|----------|
| - Standard & Poor's         | BBB      |
| - Moodys Investors Services | Baa3     |

## ISSUANCE TERMS

### First Issuance

|                       |   |   |
|-----------------------|---|---|
| Issuer                | : | Endesa Chile Internacional.   |
| Securities issued     | : | Marketable securities denominated in US\$(150,000 bonds).   |
| Issuance Value        | : | One hundred and fifty million Dollars (US\$150,000,000):  |
| Capital amortization  | : | Maturity as of April 1, 2006  |
| Nominal interest rate | : | 7.2 % annually in arrears.  |
| Interest Payments     | : | Interest will be paid semi-annually in arrears starting October 1, 1996.<br>Accrued interest as of the year end amounts to ThCh\$1,940,247<br>(ThCh\$1,820,971 in 2001) and is shown under current liabilities. |
| Guarantee             | : | Guarantee from Empresa Nacional de Electricidad S.A.  |

As of July 24, 2000, the first issue of Eurobonds (European Medium Term Note Programme) was registered in England for 1,000 million Euros.

## ISSUANCE TERMS

### First Registration

|                       |   |  |
|-----------------------|---|--|
| Securities registered | : | 1,000 million Euros  |
| Issuance value        | : | Euros 400,000,000 (*)  |
| Capital amortización  | : | Principal due July 24, 2003  |
| Nominal interest rate | : | Euribor + 0.80   |
| Interest payments     | : | Quarterly beginning October 24, 2000 in arrears. Accrued interest as of the<br>year end amounts to ThCh\$2,310,497 (ThCh\$2,061,701 in 2001)<br>and is shown in current liabilities. |
| Guarantee             | : | Empresa Nacional de Electricidad S.A.  |

(\*) By way of a swap operation, the debt in Euro was changed to US dollars.

II Empresa Eléctrica Pehuenche S.A. issued bonds on May 2, 1996.

### First Issuance

|                       |   |  |
|-----------------------|---|--|
| Issuer                | : | Empresa Eléctrica Pehuenche S.A.   |
| Securities issued     | : | Marketable securities denominated in US\$.   |
| Issuance Value        | : | One hundred and seventy million US Dollars (US\$170,000,000)   |
| Capital amortization  | : | Maturity as of May 1, 2003   |
| Nominal interest rate | : | 7.3 % annually   |
| Interest payments     | : | Interest will be paid semi-annually in arrears, starting November 1, 1996.<br>Accrued interest as of the year end amounts to ThCh\$1,486,325<br>(ThCh\$1,394,954 in 2001) and is shown in Current Liabilities. |

III Edegel S.A. issued bonds on June 4, 1999, February 15, 2000, June 14, 2000 and November 27, 2000 and August 22, 2001 as per the following:

**First Issuance**

|                       |   |   |
|-----------------------|---|---|
| Issuer                | : | Edegel S.A.   |
| Securities issued     | : | Marketable securities denominated in US\$(120,000 bonds).   |
| Issuance value        | : | US\$120,000,000   |
| Capital amortization  | : | June 3, 2006, February 14, 2007, June 13, 2007, November 26, 2005 and August 22, 2003, respectively.  |
| Nominal interest rate | : | 8.75%, 8.41%, 8.75%, 8.4375% and 11.50% annually  |
| Interest payments     | : | Interest will be paid semi-annually, starting December 3, 1999. Accrued interest as of the year-end amounts to ThCh\$1,367,515 (ThCh\$1,283,703 in 2001) and is shown in other current liabilities. |

IV Emgesa S.A. issued bonds on October 8, 1999 and July 9, 2001 as per the following:

**First Issuance**

|                       |   |   |
|-----------------------|---|---|
| Issuer                | : | Emgesa S.A.   |
| Securities issued     | : | Marketable securities denominated in Colombian pesos  |
| Issuance Value        | : | \$Col 530,000,000   |
| Capital amortization  | : | Maturities as of 2002, 2004, 2006, 2007, 2009 and 2010 for \$Col 1,525,000; \$Col 15,000,000; \$Col 85,000,000; \$Col 81,407,744; \$Col 19,500,000; \$Col 297,567,256 and \$Col 30,000,000 respectively |
| Interest nominal rate | : | 15.5% annual average rate   |
| Interest payment      | : | Interest will be paid semi-annually. Accrued interest as of the year end amounts to ThCh\$5,385,981 (ThCh\$5,715,660 in 2001) and is shown under current liabilities.                                   |

V Sociedad Concesionaria Autopista del Sol S.A. issued bonds on March 8, 2002.

**First Issuance**

|                       |   |   |
|-----------------------|---|---|
| Issuer                | : | Sociedad Concesionaria Autopista del Sol S.A.   |
| Securities issued     | : | Bearer bonds in local currency, denominated in Unidades de Fomento  |
| Issuance Value        | : | U.F. 5,540,000 divided into:<br>- Series A – 1 U.F.3,460,000<br>- Series A – 2 U.F.865,000<br>- Series B – 1 U.F.970,000<br>- Series B – 1 U.F.245,000  |
| Indexation            | : | Variation in the U.F.   |
| Amortization period   | : | 16 years  |
| Capital amortization  | : | Semi - annually and consecutive   |
| Interest nominal rate | : | 5.8% annually in arrears, compounded semi - annually on outstanding capital, readjusted for the value of the Unidad de Fomento.<br>The applicable semi-annually rate will be equal to 2.8591% |
| Interest payment      | : | Interest will be paid semi-annually each January 15 and July 15 starting January 15, 2003. Accrued interest at the year end amounts to ThCh\$2,427,752 and is show in current liabilities.    |

Bond discounts of Enersis S.A. and its affiliates of ThCh\$23,317,438 and ThCh\$20,817,166 as of December 31, 2001 and 2002, respectively are included in Other Assets (see Note 14).

## 20.

### ACCRUED EXPENSES

#### a. Short-term accruals:

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

|   | As of December 31, |                   |
|---|--------------------|-------------------|
|   | 2001<br>ThCh\$     | 2002<br>ThCh\$    |
| <i>Profit sharing and other employee benefits</i> | 29,586,443         | 26,911,641        |
| <i>Litigation and contingencies</i>               | 21,817,851         | 21,256,038        |
| <i>Construction and other</i>                     | 7,757,541          | 7,173,039         |
| <i>Energy purchases and other</i>                 | 10,004,985         | 14,461,761        |
| <i>Income tax installments and other taxes</i>    | 192,034            | 198,643           |
| <i>Pension accruals</i>                           | 1,282,688          | 1,793,090         |
| <i>Suppliers and services</i>                     | 2,891,319          | 6,294,182         |
| <i>Others accruals</i>                            | 6,387,468          | 6,841,927         |
| <b>Total</b>                                      | <b>79,920,329</b>  | <b>84,930,321</b> |

During the 2002 period, bad debts write-offs for an amount of ThCh\$1,297,010 (ThCh\$6,340,092 in 2001) were made.

#### b. Long-term accruals:

|  | As of December 31, |                    |
|--|--------------------|--------------------|
|  | 2001<br>ThCh\$     | 2002<br>ThCh\$     |
| <i>Provision for contingencies and lawsuits</i>      | 143,903            | 1,131,005          |
| <i>Advance monthly corporate and other taxes</i>     | 10,659,029         | 7,000,596          |
| <i>Post-retirement benefits-Chilean subsidiaries</i> | 8,686,281          | 10,352,416         |
| <i>Severance indemnity</i>                           | 7,091,909          | 8,589,109          |
| <i>Labour contingencies (Cerj)</i>                   | 83,342,951         | 87,993,076         |
| <i>Post-retirement benefits (Cerj Coelce)</i>        | 80,089,342         | 38,637,287         |
| <i>Supplementary pension-foreign subsidiaries</i>    | 44,375,523         | 71,228,212         |
| <i>Others</i>  | -                  | 1,990,916          |
| <b>Total</b>   | <b>234,388,938</b> | <b>226,922,617</b> |

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

|                                 | As of December 31, |                  |
|---------------------------------|--------------------|------------------|
|                                 | 2001<br>ThCh\$     | 2002<br>ThCh\$   |
| Opening balance as of January 1 | 6,396,342          | 7,377,430        |
| Increase in accrual             | 2,352,065          | 2,072,912        |
| Transfer to short-term          | (276,711)          | 82,969           |
| Payments during the year        | (1,379,787)        | (944,202)        |
| <b>Total</b>                    | <b>7,091,909</b>   | <b>8,589,109</b> |

## 21.

### MINORITY INTEREST

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

| Company                                      | As of December 31, 2001 |                    |                      | As of December 31, 2002 |                    |                      |
|--|-------------------------|--------------------|----------------------|-------------------------|--------------------|----------------------|
|  | Equity<br>ThCh\$        | Participation<br>% | Total<br>ThCh\$      | Equity<br>ThCh\$        | Participation<br>% | Total<br>ThCh\$      |
| Autopista Los Libertadores S.A.              | 25,296,795              | 0.05%              | 12,648               | 25,213,021              | 0.05%              | 12,607               |
| Cam Argentina S.A. (Ex - M.Velasco Arg.)     | 687,066                 | 0.10%              | 687                  | 545,460                 | 0.10%              | 545                  |
| Cam Colombia S.A.                            | 1,081,791               | 0.001%             | 14                   | 1,864,792               | 0.001%             | 25                   |
| Capital de Energía S.A.                      | 534,797,609             | 49.10%             | 262,585,626          | 566,223,719             | 49.10%             | 278,015,846          |
| Central Hidroeléctrica Betania S.A.          | 494,429,051             | 14.38%             | 71,088,020           | 519,458,738             | 14.38%             | 74,686,738           |
| Central Cachoeira Dourada                    | 499,191,115             | 0.49%              | 2,452,676            | 486,715,435             | 0.41%              | 1,982,200            |
| Central Costanera S.A.                       | 137,706,613             | 48.07%             | 66,192,075           | 171,461,783             | 48.07%             | 82,417,327           |
| Cia. do Electricidade do Rio do Janeiro      | 489,488,446             | 41.25%             | 201,912,651          | 579,561,108             | 37.42%             | 216,887,924          |
| Chilectra S.A.                               | 498,295,654             | 1.76%              | 8,770,774            | 421,691,742             | 1.76%              | 7,366,481            |
| Cia. Eléctrica San Isidro S.A.               | 30,362,233              | 50.00%             | 15,181,116           | 34,217,794              | 50.00%             | 17,108,897           |
| Cia. Peruana de Electricidad S.A.            | 39,939,117              | 49.00%             | 19,565,417           | 43,202,088              | 49.00%             | 21,169,023           |
| Codensa S.A.                                 | 1,112,677,346           | 51.52%             | 573,222,783          | 1,009,464,988           | 51.52%             | 520,777,588          |
| Companhia Energetica Do Ceara - Coelce       | 658,685,746             | 43.41%             | 285,937,346          | 694,587,778             | 43.41%             | 301,522,520          |
| Compañía Eléctrica del Río Maipo S.A.        | 22,260,807              | 1.26%              | 279,942              | 22,623,680              | 1.26%              | 284,505              |
| Constructora y Proyectos Los Maitenes S.A.   | 936,792                 | 45.00%             | 421,556              | 349,958                 | 45.00%             | 157,481              |
| Edegel S.A.                                  | 661,672,216             | 36.44%             | 241,138,499          | 680,564,639             | 36.44%             | 248,023,616          |
| Edelnor S.A.                                 | 272,154,844             | 40.00%             | 108,861,938          | 292,048,556             | 40.00%             | 116,819,422          |
| Edesur S.A.                                  | 677,251,928             | 34.11%             | 230,997,210          | 729,817,969             | 34.11%             | 248,926,444          |
| Emgesa S.A.                                  | 919,463,877             | 51.52%             | 473,679,287          | 963,653,136             | 51.52%             | 496,444,223          |
| Empresa Eléctrica Pangué S.A.                | 59,573,673              | 7.52%              | 4,479,940            | 74,436,633              | 5.01%              | 3,729,275            |
| Endesa                                       | 1,446,549,434           | 40.02%             | 578,895,713          | 1,430,635,320           | 40.02%             | 572,527,032          |
| Endesa Argentina S.A.                        | 30,646,605              | 0.01%              | 3,064                | 21,798,627              | 0.01%              | 2,180                |
| Generandes Perú S.A.                         | 351,973,200             | 40.37%             | 142,088,131          | 369,454,446             | 40.37%             | 149,145,139          |
| Hidroeléctrica El Chocón S.A.                | 237,400,257             | 34.81%             | 82,639,029           | 227,177,787             | 34.81%             | 79,080,588           |
| Hidroinvest S.A.                             | 111,674,081             | 30.07%             | 33,580,396           | 92,470,425              | 30.07%             | 27,805,857           |
| Inecsa 2000 S.A.                             | 25,510,699              | 2.68%              | 683,687              | 25,412,375              | 2.68%              | 681,052              |
| Infraestructura 2000 S.A.                    | 63,589,515              | 40.00%             | 25,435,806           | 64,002,478              | 40.00%             | 25,600,991           |
| Ingendesa S.A.                               | 2,480,040               | 2.36%              | 58,591               | 2,266,772               | 2.36%              | 53,552               |
| Inmobiliaria Centro Nuevo Ltda.              | (12,043)                | 0.08%              | (9)                  | (13,327)                | 0.08%              | (10)                 |
| Inmobiliaria y Constructora Stgo. 2000 Ltda. | 74,764                  | 7.50%              | 5,607                | 80,994                  | 7.50%              | 6,075                |
| Inversiones Distrilima S.A.                  | 159,715,296             | 32.75%             | 52,306,760           | 172,793,816             | 31.61%             | 54,620,126           |
| Investluz S.A.                               | 532,119,077             | 37.55%             | 199,810,714          | 357,552,300             | 37.55%             | 134,260,889          |
| Luz de Bogotá S.A.                           | 643,243,838             | 55.00%             | 353,784,118          | 600,529,806             | 55.00%             | 330,291,399          |
| Empresa Eléctrica Pehuenche S.A.             | 177,950,062             | 6.34%              | 11,282,034           | 182,901,476             | 7.35%              | 13,443,258           |
| Soc. Agrícola de Cameros Ltda.               | 6,066,690               | 42.50%             | 2,578,343            | 6,936,375               | 42.50%             | 2,947,959            |
| Soc. Agrícola Pastos Verdes Ltda.            | 52,532,429              | 45.00%             | 23,639,595           | 52,902,360              | 45.00%             | 23,806,062           |
| Túnel El Melón S.A.                          | (1,313,139)             | 0.05%              | (656)                | (4,230,882)             | 0.05%              | (2,115)              |
| <b>Total</b>                                 |                         |                    | <b>4,073,571,128</b> |                         |                    | <b>4,050,602,721</b> |

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

| Company                                      | Year-ended December 31, 2001 |                    |                      | Year-ended December 31, 2002 |                    |                   |
|--|------------------------------|--------------------|----------------------|------------------------------|--------------------|-------------------|
|  | Net income<br>ThCh\$         | Participation<br>% | Total<br>ThCh\$      | Net income<br>ThCh\$         | Participation<br>% | Total<br>ThCh\$   |
| Autopista Los Libertadores S.A.              | (45,093)                     | 0.05%              | (23)                 | 83,773                       | 0.05%              | 42                |
| Cam Argentina S.A. (Ex - M.Velasco Arg.)     | 1,428,756                    | 0.10%              | 1,429                | 186,609                      | 0.10%              | 187               |
| Cam Colombia S.A.                            | (414,777)                    | 0.001%             | (5)                  | (712,142)                    | 0.001%             | (9)               |
| Capital de Energía S.A.                      | (8,602,334)                  | 49.10%             | (4,223,747)          | (23,671,013)                 | 49.10%             | (11,622,467)      |
| Central Hidroeléctrica Betania S.A.          | 8,666,017                    | 14.38%             | 1,245,983            | 7,354,973                    | 14.38%             | 1,057,483         |
| Central Cachoeira Dourada                    | (25,841,820)                 | 0.49%              | (126,969)            | 35,501,840                   | 0.41%              | 144,585           |
| Central Costanera S.A.                       | 11,567,900                   | 48.07%             | 5,560,396            | (24,735,275)                 | 48.07%             | (11,889,619)      |
| Inm. Centro Nuevo                            | -                            | -                  | -                    | 1,285                        | 0.08%              | 1                 |
| Cia. do Electricidade do Rio do Janeiro      | 3,400,351                    | 41.25%             | 1,402,635            | 9,012,430                    | 37.42%             | 3,372,704         |
| Chilectra S.A.                               | (73,185,248)                 | 1.76%              | (1,382,051)          | 31,001,664                   | 1.76%              | 541,744           |
| Cia. Eléctrica San Isidro S.A.               | 101,281                      | 50.00%             | 50,641               | (5,250,225)                  | 50.00%             | (2,625,113)       |
| Cia. Peruana de Electricidad S.A.            | (3,074,599)                  | 49.00%             | (1,506,554)          | (3,258,139)                  | 49.00%             | (1,596,488)       |
| Codensa S.A.                                 | (22,798,893)                 | 51.52%             | (11,745,404)         | 6,655,951                    | 51.52%             | 3,429,146         |
| Companhia Energetica Do Ceara - Coelce       | (13,440,399)                 | 43.41%             | (5,834,514)          | (20,351,782)                 | 43.41%             | (8,834,766)       |
| Compañía Eléctrica del Río Maipo S.A.        | (9,261,986)                  | 1.26%              | (133,933)            | (11,727,292)                 | 1.26%              | (147,477)         |
| Constructora y Proyectos Los Maitenes S.A.   | 494,907                      | 45.00%             | 222,708              | 586,836                      | 45.00%             | 264,076           |
| Edegel S.A.                                  | (28,636,179)                 | 36.44%             | (10,436,112)         | (4,554,496)                  | 36.44%             | (1,659,831)       |
| Edelnor S.A.                                 | (18,672,139)                 | 40.00%             | (7,468,855)          | (19,759,294)                 | 40.00%             | (7,903,718)       |
| Edesur S.A.                                  | (83,679,490)                 | 34.11%             | (28,541,415)         | (8,205,141)                  | 34.11%             | (2,798,611)       |
| Emgesa S.A.                                  | (18,796,538)                 | 51.52%             | (9,683,394)          | (56,168,714)                 | 51.52%             | (28,936,380)      |
| Empresa Eléctrica Pangué S.A.                | (6,568,538)                  | 7.52%              | (493,954)            | (18,850,842)                 | 5.01%              | (944,427)         |
| Endesa S.A.                                  | (72,160,018)                 | 40.02%             | (28,877,772)         | 9,319,056                    | 40.02%             | 3,729,400         |
| Endesa Argentina S.A.                        | 10,823,292                   | 0.01%              | 1,083                | 10,781,159                   | 0.01%              | 1,078             |
| Generandes Perú S.A.                         | (27,929,472)                 | 40.37%             | (11,274,854)         | (13,105,328)                 | 40.37%             | (5,290,492)       |
| Hidroeléctrica El Chocón S.A.                | (8,929,943)                  | 34.81%             | (3,108,513)          | 25,772,502                   | 34.81%             | 8,971,408         |
| Hidroinvest S.A.                             | (2,636,004)                  | 30.07%             | (792,647)            | 26,502,276                   | 30.07%             | 7,969,234         |
| Inecsa 2000 S.A.                             | (32,301)                     | 2.68%              | (865)                | 98,323                       | 2.68%              | 2,635             |
| Infraestructura 2000 S.A.                    | (996,272)                    | 40.00%             | (398,509)            | (412,963)                    | 40.00%             | (165,185)         |
| Ingendesa S.A.                               | (873,679)                    | 2.36%              | (20,640)             | (923,250)                    | 2.36%              | (21,812)          |
| Inmobiliaria Centro Nuevo Ltda.              | (1,449)                      | 0.08%              | -                    | -                            | -                  | -                 |
| Inmobiliaria y Constructora Stgo. 2000 Ltda. | (2,763)                      | 7.50%              | (207)                | (6,231)                      | 7.50%              | (468)             |
| Inversiones Distrilima S.A.                  | (12,342,281)                 | 32.75%             | (4,042,097)          | (13,071,302)                 | 31.61%             | (4,131,839)       |
| Investluz S.A.                               | 11,720,860                   | 37.55%             | 4,401,183            | 198,253,211                  | 37.55%             | 74,444,081        |
| Luz de Bogotá S.A.                           | (11,524,049)                 | 55.00%             | (6,338,227)          | 4,512,003                    | 55.00%             | 2,481,602         |
| Empresa Eléctrica Pehuenche S.A.             | (4,963,596)                  | 6.34%              | (314,692)            | (20,012,133)                 | 7.35%              | (1,470,892)       |
| Soc. Agrícola de Cameros Ltda.               | 165,481                      | 42.50%             | 70,329               | (104,616)                    | 42.50%             | (44,462)          |
| Soc. Agrícola Pastos Verdes Ltda.            | (3,031,153)                  | 45.00%             | (1,364,019)          | (98,333)                     | 45.00%             | (44,250)          |
| Túnel El Melón S.A.                          | 1,932,383                    | 0.05%              | 966                  | 2,917,743                    | 0.05%              | 1,459             |
| <b>Total</b>                                 |                              |                    | <b>(125,152,619)</b> |                              |                    | <b>16,282,559</b> |

## SHAREHOLDERS' EQUITY

## a. Dividends

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

| <i>Dividend Number</i> | <i>Payment date</i> | <i>Historical value Ch\$ per share</i> | <i>Type of dividend</i> | <i>Related to</i> |
|------------------------|---------------------|--|-------------------------|-------------------|
| 71                     | April 2001          | 1.806391                               | Final                   | 2000              |

## b. Number of shares

| <i>Series</i> | <i>As of December 31, 2002 Number of shares</i> |               |                  |
|---------------|---|---------------|------------------|
|               | <i>Subscribed</i>                               | <i>Paid</i>   | <i>With vote</i> |
| <i>First</i>  | 8,291,020,100                                   | 8,291,020,100 | 8,291,020,100    |

## c. Subscribed and paid capital is as follows as of the year-end:

| <i>Series</i> | <i>As of December 31, 2002</i>    |                            |
|---------------|-----------------------------------|----------------------------|
|               | <i>Capital subscribed ThCh \$</i> | <i>Capital paid ThCh\$</i> |
| <i>First</i>  | 751,208,197                       | 751,208,197                |

## d. Other reserves

Other reserves are composed of the following as of December 31, 2002:

|   | <i>ThCh\$</i>     |
|---|-------------------|
| <i>Accumulated net losses of development-stage subsidiaries</i> | (4,937,110)       |
| <i>Reserve for equity fluctuations</i>                          | 1,177,508         |
| <i>Reserve for accumulated conversion differences</i>           | 45,702,079        |
| <b>Total</b>  | <b>41,942,477</b> |

Detail of changes in the reserve for accumulated conversion differences are as follows for the year ended December 31, 2002:

|  | <i>Initial Balance ThCh\$</i> | <i>Reserve for Assets ThCh\$</i> | <i>Reserve for Liabilities ThCh\$</i> | <i>Final Balance ThCh\$</i> |
|--|-------------------------------|----------------------------------|---------------------------------------|-----------------------------|
| <i>Cumulative translation adjustment</i> | 25,105,169                    | 96,536,552                       | (75,939,638)                          | 45,702,079                  |



The detail of the accumulated conversion difference reserve at December 31, 2002 is as follows:

|   | <b>ThCh\$</b>     |
|---|-------------------|
| <i>Energis Energía de Colombia S.A.</i>               | 19,753            |
| <i>Distrilec Inversora S.A.</i>                       | 2,494,214         |
| <i>Inversiones Distrilima S.A.</i>                    | 3,034,207         |
| <i>Cía. Peruana de Electricidad S.A.</i>              | 5,027,002         |
| <i>Edesur S.A.</i>                                    | 13,222,829        |
| <i>Cía. de Electricidade do Rio de Janeiro</i>        | 10,996,981        |
| <i>Luz de Bogotá S.A.</i>                             | 2,370,986         |
| <i>Investluz S.A.</i>                                 | 7,012,529         |
| <i>Endesa Market Place S.A.</i>                       | 280,302           |
| <i>Central Geradora Termoeléctrica Fortaleza S.A.</i> | 1,243,276         |
| <b>Total</b>  | <b>45,702,079</b> |

e. Net losses from operations and accumulated net income (losses) of development-stage subsidiaries are as follows:

| <b>Company</b>  | <b>As of December 31, 2002</b> |                    |
|---|--------------------------------|--------------------|
|   | <b>Net income (losses)</b>     |                    |
|   | <b>Of the period</b>           | <b>Accumulated</b> |
|   | <b>ThCh\$</b>                  | <b>ThCh\$</b>      |
| <i>Compañía Eléctrica Taltal Ltda.</i>                | -                              | 146,371            |
| <i>Central Geradora Termoelectrica Fortaleza S.A.</i> | (939,553)                      | (1,302,505)        |
| <i>Aguas Santiago Poniente S.A.</i>                   | (111,586)                      | (111,586)          |
| <i>Infraestructura 2000 S.A.</i>                      | -                              | 347,252            |
| <i>Gas Atacama Generación</i>                         | -                              | 811,149            |
| <i>Ingendesa (Ingendesa do Brasil)</i>                | 1,451                          | (46,306)           |
| <i>Enigesa (Ingendesa do Brasil)</i>                  | 19                             | (642)              |
| <i>Cía. Eléctrica Conosur S.A. (CIEN)</i>             | (4,780,843)                    | (4,780,843)        |
| <b>Total</b>  | <b>(5,830,512)</b>             | <b>(4,937,110)</b> |

## OTHER INCOME AND EXPENSES

a. The detail of other non-operating income in each year is as follows:

|   | Year ended December 31, |                    |
|---|-------------------------|--------------------|
|   | 2001<br>ThCh\$          | 2002<br>ThCh\$     |
| Adjustments to investments in related companies | 3,253,049               | 512,200            |
| Gain on sale of property, plant and equipment   | 12,845,817              | 6,131,310          |
| Gain on forward contracts and swaps             | 17,822,984              | 4,815,297          |
| Services - projects and inspections             | 9,251,066               | 14,382,141         |
| Penalties charged to contractors and suppliers  | 15,141,355              | 10,129,602         |
| CDEC-SING power settlement gain                 | 6,487,257               | 11,153,158         |
| Public lighting and telephone lines             | 13,963,267              | 13,525,674         |
| Gain on sale of investments                     | 3,163,324               | -                  |
| Cost recoveries                                 | 6,349,126               | 5,112,788          |
| Recoverable taxes                               | 8,116,807               | 6,387,623          |
| Effect of application of BT 64                  | 62,673,747              | 210,813,735        |
| Comahue fourth line income                      | 411,352                 | 337,450            |
| Gain on repurchase of bonds                     | 24,112,843              | -                  |
| Dividend from investees                         | 5,425,032               | 10,732,246         |
| Other   | 5,676,555               | 14,110,663         |
| <b>Total</b>                                    | <b>194,693,581</b>      | <b>308,143,887</b> |

b. Other non-operating expenses in each year are as follows:

|   | Year ended December 31, |                    |
|---|-------------------------|--------------------|
|   | 2001<br>ThCh\$          | 2002<br>ThCh\$     |
| Adjustments to investments in related companies     | 2,181,904               | 4,166,463          |
| Cost of sales – materials                           | 14,806,557              | 11,254,237         |
| Cost of projects, inspections and other             | 8,290,316               | 5,255,189          |
| Effect of application of BT 64 (2)                  | 39,426,469              | 30,767,763         |
| Contingencies and litigation                        | 35,163,985              | 48,293,521         |
| Deferred expense amortization                       | 1,224,252               | 9,133,401          |
| SIC power settlement loss                           | 9,450,051               | 16,978,444         |
| Loss on forward contracts                           | 23,575,152              | -                  |
| Pension plan expense                                | 22,407,456              | 5,745,126          |
| Penalties and fines                                 | 15,663,147              | 13,018,169         |
| Sales tax adjustment (Brazil)                       | -                       | 6,731,332          |
| Argentinean Government bond-market value adjustment | -                       | 5,103,764          |
| Provision for real estate projects                  | -                       | 16,600,195         |
| Provision for write off-work in progress            | -                       | 46,311,933         |
| Other   | 11,739,955              | 21,837,067         |
| <b>Total</b>  | <b>183,929,244</b>      | <b>241,196,604</b> |

## PRICE-LEVEL RESTATEMENT

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

|   | <i>As of December 31,</i> |                        |
|---|---------------------------|------------------------|
|   | <b>2001<br/>ThCh\$</b>    | <b>2002<br/>ThCh\$</b> |
| <b>Assets</b>   |                           |                        |
| <i>Inventory</i>  | 679,797                   | 1,081,801              |
| <i>Current assets</i>   | 86,825                    | 6,108,070              |
| <i>Accounts receivable from subsidiaries</i>                    | 4,575,344                 | 5,032,682              |
| <i>Property, plant and equipment</i>                            | 69,607,844                | 71,181,494             |
| <i>Investment in subsidiaries</i>                               | 30,582,762                | 35,860,652             |
| <i>Amortization of goodwill</i>                                 | 27,626,882                | 25,787,859             |
| <i>Other assets</i>   | 25,101,509                | 2,282,536              |
| <i>Credit for cost and expense accounts</i>                     | 8,601,641                 | 18,269,156             |
| <b>Net credit - assets</b>                                      | <b>166,862,604</b>        | <b>165,604,250</b>     |
| <b>Liabilities and Shareholders' equity</b>                     |                           |                        |
| <i>Shareholders' equity</i>                                     | (34,756,513)              | (35,375,590)           |
| <i>Current and long-term liabilities</i>                        | (95,013,142)              | (86,890,351)           |
| <i>Minority interest</i>  | 6,517,278                 | 5,418,099              |
| <i>Accounts payable to subsidiaries</i>                         | (30,547,186)              | (24,050,002)           |
| <i>Non-monetary liabilities</i>                                 | (679,233)                 | (51,951)               |
| <i>Charge to income accounts</i>                                | (10,208,733)              | (19,689,565)           |
| <b>Net charge-liabilities and shareholders' equity accounts</b> | <b>(164,687,529)</b>      | <b>(160,639,360)</b>   |
| <b>Net credits to income</b>                                    | <b>2,175,075</b>          | <b>4,964,890</b>       |

## EXCHANGE DIFFERENCES

The (charge) credit to income for foreign currency translation as of each year-end is as follows:

| Assets                             |          |                    |                   | Liabilities   |          |                      |                     |
|------------------------------------|----------|--------------------|-------------------|---|----------|----------------------|---------------------|
| Current assets                     | Currency | As of December 31, |                   | Current liabilities   | Currency | As of December 31,   |                     |
|                                    |          | 2001<br>ThCh\$     | 2002<br>ThCh\$    |   |          | 2001<br>ThCh\$       | 2002<br>ThCh\$      |
| Cash                               | US\$     | 1,495,922          | 2,671,496         | Short-term debt due to banks and financial institutions                   | US\$     | (6,823,954)          | (2,633,314)         |
|                                    | Other    | (56,291)           | (13,698)          |   | Other    | (1,890)              | -                   |
| Time deposits                      | US\$     | 202,284            | 264,124           | Current portion of long-term debt due to banks and financial institutions | US\$     | (2,346,817)          | 3,552,078           |
|                                    | Other    | (77,389)           | (31,054)          |   | Yen      | 26,250               | (71,707)            |
| Marketable securities              | US\$     | 11,797,767         | 6,855,639         |   | Other    | (63,570)             | (242,103)           |
| Accounts receivable, net           | US\$     | 104,099            | 489,200           | Current portion of bonds payable  | Euro     | -                    | (26,128)            |
|                                    | Other    | (48,663)           | -                 |   | US\$     | (3,831,594)          | (2,102,419)         |
| Other accounts receivable, net     | US\$     | 1,124,688          | 218,125           | Current portion of notes payable  | US\$     | (1,426,092)          | (856,727)           |
|                                    | Other    | 52,495             | 42,536            |   | Other    | 19,127               | -                   |
| Inventory                          | Other    | (11,824)           | -                 | Dividends payable   | Other    | 101                  | 1,840               |
| Prepaid expenses                   | US\$     | 168,986            | 29,442            | Accounts payable  | US\$     | 284,714              | 472,907             |
|                                    | Other    | (2,365)            | -                 |   | Other    | 193,407              | (861,657)           |
| Other current assets               | US\$     | 11,521,079         | (136,043)         | Notes payable   | US\$     | (307,780)            | -                   |
|                                    | Other    | (264,455)          | (140,837)         |   | Other    | (81,896)             | -                   |
|                                    |          |                    |                   | Miscellaneous payables  | US\$     | (430,288)            | (649,158)           |
|                                    |          |                    |                   |   | Other    | 195,405              | -                   |
|                                    |          |                    |                   | Other current liabilities   | US\$     | (921,658)            | 83,986              |
|                                    |          |                    |                   |   | Other    | (11,922)             | -                   |
|                                    |          |                    |                   | Accrued expenses  | US\$     | 37,716               | (103)               |
|                                    |          |                    |                   |   | Other    | (29,947)             | -                   |
|                                    |          |                    |                   | Deferred income   | US\$     | (56,780)             | (362,291)           |
| <b>Non-current assets</b>          |          |                    |                   | <b>Long-term liabilities</b>  |          |                      |                     |
| Long-term receivables              | US\$     | 1,054,144          | 599,944           | Due to banks and financial institutions                                   | US\$     | (42,070,677)         | (22,646,874)        |
|                                    | Other    | 277,166            | 202,009           |   | Yen      | 22,840               | (180,770)           |
| Amounts due from related companies | US\$     | 17,033,254         | 11,082,499        |   | Euro     | -                    | (60,487)            |
| Deferred expenses                  | US\$     | 246,859            | 228,059           |   | Other    | (246,923)            | (368,719)           |
| Other assets                       | US\$     | 28,336,082         | 6,541,035         | Bonds payable   | US\$     | (52,035,450)         | (24,995,100)        |
| Forward contracts and swaps        | US\$     | 36,011,211         | 16,037,562        | Notes payable   | US\$     | (6,734,909)          | (2,814,391)         |
|                                    |          |                    |                   | Accounts payable  | US\$     | (995,614)            | 358,233             |
|                                    |          |                    |                   | Other long-term liabilities   | US\$     | (21,897,139)         | (6,647,384)         |
|                                    |          |                    |                   |   | Other    | 29,525               | 3                   |
| <b>Total gain</b>                  |          | <b>108,963,163</b> | <b>44,940,038</b> | <b>Total loss</b>   |          | <b>(139,505,815)</b> | <b>(61,050,285)</b> |
|                                    |          |                    |                   | <b>Exchange difference - net loss</b>                                     |          | <b>(30,542,652)</b>  | <b>(16,110,247)</b> |

## 26.

## EXTRAORDINARY ITEMS

In this item, the Company shows the net equity 1.2% tax, in accordance with decree N°1,949 of August 29, 2002 of the Republic of Colombia; a tax that will be used for said country's democratic security.

At December 31, 2002, the subsidiaries paying this tax and the corresponding amounts are as follows:

| Company                                | ThCh\$            |
|--|-------------------|
| Central Hidroeléctrica de Betania S.A. | 2,025,115         |
| Capital de Energía S.A.                | 67,124            |
| Emgesa S.A.                            | 8,837,853         |
| Cam Colombia S.A.                      | 33,540            |
| Codensa S.A.                           | 11,412,008        |
| <b>Total</b>                           | <b>22,375,640</b> |

## 27.

## FINANCIAL DERIVATIVES

As of December 31, 2002 the Company and its subsidiaries held the following financial derivative contracts with financial institutions with the object of decreasing exposure to interest rate and foreign currency risk, as follows:

| Type<br>(1) | Nominal<br>amount<br>US\$ | Date of<br>Maturity | Item          | Sales/<br>Purchase | Hedged<br>Item               | As of December 31, 2002         |                                 |
|-------------|---------------------------|---------------------|---------------|--------------------|------------------------------|---------------------------------|---------------------------------|
|             |                           |                     |               |                    |                              | Initial hedged amount<br>ThCh\$ | Closing hedged amount<br>ThCh\$ |
| COLLAR      | 50,000,000                | II quarter 2004     | Interest rate | P/S                | Bank obligations             | 35,930,500                      | 35,930,500                      |
| COLLAR      | 400,000,000               | III quarter 2004    | Interest rate | P/S                | Bank obligations             | 287,444,000                     | 287,444,000                     |
| COLLAR      | 50,000,000                | III quarter 2005    | Interest rate | P/S                | Bank obligations             | 35,930,500                      | 35,930,500                      |
| COLLAR      | 250,000,000               | I quarter 2006      | Interest rate | P/S                | Bank obligations             | 179,652,500                     | 179,652,500                     |
| COLLAR      | 850,000,000               | II quarter 2006     | Interest rate | P/S                | Bank obligations             | 610,818,500                     | 610,818,500                     |
| FR          | 7,000,000                 | I quarter 2003      | Exchange rate | P                  | Accounts payable             | 5,030,270                       | 5,030,270                       |
| FR          | 88,000,000                | I quarter 2003      | Exchange rate | P                  | Bank obligations             | 293,192,880                     | 293,192,880                     |
| FR          | 77,755,000                | I quarter 2003      | Exchange rate | P                  | Bank obligations             | 48,413,946                      | 53,869,310                      |
| FR          | 154,600,000               | II quarter 2003     | Exchange rate | P                  | Yankee Bonds/Bank obligation | 111,096,962                     | 111,096,962                     |
| FR          | 68,400,000                | II quarter 2003     | Exchange rate | P                  | Bank obligations             | 49,153,068                      | 49,153,068                      |
| FR          | 93,000,000                | II quarter 2003     | Exchange rate | P                  | Bank obligations             | 788,315,170                     | 788,315,170                     |
| FR          | 15,000,000                | II quarter 2003     | Exchange rate | P                  | Accounts payable             | 10,779,150                      | 10,779,150                      |
| FR          | 108,000,000               | IV quarter 2003     | Exchange rate | P                  | Bank obligations             | 78,783,930                      | 78,783,930                      |
| FR          | 23,084,000                | I quarter 2004      | Exchange rate | P                  | Bank obligations             | 13,945,714                      | 16,086,072                      |
| S           | 100,000,000               | I quarter 2003      | Interest rate | P/S                | Bonds                        | 71,861,000                      | 71,861,000                      |
| S           | 100,000,000               | I quarter 2003      | Interest rate | P/S                | Bank obligations             | 71,861,000                      | 71,861,000                      |
| S           | 4,253,031                 | I quarter 2003      | Interest rate | P                  | Accounts payable             | 3,056,270                       | 3,056,270                       |
| S           | 44,229,017                | I quarter 2003      | Exchange rate | P                  | Bank obligations             | 31,783,414                      | 31,783,414                      |
| S           | 95,000,000                | II quarter 2003     | Exchange rate | P                  | Bank obligations             | 68,267,950                      | 61,703,496                      |
| S           | 20,150,000                | II quarter 2003     | Interest rate | P                  | Bonds                        | 14,479,992                      | 14,479,992                      |
| S           | 58,453,199                | II quarter 2003     | Interest rate | P                  | Bank obligations             | 42,005,053                      | 42,005,053                      |
| S           | 381,200,000               | III quarter 2003    | Exchange rate | P/S                | Bonds                        | 273,934,132                     | 273,934,132                     |
| S           | 1,708,667                 | III quarter 2003    | Exchange rate | P                  | Bank obligations             | 1,227,865                       | 1,227,865                       |
| S           | 6,668,000                 | IV quarter 2003     | Interest rate | P                  | Bank obligations             | 4,545,759                       | 4,545,759                       |
| S           | 17,520,000                | IV quarter 2003     | Interest rate | P                  | Bank obligations             | 12,590,047                      | 12,590,047                      |
| S           | 94,696,298                | I quarter 2004      | Interest rate | P                  | Bank obligations             | 68,049,707                      | 68,049,707                      |
| S           | 50,000,000                | I quarter 2004      | Interest rate | P/S                | Bank obligations             | 35,930,500                      | 35,930,500                      |
| S           | 41,932,249                | II quarter 2004     | Exchange rate | P                  | Bank obligations             | 30,132,934                      | 30,132,934                      |
| S           | 50,000,000                | II quarter 2004     | Interest rate | P/S                | Bank obligations             | 35,930,500                      | 35,930,500                      |
| S           | 50,000,000                | III quarter 2004    | Interest rate | P/S                | Bank obligations             | 35,930,500                      | 35,930,500                      |
| S           | 33,600,000                | II quarter 2005     | Interest rate | P                  | Bank obligations             | 24,145,296                      | 24,145,296                      |
| S           | 50,000,000                | II quarter 2006     | Interest rate | P                  | Bank obligations             | 35,930,500                      | 35,930,500                      |
| S           | 144,470,000               | III quarter 2006    | Currency      | P                  | Bonds                        | 103,021,045                     | 103,021,045                     |
| S           | 50,000,000                | III quarter 2006    | Currency      | S                  | Bonds                        | 35,529,359                      | 35,529,359                      |
| S           | 81,905,702                | II quarter 2009     | Exchange rate | P                  | Bonds                        | 56,637,729                      | 56,637,729                      |

(1) FR= Forward, S= Swap

**Direct guarantees held by third parties:**

| Guarantee                            | Subsidiary                | Type of guarantee                           | Committed assets             |          |
|--------------------------------------|---------------------------|---|------------------------------|----------|
|                                      |                           |   | Type                         | Currency |
| Cía. de Telecomunicaciones de Chile  | Enersis S.A.              | Pledge                                      | Promissory note UF           | ThCh\$   |
| Public Works Bureau                  | Autopista del Sol         | Complian. Operat. ctto. conc                |                              | ThCh\$   |
| Banco Estado de Chile                | Pehuenche S.A.            | Chat. Mortg. Whithout conveyan              | Equipment                    | ThCh\$   |
| Director Customs Office of Chile     | Pehuenche S.A.            | Bank bond                                   |                              | ThCh\$   |
| Director Customs Office of Chile     | Pangue S.A.               | Bill of exchange                            |                              | ThCh\$   |
| Creditors Banks                      | Pangue S.A.               | Mortgage and pledge                         | Real estate prop. and Equip. | ThCh\$   |
| Mitsubishi Corp.                     | San Isidro S.A.           | Chattel mortgage                            | Facilities                   | ThCh\$   |
| Public Works Bureau                  | Autop. Los Libertadores   | Construction compliance concession contract | Invest. Works of concession  | ThCh\$   |
| Public Works Bureau                  | Autop. Los Libertadores   | Construction compliance concession contract | Operation of concession      | ThCh\$   |
| Tax Authorities of Chile             | Celta S.A.                | Bond  | Bond                         | ThCh\$   |
| Banco Estado de Chile                | Tunel el Melón            | Pledge over 45% of income minim. guaranteed |                              |          |
| FSA Inc                              | Infraestructura 2000 S.A. | Pledge                                      | Shares                       | ThCh\$   |
| FSA Inc                              | Autopista del Sol         | Pledge                                      |                              | ThCh\$   |
| Soc. de Energía de la Rep. Arg. S.A. | EASA                      | Pledge                                      | Shares                       | ThCh\$   |

**Indirect guarantees held by third parties:**

| Guarantee                        | Subsidiary                     | Type of guarantee | Committed assets |          |
|----------------------------------|--------------------------------|-------------------|------------------|----------|
|                                  |                                |                   | Type             | Currency |
| Chase Manhattan Bank             | Endesa Chile International     | Subsidiary        | Guarantor        | ThCh\$   |
| CitbanK N.A.                     | Endesa Chile International     | Subsidiary        | Guarantor        | ThCh\$   |
| CitbanK N.A.                     | Endesa Chile International     | Subsidiary        | Guarantor        | ThCh\$   |
| Midlanbank                       | Endesa Chile International     | Subsidiary        | Guarantor        | ThCh\$   |
| B. Santander C. Hispano          | Endesa Chile International     | Subsidiary        | Guarantor        | ThCh\$   |
| J.P. Morgan and CSF Boston       | Endesa Chile International     | Subsidiary        | Guarantor        | ThCh\$   |
| Banco San Paolo                  | Endesa Chile International     | Subsidiary        | Guarantor        | ThCh\$   |
| BNP                              | Endesa Chile International     | Subsidiary        | Guarantor        | ThCh\$   |
| BBVA                             | Endesa Chile International     | Subsidiary        | Guarantor        | ThCh\$   |
| Mitsubishi Co.                   | Cía. Eléctrica San Isidro S.A. | Subsidiary        | Guarantor        | ThCh\$   |
| B. Santander C. Hispano          | Cía. Eléctrica Tarapacá S.A.   | Subsidiary        | Guarantor        | ThCh\$   |
| Chase Manhattan Bank             | Cía. Eléctrica Tarapacá S.A.   | Subsidiary        | Guarantor        | ThCh\$   |
| Banco Español de Crédito         | Cía. Eléctrica Tarapacá S.A.   | Subsidiary        | Guarantor        | ThCh\$   |
| ABN Amro Bank                    | Cía. Eléctrica Tarapacá S.A.   | Subsidiary        | Guarantor        | ThCh\$   |
| B. Estado de Chile and Santander | Autopista Del Sol S.A.         | Subsidiary        | Guarantor        | ThCh\$   |
| Chase Manhattan Bank             | Endesa Colombia S.A.           | Subsidiary        | Guarantor        | ThCh\$   |
| B. Santander C. Hispano          | Cía. Eléctrica Conosur S.A.    | Subsidiary        | Guarantor        | ThCh\$   |
| Banco de Santiago y de Chile     | Autopista Del Sol S.A.         | Subsidiary        | Guarantor        | ThCh\$   |

|  | Accounting value | Pending balance at December 31, |            |            | Release of guarantees |            |           |
|--|------------------|---------------------------------|------------|------------|-----------------------|------------|-----------|
|  |                  | Currency                        | 2001       | 2002       | 2003                  | 2004       | 2005      |
|  | 1,675            | ThCh\$                          | 1,675      | -          | -                     | -          | -         |
|  | 654,208          | ThCh\$                          | 654,208    | 654,208    | -                     | -          | -         |
|  | 12,030,211       | ThCh\$                          | 2,518,131  | 935,922    | -                     | 12,030,211 | -         |
|  | -                | ThCh\$                          | 46,536     | 49,584     | -                     | -          | -         |
|  | 64,675           | ThCh\$                          | 60,699     | 64,675     | -                     | 64,675     | -         |
|  | 83,976,230       | ThCh\$                          | 23,032,252 | 20,231,494 | 3,811,708             | 3,811,708  | 3,811,708 |
|  | 76,193,289       | ThCh\$                          | -          | 71,509,333 | -                     | -          | -         |
|  | -                | ThCh\$                          | 822,752    | -          | -                     | -          | -         |
|  | -                | ThCh\$                          | -          | -          | -                     | -          | -         |
|  | 2,632,804        | ThCh\$                          | 2,632,804  | 2,632,804  | 2,632,804             | -          | -         |
|  | 172,681          | ThCh\$                          | -          | -          | Según Op              | -          | -         |
|  | 1,351,074        |                                 | -          | -          | -                     | -          | -         |
|  | 35,476,728       | ThCh\$                          | -          | -          | -                     | -          | -         |
|  | 22,580,871       | ThCh\$                          | -          | -          | -                     | -          | -         |
|  | 68,033,383       | ThCh\$                          | -          | -          | -                     | -          | -         |

|  | Accounting value | Pending balance at December 31, |             |             | Release of guarantees |             |             |
|--|------------------|---------------------------------|-------------|-------------|-----------------------|-------------|-------------|
|  |                  | Currency                        | 2001        | 2002        | 2003                  | 2004        | 2005        |
|  | -                | ThCh\$                          | 39,711,918  | -           | -                     | 359,688,633 | -           |
|  | 359,688,633      | ThCh\$                          | 337,769,295 | 359,688,633 | -                     | -           | -           |
|  | -                | ThCh\$                          | 25,177,959  | -           | -                     | -           | -           |
|  | 5,668,452        | ThCh\$                          | 17,610,807  | 5,668,452   | 5,668,452             | -           | -           |
|  | 110,922,308      | ThCh\$                          | 131,241,462 | 110,922,308 | 110,922,308           | -           | -           |
|  | 109,731,747      | ThCh\$                          | 102,986,026 | 109,731,747 | -                     | -           | 109,731,747 |
|  | -                | ThCh\$                          | 67,508,298  | -           | -                     | -           | -           |
|  | 151,870,433      | ThCh\$                          | 129,594,668 | 151,870,433 | 151,870,433           | -           | -           |
|  | 151,870,433      | ThCh\$                          | 129,561,158 | 151,870,433 | 151,870,433           | -           | -           |
|  | 49,098,687       | ThCh\$                          | 53,760,423  | 49,098,687  | -                     | -           | -           |
|  | 768,635          | ThCh\$                          | 2,197,072   | 768,635     | 768,635               | -           | -           |
|  | -                | ThCh\$                          | 2,744,283   | -           | -                     | -           | -           |
|  | 32,967,603       | ThCh\$                          | 37,143,610  | 32,967,603  | -                     | -           | -           |
|  | 4,267,923        | ThCh\$                          | 6,090,065   | 4,267,923   | -                     | 4,267,923   | -           |
|  | -                | ThCh\$                          | 53,417,472  | -           | -                     | -           | -           |
|  | 205,521,266      | ThCh\$                          | 182,078,243 | 205,521,266 | 205,521,266           | -           | -           |
|  | 137,655,836      | ThCh\$                          | 124,119,900 | 137,655,836 | -                     | -           | -           |
|  | -                | ThCh\$                          | 65,796,196  | -           | -                     | -           | -           |

## Litigation and other legal actions:

### ***Energis S.A. Individual***

- i. Arbitration award (Case ICC N° 11046/KGA) substantiated before the Court of Arbitration of the International Chamber of Commerce with headquarters in Paris, France, started with occasion of the claim lodged by Pérez Companc S.A. and PCI Power Edesur Holding Limited. The claim requests that the Arbitration Court declare a sought after right of PCI Power Edesur Holding Limited to designate a Regular Director and an Alternate Director in the Argentinean company Distrilec Inversora S.A., a company holding Class "A" shares of Empresa Distribuidora Sur S.A. (Edesur S.A.), and on a subsidiary basis, for the event that said Court estimates that PCI Power Edesur Holding Limited lacks such right, declare that Grupo Energis and Grupo Pecom, former Pérez Companc, have the same number of directors in Distrilec Inversora S.A.

The claim was answered timely by the Company on August 4, 2000. Together with the answer to the aforementioned claim, Energis S.A. presented a reconventional claim against the claimants, that is, against Pecom S.A. and PCI Power Edesur Holding Limited, in order to request the annulment of various agreements entered into by the parties. This reconvention was answered by the reconventional defendants on October 13, 2000. On December 4 2000, Grupo Energis filed its arguments expansion writ and the answer to the reply of the reconventional defendants.

On December 6, 2000, the reconventional defendants, in an "Additional Statements" writ, request, among other things that, in case the reconventional claim lodged by Grupo Energis is accepted, that a damages indemnity be declared in its favor. The reconventional defendants have provisionally estimated this possible and required indemnity in an amount between US\$180 and US\$200 million.

On April 8, 2001 a Minutes of Mission was signed establishing the unquestionable facts, the controversial facts, the parties' aims and the matters on which the Court will pronounce a judgment. On June 14, 2001 the parties submitted their evidence offer writs.

On August 27 2001 presentation of the offered witnesses' affidavits ceased. The testimonial audience was carried out on November 12, 2001, in the city of Montevideo. On December 14, 2001 the parties presented their closing allegations and on December 20 the Court officially closed the Arbitration proceeding.

On September 6, 2002 the Final award dated September 2, 2002 was notified to the parties, substantively establishing that Grupo Pecom and Grupo Energis maintain the right to designate the same number of directors in the Distrilec Inversora S.A. Board and rejecting the contravention claim of Grupo Energis. It also rejects the indemnity amounting between US\$180 and 200 million claimed by Grupo Pecom against Grupo Energis.

The Final Award has been impugned timely through an annulment appeal filed before Uruguayan Justice on September 18, 2002, based on that it has gross procedural vices that invalidate it. The filing of said appeal suspends compliance with the verdict. On December 12, 2002 Pecom Energía answered said impugnation.

- ii. Court : Honorable resolutive commission

Process number : 577-99

Cause : Requirements of the "Fiscal Nacional Economico" against Energis S.A. for the increase of ownership in Endesa-Chile S.A., asserting the transaction has considerably increased the vertical integration in the electric sector, affecting free competition.



Process status: The discussion stage has ended and the corresponding complaints have been made. The case is now in the sentencing stage. It is important to note the Commission decided not to receive the case in trial. Additionally, the petitions of the Fiscalía Nacional Económica have changed since the beginning of the case, limiting the request to the inability of Enersis S.A. and Endesa Chile to have common directors and the necessity for these companies to hire different external auditors.

Amounts involved: Undetermined.

On October 30, 2002 the Resolutive Commission pronounced sentence on the case, and which is summarized as follows:

- a) "The position of principal or alternate director of Enersis S.A., Empresa Nacional de Electricidad S.A., or of some of them with Chilectra S.A. and Compañía Eléctrica del Río Maipo S.A., shall be held by different and independent individuals. A director will be regarded as independent when holding positions or carrying out employment or activities in a position of dependence of any of these companies or of any of its directors; and
- b) "The external audit of Enersis S.A., Empresa Nacional de Electricidad S.A., and Chilectra S.A. or Compañía Eléctrica del Río Maipo S.A., which, pursuant to current open stock company legislation, will be performed by different external auditing firms, having any relationship or tie of any nature between them. The same stipulation will be applied should the bylaws of said companies contemplate the appointment of account inspectors;"
- c) "By the exercise of its official faculties, the following measures will be adopted and in effect until the issue by the Resolutive Commission of a resolution to the contrary:  
  
"Enersis S.A., Elesur S.A., Empresa Nacional de Electricidad S.A., Chilectra S.A. and Compañía Eléctrica del Río Maipo S.A., may not enter into or execute any operation the objective of which would be the merger of the companies controlled by the Enersis group, whose activity would be the generation and distribution of electricity, with Enersis S.A. having to maintain the development of both segments separately, through different companies representing independent business units; and"  
  
"Enersis S.A., Empresa Nacional de Electricidad S.A., Chilectra S.A. and Compañía Eléctrica del Río Maipo S.A., shall continue to be subject to supervision of the Superintendency of Securities and Insurance and comply with provisions applicable to open stock companies, even if they have ceased to have the status of open stock companies;"
- d) "In exercising the powers established in Decree Law N° 211 article 17, letter b), this Resolutive Commission issues the following general instructions which any individual who, by application of Ministry of Mining Electric Code article 240, Decree N° 317, of 1998, must publicly open to bid the supply and load in the terms of said norm:
- e) All those companies, associations, or company consortiums with existing or potential supply capacity will be able to participate in the supply bidding processes;
- f) The bidding conditions shall allow the applicants to present bids for the total amount of the supply intended to be contracted or for a part of the energy blocks and load open to bidding, and will include in their entirety the contracts which will be signed by the parties to execute the delivery of the supply bid; and,
- g) The receipt and opening of bids will be public. The bidding conditions to be established, as well as the result of the awarding, shall be reported to the Economic National Legal Department simultaneously upon the execution of said acts.

- h) Any other measure of a cautionary or precautionary nature taken in these cases are invalidated in particular, that ordered in Resolution N° 542 numeral 1, dated May 10, 1999, as evidenced on page 132 of the precautionary measures record.”

On November 6, 2002, Messrs. Briones and Bosselin filed an appeal as a complaint against the aforementioned sentence, which is currently in the procedural phase. Together with filing the appeal, the petitioners requested that an injunction order be decreed, which was issued on November 14, 2002, thus suspending the sentence's effects.

Amount: Not determined.

- iii. Accusation filed by Empresa Nacional de Telecomunicaciones S.A. (ENTEL) before the Resolutive Commission against Enersis S.A., started by presentment dated May 13, 2002. The aim was to inform the Commission about the data transmission services provided through the electric networks by Compañía Americana de Multiservicios Limitada, Enersis S.A.'s subsidiary, so as it took the necessary protection measures to guarantee free competition.

The Commission requested the Telecommunications Under-department some information, which was provided through a report dated May 31, 2002.

On June 5, 2002, Enersis S.A. answered ENTEL's presentment, requesting that the precautionary measures requested by ENTEL be rejected because they are contrary to law and unnecessary and, also, because if they were accepted they would establish an entry barrier to the industry and postpone the investments necessary for rendering the aforementioned services.

The issuance of a report by the Economic National Legal Department is pending, as well as the resolution of the precautionary measures requested by ENTEL.

On July 19 of the current year, the Resolutive Commission acknowledged the Economic Legal National Department report, resolving to thoroughly investigate the matter and rejecting the precautionary measures requested.

On last September 25, the case was heard and the trial turned into judicial decision term.

- iv. Court : 2nd Labor Court of Santiago  
Process number : 6061-2001  
Cause : Complaint filed for severance pay for years of service on December 19, 2001 by Mr. Guillermo Calderón Ortega against Enersis S.A.  
Process status : First petition sentencing stage  
Amounts involved: ThCh\$52,858
- v. The Labor Ordinary Trial, titled "Acevedo Bravo, Efraín and Others with Enersis S.A.", case list N°4.175-2002, heard before the 4th Labor Court for Santiago, arising from the claim for the payment of 2% monthly contribution made to finance the claimants' conventional severance indemnity. The claim was notified on 11/06/2002, against which dilatory exceptions were opposed on 12/09/2002 and the claim was answered on a subsidiary basis. The case is currently in the approbatory term.
- vi. Court : 25th Civil Court of Santiago  
Process number : 3151-00  
Cause : Complaint filed for compensation of damages by Mrs. Odette Legrand Halcarteraray against Enersis S.A..  
Process status : First petition sentencing stage  
Amounts involved: ThCh\$50,000

vii. Economic protection appeal, filed before the Court of Appeals for Santiago, List N°4591-2002, for Compañía de Teléfonos Complejo Manufacturero de Equipos Telefónicos S.A.C.I., CMET, against Enersis S.A.. The appeal was filed on 08/27/02 by CMET against Enersis S.A., which seemed to be based on the fact that Enersis S.A., through various acts, facts or omissions, would have breached article 19 N°21 of the Political Constitution of the Republic, preventing CMET from developing its commercial activities.

On 09.17.02, Enersis S.A. informed to Court, as requested, carrying out all the discharges it deemed reasonable in accordance to law, expressly rejected CMET's accusations because of their unfounded nature.

To date, the appeal is pending for its hearing and judgment, which is estimated to take place during March.

viii. Chilean Internal Revenue Service review of taxable income for the 2000, 2001 and 2002 tax years, and the tax trial in first petition for the difference of First Category Income Tax and Reintegration of Monthly Tax Prepayments for absorbed net income in the amount of ThCh\$62,400, corresponding to the 1998 tax year.

ix. First instance tributary trial, that is, before the Internal Revenue Service, for Tax difference to First Category Income Tax and Refund of Monthly Provisional Payments for absorbed earnings, in the amount of Th\$1,461,000 corresponding to taxable year 1999. This proceeding is in the discussion term.

***Chilectra S.A.***

As of December 31, 2002, there are certain complaints against the Company for damages, which management believes are not significant based on reports from its legal counsel or for which the Company has made provisions up to the corresponding insurance coverage deductibles.

***Compañía Eléctrica del Río Maipo S.A.***

As of December 2001 and 2002 there are complaints against the Company for compensatory damages, which management and its legal counsel believe are not significant since they have insurance coverage for this type of occurrence.

***Inmobiliaria Manso de Velasco S.A.***

i. Court : Arbitration Court

Process number : N/A

Cause : Originates in Mr. Valero's intention to charge professional fees for measures on related to reducing the amount of the Company's Real Estate Taxes

Process status : First petition resolution, being appealed.

Amounts involved: Ch\$ 100 million was claimed. The first petition resolution was for a sum of Ch\$ 37 million, which is being appealed. A provision was made for 50% of the claim.

ii. Court : Court of Appeals

Process number : 4087 - 2000

Cause : Sociedad Agrícola Pastos Verdes Ltda. (a subsidiary of Inmobiliaria Manso de Velasco S.A.), filed Indemnity Assessment Complaint Proceeding for expropriation of Access Road to Aeropuerto Arturo Merino Benítez. The Chilean Government expropriated a piece of land for construction of the access road; experts in accordance with the Expropriation Procedure appraised the indemnity paid. The Appraisal was protested, there is a first petition judgment that raised the indemnity by approximately UF35,000.

Process status : Pending in the Court of Appeals.

**Cerj S.A.**

The Company has civil, fiscal and labor legal proceedings for which it has made a provision of approximately ThUS\$122,000.

**Codensa S.A.**

The Company has lawsuits of a civil, fiscal and labor nature, for which it has registered provisions for approximately ThUS\$0.9.

Endesa-Chile Individual

**Pending litigation**

There is litigation pending against Endesa-Chile, for which defenses have been filed, totaling ThCh\$2,242,254 and ThCh\$1,895,083 as of December 31, 2001 and 2002, respectively.

**Other litigation**

i. Court : Supreme Court of Argentina

Process number : 2753-4000/97

Cause : Dirección Provincial de Rentas, Provincia de Neuquén versus TGN (Transportadora de Gas del Norte S.A.). Resolution regarding Stamp Tax sum that eventually should be paid jointly by TGN and ENDESA.

Process status : TGN requested a precautionary measure before the Supreme Court of Argentina to paralyze the proceeding filed by the Province of Neuquen, which was accepted. Therefore the administrative complaint proceeding is paralyzed.

Amounts involved: \$Arg 13,943,572.54 (Includes tax, interest and fines).

ii. Court : Arbitration Court

Process number : N/A

Cause : On December 27, 2001, Empresa Nacional de Electricidad S.A. was notified of an arbitration to resolve controversies related to insurance policy N°94.676, issued by Compañía de Seguros Generales Consorcio Allianz, currently AGF/Allianz Chile Compañía de Seguros Generales S.A., in favor of Endesa, for the construction of the Ralco Hydroelectric Plant.

Process status : Claimant and the Insurance Company have a period of 20 days to corroborate the complaint.

Amounts involved: ThUS\$32,000.

iii. Declarative ordinary trial of mere certainty started by ENDESA against the Treasury of Chile to define the application criterion of General Law of Electric Services concerning indemnities payment for supply interruptions during electric rationing periods, filed before the Third Court of Civil First Instance for Santiago, list 3140-2000.

With the promulgation of the Supreme Ordinance N° 287, of 1999, the Ministry of Economy, Development and Reconstruction that established the electric rationing between June 12 and August 31 1999 in the Central Interconnected System and the modification of article 99 bis of D.F.L. N°1/82 of Mining, General Law of Electric Services introduced by Law 19.613 of June 8, 1999, the electric power generation companies that, in case of generation short fall due to either prolonged failures of power plants or droughts, are not able to satisfy their distributor or final customers' normal consumption or submitted to price regulation, were forced to pay compensations or indemnities to those customers in accordance with the regulations and procedures that are established in the rationing decree.

This situation affected ENDESA and its subsidiaries Pehuenche and Pangué.

In this respect, the declarative trial of mere certainty has been started, among others, an action in which Court is requested to declare that, in accordance with Art.99 bis of D.F.L. 1/82, it is ENDESA's obligation to pay their distributor customers the

compensations or indemnities established in that provision only for the days and hours that during the validity of the rationing Decree N° 287, electricity supply suspensions occurred and which affected those customers.

The Treasury has sustained in the trial that the indemnities should be paid for the rationing period.

Endesa-Chile Subsidiaries

***Pehuenche S.A.***

- i. Court : 20th Civil Courthouse of Santiago  
Process number : 5863-2001  
Cause : Empresa Eléctrica Pehuenche S.A. versus Empresa Eléctrica Colbún S.A. This complaint is for services rendered by Pehuenche S.A. to Colbún during the drought period.  
Process status : Currently in the evidence term  
Amounts involved: ThUS\$2,000.
- ii. Court : Court of Appeals of Talca  
Process number : 39945  
Cause : Asociación del Canal Maule versus DGA Resolution 1768 dated November 1984 related to the approval of reservoir works and building of the Colbún power plant. Pehuenche also filed a complaint to reinforce the claim of the irrigation subscribers that it is the obligation of Colbun S.A. to operate a reservoir above an elevation of 425 meters above sea level.  
Process status : Judgment was pronounced being rejected the claim reclamation.  
Amounts involved: Undeterminable.
- iii. Actions were filed related to the payment of compensation as per Supreme Decree N°287, dated 1999 and issued by the Ministry of Economy, Development and Reconstruction and modification of Art. 99 bis of DFL N°1/82 of Mining Law.
- iv. Court : 24th Civil Court of Santiago  
Process number : 3908-99  
Cause : A precautionary prejudicial measure was presented and was denied by the Tribunal. In the same proceeding Pehuenche presented an ordinary public law motion to vacate against Sociedad Austral de Electricidad S.A. Witnesses gave evidence.  
Process status : Verdict notification pending  
Amounts involved: Undeterminable.
- v. Court : 17th Civil Courthouse of Santiago  
Process number : 3940-99  
Cause : Pehuenche versus Chilectra S.A. A precautionary prejudicial measure was presented and denied by the Tribunal. Pehuenche presented in the same case, an ordinary demand to annul public right against Chilectra S.A.  
Process status : Summoned to hear verdict, judgment has not been pronounced yet.  
Amounts involved: Undeterminable.
- vi. Court : 20th Civil Courthouse of Santiago  
Process number : 4005-99  
Cause : A precautionary prejudicial measure was presented and denied by the Tribunal. Pehuenche presented in the same case, an ordinary demand to annul public right against Empresa Electrica Atacama S.A.  
Process status : Judgment pronouncement pending.  
Amounts involved: Undeterminable.

- vii. Court : Santiago Court of Appeals  
Process number : 6515-99  
Cause : CDEC-SIC failure to provide timely information to the CNE. Resolution 1,557 dated October 1, 1999. The State Defense Council made itself a party to the case.  
Process status : Expert Appraisal.  
Amounts involved: Five fines for a total of 1,610 UTM.
- viii. Court : 5th Civil Courthouse of Santiago  
Process number : 2272-99  
Cause : Resolution 631 dated April 27, 1999, for not establishing Dispatch Center before January 1, 1999. The court informed a resolution that it received the case for trial. Pending official letter to the Superintendency of Electricity and Fuels (SEC).  
Process status : Verdict notification pending.  
Amounts involved: Fine of 500 UTM.
- ix. Court : 16th Civil Courthouse of Santiago  
Process number : 4164-97  
Cause : Claim against Resolution 856, resulting in a fine imposed on October 16, 1997, for failure on May 11, 1997.  
Process status : Notification and appeal pending.  
Amounts involved: Fine of 450 UTM
- x. Court : 16th Civil Courthouse of Santiago  
Process number : 1928-98  
Cause : Claim against Resolution 331 dated May 8, 1998, for failure on October 13, 1997.  
Process status : Notification and appeal pending.  
Amounts involved: Fine of 300 UTM
- xi. Court : SEC  
Process number : N/A  
Cause : Reposition appeal before the SEC for Resolution 805 dated May 2, 2000 for a fine for failure on July 14, 1999.  
Process status : Pending resolution.  
Amounts involved: Fine of 400 UTA
- xii. Court : 3rd Local Police Court of Santiago  
Process number : 50419-AGO  
Cause : SERNAC with Pehuenche, claim for lack of electrical supply  
Process status : Pending sentence.  
Amounts involved: Undeterminable.
- xiii. Court : 5th Labor Court of Santiago  
Process number : 2923-2001  
Cause : Labor lawsuit for work accident. There are incidents of former adjudication and prescription pending verdict. Second petition verdict confirming First Petition verdict. Pending confirmation of appeal for dismissal.  
Process status : Pending confirmation of appeal for dismissal.  
Amounts involved: Undeterminable.

**Empresa Eléctrica Pangue S.A.**

- i. Court: 1st Civil Court of Santiago  
Process number : 1294-99  
Cause : Claim against Resolution SEC 415 dated March 12, 1999 which fined Pangue for not complying with Article 9 of rationing Decree 640, which is to inform the SEC of normal customer consumption of its customers.  
Process status : Remitted the file to the Santiago Court of Appeals.  
Amounts involved: Fine of 10 UTM.
  
- ii. Court: 1st Civil Court of Santiago  
Process number : 2273-99  
Cause : Claim against SEC Resolution N°631 dated April 27, 1999 that fined Pangue for infraction of Article 183 of the Regulation when it did not build an independent Dispatch and Control Center.  
Process status : Reception of case to trial was notified. A motion to set aside was presented against the writ of evidence.  
Amounts involved: Fine of 500 UTM.
  
- iii. Court: 23rd Court  
Process number : 4293-97  
Cause : Claim against SEC Resolution N°856 dated October 16, 1997, which fined for a blackout on May 1, 1997.  
Process status : Verdict notification pending.  
Amounts involved: Fine of 450 UTM.
  
- iv. Court: 23rd Court  
Process number : 1910-98  
Cause : Claim against SEC Resolution N°331 dated May 8, 1998 that fined Pangue for a blackout on October 13, 1997. The Tribunal rejected the recourse in its verdict dated July 30, 1999.  
Process status : Appealed to the Court of Appeals and is pending hearing.  
Amounts involved: Fine of 500 UTM.
  
- v. Court: SEC  
Process number : N/A  
Cause : Appeal to set aside before the SEC by SEC Resolution N°740 dated April 26, 2000 which fined Pangue for blackout on July 14, 1999.  
Process status : Reversal verdict pending.  
Amounts involved: Fine of 300 UTA.
  
- vi. Court: 18th Civil Court of Santiago  
Process number : 3886-99  
Cause : Ordinary public right annulment complaint. Request to annul obligation to pay compensation to regulated price users derived from electric rationing decree N°287 issued by the Ministry of Economy.  
Process status : Judgment pronouncement pending  
Amounts involved: Undeterminable.
  
- vii. There are 37 administrative oppositions presented by Pangue S.A. before the Provincial Government of Malleco, to the corresponding requests of diverse individuals to regularize water use rights in the Commune of Lonquimay.

viii. Cerda with Pangué, electric right of way summary trial, list 992-96 of Santa Bárbara Court.

Brief review of the contingency: on SANTA BARBARA TRUPAN line. 2x220 KW, electric right of way had to be established in SAN JOSÉ property whose appraisal by the arbitrator commission was impugned by the affected party, which was definitely decided in the sum of \$13,757,896. -

Status of the Proceeding: trial completed, promoted incident of incidental compliance, Forecast: The indemnity is judicially regulated, and loan liquidation is pending.

**San Isidro S.A.**

i. Court: 7th Civil Court of Santiago

Process number : 2195-99

Cause : Claim against Resolution N°628 dated April 27, 1999, which applied a fine for infraction of Article 183 of D.S. N°327 dated 1997. (Non construction of independent Dispatch Center).

Process status : Official reports are being filed at the evidential stage.

Amounts involved: Fine of 500 UTM

ii. Court: SEC

Process number : N/A

Cause : Appeal to set aside before the SEC for SEC Resolution N°719 dated April 24, 2000, which fined San Isidro 150 UTA, for blackout on July 14, 1999.

Process status : Pending reinstatement verdict.

Amounts involved: Fine of 150 UTA

**Compañía Eléctrica de Tarapacá S.A.**

i. Court: SEC

Process number: Official Letter 4966

Cause : Formulation of SEC charges, dated August 3, 2000 for SING blackout on September 23, 1999.

Process status : Pending SEC Resolution.

Amounts involved: Undeterminable.

ii. Court: 20th Civil Court of Santiago

Process number: 2760-2000

Cause : Verification of Credit in Inmobiliaria La Cascada Agreement for ThCh\$203,718. There was a first distribution of funds from the sale of goods.

Process status : Report N°1 from the Liquidating Commission was received.

Amounts involved: Celta received ThCh\$60,557.

iii. Annulment ordinary trial and other actions presented by Compañía Punta de Lobos S.A. against Endesa, Celta and Treasury of Chile before 30th Civil Court for Santiago LIST 4061-2002.

**Review of legal contingency**

On August 22, ENDESA and CELTA were notified of a claim interposed by Compañía Punta de Lobos S.A. before the 30th Court for Santiago, against ENDESA, CELTA and TREASURY OF CHILE.



In the claim, a request is made declare the absolute annulment of the assignment and transfer or of any juridical act carried out by ENDESA to CELTA, regardless the capacity and object the real estate properties have had due to the nature or adherence that comprise them or as integral part of the marine concession granted to ENDESA in Punta Patache's sector.

A request is also made to declare the expiration of the concession because of ENDESA's incurring in a series of serious infractions to the legislation that regulates marine concessions and that are grounds for expiration and therefore the entirety of the construction built on the concession's lands must be incorporated at no cost to the equity of the Treasury of Chile and that Compañía Punta de Lobos is entitled to obtain compensation, prize or recognition for 20% of the liquid value of said common property for the recovery, for the Treasury of said assets.

ENDESA sustains that the claim is unfounded since no disposal act of the marine concession of ENDESA to CELTA has ever existed or of the assets comprising the concession; that the constructions or improvements carried out by CELTA in the concession's assets, have been executed to comply with a mandate granted by its parent company ENDESA to act on its own behalf; that the claimant lacks juridical interest in annulment it requests since it is not an integral part of the concession contract.

Amount or repercussion of the litigation: the litigation does not have a specified amount, but in case the claim is successful, especially if the marine concession expiration is declared, the pier's facilities would be affected, which are worth US\$15,000,000, that would become Treasury's equity, also seriously affecting the operation of Central Térmica Tarapacá.

Status of the Proceeding: On August 28, 2002, the claimant obtained a Court decree as a precautionary measure, prohibiting the execution of acts and contracts on the marine concession granted to ENDESA and on the properties by nature or for adherence that comprise or are an integral part of this concession.

**Main Trial Settlement:**

On August 9, 2002, the plaintiff filed with distribution to the court of appeals for Santiago, the contract annulment claim, in the ordinary trial against Endesa, Celta and the Treasury of Chile, a claim that entered the court on September 12, 2002.

On September 9, 2002, ENDESA and CELTA opposed dilatory exceptions consisting in the Court's incompetence to hear the claim. A) as regards the expiration declaration, this being an exclusive competence matter of the Ministry of National Defense B) as regards the annulment declaration, as a different sanction is contemplated by the law in the event of breach to be applied by an authority other than that of Courts and C) as regards the prize or recognition the, being an exclusive faculty of the President of the Republic.

On October 4, the Court accepted the incompetence exception with respect to the expiration and recognition, maintaining its competence regarding the annulment action and orders the answering of the claim. On October 10, 2002: The claimant appeals. On this same date Endesa and Celta appeals.

On October 14, the Court provides: On page 106: the appeal is accepted only in returnable effect. On page 122: the appeal is accepted only in returnable effect.

On this same date the custody of the file is ordered.

On October 14 ENDESA and CELTA answer the claim. On October 15, 2002: The claimant attaches documents.

On October 16, 2002, the court provides: On page 129: acknowledges claim answer. On page 138: Acknowledges attachment of documents with summon.

On October 16, 2002, the Treasury of Chile answers the claim. On October 18, 2002: transfer was conferred for reply. On this same date, Endesa makes use of summons and attaches documents as part of evidence with summons.

On October 21, 2002, the Court provides: On page 146: Be considered what is presented in connection with the document attached to page 138.

On page 149: Be considered what is presented and acknowledge document attachment with summon. The reply term is currently running.

On November 5, 2002, INJUNCTION AGAINST FURTHER MOVES arrives from the Court of Appeals.

PRECAUTIONARY MEASURE FILE: Endesa and Celta by virtue of the judgment that accepted the incompetence, requested on October 14, 2002, to declare the release of the precautionary measure. The Court on October 16, 2002, provided: Transfer. On 19-10: they issued the transfer. On October 21 and 22, 2002, Endesa submitted writs to be considered. On October 23, 2002, the Court provides: On page 73: On the merit of the case: acknowledge transfer, comply with what will be resolved; in a first accessory petition, acknowledge attachment of documents with summon, exercise custody. On page 89 and 90: Be considered. WHEREAS: an incidental term of evidence is opened setting the points on which the following will fall:

1st - Effectiveness in case of change of the circumstances considered when the precautionary measure on page 1 was awarded;

2nd - In the affirmative term of the previous point, if there exist serious presumptions that the right claimed that merit that the precautionary measure granted on page 8 is maintained. The last three days of the probatory term at 9 a.m., are indicated to receive the pertinent testimony.

On October 25, 2002, the List of Witness is presented and Endesa makes use of summons.

On October 28, 2002 The Court provides: On page 95: On the merit of the case: Be considered the list of witnesses and summon them; in first accessory petition: As requested, be exhorted; in second accessory petition: as requested and expanded for only once the probatory term for 15 days, from the end of the term expiration of the ordinary one; in third accessory petition: it is not accepted; in fourth accessory petition: As requested, be certified; in fifth accessory petition: be considered.

On October 31, 2002: it was certified by the court that the witnesses summoned to the audience did not appear.

On November 06, 2002 the claimant requested letters notifying witnesses. On November 7, 2002: The court provides: As requested, be exhorted.

Forecast: In the current status of the trial, it is not possible to anticipate the outcome.

- iv. Empresa Eléctrica de Arica and others with Empresas Eléctricas del Norte Grande S.A. and others (Celta) list 5237-2002 twelfth civil court for Santiago.

Parties:

Claimant: EMELARI and others

Defendant: EDELNOR and others (CELTA)

Content of the Case: ordinary Trial for reimbursement of indemnities paid by the electricity distribution companies Empresa Eléctrica de Arica S.A., Empresa Eléctrica de Iquique S.A. and Empresa Eléctrica de Antofagasta S.A., to their customers because of the blackout occurred in the SING on July 25, 1999.

The claim has been filed against EDELNOR, ELECTRANDINA, NORGENER, AES GENER AND CELTA, in order that they be sentenced to jointly reimburse, or alternatively in equal parts, to the former the sums that each one of them has had to pay to its end customers as compensation for delivered power as a result of the blackout of July 25, 1999, on the Greater North Interconnected System (SING).

Amount: the claim amounts to \$64,268,903, (US\$91,378.02).

Status of the Proceeding: CELTA, prior to defending the claim, filed dilatory exception for incapacity of the libel due to the absence of requisites in the claim. Same was done by the other defendants.

Pronouncement by the Court regarding the dilatory exceptions is pending.

Forecast: in the current status of the lawsuit, it not possible to anticipate the outcome.

***Infraestructura Dos Mil S.A.***

- i. Court: Talagante Local Police Court

Process number: 217-00

Cause : Damage indemnity complaint for stoning at the Talagante Overpass

Process status: Pending judgment.

Amounts involved: Approximate amount of ThCh\$3,839.

- ii. There is a litigation between Infraestructura Dos Mil S.A. and the Chilean State for absolute nullity, under case number N° 6504-2002, at the 18th Civil Court for Santiago. The claim was filed on December 23, 2002, and was served to the defendant on January 2, 2003, with the defense by the State's Defense Council pending.

***Autopista del Sol S.A.***

There are lawsuits pending in favor of the company for indemnity claims for damages to the Autopista del Sol. The total amount is ThCh\$177,043.

There are lawsuits pending against the company, for which the corresponding defense has been filed. The total amount is for ThCh\$447,800.

***Inecsa Dos Mil S.A.***

i. Court: Arbitration Commission

Process number: 3049-2000

Cause : Complaint for annulment of the public right of the bidding called by the Ministry of Public Works for the Northeast Santiago Access.

Process status: Complaint has been suspended by court resolution

Amounts involved: Undeterminable.

Sociedad Concesionaria Autopista Los Libertadores S.A.

There are pending lawsuits in favor of the Company for a claim for indemnity payment for damages and losses on the highway.

The entire sum amounts to ThCh\$10,046.

There are pending lawsuits against the Company which the defense has appropriately answered.

The entire sum amounts to ThCh\$2,200,830.

***Hidroeléctrica el Chocón S.A.***

Federal Public Revenues Administration – General Tax Services

The Federal Public Revenues Administration – General Tax Services (FPRA-GTS) notified the Company for alleged tax evasion on revenues earned between tax year 1993 and 1994, due to deduction of certain start-up and financing costs incurred by Hidroeléctrica el Chocón S.A. in the calculation of taxable income, which the FPRA-GTS considers to be capitalizable costs to be depreciated in accordance with the terms of the concession. In addition, the FPRA-GTS claimed that the Company omitted making certain withholding taxes on payments made outside of the country for a bank loan obtained in 1994. The Company had not made these withholding taxes as it considered that they related to foreign-source income not subject to taxes.

The corresponding amount of taxes on these revenues in dispute is equivalent to approximately US\$9.7 million, which does not include accrued interest. The Company is disputing these charges.

On December 28, 2000 the FPRA-GTS notified the Company of Resolution N°166/00 in the amount of US\$1,754,938 on withholding taxes for foreign-source incomes. In addition it deemed that the Company should submit US\$3,987,219 for accrued interest up to December 20, 2000. Finally, the FPRA-GTS assessed a penalty of US\$1,228,457 for alleged infraction of Article 45 of Law 11,683. Regarding the complaint against treatment of certain startup and financing expenses, it prescribed on January 1, 2001.

On December 28, 2000 the Company was notified of Resolution N°204/00, which officially determined that the tax credits and debits for the period from December 1993 to July 1995, equaled to US\$794,095 for interest assessed as of December 11, 2000. Additionally, it was resolved to fine the Company US\$1,002,504 for alleged infraction of Article 45 of Law 11,683. The FPRA-GTS considers the moment at which the Company determined that the taxable event was generated to be in error, therefore it deems Article 18 of Regulatory Decree of the Value Added Tax Law to be applicable.

The Company rejected the pretension of the FPRA-GTS to apply Article 18 of the Regulatory Decree of the Value Added Tax Law to the taxable events mentioned previously, before the date of publication of the regulation in the Official Bulletin. They

invoked the unconstitutionality of the above-mentioned regulation and the application of decree 493/95, which condoned interest and fines for obligations or infractions overdue or committed as of July 31, 1995. On February 20, 2001, the Company filed an appeal before the Fiscal Court of the Nation.

### **Royalties**

On June 26, 2000, the Company was notified of a complaint for interest charged for royalties allegedly paid outside the terms, initiated by the province of Neuquén before the Nation's Court of Supreme Justice. The complaint includes an initial amount of approximately ThCh\$335,636.

Additionally, on September 27, 2000 the Company was notified regarding a new complaint from the province of Neuquén against the National State and hydroelectric generators of Comahue to obtain royalties charged on accumulated funds in the Sales Account. The mentioned complaint does not state a precise amount or date as of which the sums claimed are considered as owing, but the action would seek to charge each generator 12% of the funds the plaintiff understands were contributed by them to the referred account.

### Provincial Revenue Service of the Province of Buenos Aires

On September 10, 2001, the Company received the notification from the Provincial Revenue Services of the Province of Buenos Aires of the beginning of an official determination for ThCh\$404,145 (amount that does not include interest or fines), for taxes on gross income for the fiscal periods from February 1995 to December 1998. The differences claimed originate in: a) lack of presentation of tax in the Province of Buenos Aires between February 1995 and June.

1996 for contracts signed by the Company and b) for the use of an estimated tax payment less than what the government deemed applicable.

Subsequently the Company resorted to a moratorium from the Province of Buenos Aires in which it input the differences claimed by the government for lack of tax revenue in that province for contracts signed by the Company in the sum of US\$642,575, rejecting the differences claimed related to the applied estimated tax payment.

In the opinion of the Company's Management and their legal counsel the complaints made by the government organizations mentioned above are not applicable, except for the concepts mentioned in the previous paragraph, therefore it is not probable that those matters will produce a significant adverse effect on the Company's shareholders' equity and income as of December 31, 2002.

### **Hidroinvest S.A.**

On December 27, 2000, the AFIP-DGI served Hidroinvest S.A. Resolution N° 519/00 which officially determined the amount of Th\$831,397 as income tax for the 1993 period that Hidroinvest S.A. was presumably to pay over the difference between the acquisition and transfer values of the bonds delivered to the National State for having obtained a benefit in said operation, since a greater debt than the stock purchase price was paid and Th\$1,788,336 of compensatory interest. In addition, the AFIP-DGI applied a fine of Th\$581,978 on Hidroinvest S.A. for an alleged infringement of Art. 45 of Law N°11,683. On February 19, 2001, Hidroinvest S.A. filed an appeal at the Nation's Tax Court. On September 12, 2002, Hidroinvest S.A. was notified of the registration of the General Asset Prohibition on the company's assets within the scope of a precautionary proceeding started by the AFIP-DGI in virtue of what is established under Law N°11,683 article 111, as a result of the obligation to deliver the sums mentioned above. An appeal injunction against the resolution which decided the origin of the precautionary measure, was filed, appeal that was granted on November 25, 2002.

The advisors to Hidroinvest S.A. believe that it is unlikely that said matters might produce a significant adverse impact on the equity and income position of the company as of December 31, 2002.

**Central Costanera S.A.**

As for the debt corresponding to the "Agreement related to work order N° 4322 (the "Agreement")", from the enforcement of Law N°25,561, Decree N°214/02 and its regulatory provisions, the obligation of Central Costanera S.A. has been "pesified" upon the basis of the exchange rate of one peso to one US dollar. Decree N°53/03 of January 10, 2003 excludes some obligations from the "pesification". Should the Secretary of Energy understand that the mentioned Decree include the obligations arising from the Agreement, Central Costanera S.A. will request the declaration of unconstitutionality of Decree N°53/03 which, if it did not have the expected results, would oblige Central Costanera S.A. to pay the sums owed as a result of the Agreement in US dollars. This contingency would imply, at December 2002, a decrease in net income and an increase in indebtedness of ThCh\$26,228,000, approximately.

In the company's legal counsels' opinion, it is very unlikely that the above will have a negative impact on the Company's equity and income.

**Edegel S.A.**

- i. From November, 2000, to October, 2001, the tax authority reviewed the income tax and turnover tax (IGV) of the Subsidiary for the periods corresponding to 1995 to 1999. As a result of said review, in December 2001, the National Superintendency of Tax Management (SUNAT) informed the Subsidiary of its findings through several resolutions to Set Fines, related to the income tax and the IGV for the periods under review.

From the concepts indicated, the amount rejected and not paid by the Subsidiary mainly refers to the intent of the Tax Administration to apply Law N°27034 Seventh Transitory Final Provision and, therefore, not recognize, as of the 1999 period, the Subsidiary's right to deduct, as tax expense, the depreciation corresponding to the greater assigned value resulting from the revaluation of its assets due to the purchase of the Subsidiary taken place in 1995, under Law N°26,283, even when the Subsidiary has a juridical stability agreement that has stabilized the income tax regime until 2005. The total estimated amount for said item amounts to \$60,941,002 (ThUS\$84,804).

On February 11, 2002, the Subsidiary started an arbitration proceeding against the Peruvian State, represented by CONITE, as provided under clause eight of the Juridical Stability Agreement. On April 22, 2002, the Arbitration Court issued the arbitration award through which the complaints of the Subsidiary relating to the inapplicability of the Seventh Transitory Final Provision of Law N°27024, are declared as substantiated, pursuant to the juridical stability agreement subscribed with the Peruvian State. Therefore, the Arbitration Court recognizes the Subsidiary's right to deduct from the income tax base the depreciation corresponding to the higher value assigned by the revaluation in previous years.

Although the arbitration award granted, the contentious tax proceeding continued, reason by which, on July 12, 2002, the Subsidiary filed a remedy of appeal before the Tax Court against the Resolutions to Set and Apply Fines related to income taxes (1996, 1997, 1998 and 1999 periods).

In November, 2002, the Tax Court issued its pronouncement, indicating that: (i) SUNAT will have to carry out a new review and issue a new pronouncement considering what was ruled in the award dated April 22, 2002, which was favorable to Edegel S.A.A., and which relates to the deduction of the depreciation corresponding to the revaluation of fixed assets, and (ii) it ruled against in other matters determined by the SUNAT.

As for the items which are to be the subject of a new review carried out by SUNAT, Edegel's management and its legal counsels believe that the final outcome of said review will not result in additional liabilities other than those recorded at December 31, 2002.

- ii. Lawsuits filed by (ESSALUD) for payment of contributions under Law Decrees 22482, 19990 and 18846 amounting to ThUS\$4,210 (equivalent to ThCh\$3,025,000). In the opinion of management and their legal counsel, these proceedings will be resolved in favor of Edegel S.A..
- iii. Resolutions of Determination and fines in the amount of ThUS\$581 (equivalent to ThCh\$417,512) were issued against the Talleres Moyopampa S.A. for which Edegel S.A. has filed the corresponding complaints and appeals when the referred company split. These complaints and appeals are pending final resolution by the Tax Administration. It is the opinion of management and their legal advisors that these actions will not have a significant negative effect, individually or jointly, on the financial position, operating income, or liquidity of Edegel S.A..
- iv. Complaint filed by Edegel's workers union, which seeks that the percentage of participation, which the law sets at 5%, be raised to 10%, in this way duplicating the payment of these profits for fiscal years 1994, 1995 and 1996 by approximately ThUS\$4,667 (equivalent to ThCh\$3,353,753). On August 24, 2000 the sentence was issued in the first petition, declaring the action unfounded. By means of the sentence dated December 12, 2000 (notified November 13, 2001) the Second Labor Court Room of the Superior Court of Lima annulled the first petition sentence which declared the syndicate's action unfounded. The Company filed a motion to vacate against said sentence, which was not admitted, whereby the file will return to the court for the issuing of a new sentence. In the opinion of the management and its external legal advisors, the final resolution would be favorable to the Subsidiary, for which reason no liabilities for these items have been recorded at December 31 2001 and 2002.

***Central Hidroeléctrica de Betania S.A.***

Presumed income-tax contingency – In 1997, 1998 and 1999, Betania recorded tax losses and did not pay taxes through the presumptive income system based on a concept of the national Tax Administration (DIAN) of 1995. Said concept was modified in 1999 and ratified by the State Council in 2001, in that presumed income tax should have been paid for the presumptive income. Consequently, the DIAN, on this matter, instructed Betania to make the appropriate correction to income forms for the years 1997 and 1998. The approximate amount of the presumptive income contingency for 1997 and 1998 amounts to Th\$25,118,828 (including interest for Th\$10,524,298 and fines for Th\$8,987,422). Betania considers that DIAN's intent is not substantiated. Therefore, on September 13, 2002, a claim was filed at the Administrative Court for Huila, since the DIAN resolved against the appeal for review filed by Betania regarding the official income payment for 1997. By 1998, the DIAN has not replied to the appeal for review filed by the company.

At December 31, 2002, Betania carried a provision of Th\$6,521,895 to cover this contingency.

Tax contingency for ordinary income – The National Tax Department issued the official liquidation relating to income tax for 1997 and 1998, based on the net income for the ordinary system, disregarding some tax deductions.

The estimated amount of the ordinary tax contingency is \$12,173,619 and \$47,836,345 for 1997 and 1998, respectively, including taxes, fines and estimated interest on arrears.

The Company, for 1997 and 1998, has been audited for both the calculation of its regular income as well as the presumed income, reason by which it is important to note that only the higher of these two items becomes taxable and pays income upon which tax must be determined considering appropriate charges, fines and interest.

Since the higher of the two is the tax base, it is impossible to pay contingencies on both, as the presumed income will only apply as taxable income as long as it is higher than the ordinary income determined through the tax netting method on earnings.

In addition, for 1999, the DIAN issued the official liquidation on the income tax return, reason for which the company filed an appeal for review on December 20, 2002. The estimated amount of the ordinary income contingency amounts to \$19,398,625.

#### **Other contingencies**

At December 31, 2002, the amount of the claims for administrative, civil and labor litigations amount to ThCh\$5,590,769, and others for undetermined amounts. Based on the evaluation of the probability of success in defending these cases, at December 31, 2002, ThCh\$1,005,512 has been provided to cover probable losses resulting from these contingencies.

Management believes that the outcome of the litigations corresponding to the unprovisioned portion will be favorable to the Companies and will not cause significant liabilities to be accounted for, or that, if any, these will not significantly affect its financial position.

#### **Restrictions:**

##### ***Enersis S.A.***

The Company's loan agreements establish an obligation to comply with the following financial ratios, on a consolidated level:

- The ratio between debt and debt plus equity, not exceeding 0.7;
- The ratio between operational cash flow and payment of debt interest, not less than 2.4;
- Net tangible equity not less than UF45 million;
- Assets corresponding to companies whose business is regulated, not less than 50% of total consolidated assets.

As of December 31, 2001 and 2002 all these obligations have been met.

##### ***Chilectra S.A.***

The Company does not have any management restrictions or financial covenants during the years ended December 31, 2001 and 2002.

The Company holds long-term energy purchase contracts with Endesa, Gener S.A., Pangue S.A., Colbún Machicura S.A., Carbomet Energía S.A., Empresa Eléctrica Puyehue S.A. (formerly Pilmaiquén), Sociedad Canalistas del Maipo and Iberoamerica de Energía IBENER S.A., the terms of which extend to beyond 2002, in order to ensure its supply and corresponding cost.

##### ***Compañía Eléctrica del Río Maipo S.A.***

The Company holds signed energy purchase contracts with Chilectra S.A. and Gener S.A., in order to assure its supply and corresponding cost.

The Company does not have any management restrictions or financial covenants during the years ended December 31, 2001 and 2002.

##### ***Endesa S.A.***

On a consolidated level, Endesa must comply with financial covenants and requirements derived from loan agreements with financial institutions, among which the following are emphasized:



- Gross Cash Flows equal to or greater than 13% of the average consolidated financial debt for terms beyond one year, plus short-term bank debt if its term is extendable to more than one year, obtained according to the debt reflected in the consolidated financial statements at the closing date of the last four quarters.
- Gross Cash Flow equal to or greater than 1.9 times the consolidated financial expenses, obtained according to the expenses reflected in the consolidated financial statements at the closing date of the last four quarters.
- The financial debt for terms greater than one year, plus short-term bank debt if its term is extendable to more than one year, cannot exceed 58% of the sum of shareholders' equity, plus minority interests, plus the financial debt for terms greater than one year and short-term bank debt.

As of December 31, 2001 and 2002 all these obligations have been met.

***Pehuenche S.A.***

The Santander Investment Bank Ltd. and the Chase Manhattan Bank N.A., in relation to loans granted to the Company, place obligations and restrictions on Pehuenche S.A., some of which are of a financial nature, such as: long-term financial liabilities not exceeding 1.5 times the shareholders' equity, and a minimum company equity of UF9,500,000.

***Infraestructura Dos Mil S.A.***

With the bond placement by the subsidiary, concession holder Autopista Del Sol S.A., Infraestructura Dos Mil S.A., concurred as "Sponsor" to the contracts of said transaction, committing itself to comply with the restrictions to the transfer of its interest in the bond issuer. Also, Infraestructura Dos Mil S.A., is not able to carry out major changes in its assets without the written authorization of the insurance company guaranteeing the issuance (FSA Inc). Likewise, the shares of the concession holding company Autopista de Sol S.A. owned by Infraestructura Dos Mil S.A. were pledged in favor of FSA Inc.

***Sociedad Concesionaria Autopista del Sol S.A.***

In virtue of the bond issuance agreement, the Company must comply with financial ratios based on the generation of operating flows. In addition, the Company must request the authorization of the insurer to obtain funding other than the current sources. These ratios are compliant at December 31, 2002.

**Other restrictions**

As a common and habitual practice for some bank loan debts and also in capital markets, a substantial portion of Enersis S.A.'s financial indebtedness is subject to cross-failure provisions. Some failures of Endesa-Chile or of its subsidiaries, if not corrected in time (as to those specific provisions allowing a period of time to correct the problem), might result in the cross-failure at Endesa-Chile and Enersis S.A. level., and, in this case, some sixty percent of Enersis S.A.'s consolidated liabilities might eventually become on demand. On the other hand, certain failures of a distribution subsidiary, if not corrected in time, would not affect Endesa-Chile, and the amount at risk of Enersis S.A.'s consolidated liabilities would decrease by thirty percent.

Some loan agreements include clauses should the risk category of the debt expressed in US dollars fall below the "investment grade" level, according to the risk classification agency determining the applicable margin of the interest rate (which, for practical purposes hereof, is S & P). Should the long-term US dollar unsecured debt fall into a "non-investment grade" category, or below BBB – according to the nomenclature used by S & P, then, the obligation to prepay all the outstanding principal existing under these loans within the following sixty days, unless agreed upon otherwise by the parties, arises. At December 31, 2002, US\$1,464 million of the company's borrowings and US\$718 million of Endesa-Chile's loan agreements, include compulsory prepayment clauses under the mentioned circumstances.

There exist no clauses in the loan agreements penalizing the Company if it is ranked below the "Investment Grade" level. Because of the above, no provisions have been recorded for said item.

At December 31 2002, these obligations and restrictions have been fully met.

## 29.

### SURETIES OBTAINED FROM THIRD PARTIES

#### ***Chilectra S.A.***

The Company presents among its current liabilities, guarantees received in cash for the use of temporary connections by customers of the company for ThCh\$44,929 and ThCh\$126,805 at December 31, 2002 and 2001, respectively.

#### ***Inmobiliaria Manso de Velasco Ltda.***

The Company has received guarantees from third parties to guarantee obligations incurred in the acquisition of assets of MUF1,645 as of December 31, 2002.

#### ***Compañía Americana de Multiservicios Ltda.***

The Company has delivered bank bonds for ThCh\$734,870 and has received bank bonds for ThCh\$1,511,865.

#### ***Endesa S.A.***

The Company has received performance bonds from contractors and third parties to guarantee jobs and construction (mainly the Ralco Project), for ThCh\$24,799,372 as of December 31, 2002 (ThCh\$29,321,593 in 2001).

The Company has delivered performance bonds in favor of third parties to guarantee compliance with works, and contraction for ThCh\$1,122,609.

#### ***San Isidro S.A.***

Documents in guarantee received for ThCh\$4,676,984 as of December 31, 2002 (ThCh\$4,386,107 in 2001).

#### ***Compañía Eléctrica de Tarapacá S.A.***

The Company has received documents in guarantee for ThCh\$287,026 as of December 31, 2002 (ThCh\$920,761 in 2001).

#### ***Sociedad Concesionaria Autopista Los Libertadores S.A.***

The Company has deposits and performance bonds for UF25,495 as of December 31, 2002.

#### ***Sociedad Concesionaria Autopista del Sol S.A.***

The Company has deposits and performance bonds for UF27,395 as of December 31, 2002.

#### ***Pangue S.A.***

The Company has received, bank issued performance bonds from contractors for ThCh\$8,879 as of December 31, 2002 (ThCh\$4,386,107 in 2001).

#### ***Synapsis, Soluciones y Servicios IT Limitada***

At December 31, 2002, bank bonds issued amount to ThCh\$1,018,136 (ThCh\$1,806,488 in 2001). The documents received as guarantees in 2002 amount to ThCh\$102,417 (ThCh\$479,225 in 2001).

## FOREIGN CURRENCIES:

As of December 31, 2001 and 2002, foreign currency denominated assets and liabilities are as follows:

## a. Current assets

| Account                  | Currency | As of December 31, |                    |
|--------------------------|----------|--------------------|--------------------|
|                          |          | 2001<br>ThCh\$     | 2002<br>ThCh\$     |
| Cash                     | UF       | 498,849            | 45,990             |
|                          | Ch\$     | 6,954,506          | -                  |
|                          | US\$     | 2,348,900          | 5,731,512          |
|                          | Euro     |                    | 2,139,191          |
|                          | Yen      | 285                | 326                |
|                          | \$ Col.  | 12,631,156         | 12,399,246         |
|                          | Soles    | 1,884,656          | 1,273,600          |
|                          | \$ Arg.  | 2,243,026          | 4,467,055          |
|                          | Reales   | 11,087,418         | 22,127,958         |
| Time deposits            | US\$     | 115,975,839        | 75,154,206         |
|                          | \$ Col.  | 47,474,350         | 31,582,158         |
|                          | Soles    | 852,201            | 4,856,855          |
|                          | \$ Arg.  | 3,289,380          | 9,413,216          |
|                          | Reales   | 10,521,464         | 24,620,459         |
| Marketable securities    | Ch\$     | 4,823              | 4,822              |
|                          | US\$     | 198,249            | 1,264,075          |
|                          | \$ Col   | -                  | 274,393            |
| Accounts receivable, net | UF       | 7,521,141          | 6,605,028          |
|                          | Ch\$     | 95,627,381         | 105,038,323        |
|                          | US\$     | 10,419,409         | 6,738,638          |
|                          | \$ Col.  | 103,526,327        | 79,625,850         |
|                          | Soles    | 30,682,183         | 35,764,701         |
|                          | \$ Arg.  | 70,062,837         | 42,172,533         |
|                          | Reales   | 232,409,714        | 182,894,651        |
| Notes receivable         | Ch\$     | 3,037,324          | 2,125,118          |
|                          | US\$     | 763,309            | 1,108,267          |
|                          | \$ Arg.  | 54,956             | 25,028             |
|                          | Reales   | 1,827,741          | 1,872,936          |
| Other receivables        | UF       | 3,638,662          | 57,647             |
|                          | Ch\$     | 10,826,719         | 11,843,434         |
|                          | US\$     | 8,885,323          | 3,413,113          |
|                          | \$ Col.  | 19,294,694         | 14,381,770         |
|                          | Soles    | 7,008,783          | 10,462,278         |
|                          | \$ Arg.  | 2,985,430          | 1,256,478          |
|                          | Reales   | 18,544,773         | 20,201,788         |
|                          | U.C.     | 1,036,335          | 1,159,588          |
| <b>Subtotal</b>          |          | <b>844,118,143</b> | <b>722,102,231</b> |

| Account                                   | Currency | As of December 31,   |                      |
|---|----------|----------------------|----------------------|
|   |          | 2001<br>ThCh\$       | 2002<br>ThCh\$       |
| <i>Amounts due from related companies</i> | Ch\$     | 3,768,124            | 1,899,674            |
|   | US\$     | 7,265,042            | 184,198,792          |
|   | \$ Col.  | 133,978              | 171,747              |
|   | Soles    | 477,881              | 499,562              |
|   | \$ Arg.  | 6,374,553            | 4,523,978            |
|   | Reales   | -                    | 4,105,082            |
| <i>Inventories, net</i>                   | Ch\$     | 44,895,120           | 35,357,403           |
|   | \$ Col.  | 12,827,697           | 8,864,940            |
|   | Soles    | 13,479,412           | 12,534,464           |
|   | \$ Arg.  | 4,913,469            | 1,958,287            |
|   | Reales   | 1,308,376            | 1,667,559            |
| <i>Income taxes recoverable</i>           | Ch\$     | 33,613,125           | 27,521,833           |
|   | \$ Col.  | 1,359,672            | 473,718              |
|   | Soles    | 214,438              | 229,625              |
|   | \$ Arg.  | 13,763,334           | 10,743,267           |
|   | Reales   | 8,559,533            | 15,467,533           |
| <i>Prepaid expenses and other</i>         | UF       | 810                  | -                    |
|   | Ch\$     | 668,627              | 928,209              |
|   | US\$     | 3,372,247            | 2,570,012            |
|   | \$ Col.  | 167,469              | 124,219              |
|   | Soles    | 1,227,529            | 553,358              |
|   | \$ Arg.  | 962,081              | 479,327              |
|   | Reales   | 7,572,804            | 3,010,893            |
| <i>Deferred income taxes</i>              | Ch\$     | 5,005,415            | 22,814,199           |
|   | \$ Col.  | -                    | 1,151,172            |
|   | \$ Arg.  | 1,722,188            | 7,429,959            |
|   | Reales   | 17,434,498           | 20,560,463           |
| <i>Other current assets</i>               | UF       | 127,694              | 693,297              |
|   | Ch\$     | 15,498,661           | 43,131,732           |
|   | US\$     | 110,876,213          | 38,147,413           |
|   | \$ Col.  | -                    | 888,202              |
|   | Soles    | -                    | 400,509              |
|   | \$ Arg.  | 472,013              | 3,001,474            |
|   | Reales   | 266,648              | 45,758,981           |
| <i>Subtotal</i>                           |          | 318,328,651          | 501,860,883          |
| <b>Total current assets</b>               |          | <b>1,162,446,794</b> | <b>1,223,963,114</b> |

**b. Property, plant and equipment**

| <b>Account</b>  | <b>Currency</b> | <b>As of December 31,</b> |                        |
|---|-----------------|---------------------------|------------------------|
|   |                 | <b>2001<br/>ThCh\$</b>    | <b>2002<br/>ThCh\$</b> |
| <i>Land</i>   | <i>Ch\$</i>     | 42,596,302                | 41,451,908             |
|   | <i>\$ Col.</i>  | 31,886,463                | 34,137,051             |
|   | <i>Soles</i>    | 9,523,636                 | 10,210,210             |
|   | <i>\$ Arg.</i>  | 9,540,763                 | 9,940,165              |
|   | <i>Reales</i>   | 29,710,800                | 34,165,453             |
| <i>Buildings, infrastructure and work in progress</i> | <i>Ch\$</i>     | 3,647,155,601             | 3,750,803,720          |
|   | <i>\$ Col.</i>  | 3,012,920,159             | 3,259,152,642          |
|   | <i>Soles</i>    | 1,107,370,586             | 1,176,938,743          |
|   | <i>\$ Arg.</i>  | 1,539,453,777             | 1,643,686,859          |
|   | <i>Reales</i>   | 1,645,246,419             | 1,791,721,564          |
| <i>Machinery and equipment</i>                        | <i>Ch\$</i>     | 53,173,353                | 55,260,210             |
|   | <i>\$ Col.</i>  | 24,566,761                | 15,475,472             |
|   | <i>Soles</i>    | 419,732,507               | 457,417,069            |
|   | <i>\$ Arg.</i>  | 736,699,370               | 781,090,841            |
|   | <i>Reales</i>   | 588,968,367               | 669,114,911            |
| <i>Other plant and equipment</i>                      | <i>Ch\$</i>     | 85,747,968                | 119,396,976            |
|   | <i>\$ Col.</i>  | 8,340,278                 | 4,099,024              |
|   | <i>Soles</i>    | 49,196,813                | 59,948,689             |
|   | <i>\$ Arg.</i>  | 159,950,550               | 161,835,159            |
|   | <i>Reales</i>   | 235,049,335               | 189,581,016            |
| <i>Technical appraisal</i>                            | <i>Ch\$</i>     | 26,643,651                | 25,917,954             |
|   | <i>\$ Col.</i>  | 64,759,545                | 73,406,012             |
|   | <i>Soles</i>    | 475,304,698               | 505,989,949            |
|   | <i>Reales</i>   | 130,917,038               | 135,331,492            |
| <i>Accumulated depreciation</i>                       | <i>Ch\$</i>     | (1,493,173,888)           | (1,570,010,403)        |
|   | <i>\$ Col.</i>  | (563,059,689)             | (709,129,647)          |
|   | <i>Soles</i>    | (886,968,669)             | (974,745,107)          |
|   | <i>\$ Arg.</i>  | (880,473,038)             | (1,213,704,900)        |
|   | <i>Reales</i>   | (685,729,796)             | (659,024,849)          |
| <b>Total property, plant and equipment</b>            |                 | <b>9,625,049,660</b>      | <b>9,879,458,183</b>   |

c. Other assets

| Account                            | Currency | As of December 31,   |                      |
|------------------------------------|----------|----------------------|----------------------|
|                                    |          | 2001<br>ThCh\$       | 2002<br>ThCh\$       |
| Investments in related companies   | Ch\$     | 103,502,429          | 113,436,968          |
|                                    | US\$     | 63,903,764           | 80,687,847           |
|                                    | \$ Arg.  | 41,815               | 39,342               |
| Investments in other companies     | Ch\$     | 2,152,383            | 2,222,396            |
|                                    | \$ Col.  | 147,284,788          | 157,153,540          |
|                                    | Soles    | 11,516               | 12,271               |
|                                    | Reales   | 112,310              | 78,587               |
| Goodwill, net                      | Ch\$     | 840,970,393          | 790,045,684          |
|                                    | US\$     | 247,066,350          | 6,974,876            |
|                                    | \$ Col.  | 26,569,990           | 50,492,939           |
|                                    | Soles    | -                    | -                    |
|                                    | \$ Arg.  | -                    | -                    |
|                                    | Reales   | 204,225,860          | -                    |
| Negative goodwill, net             | Ch\$     | (156,983)            | (141,668)            |
|                                    | US\$     | (36,608,510)         | (611,346)            |
|                                    | \$ Col.  | (59,861,413)         | (28,641,838)         |
|                                    | Soles    | (72,563,419)         | (2,694,795)          |
|                                    | Reales   | (12,004,235)         | (63,083,303)         |
| Long-term accounts receivable      | UF       | 8,228,092            | 1,522,452            |
|                                    | Ch\$     | 2,963,790            | 2,049,474            |
|                                    | US\$     | 25,698,682           | 7,137,749            |
|                                    | \$ Col.  | 4,283,328            | 6,552,426            |
|                                    | Soles    | 2,456,197            | 1,744,678            |
|                                    | \$ Arg.  | 2,016,092            | 2,098,185            |
|                                    | Reales   | 54,310,825           | 103,634,188          |
|                                    | U.C.     | 1,946,556            | 1,111,361            |
| Amounts due from related companies | Ch\$     | 1,471,140            | 882,109              |
|                                    | US\$     | 169,196,652          | -                    |
|                                    | Reales   | -                    | 16,058               |
| Other assets                       | UF       | 3,661,762            | 2,961,502            |
|                                    | Ch\$     | 37,004,148           | 92,875,289           |
|                                    | US\$     | 44,408,302           | 23,091,955           |
|                                    | \$ Col.  | 43,811,194           | 38,697,375           |
|                                    | Soles    | 4,202,184            | 4,614,807            |
|                                    | \$ Arg.  | 921,919              | 8,899,892            |
|                                    | Reales   | 111,074,956          | 113,882,379          |
| <b>Total other assets</b>          |          | <b>1,972,302,857</b> | <b>1,517,743,379</b> |

d. Total assets

| Account                  | Currency | As of December 31,    |                       |
|--------------------------|----------|-----------------------|-----------------------|
|                          |          | 2001<br>ThCh\$        | 2002<br>ThCh\$        |
| Total assets by currency | UF       | 23,677,010            | 11,291,688            |
|                          | Ch\$     | 3,569,950,112         | 3,582,702,998         |
|                          | US\$     | 742,529,646           | 526,451,759           |
|                          | Euro     | -                     | 525,982               |
|                          | Yen      | 285                   | 326                   |
|                          | \$ Col.  | 2,938,572,897         | 3,052,761,648         |
|                          | Soles    | 1,165,780,722         | 1,306,348,863         |
|                          | \$ Arg.  | 1,704,890,900         | 2,400,792,004         |
|                          | Reales   | 2,611,414,848         | 1,738,018,459         |
|                          | U.C.     | 2,982,891             | 2,270,949             |
| <b>Total assets</b>      |          | <b>12,759,799,311</b> | <b>12,621,164,676</b> |

**e. Current liabilities**

| Account   | Currency    | Within 90 days         |            |                        |            | 91 days to 1 year      |            |                        |            |
|---|-------------|------------------------|------------|------------------------|------------|------------------------|------------|------------------------|------------|
|   |             | As of December 31,2001 |            | As of December 31,2002 |            | As of December 31,2001 |            | As of December 31,2002 |            |
|   |             | Amount ThCh\$          | Avg Rate % | Amount ThCh\$          | Avg Rate % | Amount ThCh\$          | Avg Rate % | Amount ThCh\$          | Avg Rate % |
| Short-term debt due to banks and financial institutions                   | \$ Reaj.    | -                      | -          | -                      | -          | -                      | -          | -                      | -          |
|   | \$ no Reaj. | 2,364,209              | 4.62%      | 60,842,208             | 2.48%      | -                      | -          | 2,346,203              | 2.48%      |
|   | US\$        | 112,879,158            | 10.98%     | 113,666,867            | 8.14%      | 85,478,976             | 10.98%     | 112,613,976            | 8.14%      |
|   | Euro        | 2,943,675              | 4.35%      | 4,542,783              | 4.38%      | -                      | -          | -                      | -          |
|   | Yen         | -                      | -          | -                      | -          | -                      | -          | -                      | -          |
|   | \$ Col.     | -                      | -          | 7,602,894              | 14.35%     | 11,282,293             | 15.00%     | 43,699,361             | 14.75%     |
|   | Soles       | 24,696,590             | 12.20%     | 37,190,394             | 8.68%      | 29,199,298             | 12.20%     | 14,525,801             | 4.07%      |
|   | \$ Arg.     | 22,748                 | 6.80%      | 16,254,518             | 6.00%      | -                      | -          | 3,018,304              | 6.00%      |
|   | Reales      | 32,143,117             | 15.50%     | 8,745,951              | 9.24%      | -                      | -          | -                      | -          |
|   | \$ no Reaj. | -                      | -          | -                      | -          | -                      | -          | -                      | -          |
| \$ no Reaj.   | -           | -                      | -          | 2.21%                  | -          | -                      | -          | -                      |            |
| Current portion of long-term debt due to banks and financial institutions | \$ Reaj.    | 53,549,447             | 7.50%      | 313,051                | 8.73%      | 1,615,021              | 7.50%      | 1,426,181              | 8.73%      |
|   | US\$        | 44,023,022             | 5.17%      | 207,929,156            | 3.24%      | 313,783,648            | 6.15%      | 332,582,264            | 3.24%      |
|   | Euro        | -                      | -          | -                      | -          | 3,624,390              | 4.26%      | 4,673,051              | 3.79%      |
|   | Yen         | -                      | -          | 39,191,269             | 2.08%      | 395,184                | 0.90%      | 6,946,931              | 2.08%      |
|   | Soles       | -                      | -          | -                      | -          | -                      | -          | -                      | -          |
|   | \$ Arg.     | 1,896                  | 8.60%      | 1,365,862              | 22.75%     | -                      | -          | 655,929                | 1.75%      |
|   | Reales      | 5,638,384              | 15.50%     | 2,136,708              | 11.23%     | 1,342,452              | 15.50%     | 5,154,483              | 11.23%     |
|   | U.P.        | -                      | -          | -                      | -          | 1,066,471              | 5.32%      | 1,195,763              | 5.32%      |
|   | Pound       | -                      | -          | -                      | -          | 394,123                | 5.38%      | 456,684                | 4.81%      |
|   | Other       | -                      | -          | -                      | -          | 102,691                | 4.44%      | 1,234,621              | -          |
| Promissory notes  | \$ Reaj.    | 5,086,095              | 10.00%     | 122,129                | 10.00%     | 5,946,043              | 6.92%      | -                      | -          |
|   | Soles       | -                      | -          | 5,603,166              | 4.50%      | -                      | -          | 7,464,219              | 4.50%      |
|   | Other       | -                      | -          | -                      | -          | 43,598,110             | 18.13%     | -                      | -          |
| Current portion of bonds payable  | \$ Reaj.    | -                      | -          | -                      | -          | 12,866,910             | 5.80%      | 16,001,327             | 5.80%      |
|   | US\$        | -                      | -          | -                      | -          | 32,236,441             | 7.06%      | 156,514,742            | 7.06%      |
|   | Euro        | 2,061,700              | 3.34%      | -                      | -          | -                      | -          | 303,740,866            | 3.34%      |
|   | \$ Col.     | -                      | -          | -                      | -          | 14,546,485             | 13.70%     | 13,501,963             | 13.70%     |
|   | Other       | 856,532                | 10.00%     | 1,161,436              | 7.28%      | 280,254                | 11.50%     | 7,581,010              | 13.70%     |
| Current portion of long-term notes payable                                | \$ no Reaj. | -                      | -          | -                      | -          | 90,293                 | -          | -                      | -          |
|   | US\$        | 18,039,328             | 7.40%      | 29,756,019             | 9.00%      | 8,450,719              | 7.20%      | 11,872,895             | 9.00%      |
|   | \$ Arg.     | -                      | -          | -                      | -          | -                      | -          | -                      | -          |
|   | Other       | -                      | -          | -                      | -          | -                      | -          | -                      | -          |
|   | Soles       | 36,707                 | -          | 18,529                 | -          | -                      | -          | -                      | -          |
|   | \$ Arg.     | 1,444                  | -          | -                      | -          | -                      | -          | -                      | -          |
|   | Reales      | 5,060,346              | -          | -                      | -          | -                      | -          | 4,122,352              | -          |
|   | Other       | -                      | -          | 727,268                | -          | -                      | -          | -                      | -          |
| Accounts payable  | \$ no Reaj. | 48,354,696             | -          | 54,262,880             | -          | 4,328,842              | -          | 5,812,077              | 9.00%      |
|   | US\$        | 14,703,322             | -          | 12,342,737             | -          | 1,740,700              | -          | 1,123,669              | -          |
|   | Euro        | 137,924                | -          | -                      | -          | -                      | -          | -                      | -          |
|   | \$ Col.     | 20,517,413             | -          | 27,173,942             | -          | 8,982,460              | -          | -                      | -          |
|   | Soles       | 19,275,090             | -          | 23,788,231             | -          | 2,026,856              | -          | -                      | -          |
|   | \$ Arg.     | 44,832,831             | -          | 26,949,437             | -          | -                      | -          | -                      | -          |
|   | Reales      | 93,916,602             | -          | 59,659,028             | -          | -                      | -          | -                      | -          |
|   | Other       | -                      | -          | 10,963,983             | -          | 138,564                | -          | -                      | -          |
|   | \$ no Reaj. | -                      | -          | -                      | -          | -                      | -          | -                      | -          |
|   | \$ no Reaj. | 216                    | -          | 571                    | -          | -                      | -          | -                      | -          |
| Short-term notes payables   | Reales      | 45,428,854             | -          | 1,056,663              | 16.89%     | -                      | -          | 3,775,840              | 16.89%     |
|   | U.P.        | -                      | -          | -                      | -          | -                      | -          | -                      | -          |
|   | Other       | -                      | -          | -                      | -          | -                      | -          | -                      | -          |
| Miscellaneous payables  | \$ Reaj.    | -                      | -          | -                      | -          | 84,334                 | -          | -                      | -          |
|   | \$ no Reaj. | 15,105,006             | -          | 9,244,324              | -          | 156,864                | -          | 416,874                | -          |
|   | US\$        | 11,929,531             | -          | 8,228,015              | -          | 71,993                 | -          | 8,648,943              | -          |
|   | \$ Col.     | 9,077,611              | -          | 22,549,403             | -          | 71,686                 | -          | -                      | -          |



| Account                               | Currency                         | Within 90 days         |                    |                        |                      | 91 days to 1 year      |                    |                        |                    |
|---------------------------------------|----------------------------------|------------------------|--------------------|------------------------|----------------------|------------------------|--------------------|------------------------|--------------------|
|                                       |                                  | As of December 31,2001 |                    | As of December 31,2002 |                      | As of December 31,2001 |                    | As of December 31,2002 |                    |
|                                       |                                  | Amount ThCh\$          | Avg Rate %         | Amount ThCh\$          | Avg Rate %           | Amount ThCh\$          | Avg Rate %         | Amount ThCh\$          | Avg Rate %         |
|                                       | Soles                            | 3,185,984              | -                  | 5,838,886              | -                    | -                      | -                  | 11,338,473             | -                  |
|                                       | \$ Arg.                          | 105,397                | -                  | 3,054                  | -                    | 4,395                  | -                  | -                      | -                  |
|                                       | Reales                           | 13,531,642             | -                  | 6,773,826              | -                    | -                      | -                  | -                      | -                  |
|                                       | Other                            | -                      | -                  | 375,753                | -                    | -                      | -                  | -                      | -                  |
| Amounts payable to related companies  | \$ Reaj.                         | 17,289,294             | -                  | 11,465,695             | -                    | -                      | -                  | -                      | -                  |
|                                       | \$ no Reaj.                      | 321,383                | 9.14%              | 532,618                | -                    | -                      | -                  | -                      | -                  |
|                                       | US\$                             | 528,537                | 8.49%              | 1,234,371              | -                    | -                      | -                  | -                      | -                  |
|                                       | \$ Col.                          | -                      | -                  | 1,226,667              | -                    | 3,629,114              | -                  | -                      | -                  |
|                                       | Soles                            | 1,837,477              | -                  | 857,426                | -                    | -                      | -                  | -                      | -                  |
|                                       | \$ Arg.                          | 7,514,844              | -                  | 968,935                | -                    | -                      | -                  | -                      | -                  |
| Accrued expenses                      | \$ Reaj.                         | -                      | -                  | 14,153                 | -                    | 8,375                  | -                  | 8,372                  | -                  |
|                                       | \$ no Reaj.                      | 16,211,086             | -                  | 12,393,170             | -                    | 20,763,097             | -                  | 28,578,032             | -                  |
|                                       | US\$                             | -                      | -                  | 101,572                | -                    | 186,815                | -                  | 89,246                 | -                  |
|                                       | \$ Col.                          | 5,127,068              | -                  | 13,279,185             | -                    | 3,219,760              | -                  | -                      | -                  |
|                                       | Soles                            | 1,649,379              | -                  | 2,315,644              | -                    | 1,708,400              | -                  | 2,228,091              | -                  |
|                                       | \$ Arg.                          | 4,531,574              | -                  | 2,133,800              | -                    | -                      | -                  | -                      | -                  |
|                                       | Reales                           | 26,514,775             | -                  | 23,708,069             | -                    | -                      | -                  | -                      | -                  |
|                                       | Other                            | -                      | -                  | 80,987                 | -                    | -                      | -                  | -                      | -                  |
| Withholdings                          | \$ no Reaj.                      | 5,881,699              | -                  | 7,127,750              | -                    | 978,146                | -                  | 1,427,600              | -                  |
|                                       | \$ Col.                          | 1,830,706              | -                  | 1,872,570              | -                    | -                      | -                  | -                      | -                  |
|                                       | Soles                            | 2,534,964              | -                  | 5,113,011              | -                    | -                      | -                  | -                      | -                  |
|                                       | \$ Arg.                          | 17,117,232             | -                  | 10,827,560             | -                    | -                      | -                  | -                      | -                  |
|                                       | Reales                           | 25,614,845             | -                  | 29,114,712             | -                    | -                      | -                  | -                      | -                  |
|                                       | Other                            | -                      | -                  | 2,556                  | -                    | -                      | -                  | -                      | -                  |
| Income tax payable                    | \$ no Reaj.                      | 430,473                | -                  | 537,181                | -                    | 9,038,936              | -                  | -                      | -                  |
|                                       | \$ Col.                          | 15,582,792             | -                  | 19,911,919             | -                    | 2,948,539              | -                  | -                      | -                  |
|                                       | Soles                            | 158,987                | -                  | 683                    | -                    | 5,765,990              | -                  | 2,638,436              | -                  |
|                                       | \$ Arg.                          | 10,192,095             | -                  | 3,332,909              | -                    | -                      | -                  | -                      | -                  |
|                                       | Reales                           | 33,165,210             | -                  | 1,110,901              | -                    | -                      | -                  | -                      | -                  |
| Deferred income                       | \$ Reaj.                         | 252,972                | -                  | -                      | -                    | -                      | -                  | -                      | -                  |
|                                       | \$ no Reaj.                      | 1,497,876              | -                  | 5,816,007              | -                    | 3,680,493              | -                  | 2,856,011              | -                  |
|                                       | US\$                             | 411,679                | -                  | -                      | -                    | 5,471,544              | -                  | -                      | -                  |
|                                       | \$ Col.                          | -                      | -                  | 413,656                | -                    | -                      | -                  | -                      | -                  |
|                                       | US\$                             | 1,193,328              | -                  | 15,111,509             | -                    | -                      | -                  | 287,973                | -                  |
|                                       | \$ Col.                          | 2,621,386              | -                  | 1,996,817              | -                    | 1,029,544              | -                  | -                      | -                  |
|                                       | Soles                            | 45,345                 | -                  | 50,146                 | -                    | 5,718,123              | -                  | -                      | -                  |
|                                       | \$ Arg.                          | 13,478,269             | -                  | 15,875,558             | -                    | 79                     | -                  | -                      | -                  |
|                                       | Reales                           | 12,004,488             | -                  | 20,281,534             | -                    | -                      | -                  | -                      | -                  |
|                                       |                                  | Other                  | -                  | -                      | -                    | -                      | -                  | -                      | -                  |
| Total current liabilities by currency | \$ Reaj.                         | 184,577,161            | -                  | 11,918,345             | -                    | 20,527,792             | -                  | 17,441,649             | -                  |
|                                       | \$ no Reaj.                      | 90,720,028             | -                  | 151,641,354            | -                    | 46,280,476             | -                  | 47,882,353             | -                  |
|                                       | US\$                             | 203,707,905            | -                  | 653,397,898            | -                    | 447,701,090            | -                  | 366,156,187            | -                  |
|                                       | Euro                             | 5,143,299              | -                  | 4,542,783              | -                    | 3,624,390              | -                  | 308,413,917            | -                  |
|                                       | Yen                              | -                      | -                  | 39,191,269             | -                    | 395,184                | -                  | 6,946,931              | -                  |
|                                       | \$ Col.                          | 69,303,461             | -                  | 104,312,240            | -                    | 31,163,396             | -                  | 57,201,324             | -                  |
|                                       | Soles                            | 54,277,055             | -                  | 81,937,552             | -                    | 44,418,667             | -                  | 38,325,899             | -                  |
|                                       | Reales                           | 293,018,263            | -                  | 152,587,392            | -                    | 44,940,561             | -                  | 13,052,675             | -                  |
|                                       | \$ Arg.                          | 97,798,330             | -                  | 77,711,633             | -                    | 4,474                  | -                  | 3,674,233              | -                  |
|                                       | U.P.                             | -                      | -                  | -                      | -                    | 1,066,471              | -                  | 1,195,763              | -                  |
|                                       | Libra                            | -                      | -                  | -                      | -                    | 394,123                | -                  | 456,684                | -                  |
|                                       | Others                           | -                      | -                  | 12,150,547             | -                    | 241,255                | -                  | 1,234,621              | -                  |
|                                       |                                  |                        |                    |                        |                      |                        |                    |                        |                    |
|                                       | <b>Total current liabilities</b> |                        | <b>998,545,502</b> |                        | <b>1,289,391,013</b> |                        | <b>640,757,879</b> |                        | <b>861,982,236</b> |

**f. Long-term liabilities, December 31, 2002**

| Account                                 | Currency                           | Within 90 days         |                      |                        |                    | 91 days to 1 year      |                    |                        |                    |
|---|------------------------------------|------------------------|----------------------|------------------------|--------------------|------------------------|--------------------|------------------------|--------------------|
|   |                                    | As of December 31,2001 |                      | As of December 31,2002 |                    | As of December 31,2001 |                    | As of December 31,2002 |                    |
|   |                                    | Amount<br>ThCh\$       | Avg Rate<br>%        | Amount<br>ThCh\$       | Avg Rate<br>%      | Amount<br>ThCh\$       | Avg Rate<br>%      | Amount<br>ThCh\$       | Avg Rate<br>%      |
| Due to banks and financial institutions | \$ Reaj.                           | 53,700,248             | 3.66%                | 2,936,985              | 3.66%              | -                      | -                  | -                      | -                  |
|   | US\$                               | 1,332,607,989          | 3.19%                | 103,695,317            | 3.19%              | 70,749,821             | 3.19%              | 6,352,189              | 3.19%              |
|   | Euro                               | 245,960                | 4.13%                | -                      | -                  | -                      | -                  | -                      | -                  |
|   | Yen                                | 8,981,104              | 1.96%                | -                      | -                  | -                      | -                  | -                      | -                  |
|   | \$ Arg.                            | 3,687,048              | 1.75%                | 1,843,524              | 1.75%              | 6,440,033              | 1.75%              | -                      | -                  |
|   | Reales                             | 81,665,150             | 17.11%               | 1,612,832              | 11.23%             | 14,551,393             | 11.23%             | 201,601                | 11.23%             |
|   | U.P.                               | 1,189,530              | 5.32%                | -                      | -                  | -                      | -                  | -                      | -                  |
|   | Libra                              | 877,946                | 4.81%                | -                      | -                  | -                      | -                  | -                      | -                  |
| Bonds payable                           | \$ Reaj.                           | -                      | -                    | 100,464,720            | 6.20%              | 68,867,443             | 6.00%              | 159,331,186            | 6.00%              |
|   | US\$                               | 337,746,700            | 7.00%                | 352,118,900            | 8.06%              | 287,444,000            | 8.50%              | 622,338,537            | 8.06%              |
|   | Euro                               | -                      | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
|   | \$ Col.                            | -                      | -                    | 33,173,871             | 14.35%             | 77,979,287             | 14.35%             | -                      | -                  |
|   | Soles                              | 53,520,562             | 7.19%                | 3,859,972              | 7.19%              | 1,000,390              | 7.19%              | -                      | -                  |
| Long-term notes payable                 | US\$                               | 44,459,671             | 7.50%                | 41,870,347             | 7.50%              | 59,468,978             | 7.50%              | -                      | -                  |
|   | Reales                             | 61,538,872             | 9.50%                | 4,601,606              | 9.50%              | 8,700,083              | 9.50%              | 247,133                | 9.50%              |
| Accounts payable                        | \$ Reaj.                           | -                      | -                    | -                      | -                  | -                      | -                  | 161,781                | -                  |
|   | \$ no Reaj.                        | 2,130,335              | -                    | -                      | -                  | -                      | -                  | 50,546                 | -                  |
|   | US\$                               | 7,144,040              | -                    | -                      | -                  | 10,535,563             | 9.48%              | -                      | -                  |
|   | Reales                             | 2,584,264              | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
| Amounts payable to related companies    | \$ Reaj.                           | 988,291,605            | 3.33%                | -                      | -                  | -                      | -                  | -                      | -                  |
|   | \$ Col.                            | -                      | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
| Accrued expenses                        | \$ Reaj.                           | -                      | -                    | 57,281                 | -                  | -                      | -                  | -                      | -                  |
|   | \$ no Reaj.                        | 3,496,393              | -                    | 3,256,075              | -                  | 7,608,279              | -                  | 7,451,115              | -                  |
|   | US\$                               | 3,732,305              | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
|   | \$ Col.                            | -                      | -                    | -                      | -                  | -                      | -                  | 67,686,226             | -                  |
|   | Reales                             | 839,764                | -                    | 81,582,060             | -                  | 2,099,410              | -                  | 49,113,709             | -                  |
| Deferred income taxes                   | \$ no Reaj.                        | 9,390,063              | -                    | 3,745,511              | -                  | 13,997,687             | -                  | 28,873,945             | -                  |
|   | \$ Col.                            | -                      | -                    | -                      | -                  | -                      | -                  | 3,588,783              | -                  |
|   | Soles                              | -                      | -                    | 1,224,714              | -                  | -                      | -                  | -                      | -                  |
|   | \$ Arg.                            | 197,179                | -                    | 131,452                | -                  | 591,537                | -                  | -                      | -                  |
|   | Reales                             | -                      | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
| Other long-term liabilities             | \$ Reaj.                           | 10,805                 | -                    | 10,015                 | -                  | 467,614                | 10.10%             | -                      | -                  |
|   | \$ no Reaj.                        | 4,264,255              | 4.55%                | 14,800,247             | 4.55%              | 4,683,227              | -                  | 13,681,297             | 4.55%              |
|   | US\$                               | 38,021,057             | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
|   | Soles                              | 4,611,282              | -                    | 256,932                | -                  | 2,213,674              | -                  | -                      | -                  |
|   | \$ Arg.                            | 7,456,475              | -                    | 114,044                | -                  | -                      | -                  | -                      | -                  |
|   | Reales                             | 13,384,938             | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
| Total long-term liabilities by currency | \$ Reaj.                           | 1,042,002,658          |                      | 103,469,001            |                    | 69,335,057             |                    | 159,492,967            |                    |
|   | \$ no Reaj.                        | 19,281,046             |                      | 21,801,833             |                    | 26,289,193             |                    | 50,056,903             |                    |
|   | US\$                               | 1,763,711,762          |                      | 497,684,564            |                    | 428,198,362            |                    | 628,690,726            |                    |
|   | Euro                               | 245,960                |                      | -                      |                    | -                      |                    | -                      |                    |
|   | Yen                                | 8,981,104              |                      | -                      |                    | -                      |                    | -                      |                    |
|   | \$ Col.                            | -                      |                      | 33,173,871             |                    | 77,979,287             |                    | 71,275,009             |                    |
|   | Soles                              | 58,131,844             |                      | 5,341,618              |                    | 3,214,064              |                    | -                      |                    |
|   | \$ Arg.                            | 11,340,702             |                      | 2,089,020              |                    | 7,031,570              |                    | -                      |                    |
|   | Reales                             | 160,012,988            |                      | 87,796,498             |                    | 25,350,886             |                    | 49,562,443             |                    |
|   | U.P.                               | 1,189,530              |                      | -                      |                    | -                      |                    | -                      |                    |
|   | Libra                              | 877,946                |                      | -                      |                    | -                      |                    | -                      |                    |
|   | Other                              | -                      |                      | -                      |                    | -                      |                    | -                      |                    |
|   | <b>Total long-term liabilities</b> |                        | <b>3,065,775,540</b> |                        | <b>751,356,405</b> |                        | <b>637,398,419</b> |                        | <b>959,078,048</b> |

**g. Long-term liabilities, December 31, 2001**

| Account                                 | Currency                           | Within 90 days         |                      |                        |                    | 91 days to 1 year      |                    |                        |                    |
|---|------------------------------------|------------------------|----------------------|------------------------|--------------------|------------------------|--------------------|------------------------|--------------------|
|   |                                    | As of December 31,2001 |                      | As of December 31,2002 |                    | As of December 31,2001 |                    | As of December 31,2002 |                    |
|   |                                    | Amount<br>ThCh\$       | Avg<br>Rate<br>%     | Amount<br>ThCh\$       | Avg<br>Rate<br>%   | Amount<br>ThCh\$       | Avg<br>Rate<br>%   | Amount<br>ThCh\$       | Avg<br>Rate<br>%   |
| Due to banks and financial institutions | \$ Reaj.                           | 37,847,407             | 7.44%                | 20,181,501             | 6.93%              | -                      | -                  | -                      | -                  |
|   | US\$                               | 1,628,044,049          | 4.01%                | 140,188,179            | 4.01%              | 92,749,098             | 4.04%              | 20,913,780             | 1.75%              |
|   | Yen                                | 782,417                | 0.90%                | 391,208                | 0.90%              | -                      | -                  | -                      | -                  |
|   | Euro                               | 3,491,490              | 4.26%                | 97,774                 | 4.26%              | -                      | -                  | -                      | -                  |
|   | Reales                             | 15,012,070             | 12.00%               | 2,521,157              | 12.00%             | 4,409,782              | 10.93%             | 1,154,746              | 10.93%             |
|   | U.P.                               | 2,056,583              | 5.32%                | -                      | -                  | -                      | -                  | -                      | -                  |
|   | Libra                              | 743,571                | 5.38%                | 371,786                | 5.38%              | -                      | -                  | -                      | -                  |
|   | Otras                              | 195,548                | 4.44%                | 97,774                 | 4.44%              | -                      | -                  | -                      | -                  |
| Bonds payable                           | \$ Reaj.                           | -                      | -                    | 100,503,239            | 6.30%              | 78,566,164             | 6.30%              | 67,002,160             | 6.30%              |
|   | US\$                               | 128,142,403            | 7.90%                | 364,194,198            | 7.90%              | 539,546,960            | 7.90%              | 584,080,493            | 7.90%              |
|   | Euro                               | 236,481,576            | 3.34%                | -                      | -                  | -                      | -                  | -                      | -                  |
|   | \$ Col.                            | 3,753,101              | 14.95%               | 35,176,122             | 13.70%             | 91,134,976             | 13.70%             | -                      | -                  |
|   | Soles                              | 6,854,001              | 11.54%               | 36,033,266             | 7.50%              | -                      | -                  | -                      | -                  |
| Long-term notes payable                 | US\$                               | 55,606,642             | 7.13%                | 42,364,204             | 7.13%              | 52,625,655             | 7.13%              | 14,706,614             | 7.13%              |
|   | Reales                             | 35,644,558             | 10.27%               | 4,590,609              | 10.27%             | 9,974,948              | 10.27%             | -                      | -                  |
| Accounts payable                        | \$ Reaj.                           | 77,590                 | -                    | -                      | -                  | -                      | -                  | 181,599                | -                  |
|   | \$ no Reaj.                        | 2,122,540              | -                    | -                      | -                  | -                      | -                  | 18,406                 | -                  |
|   | US\$                               | 23,496,465             | 6.50%                | -                      | -                  | -                      | -                  | -                      | -                  |
|   | \$ Col.                            | 443,215                | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
|   | Reales                             | 8,407,133              | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
| Amounts payable to related companies    | \$ Reaj.                           | 984,980,016            | 4.90%                | -                      | -                  | -                      | -                  | -                      | -                  |
|   | US\$                               | 16,727,143             | 7.07%                | -                      | -                  | -                      | -                  | -                      | -                  |
| Accrued expenses                        | \$ no Reaj.                        | 2,466,172              | -                    | 2,499,291              | -                  | 4,888,461              | -                  | 6,405,087              | 9.50%              |
|   | \$ Col.                            | -                      | -                    | 16,984,432             | -                  | -                      | -                  | 40,734,446             | -                  |
|   | Reales                             | 8,935,898              | 10.00%               | 143,792,604            | 10.00%             | 1,785,890              | 10.00%             | 5,896,657              | 10.00%             |
| Deferred income taxes                   | \$ no Reaj.                        | 10,254,481             | -                    | 5,471,684              | -                  | 13,704,756             | -                  | 6,629,043              | -                  |
|   | Soles                              | -                      | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
|   | \$ Arg.                            | -                      | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
| Other long-term liabilities             | \$ Reaj.                           | 8,034                  | -                    | 9,108                  | -                  | 480,589                | 10.00%             | -                      | -                  |
|   | \$ no Reaj.                        | 15,941,073             | -                    | 3,250,257              | -                  | 3,359,972              | -                  | 2,388,266              | -                  |
|   | US\$                               | 20,612,549             | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
|   | Euro                               | -                      | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
|   | Soles                              | 6,166,036              | -                    | 362,744                | -                  | 2,022,283              | -                  | -                      | -                  |
|   | \$ Arg.                            | 8,743,924              | -                    | 1,494,952              | -                  | 1,637,101              | -                  | -                      | -                  |
|   | Reales                             | 751,117                | -                    | -                      | -                  | -                      | -                  | -                      | -                  |
| Total long-term liabilities by currency | \$ Reaj.                           | 1,022,913,047          |                      | 120,693,848            |                    | 79,046,753             |                    | 67,183,759             |                    |
|   | \$ no Reaj.                        | 30,784,266             |                      | 11,221,232             |                    | 21,953,189             |                    | 15,440,802             |                    |
|   | US\$                               | 1,872,629,251          |                      | 546,746,581            |                    | 684,921,713            |                    | 619,700,887            |                    |
|   | Euro                               | 239,973,066            |                      | 97,774                 |                    | -                      |                    | -                      |                    |
|   | Yen                                | 782,417                |                      | 391,208                |                    | -                      |                    | -                      |                    |
|   | \$ Col.                            | 4,196,316              |                      | 52,160,554             |                    | 91,134,976             |                    | 40,734,446             |                    |
|   | Soles                              | 13,020,037             |                      | 36,396,010             |                    | 2,022,283              |                    | -                      |                    |
|   | \$ Arg.                            | 8,743,924              |                      | 1,494,952              |                    | 1,637,101              |                    | -                      |                    |
|   | Reales                             | 68,750,776             |                      | 150,904,370            |                    | 16,170,620             |                    | 7,051,403              |                    |
|   | U.P.                               | 2,056,583              |                      | -                      |                    | -                      |                    | -                      |                    |
|   | Libra                              | 743,571                |                      | 371,786                |                    | -                      |                    | -                      |                    |
|   | Other                              | 195,548                |                      | 97,774                 |                    | -                      |                    | -                      |                    |
|   | <b>Total long-term liabilities</b> |                        | <b>3,264,788,802</b> |                        | <b>920,576,089</b> |                        | <b>896,886,635</b> |                        | <b>750,111,297</b> |

**Endesa Chile**

On February 22, 2002, the Superintendency of Securities and Insurance, through Executive Resolution N°044, censured Mr. Héctor López Vilaseco, the company's Chief Executive Office, for infringement of what is provided in Section III of Form Letter N°1,481, dated May 25, 2000, for having tardily submitted to the Superintendency of Securities and Insurance the list of the company's shareholders at December 31, 2001.

Neither the Company nor its Board of Directors has been fined by the Superintendency of Securities and Insurance or any other administrative authority.

**Enersis S. A.**

On December 10, 2002, a Special General Shareholders' Meeting of Cerj, an Enersis S.A. subsidiary, was held, where a capital increase was approved for Cerj, in an amount of ThUS\$105,000, approximately.

This increase took place on January 10, 2003, through the issuance and subscription of 770,833,333,333 new ordinary shares, at a value of R\$0.48 in one thousand-share batches, totaling the ThUS\$100,000 approved at the Meeting, with the Company's capital amounting to ThUS\$259,085.

With this operation, the percentage of direct participation held by Enersis S.A., through its agency, will increase from 20.38% to 40.03%.

As a relevant event on January 15, 2003, it was reported that Enersis S.A.'s Board of Directors, at a special meeting held on that day, agreed to take note that the Company will make accounting adjustments and special charges in its balance sheet for its investments in its Chilean and foreign subsidiaries for a total amount of US\$387 million, in its equivalence in Chilean pesos, these special adjustments being reflected in income for 2002.

Such special adjustments and charges have no impact on the Company's cash flow and will be reflected in Enersis' 2002 financial statements. The special adjustments and charges made as well as the provisions made at November 30, 2002, are detailed as follows: (the figures shown correspond to the impact on Enersis S.A.'s financial statements):

**Generation:**

|                  |                 |
|------------------|-----------------|
| Brazil           | US\$ 60 million |
| Argentina        | US\$ 23 million |
| Total Generation | US\$ 83 million |

**Distribution:**

|                    |                  |
|--------------------|------------------|
| Brazil             | US\$ 255 million |
| Argentina          | US\$ 26 million  |
| Total distribution | US\$ 281 million |

**Services:**

|                  |                  |
|------------------|------------------|
| Chile            | US\$ 23 million  |
| Total services:  | US\$ 23 million  |
| Total adjustment | US\$ 387 million |

It must be noted that, of the US\$387 million, US\$329 million will be from the acceleration of the amortization of the net balance of negative goodwill and goodwill of investments made in Brazil and Argentina in generation and distribution.

Subtracted from the figure above are the provisions made at November 30, 2002, as shown below:

|                  |                 |
|------------------|-----------------|
| Brazil           | US\$ 81 million |
| Argentina        | US\$ 16 million |
| Total Provisions | US\$ 97 million |

In view of the above, and having considered these provisions, the effect of the adjustments and special charges on the company's income will amount to the equivalent in Chilean pesos of US\$290 million, approximately.

In the period between January 1, 2003 and the date of presentation of these financial statements, no other significant event that might affect their presentation has occurred.

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## 33.

**ENVIRONMENT:*****Edesur S.A.***

As of December 31, 2002, the Company incurred environmental expenses of ThCh\$59,645 and investments of ThCh\$15,809.

***Endesa S.A.***

During the period from January 1 to December 31, 2002, the Company and its subsidiaries have made disbursements for a value of ThCh\$3,786,874, which mainly correspond to:

- Operating expenses: corresponding to studies, follow-up procedures and laboratory analysis (ThCh\$323,387 expenses in 2002), Environment Law N°99 (Colombia) and ISO 14,001 certification in Central Costanera and El Chocón (US\$955,245).
- Investments related to the following projects:
  - Central Ralco's environmental program.
  - Central San Isidro, Pangué, Tal Tal, Pehuenche, Loma Alta and Curilligüe environmental management system (EMS) installation and its ISO 14,001 certification.

Chilean GAAP varies in certain important respects from U.S. GAAP. Such differences involve certain methods for measuring the amounts shown in the financial statements.

#### ***DIFFERENCES IN MEASUREMENT METHODS***

The principal differences between Chilean GAAP and U.S. GAAP are described below together with an explanation, where appropriate, of the method used in the determination of the adjustments that affect net income and total stockholders' equity. References below to "SFAS" are to Statements of Financial Accounting Standards issued by the Financial Accounting Standards Board in the United States.

##### ***a. Inflation accounting***

The cumulative inflation rate in Chile as measured by the Consumer Price Index for the three-year period ended December 31, 2002 was approximately 11.2%. Pursuant to Chilean GAAP, the Company's financial statements recognize certain effects of inflation. The inclusion of price-level adjustments in the accompanying consolidated financial statements is considered appropriate under the prolonged inflationary conditions affecting the Chilean economy even though the cumulative inflation rate for the last three years does not exceed 100%. As allowed pursuant to Form-20-F the reconciliation included herein of consolidated net income, comprehensive income and shareholders' equity, as determined in accordance with U.S. GAAP, excludes adjustments attributable to the effect of differences between the accounting for inflation under Chilean GAAP versus U.S. GAAP.

##### ***b. Reversal of revaluation of property, plant and equipment***

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

##### ***c. Depreciation of property, plant and equipment***

Under Chilean GAAP, certain costs related to the cost of acquisition of Edesur S.A., at the time of the acquisitions in 1992 and 1994 by Distrilec Inversora S.A., were charged to earnings as incurred. Under U.S. GAAP, these costs would have been included in the purchase price and would have been allocated to the net assets acquired based upon fair values. For purposes of the reconciliation to U.S. GAAP, these costs were considered to be a part a property, plant, and equipment, the primary assets of Edesur S.A.

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

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

**d. Intangibles**

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

**e. Deferred income taxes**

Under Chilean GAAP, until December 31, 1999, deferred income taxes were recorded based on non-recurring timing differences between the recognition of income and expense items for financial statement and tax purposes. Accordingly, there was an orientation toward the income statement focusing on differences in the timing of recognition of revenues and expenses in pre-tax accounting income and taxable income. Chilean GAAP also permitted not providing for deferred income taxes where a deferred tax asset or liability, was either offsetting or not expected to be realized. Starting January 1, 2000, the Company recorded income taxes in accordance with Technical Bulletin No. 60 of the Chilean Association of Accountants, recognizing, using the liability method, the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities. As a transitional provision, a contra (referred to as "complementary") asset or liability has been recorded offsetting the effects of the deferred tax assets and liabilities not recorded prior to January 1, 2000. Such complementary asset or liability are being amortized to income over the estimated average reversal periods corresponding to the underlying temporary differences to which the deferred tax asset or liability relates.

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

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

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

The principal difference relates to the reversal of the complementary assets and liabilities recorded as a transitional provision for unrecorded deferred taxes as of January 1, 2000 and their corresponding amortization into income. The effect of these differences on the net income and shareholders' equity of the Company is included in paragraph (bb) below.

**f. Severance indemnity**

As described in Note 2 n, under the Company's employment contracts, it has committed to provide a lump sum payment to each employee at the end of their employment, whether due to death, termination, resignation or retirement. Those obligations are

calculated based on the present value of the liability determined at each year-end based on the current salary and average service life of each employee. The Company and certain of its subsidiaries used a real discount rate of 9.5% for the years ended December 31, 2001 and 2002, and assumed an average service life which varies based upon years of service with the Company. The real annual discount rate does not include a projection of inflation and, accordingly, future salary increases are also excluded from the calculation of the obligation, because all such future increases are expected to approximate the increase in inflation over a long-term period.

Under US GAAP, this arrangement is considered to be a termination indemnity plan and should therefore be accounted for in accordance with SFAS No. 87, "Employers' Accounting for Pensions". The liability would be measured by projecting future expected payments using an assumed salary progression rate and discounting the resulting amounts to their present value. In practice, the Company believes that the salary progression rate will not differ significantly from the general inflation rate. The application of U.S. GAAP would no have produced results materially different from the acceptable method under Chilean GAAP.

**g. Pension and post-retirement benefits**

The Company has obligations related to complementary pension plan benefits and other post-retirement benefits as stipulated in collective bargaining agreements. Under U.S. GAAP, post-retirement employee benefits have been accounted for in accordance with SFAS No. 87 and SFAS No. 106. The effects of accounting for post-retirement benefits under U.S. GAAP have been presented in paragraph (bb).

**h. Investments in related companies**

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

- (a) The recording of pension benefits in accordance with SFAS No. 87.
- (b) Reversal of complementary accounts (asset or liability) recorded as a transitional provision as of January 1, 2000.
- (c) Organizational costs deferred under Chilean GAAP that, under U.S. GAAP, should have been included in income.
- (d) For the year beginning January 1, 2001, the recording of derivative instruments in accordance with SFAS No. 133.
- (e) The deferred income tax effects of adjustments (a), (c) and (d).

**i. Goodwill and long-lived assets**

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

Under U.S. GAAP, assets acquired and liabilities assumed are recorded at their estimated fair values, and the excess of the purchase price over the estimated fair value of the net identifiable assets and liabilities acquired are recorded as goodwill. Up until December 31, 2001, the Company amortized goodwill on a straight-line basis over the estimated useful lives of the assets, ranging from 20 to 40 years. Goodwill acquired after June 30, 2001 is not amortized (see Note 34 II (o)). In accordance with SFAS No. 142, the Company discounted amortizing goodwill on January 1, 2002. The effects of recording the different amortization periods and reversing the amortization of goodwill for 2002 are included in paragraph (bb) below.



(ii) Under Chilean GAAP, the Company has evaluated the carrying amount of goodwill net of negative goodwill for impairment. The measurement of the impairment loss was based on the fair value of the investment which the Company determined using a discounted cash flow approach and recent comparable transactions in the market. In order to estimate fair value, the Company made assumptions about future events that are highly uncertain at the time of estimation. The results of this analysis showed that the goodwill and negative goodwill associated with investments in Argentina and Brazil were impaired because estimated future discounted cash flows were not sufficient to recover goodwill and negative goodwill. During 2002, under Chilean GAAP the Company recorded a net charge related to its investments in Central Costanera S.A., Hidroeléctrica El Chocón S.A., Hidroinvest S.A., Lajas Inversora S.A., Central Eléctrica Cachoeira Dourada S.A., Cia. de Electricidade do Rio de Janeiro S.A., Coelce S.A., Distrelec Inversora S.A., Edesur S.A., and Investluz S.A., in the amount of ThCh\$236,434,558 net minority interest, to write-off all amounts of goodwill and negative goodwill, see Note 13.

In accordance with U.S. GAAP, the Company adopted SFAS No. 142 "Goodwill and Other Intangible Assets", (SFAS No. 142) as of January 1, 2002. SFAS 142 applies to all goodwill and intangible assets acquired in a business combination. Under the new standard, all goodwill, including that acquired before initial application of the standard, and indefinite-lived intangible assets are not amortized, as of the effective date but must be tested for impairment at least annually. The transitional impairment test required by the standard was performed and no adjustment for impairment was required. However, based on subsequent testing of the Company's investments in Argentina and Brazil performed as of December 31, 2002, it was determined that these investments were impaired. The following net effects are included in the net income (loss) and shareholders' equity reconciliation to U.S. GAAP under paragraph (bb) below:

- (a) the reversal of goodwill amortization related to reporting units that were not found to be impaired under U.S. GAAP for the year ended December 31, 2002, and adjustment of amortization goodwill which is different in amount because of goodwill basis differences in 2000 and 2001.
- (b) the adjustment to record the reversal of the impairment recorded under Chilean GAAP during 2002, which is different in amount because of goodwill basis differences,
- (c) the adjustment to record the impairment under US GAAP from investment in Argentina and Brazil.

The adjustment as of each year are as follows:

|   | <b>As of December 31,</b> |                        |                        |
|---|---------------------------|------------------------|------------------------|
|   | <b>2000<br/>ThCh\$</b>    | <b>2001<br/>ThCh\$</b> | <b>2002<br/>ThCh\$</b> |
| <i>Adjustment of goodwill amortization</i>              | (7,541,119)               | (1,099,881)            | 53,928,310             |
| <i>Reversal of impairment record under Chilean GAAP</i> |                           |                        | 452,415,861            |
| <i>Impairment of goodwill under US GAAP</i>             |                           |                        | (600,380,013)          |
| <b>Totals</b>   | <b>(7,541,119)</b>        | <b>(1,099,881)</b>     | <b>(94,035,842)</b>    |

Had we adopted SFAS No 142 effective January 1, 2000 and accordingly not amortized goodwill for the years ended December 31, 2001 and 2000 our net gain (loss) and basic income (loss) per share should have been as follows:

|  | <b>2000<br/>ThCh\$</b> | <b>2001<br/>ThCh\$</b> | <b>2002<br/>ThCh\$</b> |
|--|------------------------|------------------------|------------------------|
| <i>Net income (loss) under US GAAP</i>                 | 74,431,407             | 3,088,583              | (329,910,417)          |
| <i>Goodwill amortization under US GAAP</i>             | (79,254,926)           | (81,676,229)           | -                      |
| <b><i>Adjusted net income (loss) under US GAAP</i></b> | <b>153,686,333</b>     | <b>84,764,812</b>      | <b>(329,910,417)</b>   |
|  | <b>2000<br/>Ch\$</b>   | <b>2001<br/>Ch\$</b>   | <b>2002<br/>Ch\$</b>   |
| <i>Basic earnings per share:</i>                       |                        |                        |                        |
| <i>Reported net income (loss)</i>                      | 10.4                   | 0.4                    | (39.8)                 |
| <i>Goodwill amortization</i>                           | (11.0)                 | (9.9)                  | -                      |
| <b><i>Adjusted net income (loss)</i></b>               | <b>21.4</b>            | <b>10.3</b>            | <b>(39.8)</b>          |

(iii) The company has considered important factors, which could trigger an impairment review, such the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for our overall business; and
- Significant negative industry or economic trends

In accordance with SFAS No.121, "Accounting for the Impairment of Long-Lived Assets and for Long Lived Assets to Be Disposed Of" during 2000 and 2001, which was superceded by SFAS No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets" beginning in 2002, the Company evaluates the carrying amount of property, plant and equipment and other long-lived assets, in relation to the operating performance and future undiscounted cash flows of the underlying business. These standards require that an impairment loss be recognized in the event that facts and circumstances indicate that the carrying amount of an asset may not be fully recoverable. Impairment is recorded based on an estimate of future discounted cash flows, as compared to current carrying amounts. For the years ended December 31, 2000, 2001, and 2002, no additional amounts were recorded for impairment under U.S. GAAP, except for adjustments for this concept recorded under Chilean GAAP in the subsidiaries Centrais Eléctrica Cachoeira Dourada S.A. and Inmobiliaria Manso de Velasco Limitada, which are included in other non-operating expenses (see Note 23). This amount are reclassified to operating income for US GAAP purposes.

**j. Negative Goodwill**

Under Chilean GAAP, the excess of the carrying value of the assets assumed in a business combination over the purchase price is recorded as negative goodwill. Circular No. 1358, dated December 3, 1997 issued by the SVS, extended the maximum amortization period of negative goodwill to 20 years from the previous 5 years. Under U.S. GAAP, the fair values of the assets acquired less the fair values of the liabilities assumed in excess of over the purchase price is allocated proportionately to reduce the values assigned to non-current assets. If the allocation reduces the non-current monetary assets to zero, the remainder of the excess is recorded as a deferred credit account called negative goodwill upon adoption of SFAS 142 in January 1, 2002 the excess will no longer be deferred but recognized immediately in income. The effect of reducing depreciation expense, due to the proportionate allocation of the excess purchase price to property, plant and equipment, as compared to the amortization of negative goodwill under Chilean GAAP and the reversal of negative goodwill write-offs described in paragraph (i), which

did not meet the U.S. GAAP impairment criteria for long-lived assets under SFAS No. 144 described above, and conforming depreciation methods are included in paragraph (bb) below.

**k. Capitalized interest and exchange differences**

In accordance with Chilean GAAP, the Company has capitalized both interest on debt directly related to property, plant and equipment under construction and finance costs corresponding to exchange differences generated by the loans associated with such assets. The capitalization of interest costs associated with projects under construction is optional when incurred on debt that is not directly related to such projects.

Under U.S. GAAP, the capitalization of interest on qualifying assets under construction is required, regardless of whether interest is associated with debt directly related to a project. In addition, under U.S. GAAP, foreign translation exchange differences may not be capitalized. The accounting differences between Chilean and U.S. GAAP for financing costs and the related depreciation expense are included in the reconciliation to U.S. GAAP under paragraph (bb) below.

**l. Accumulated deficit during the development stage**

Under Chilean GAAP, the losses incurred during the development stage of subsidiary companies is recorded directly in the parent company's equity. Under U.S. GAAP, such costs must be charged to income as incurred. The effects are included in paragraph (bb) below.

**m. Minimum dividend**

As required by the Chilean Companies Act, unless otherwise decided by the unanimous vote of the holders of issued and subscribed shares, the Company must distribute a cash dividend in an amount equal to at least 30% of its net income for each year as determined in accordance with Chilean GAAP, unless and except to the extent the Company has unabsorbed prior year losses. Since the payment of the 30% dividend out of each year's income is required by Chilean law, an accrual has been made in the reconciliation in paragraph (bb) below to reflect the unrecorded dividend liability for 2001, whenever and to the extent the recorded interim dividends do not reach to 30% minimum dividend.

In April 2002, the meeting of shareholders decided, that dividends would consist of the income from normal company operations defined as income before amortization of negative goodwill in the income statement. Therefore, the distributable profit at December 31, 2001 was zero, necessitating a reversal of the prior year accrual under U.S. GAAP.

**n. Capitalized general and administrative expenses**

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

**o. Involuntary employee termination benefits**

Under Chilean GAAP, the Argentine subsidiaries, Central Costanera and Hidroelectricidad, recorded an accrual of certain involuntary employees termination benefits related to the restructuring plan announced in 1997. Since that date employees have continued to be made redundant pursuant to this plan. In accordance with U.S. GAAP, at that time in order to recognize a liability at the balance sheet date for the cost to terminate employees involuntarily, there must be a plan that specifically includes notification to employees prior to the balance sheet date. As of December 31, 2002, this requirement had not been met. The effect of eliminating the accrued liability recognized is presented in paragraph (bb) below.

**p. Adjustment in selling price of investment**

Under Chilean GAAP, pursuant to the share transaction contract entered into in 1995 between Endesa-Chile and Endesa Overseas Co. with Enersis International Limited, Chilectra S.A. and Chilectra International Limited, Endesa Argentina recognized income related to an adjustment of the share purchase price. Under U.S. GAAP, the contingent price adjustment would be considered a part of the purchase price, and would therefore be offset against the amount of goodwill that was originally determined. As described in paragraph (i), the Company determined goodwill amounts recorded in investments in Argentina were impaired as of December 31, 2002, thus the adjustment in selling price of investment is a basis difference between Chilean and U.S. GAAP that will be eliminated after the impairment charge is recorded. The effects of the adjustments to conform to U.S. GAAP are included under paragraph (bb) below.

**q. Elimination of capitalized legal reserve**

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

**r. Organizational and start-up costs**

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

**s. Translation of Financial Statements of Investments Outside of Chile**

Under Chilean GAAP, in accordance with Technical Bulletin 64 ("B.T. 64") the financial statements of foreign subsidiaries that operate in countries exposed to significant risks ("unstable" countries), and that are not considered to be an extension of the parent company's operations, are remeasured into US dollars. The Company's foreign subsidiaries in Argentina, Perú, Brazil, and Colombia all meet the criteria of foreign subsidiaries that operate in countries exposed to significant risks under BT 64, and are remeasured into US dollars. The Company has remeasured its foreign subsidiaries into US dollars under this requirement as follows:

- Monetary assets and liabilities are translated at year-end rates of exchange between the US dollar and the local currency.
- All non-monetary assets and liabilities and shareholder's equity are translated at historical rates of exchange between the US dollar and the local currency.
- Income and expense accounts are translated at average rates of exchange between the US dollar and local currency.
- The effects of any exchange rate fluctuations between the local currency and the US dollar are included in the results of operations for the period.

Under BT 64, the investment in the foreign subsidiary is price-level restated, the effects of which are reflected in income, while the effects of the foreign exchange gains or losses between the Chilean Peso and the US dollar on the foreign investment measured in US dollars, are reflected in equity in the account "Cumulative Translation Adjustment".

The amount of foreign exchange gain included in income that is attributable to operations in unstable countries because these amounts have been remeasured into US dollars was ThCh\$39,503,788, ThCh\$23,247,278 and ThCh\$180,045,972 for the years ended December 31, 2000, 2001 and 2002, respectively (See Note 23 (a)).

In the opinion of the Company, the foreign currency translation procedures described above are part of the comprehensive basis of preparation of price-level adjusted financial statements required by Chilean GAAP. Inclusion of inflation and translation

effects in the financial statements is considered appropriate under the inflationary conditions that have historically affected the Chilean economy, and accordingly, are not eliminated in the reconciliation to U.S. GAAP as permitted by Form 20-F.

**t. Derivative instruments**

Under Chilean GAAP, forward foreign exchange contracts and currency swaps are used to hedge existing balance sheet risks or "fair value" hedges, while interest swaps and collars are used to hedge against future transaction risks or "cash flow" hedges. Fair value hedges are recorded at fair values with losses recorded at the time of their estimation and gains deferred until the transaction date or to the extent losses have been previously recorded, while gains and losses from cash flow hedges are deferred as either an assets or a liability until the transaction date. The hedging criteria and documentation requirements under Chilean GAAP are less onerous than U.S. GAAP. Realized gains and losses are recorded in "Other non-operating income and expense".

Prior to January 1, 2001, under U.S. GAAP, contracts that were designated and effective as hedges of existing assets and liabilities were recorded at the closing spot exchange rate and included in earnings with the initial discount or premium is amortized over the life of the contract as interest expense. However, contracts not designated or effective as hedges were recorded at fair value with the unrealized gains and losses recognized in income. For contracts with fair values different from the values of the contracts at the closing spot exchange rate, a difference between U.S. and Chilean GAAP resulted. The effects of the difference were not considered material to the consolidated financial statements and accordingly were not previously included in paragraph (u) below.

Currently under U.S. GAAP, the accounting for derivative instruments is described in SFAS No. 133 "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (SFAS No. 133) and other complementary rules and amendments. SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

The Company adopted SFAS No. 133, as amended, on January 1, 2001. SFAS No. 133 required that as of the date of initial adoption, the difference between the market value of derivative instruments recorded on the balance sheet and the previous carrying amount of those derivatives be reported in net income or other comprehensive income, as appropriate, as the cumulative effect of a change in accounting principle in accordance with Accounting Principles Board Opinion No. 20, "Accounting Changes." Statement 133 cannot be applied retroactively. SFAS No. 133 must be applied to (a) derivative instruments and (b) certain embedded derivative instruments. As permitted under this standard, the Company has applied SFAS No. 133 to only those embedded instruments that were issued, acquired, or substantively modified after January 1, 1999.

SFAS No. 133, in part, allows special hedge accounting for "fair value" and "cash flow" hedges. SFAS No. 133 provides that the gain or loss on a derivative instrument designated and qualifying as a "fair value" hedging instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk be recognized currently in earnings in the same accounting period. The accounting standard provides that the effective portion of the gain or loss on a derivative instrument designated and qualifying as a "cash flow" hedging instrument be reported as a component of other comprehensive income and be reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, must be recognized currently in earnings. While the Company enters into derivatives for the purpose of mitigating its global financial and commodity risks, these operations do not meet the documentation requirements to qualify for hedge accounting under U.S. GAAP. Therefore changes in the respective fair values of all derivatives are reported in earnings when they occur.

Current Chilean accounting rules do not consider the existence of derivative instruments embedded in other contracts and therefore they are not reflected in the financial statements. For U.S. GAAP purposes, certain implicit or explicit terms included in host contracts that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument, must be separated from the host contract and accounted for at fair value. The Company separately measures embedded derivatives as freestanding derivatives instruments at their estimated fair values recognizing changes in earnings when they occur.

Estimates of fair values of financial instruments for which no quoted prices or secondary market exists have been made using valuation techniques such as forward pricing models, present value of estimated future cash flows, and other modeling techniques. These estimates of fair value include assumptions made by the Company about market variables that may change in the future. Changes in assumptions could have a significant impact on the estimate of fair values disclosed. As a result such fair value amounts are subject to significant volatility and are highly dependent on the quality of the assumptions used.

The Company is also exposed to foreign currency risk arising from long-term debt denominated in foreign currencies, the majority of which is the US dollar. This risk is mitigated, as a substantial portion of the Company's revenues are either directly or indirectly linked to the US dollar. Additionally, the Company records the foreign exchange gains and losses on liabilities related to net investments in foreign countries which are denominated in the same currency as the functional currency of those foreign investments. Such unrealized gains and losses are included in the cumulative translation adjustment account in shareholders' equity, and in this way act as a net investment hedge of the exchange risk affecting the investments (see Note 11 (c) and Note 22 (e) for further detail). The Company also uses short duration forward foreign currency contracts and swaps, and cross-currency swaps, where possible, to manage its risk related to foreign currency fluctuations.

The effect of adopting SFAS No. 133 as of January 1, 2001, resulted in a cumulative effect on net income of ThCh\$21,015,046 net of deferred taxes for ThCh\$46,575,921 and minority interest for ThCh\$62,621,442, which is presented under the caption "Cumulative effect of changes in accounting principles", the effects of the adjustment with respect to financial derivatives, commodity derivatives, and embedded derivatives for the year ended December 31, 2002 is included in the net income and shareholders' equity reconciliation to U.S. GAAP under paragraph (bb) below.

***u. Fair value of long-term debt assumed***

As discussed in paragraph (i), under Chilean GAAP, assets acquired and liabilities assumed are recorded at their carrying value, and the excess of the purchased price over the carrying value are recorded as goodwill. Under U.S. GAAP, assets acquired and liabilities assumed are recorded at their estimated fair values, and the excess of the purchased price over the estimated fair value of the net identifiable assets and liabilities acquired are recorded as goodwill. As part of the purchase of the majority ownership interest in Endesa-Chile, under U.S. GAAP, the cost of the purchase price would have been allocated to the fair value of long-term debt. The effect on shareholder's equity and net income for the years presented is included in paragraph (bb) below.

***v. Sale of subsidiaries***

This corresponds to the reversal of the December 31, 1999 accumulated adjustments to U.S. GAAP which under U.S. GAAP would have been included in the determination of any gain or loss on sale made in connection with the subsidiaries Compañía Nacional de Transmisión Eléctrica S.A. (Transelec), Aguas Cordillera S.A., and Aguas Puerto S.A., as these subsidiaries were sold during 2000.

***w. Deferred income***

During 2000, fiber optic cable was contributed to the Company in return for granting the contributing company access to the fiber optic network after installation in the Company's electricity distribution system. Under Chilean GAAP, the contributed

assets were recorded at their fair market value, with a corresponding credit recognized as income in 2000. Under U.S. GAAP, this item. This adjustment reverses the gain under Chile GAAP and records the amortization of the deferred income under U.S. GAAP. The effect on shareholders' equity and net income for the years presented is included in (bb) below. The amount was deferred and amortize over the life of the related service contract.

**x. Regulated assets and deferred costs**

The electricity sector in Chile and other countries of operation in Latin America is regulated pursuant to the Chilean and other country electricity laws. Most of the Company's sales are subject to node price regulation, which is designed to ensure an adequate supply of energy at reasonable, determined prices, which considers a variety of factors. The marginal cost pricing model is not solely based upon costs incurred by the Company, and as a result, the requirements of U.S. GAAP under SFAS No.71, "Accounting for the Effects of Certain Types of Regulation", related to a businesses whose rates are regulated are not applicable to the Company's financial statements, except for the Company's operations in Brazil as described below.

As a result of changes in Brazilian Electricity Laws and Regulations, the Company's distribution subsidiaries in Brazil, Companhia de Electricidad do Rio de Janeiro (Cerj) and Companhia Energética do Ceará (Coalce), are subject to the provisions of SFAS No. 71 beginning on January 1, 2001. With the new regulations issued by the National Agency of Electrictric Energy (ANEEL), the rate-setting structure in Brazil is now designed to provide recovery for allowable costs incurred, which will be recovered through future increases in energy tariffs in order to recover losses experienced during the period of Brazilian Federal Government mandated energy rationing from June 1, 2001 to December 31, 2001. The Company estimates costs will be recovered over a period estimated to be three years (as described in Note 5).

Accordingly, the Company capitalizes incurred costs as deferred regulatory assets when there is a probable expectation that future revenue equal to the costs incurred will be billed and collected as a direct result of the inclusion of the costs in an increased rate set by the regulator. The deferred regulatory asset is eliminated when the Company collects the related costs through billings to customers. ANEEL perform a rate review on an annual basis. If ANEEL excludes all or part of a cost from recovery, that portion of the deferred regulatory assets is impaired and is accordingly reduced to the extent of the excluded cost. The Company has recorded deferred regulatory assets, which it expects to pass on to its customers in accordance with and subject to regulatory provisions.

The regulations also included certain VPA costs, which are certain that each distribution company is permitted to defer and pass on the their customers using future rate adjustments. VPA costs are limited by concession contracts to the cost of purchased power and certain other costs and taxes. Due to uncertainly in the Brazilian economy, ANEEL delayed the approval of such VPA rate increases. An Executive Order in October 2001 created a tracking account mechanism, in order to calculate the variation in the VPA costs for future rate adjustment calculation purposes. The Company has not recognized any regulatory assets for VPA costs incurred prior to 2001, because costs incurred prior to January 1, 2001, are not recoverable through the tracking account.

Under Chilean GAAP, the Company recognized revenue and deferred costs related to the regulated assets. Under U.S. GAAP, in accordance with Emerging Issues Taskforce (EITF) No. 92-7, "Accounting by Rate Regulated Utilities for the Effects of Certain Alternate Revenue Programs", revenue amounts not expected to be collected within 24 months, have been deferred. The effect of deferring revenues expected to be collected after two years is included in (bb) below.

**y. Reorganization of subsidiaries**

Corresponds to the reorganization of the Company's subsidiaries Central Costanera and Central Buenos Aires (CBA) during 2001, in which Central Costanera acquired the minority interest in CBA from third parties and exchanged shares with Endesa Argentina. Under Chilean GAAP, the Company recorded the goodwill for the proportional minority interest acquired as the

difference between the purchase price and the carrying values of the assets acquired and liabilities assumed. Under U.S. GAAP, the proportional fair value of the assets acquired compared to the purchase price is recorded as goodwill. The effect on shareholders' equity is included in (bb) below.

**z. Assets held for sale**

Under Chilean GAAP the Company records divestitures of investments or assets in the year in which they occur. Under U.S. GAAP, in accordance with SFAS No. 144, long-lived assets for which there is a plan to sell the assets within the following year, shall be disclosed separately from the Company's other assets, provided all the criteria are met. Additionally, long-lived assets classified as held for sale must be measured at the lower of their carrying amount or fair value less cost to sell. Long-lived assets shall not be depreciated while they are classified as held for sale, while interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be accrued.

The Company's Board of Directors approved a plan to sell a number of the Company's assets during October 2002. The following assets to be sold meet the definition of segments, reporting units or long-lived assets held for sale:

- Compañía Eléctrica del Río Maipo S.A.
- Central Canutillar power plant
- Gas Atacama transmission lines
- CELTA transmission lines
- Infraestructura 2000 S.A.

The Company evaluated the carrying values of all assets held for sale, recording a loss to the extent that one of the assets' fair values less cost to sell was lower than the carrying value of those assets. Additionally, the Company ceased recording depreciation expense once the assets met the qualification criteria of held for sale, which varied from October to December 2002, no impairment was required to these assets as of December 31, 2002. The effect of these adjustments is included in the net income and shareholders' equity reconciliation to U.S. GAAP under paragraph (bb) below.

**aa. Elimination of discontinued operations**

Under Chilean GAAP, no restatement to the financial statement information presented in previous years is required after a divestiture has occurred. Under US GAAP, in accordance with SFAS No. 144, the discontinued operations of a component must be retroactively separated from the continuing operations of an entity, when the operations and cash flows of a component which will be eliminated from the ongoing operations of an entity as a result of a disposal transaction will not have any significant continuing involvement in the operations of a component after the disposal transaction.

The Company evaluated whether any of the assets held for sale met either criteria, noting that the transmission lines and power plant are not components, as they are included as a part of larger cash flow generating groups, and the operations of these assets cannot be separated from their respective groups. Additionally, Endesa-Chile plans to continue generating revenues from Canutillar through a purchase power agreement, management agreement, and a transmission leasing arrangement with the future buyer. Infraestructura 2000 S.A. does meet the conditions for discontinued operations because it has distinct and separable financial results from operations and cash flows. As a result of the disposal the results of operations of the reporting unit have been eliminated from the ongoing operations of Enersis, as Enersis will not have any continuing involvement in the operations of Infraestructura 2000 S.A. after it is sold. The Rio Maipo facility was classified as "held for sale" on December 31, 2002. In April, 2003, the Company sold facility. In accordance with SFAS 144, the Company determined that the Rio Maipo did not must the criteria to be classified as a discontinued operations as of the Enersis will have a significant continuing involvement through continuing sales to Rio Maipo' though its subsidiary Endesa – Chile. The effect of restating discontinued operations is included in the net income reconciliation to U.S. GAAP under paragraph (bb) below.



**bb. Effect of conforming to U.S. GAAP**

The reconciliation of reported net income required to conform with U.S. GAAP is as follows:

|  | For the year ended December 31, |                     |                      |
|--|---------------------------------|---------------------|----------------------|
|  | 2000<br>ThCh\$                  | 2001<br>ThCh\$      | 2002<br>ThCh\$       |
| <b>Net income (loss) in accordance with Chilean GAAP</b>   | <b>95,661,404</b>               | <b>42,154,033</b>   | <b>(223,748,087)</b> |
| Reversal of amortization of revaluation of property, plant and equipment (paragraph b)   | 2,597,035                       | 1,899,779           | 3,336,808            |
| Depreciation of property, plant and equipment and difference in fixed assets value at acquisition date (paragraph c)   | (1,459,538)                     | (1,845,429)         | (5,455,684)          |
| Amortization of intangibles (paragraph d)  | 1,373,576                       | 191,035             | 121,840              |
| Deferred income taxes (paragraph e)  | (69,517,707)                    | (28,618,834)        | (21,149,128)         |
| Pension and post-retirement benefits (paragraph g)   | (11,014,880)                    | 3,738,634           | 23,130,027           |
| Investments in related companies (paragraph h)   | -                               | (18,119,651)        | 20,860,935           |
| Amortization and impairment of goodwill (paragraph i)  | (7,541,119)                     | (1,099,881)         | (94,035,842)         |
| Amortization of negative goodwill (paragraph j)  | (19,035,079)                    | (26,903,634)        | (82,314,299)         |
| Capitalized interest and exchange differences (paragraph k)  | 34,392,221                      | 4,887,915           | (32,529,417)         |
| Accumulated deficit during the development stage (paragraph l)   | 156,769                         | (411,369)           | (5,830,512)          |
| Capitalized general and administrative expenses (paragraph n)  | (1,614,199)                     | (126,967)           | 1,958,425            |
| Involuntary employee termination benefits (paragraph o)  | (2,693,048)                     | (8,797)             | (347,089)            |
| Adjustment in selling price of investment (paragraph p)  | 133,953                         | (76,429)            | 4,491,313            |
| Elimination of amortization of capitalized legal reserve (paragraph q)   | (3,338,239)                     | 591,479             | 903,367              |
| Amortization of organizational and start-up costs (paragraph r)  | 821,187                         | 3,960,274           | 5,365,083            |
| Derivative instruments (paragraph t)   | -                               | 65,189,655          | (78,076,325)         |
| Fair value of long-term debt assumed (paragraph u)   | 133,411                         | (174,229)           | (91,559)             |
| Sale of subsidiaries (paragraph v)   | 21,574,004                      | -                   | -                    |
| Deferred income (paragraph w)  | (3,212,407)                     | 165,419             | 274,829              |
| Regulated assets (paragraph x)   | -                               | (41,903,240)        | (51,237,932)         |
| Reorganization of subsidiaries (paragraph y)   | -                               | -                   | (319,781)            |
| Asset held for sale (paragraph z)  | -                               | -                   | (887,241)            |
| Reclassification of discontinued operations (paragraph aa)   | (161,966)                       | (358,538)           | (148,617)            |
| Effects of minority interest on the U.S. GAAP adjustments  | 58,059,875                      | (4,203,667)         | 127,629,376          |
| Deferred tax effects on the U.S. GAAP adjustments  | (21,143,846)                    | (17,138,430)        | 78,023,974           |
| Reclassification extraordinary gain  | -                               | (24,112,843)        | -                    |
| <b>Net income (loss) in accordance with U.S. GAAP before effect of discontinued operations, extraordinary gain and cumulative effect of change in accounting principle</b> | <b>74,171,407</b>               | <b>(42,323,715)</b> | <b>(330,075,536)</b> |
| Income from discontinued operations net of taxes and minority interest (paragraph aa)  | 260,000                         | 284,410             | 165,119              |
| <b>Net income (loss) in accordance with U.S. GAAP before effect of extraordinary gain and cumulative effect of change in accounting principle</b>                          | <b>74,431,407</b>               | <b>(42,039,305)</b> | <b>(329,910,417)</b> |
| Extraordinary gain (net of taxes)  | -                               | 24,112,843          | -                    |
| <b>Net income (loss) in accordance with U.S. GAAP before cumulative effect of change in accounting principle</b>   | <b>74,431,407</b>               | <b>(17,926,462)</b> | <b>(329,910,417)</b> |
| Cumulative effect of change in accounting principle, net of the tax and minority interest  | -                               | 21,015,045          | -                    |
| <b>Net income (loss) in accordance with U.S. GAAP</b>  | <b>74,431,407</b>               | <b>3,088,583</b>    | <b>(329,910,417)</b> |
| Other comprehensive income (loss):   |                                 |                     |                      |
| Cumulative translation adjustment determined under Chilean GAAP  | 1,336,996                       | 19,459,326          | 20,596,914           |
| Cumulative translation adjustment related to U.S GAAP adjustments  | (4,410,079)                     | (3,494,198)         | (12,536,493)         |
| <b>Comprehensive income (loss) in accordance with U.S.GAAP</b>   | <b>71,358,324</b>               | <b>19,053,711</b>   | <b>(321,849,996)</b> |

The reconciliation to conform shareholders' equity amounts to U.S. GAAP is as follows:

|   | As of December 31,   |                      |
|---|----------------------|----------------------|
|   | 2001<br>ThCh\$       | 2002<br>ThCh\$       |
| <b>Shareholders' equity in accordance with Chilean GAAP</b>   | <b>1,214,561,981</b> | <b>1,005,580,294</b> |
| Reversal of revaluation of property, plant and equipment net of accumulated amortization revaluation of property, plant and equipment (paragraph b) | (17,254,120)         | (14,150,945)         |
| Depreciation of property, plant and equipment and difference in fixed asset value at acquisition date (paragraph c)                                 | 763,072              | (3,065,017)          |
| Intangibles (paragraph d)   | (1,218,399)          | (1,096,559)          |
| Deferred income taxes (paragraph e)   | (244,411,924)        | (277,953,317)        |
| Pension and post-retirement benefits (paragraph g)  | (48,110,011)         | (29,532,561)         |
| Investments in related companies (paragraph h and paragraph z)  | (17,385,748)         | 4,286,240            |
| Goodwill (paragraph i)  | 326,090,688          | 236,394,374          |
| Negative goodwill (paragraph j)   | (205,876,773)        | (298,291,399)        |
| Capitalized interest and exchange differences (paragraph k)   | 44,949,920           | 16,939,438           |
| Minimum dividend (paragraph m)  | (12,646,210)         | -                    |
| Capitalized general and administrative expenses (paragraph n)   | (27,225,414)         | (25,675,535)         |
| Reversal of accrual of certain involuntary employee termination benefits (paragraph o)  | 412,753              | 92,700               |
| Adjustment in selling price of investment (paragraph p)   | (4,215,211)          | -                    |
| Elimination of capitalized legal reserve (paragraph q)  | (9,378,001)          | (9,362,051)          |
| Amortization organizational and start-up costs (paragraph r)  | (39,325,555)         | (37,681,753)         |
| Derivative instruments (paragraph t)  | 210,367,650          | 149,900,318          |
| Fair value of long-term debt assumed (paragraph u)  | 1,357,440            | 1,265,881            |
| Reorganization of subsidiaries (paragraph y)  | 5,997,065            | 6,070,100            |
| Asset held for sale (paragraph z)   | -                    | (887,241)            |
| Deferred income (paragraph w)   | (3,391,114)          | (3,437,112)          |
| Regulated assets (paragraph x)  | (41,903,240)         | (97,106,372)         |
| Effects of minority interest on the U.S. GAAP adjustments   | 96,667,003           | 225,171,613          |
| Elimination of result of discontinuing operations   | -                    | 724,763              |
| Deferred tax effects on the U.S. GAAP adjustments   | (74,152,019)         | (2,715,812)          |
| <b>Shareholders' equity in accordance with U.S. GAAP</b>  | <b>1,154,673,833</b> | <b>845,470,047</b>   |

The changes in shareholders' equity in U.S. GAAP as of each year-end are as follows:

|   | As of December 31,   |                    |
|---|----------------------|--------------------|
|   | 2001<br>ThCh\$       | 2002<br>ThCh\$     |
| Shareholders equity in accordance with U.S. GAAP - January 1,       | 1,131,339,028        | 1,154,673,833      |
| Dividends paid during the year                                      | (15,426,129)         | -                  |
| Reversal of dividends payable as of previous balance sheet date     | 28,698,421           | 12,646,210         |
| Minimum dividend (paragraph m)                                      | (12,646,210)         | -                  |
| Cumulative translation adjustment                                   | 15,965,128           | 8,060,421          |
| Reorganization of subsidiaries (paragraph y)                        | 3,655,011            | -                  |
| Net income (loss) in accordance with U.S. GAAP for the year         | 3,088,584            | (329,910,417)      |
| <b>Shareholders equity in accordance with U.S.GAAP-December 31,</b> | <b>1,154,673,833</b> | <b>845,470,047</b> |

**II. Additional disclosure requirements:**

**a. Goodwill and negative goodwill**

The following is an analysis of goodwill and negative goodwill, determined on Chilean GAAP basis, as of December 31, 2001 and 2002, respectively:

|                                | As of December 31,   |                     |
|--------------------------------|----------------------|---------------------|
|                                | 2001<br>ThCh\$       | 2002<br>ThCh\$      |
| Goodwill                       | 1,652,861,416        | 1,235,470,632       |
| Less: accumulated amortization | (334,028,823)        | (387,957,133)       |
| <b>Goodwill, net</b>           | <b>1,318,832,593</b> | <b>847,513,499</b>  |
| Negative goodwill              | (382,125,693)        | (342,816,906)       |
| Less: accumulated amortization | 200,931,133          | 247,643,956         |
| <b>Negative goodwill, net</b>  | <b>(181,194,560)</b> | <b>(95,172,950)</b> |

**b. Basis and diluted earnings per share:**

|   | <b>For the year ended December 31,</b> |                      |                      |
|---|--|----------------------|----------------------|
|   | <b>2000<br/>Ch\$</b>                   | <b>2001<br/>Ch\$</b> | <b>2002<br/>Ch\$</b> |
| <i>Chilean GAAP (loss) earnings per share</i>   | 13.32                                  | 5.08                 | (26.99)              |
| <i>U.S. GAAP (loss) earnings per share:</i>   |  |                      |                      |
| <i>U.S. GAAP (loss) earnings per share before effect of discontinued operations, extraordinary gain and cumulative effect of change in accounting principle</i> | 10.33                                  | (5.10)               | (39.81)              |
| <i>Discontinued operations (net of tax)</i>   | 0.04                                   | 0.03                 | 0.02                 |
| <i>U.S. GAAP (loss) earnings per share before effect of extraordinary gain and cumulative effect of change in accounting principle</i>                          | 10.37                                  | (5.07)               | (39.79)              |
| <i>Extraordinary gain (net of tax)</i>  | -                                      | 2.91                 | -                    |
| <i>U.S. GAAP (loss) earnings per share before cumulative effect of change in accounting principle</i>   | 10.37                                  | (2.16)               | (39.79)              |
| <i>Cumulative effect of change in accounting principle (net of tax)</i>   | -                                      | 2.53                 | -                    |
| <i>Basic and diluted U.S. GAAP (loss) earnings per share</i>  | 10.37                                  | 0.37                 | (39.79)              |
| <i>Weighted average number of common shares outstanding (000's)</i>   | 7,180,409                              | 8,291,020            | 8,291,020            |

(1) The earnings per share figures for both U.S. GAAP and Chilean GAAP purposes have been calculated by dividing the respective earnings (loss) amounts in accordance with U.S. GAAP and Chilean GAAP, respectively, by the weighted average number of common shares outstanding during the year. The Company has not issued convertible debt or equity securities. Consequently, there are no potentially dilutive effects on the earnings per share of the Company

**c. Income taxes:**

The provision (benefit) for income taxes charged to the results of operations determined in accordance with U.S. GAAP is a follows:

|   | 2000              |                     |                   |                   |                    |                 |                    |
|---|-------------------|---------------------|-------------------|-------------------|--------------------|-----------------|--------------------|
|   | Chile<br>ThCh\$   | Argentina<br>ThCh\$ | Perú<br>ThCh\$    | Brazil<br>ThCh\$  | Colombia<br>ThCh\$ | Other<br>ThCh\$ | Total<br>ThCh\$    |
| <b>Income tax provision under Chilean GAAP</b>                                |                   |                     |                   |                   |                    |                 |                    |
| Current income taxes as determined under Chilean GAAP (1)                     | 65,016,882        | 38,213,657          | 1,288,064         | 21,480,003        | 33,103,382         | 321,727         | 159,423,715        |
| Deferred income taxes as determined under Chilean GAAP                        | (8,963,932)       | 661,396             | 16,646,200        | (23,941,812)      | (1,705,564)        |                 | (17,303,712)       |
| Total income tax provision under Chilean GAAP                                 | 56,052,950        | 38,875,053          | 17,934,264        | (2,461,809)       | 31,397,818         | 321,727         | 142,120,003        |
| <b>U.S. GAAP adjustments:</b>   |                   |                     |                   |                   |                    |                 |                    |
| Deferred tax effect of applying SFAS No. 109                                  | 9,209,924         | (5,563,761)         | 10,295,909        | 54,698,116        | 877,519            | -               | 69,517,707         |
| Deferred tax effect of adjustments to U.S. GAAP                               | (331,518)         | 5,685,557           | 78,602            | 15,804,001        | -                  | -               | 21,236,642         |
| Total U.S. GAAP adjustments   | 8,878,406         | 121,796             | 10,374,511        | 70,502,117        | 877,519            | -               | 90,754,349         |
| <b>Total Income tax provision under U.S. GAAP</b>                             | <b>64,931,356</b> | <b>38,996,849</b>   | <b>28,308,775</b> | <b>68,040,308</b> | <b>32,275,337</b>  | <b>321,727</b>  | <b>232,874,352</b> |
|   | 2001              |                     |                   |                   |                    |                 |                    |
|   | Chile<br>ThCh\$   | Argentina<br>ThCh\$ | Perú<br>ThCh\$    | Brazil<br>ThCh\$  | Colombia<br>ThCh\$ | Other<br>ThCh\$ | Total<br>ThCh\$    |
| <b>Income tax provision under Chilean GAAP</b>                                |                   |                     |                   |                   |                    |                 |                    |
| Current income taxes as determined under Chilean GAAP (1)                     | 12,794,860        | 45,203,098          | 8,212,337         | 22,660,803        | 31,499,043         | 71,781          | 120,441,922        |
| Deferred income taxes as determined under Chilean GAAP                        | 6,062,958         | 2,397,955           | 13,173,620        | (13,678,191)      | 172,468            | -               | 8,128,810          |
| Total income tax provision under Chilean GAAP                                 | 18,857,818        | 47,601,053          | 21,385,957        | 8,982,612         | 31,671,511         | 71,781          | 128,570,732        |
| <b>U.S. GAAP adjustments:</b>   |                   |                     |                   |                   |                    |                 |                    |
| Deferred tax effect of applying SFAS No. 109                                  | 994,832           | 23,387,331          | 690,007           | 3,382,515         | 164,149            | -               | 28,618,834         |
| Deferred tax effect of adjustments to U.S. GAAP                               | (2,963,740)       | 3,033,510           | (776,899)         | (6,378,222)       | 24,355,649         | -               | 17,270,298         |
| Deferred tax effect of cumulative effect of change<br>in accounting principle | (1,841,380)       | 41,529,856          | 214,348           | (203,244)         | 6,876,341          | -               | 46,575,921         |
| Total U.S. GAAP adjustments:  | (3,810,288)       | 67,950,697          | 127,456           | (3,198,951)       | 31,396,139         | -               | 92,465,053         |
| <b>Total Income tax provision under U.S. GAAP</b>                             | <b>15,047,530</b> | <b>115,551,750</b>  | <b>21,513,413</b> | <b>5,783,661</b>  | <b>63,067,650</b>  | <b>71,781</b>   | <b>221,035,785</b> |
|   | 2002              |                     |                   |                   |                    |                 |                    |
|   | Chile<br>ThCh\$   | Argentina<br>ThCh\$ | Perú<br>ThCh\$    | Brazil<br>ThCh\$  | Colombia<br>ThCh\$ | Other<br>ThCh\$ | Total<br>ThCh\$    |
| <b>Income tax provision under Chilean GAAP</b>                                |                   |                     |                   |                   |                    |                 |                    |
| Current income taxes as determined under Chilean GAAP                         | 13,292,208        | (62,123)            | 12,661,339        | 2,602,883         | 45,248,145         | -               | 73,742,452         |
| Deferred income taxes as determined under Chilean GAAP                        | 3,214,739         | (34,075,899)        | 30,322,409        | (5,879,658)       | (1,307,058)        | -               | (7,725,467)        |
| Total income tax provision under Chilean GAAP                                 | 16,506,947        | (34,138,022)        | 42,983,748        | (3,276,775)       | 43,941,087         | -               | 66,016,985         |
| <b>U.S. GAAP adjustments:</b>   |                   |                     |                   |                   |                    |                 |                    |
| Deferred tax effect of applying SFAS No. 109                                  | 2,298,780         | (30,426,372)        | 21,488,911        | 24,299,705        | 3,488,104          | -               | 21,149,128         |
| Deferred tax effect of adjustments to U.S. GAAP                               | (13,217,783)      | 13,786,982          | (21,585,415)      | (20,363,366)      | (36,644,392)       | -               | (78,023,974)       |
| Total U.S. GAAP adjustments:  | (10,919,003)      | (16,639,390)        | (96,504)          | 3,936,339         | (33,156,288)       | -               | (56,874,846)       |
| <b>Total Income tax provision under U.S. GAAP</b>                             | <b>5,587,944</b>  | <b>(50,777,412)</b> | <b>42,887,244</b> | <b>659,564</b>    | <b>10,784,799</b>  | <b>-</b>        | <b>9,142,139</b>   |

(1) The income tax provisions under Chilean GAAP for the years ended December 31, 2000 and 2001 are stated net of income tax recovery of ThCh\$4,207,583 and ThCh\$8,116,807.

Deferred tax assets (liabilities) as of balance sheet dates are summarized as follows:

|  | As of December 31, 2001                                   |  |  | As of December 31, 2002                                   |  |  |
|--|---|--|--|---|--|--|
|  | SFAS No. 109<br>Applied to<br>Chilean<br>GAAP<br>Balances | SFAS No.<br>109 applied<br>to U.S. GAAP<br>Adjustments | Total<br>Deferred<br>Taxes under<br>SFAS No. 109 | SFAS No. 109<br>Applied to<br>Chilean<br>GAAP<br>Balances | SFAS No.<br>109 applied<br>to U.S. GAAP<br>Adjustments | Total<br>Deferred<br>Taxes under<br>SFAS No. 109 |
|  | ThCh\$  | ThCh\$   | ThCh\$   | ThCh\$  | ThCh\$   | ThCh\$   |
| <b>Deferred income tax assets</b>                                    |   |  |  |   |  |  |
| Property, plant and equipment  | 6,976,342   | 4,386,013  | 11,362,355                                       | 6,032,020   | 13,837,806   | 19,869,826                                       |
| Regulated assets and related deferred<br>cost (companies in Brazil)  |   | 14,247,101   | 14,247,101                                       |   | 33,016,167   | 33,016,167                                       |
| Negative goodwill  |   | 8,406,250  | 8,406,250  |   | 22,148,453   | 22,148,453                                       |
| Allowance for doubtful accounts                                      | 38,334,751  |  | 38,334,751                                       | 32,217,765  |  | 32,217,765                                       |
| Actuarial deficit (companies in Brazil)                              | 7,487,563   |  | 7,487,563  | 6,766,431   |  | 6,766,431  |
| Deferred income  | 2,507,334   | 1,152,980  | 3,660,314  | 2,746,091   | 1,168,618  | 3,914,709  |
| With-holdings  | 2,164,150   |  | 2,164,150  | 3,252,750   |  | 3,252,750  |
| Provision real estate projects                                       | -   |  | -  | 2,656,047   |  | 2,656,047  |
| Derivative contracts   | 1,003,760   | 7,555,125  | 8,558,885  | 584,992   | 8,998,383  | 9,583,375  |
| Severance indemnities  | 4,166   |  | 4,166  | 5,248   | 415,266  | 420,514  |
| Vacation accrual   | 1,395,215   |  | 1,395,215  | 1,211,297   |  | 1,211,297  |
| Post retirement benefits   | 499,032   | 16,365,659   | 16,864,691                                       | 1,627,336   | 10,850,823   | 12,478,159                                       |
| Tax loss carryforwards (1)   | 80,072,911  |  | 80,072,911                                       | 116,468,223   |  | 116,468,223                                      |
| Contingencies  | 46,795,319  |  | 46,795,319                                       | 50,931,732  |  | 50,931,732                                       |
| Finance costs  | 194,771   |  | 194,771  | 117,034   |  | 117,034  |
| Salaries for construction-in progress                                | 5,843,294   |  | 5,843,294  | 3,926,807   | 5,583,440  | 9,510,247  |
| Exchange difference -subsidiaries                                    | -   |  | -  | 5,155,480   |  | 5,155,480  |
| Valuation allowance  | (3,322,326)   |  | (3,322,326)                                      | (3,448,901)   |  | (3,448,901)                                      |
| <b>Total deferred income tax assets</b>                              | <b>189,956,282</b>  | <b>52,113,128</b>                                      | <b>242,069,410</b>                               | <b>230,250,352</b>  | <b>96,018,956</b>                                      | <b>326,269,308</b>                               |
| <b>Deferred income tax liabilities</b>                               |   |  |  |   |  |  |
| Negative goodwill  |   | 1,927,532  | 1,927,532  |   |  | -  |
| Property, plant and equipment  | 388,356,194   | 6,019,514  | 394,375,708                                      | 459,271,816   | 5,229,011  | 464,500,827                                      |
| Severance indemnities  | 1,954,040   |  | 1,954,040  | 814,241   |  | 814,241  |
| Intangibles  | 24,954  |  | 24,954   | -   |  | -  |
| Regulated assets   | -   |  | -  | 3,828,000   |  | 3,828,000  |
| Deferred charges   | 1,510,731   |  | 1,510,731  | -   |  | -  |
| Actuarial deficit (companies in Brazil)                              | 5,570,625   |  | 5,570,625  | 2,301,708   |  | 2,301,708  |
| Finance costs  | 8,304,618   |  | 8,304,618  | 13,755,855  |  | 13,755,855                                       |
| Derivative contracts   | 512,289   | 86,306,393   | 86,818,682                                       | -   | 69,744,951   | 69,744,951                                       |
| Bond discount  | 2,126,014   |  | 2,126,014  | 1,871,635   |  | 1,871,635  |
| Cost of studies  | 4,675,640   |  | 4,675,640  | 7,972,554   |  | 7,972,554  |
| Imputed interest on construction                                     | 4,830,117   |  | 4,830,117  | 4,863,433   |  | 4,863,433  |
| With-holdings  | 5,659   |  | 5,659  | 198,638   |  | 198,638  |
| Materials used   | 3,349,399   |  | 3,349,399  | 1,086,289   |  | 1,086,289  |
| Hid. El Chocón investment  | 119,374   |  | 119,374  | 2,897,791   |  | 2,897,791  |
| Capitalized expenses   | 5,059,362   |  | 5,059,362  | 3,883,070   |  | 3,883,070  |
| Capitalized interest   |   | 26,738,515   | 26,738,515                                       |   | 20,896,091   | 20,896,091                                       |
| Post retirement benefits   | 559   | 8,255  | 8,814  | 1,033   | 525,304  | 526,337  |
| Contingencies  | 10,311,653  |  | 10,311,653                                       | 13,767,462  |  | 13,767,462                                       |
| Others   |   | 229,961  | 229,961  |   | 2,339,411  | 2,339,411  |
| Differences between the financial and<br>tax value of Río Maipo S.A. | -   |  | -  | 1,475,222   |  | 1,475,222  |
| <b>Total deferred income tax liabilities</b>                         | <b>436,711,228</b>  | <b>121,230,170</b>                                     | <b>557,941,398</b>                               | <b>517,988,747</b>  | <b>98,734,768</b>                                      | <b>616,723,515</b>                               |
| <b>Net deferred assets (liabilities)</b>                             | <b>(246,754,946)</b>                                      | <b>(69,117,042)</b>                                    | <b>(315,871,988)</b>                             | <b>(287,738,395)</b>                                      | <b>(2,715,812)</b>                                     | <b>(290,454,207)</b>                             |

(1) Tax loss carryforwards relate primarily to Peruvian, Chilean and Brazilian entities. In accordance with the current enacted tax law in Chile and Brazil, such tax losses may be carried-forward indefinitely, however Peruvian tax carryforwards expire after five years.

A reconciliation of the Chilean Statutory Income Tax rate to the Company's effective tax rate on net income is as follows:

|   | 2000              |                     |                   |                   |                    |                 |                    |
|---|-------------------|---------------------|-------------------|-------------------|--------------------|-----------------|--------------------|
|   | Chile<br>ThCh\$   | Argentina<br>ThCh\$ | Perú<br>ThCh\$    | Brazil<br>ThCh\$  | Colombia<br>ThCh\$ | Other<br>ThCh\$ | Total<br>ThCh\$    |
| Statutory Chilean tax                                 | 42,274,015        | 20,326,388          | 12,194,040        | 6,526,106         | 16,240,891         | (32,646,249)    | 64,915,191         |
| Effect of higher foreign tax rates                    | -                 | 18,710,018          | 8,064,200         | 1,091,686         | 8,940,850          | (3,439,430)     | 33,367,324         |
| <b>Increase (decrease) in rates resulting from:</b>   |                   |                     |                   |                   |                    |                 |                    |
| Price-level restatement not accepted for tax purposes | 8,795,897         | (305,904)           | 2,898,307         | (5,955,061)       | 4,666,333          | -               | 10,099,572         |
| Non-taxable items                                     | (24,795,443)      | 267,276             | 4,808,544         | 2,240,689         | 5,065,308          | 36,085,678      | 23,672,052         |
| Non-deductible items                                  | 40,180,413        | 6,590,676           | -                 | (8,077,733)       | (887,189)          |                 | 37,806,167         |
| Prior years income tax                                | (1,575,934)       | (6,157,565)         | 343,646           | 69,386,194        | -                  |                 | 61,996,341         |
| Other   | 52,408            | (434,042)           | 39                | 2,828,427         | (1,750,855)        | 321,727         | 1,017,704          |
| <b>Tax expense at effective tax rate</b>              | <b>64,931,356</b> | <b>38,996,847</b>   | <b>28,308,776</b> | <b>68,040,308</b> | <b>32,275,338</b>  | <b>321,726</b>  | <b>232,874,351</b> |
|   | 2001              |                     |                   |                   |                    |                 |                    |
|   | Chile<br>ThCh\$   | Argentina<br>ThCh\$ | Perú<br>ThCh\$    | Brazil<br>ThCh\$  | Colombia<br>ThCh\$ | Other<br>ThCh\$ | Total<br>ThCh\$    |
| Statutory Chilean tax                                 | 35,207,167        | 33,046,613          | 8,262,496         | (750,031)         | 19,766,103         | (32,573,861)    | 62,958,487         |
| Effect of higher foreign tax rates                    | -                 | 63,649,632          | 16,461,874        | 1,640,641         | 30,099,172         | (6,560,221)     | 105,291,098        |
| <b>Increase (decrease) in rates resulting from:</b>   |                   |                     |                   |                   |                    |                 |                    |
| Price-level restatement not accepted for tax purposes | 10,831,171        | (471,398)           | (472,813)         | (1,154,998)       | 14,976,551         | -               | 23,708,513         |
| Non-taxable items                                     | (21,005,978)      | 12,895,204          | 4,689,412         | 94,672            | -                  | 39,134,083      | 35,807,393         |
| Non-deductible items                                  | (24,172,189)      | 20,330,824          | (7,574,107)       | (316,500)         | (719,668)          | -               | (12,451,640)       |
| Prior years income tax                                | 1,986,643         | -                   | 401,288           | (2,163,759)       | -                  | -               | 224,172            |
| Effect of Chilean tax rate increase                   | 8,212,618         | -                   | -                 | -                 | -                  | -               | 8,212,618          |
| Other   | 3,988,096         | (13,899,124)        | (254,737)         | 8,433,636         | (1,054,508)        | 71,781          | (2,714,856)        |
| <b>Tax expense at effective tax rate</b>              | <b>15,047,528</b> | <b>115,551,751</b>  | <b>21,513,413</b> | <b>5,783,661</b>  | <b>63,067,650</b>  | <b>71,782</b>   | <b>221,035,785</b> |
|   | 2002              |                     |                   |                   |                    |                 |                    |
|   | Chile<br>ThCh\$   | Argentina<br>ThCh\$ | Perú<br>ThCh\$    | Brazil<br>ThCh\$  | Colombia<br>ThCh\$ | Other<br>ThCh\$ | Total<br>ThCh\$    |
| Statutory Chilean tax                                 | (66,503,282)      | 165,774             | 12,985,063        | (74,011,455)      | 6,766,510          |                 | (120,597,390)      |
| Effect of higher foreign tax rates                    | 426,279           | 196,856             | 14,202,414        | (57,760,020)      | (6,900,286)        |                 | (49,834,757)       |
| <b>Increase (decrease) in rates resulting from:</b>   |                   |                     |                   |                   |                    |                 |                    |
| Price-level restatement not accepted for tax purposes | 6,829,025         | (23,354,798)        | 565,546           | 1,932,546         | 13,543,094         |                 | (484,587)          |
| Non-taxable items                                     | (1,268,782)       | 7,828,561           | 8,312,037         | 43,976,453        | (199)              |                 | 58,848,070         |
| Non-deductible items                                  | 64,855,138        | (35,286,731)        | 6,987,296         | 87,266,915        | (4,057,934)        |                 | 119,764,684        |
| Prior years income tax                                | 2,669,791         |                     | 1,354,580         |                   | (509,651)          |                 | 3,514,720          |
| Other   | (1,420,225)       | (327,074)           | (1,519,692)       | (744,875)         | 1,943,265          |                 | (2,068,601)        |
| <b>Tax (benefit) expense at effective tax rate</b>    | <b>5,587,944</b>  | <b>(50,777,412)</b> | <b>42,887,244</b> | <b>659,564</b>    | <b>10,784,799</b>  | <b>-</b>        | <b>9,142,139</b>   |

**d. Acquisitions**

In May of 2002, Enersis S.A. acquired 6,824,495 Sociedad Inversiones Distrilima S.A. shares equivalent to 1.14% of issued capital for US\$1,767,761.22 increasing its direct interest from 14.79% to 15.93%.

In February and April of 2002 Enersis S.A. made contributions of US\$22,773,195.87 to Central Generadora Termelétrica Fortalez S.A. for a capital increase, maintaining its 48.82% interest equivalent to 20,246,908 shares.

During 2002, Lajas Inversora (Endesa subsidiary) acquired 753,627 (0.0803%) of Central Eléctrica Cachoeira Dourada S.A. (Brasil) shares for Th\$58,931, increasing its interest to 99.59% in said Company.

On September 13, 2002, Endesa acquired 7,275,433 (2.51%) Pangué S.A. (Chile) shares for Th\$4,998,894, increasing its interest to 94.97% in said Company.

Debenture capitalization in Cerj

On July 11, 2002, the Company Luz de Río Ltda. and Endesa International Energía Ltda., holders of convertible bonds issued by Companhia de Electricidade do Rio de Janeiro, exercised the option to capitalize their investment. To that effect, 420,705,127,532 no par value shares were issued.

During the year ended December 31, 2001, the Company did not have significant acquisitions.

For acquisitions accounted as a business combination using the purchase method, assets and liabilities have been consolidated as of the purchase date and earnings from the acquisitions have been included in consolidated earnings of the Company from the purchase date.

**e. Segment disclosures**

The Company is primarily engaged in the distribution, generation and transmission of electricity in Chile, Argentina, Brazil, Colombia and Perú. Enersis provides these and other services through four business segments:

- Generation
- Distribution
- Engineering Services and Real State
- Corporate and other

Generation involves the generation of electricity primarily through its subsidiary Endesa-Chile. Distribution involves the supply of electricity to regulated and unregulated customers. Engineering Services and Real Estate includes engineering services and real estate development. Corporate and other includes computer-related data processing services and the sale of electric-related supplies and equipment. The Company's reportable segments are strategic business units that offer different products and services and are managed separately. The methods of revenue recognition by segment are as follows:



- **Generation**  
Revenue is recognized when energy and power output is delivered and capacity is provided at rates specified under contract terms or prevailing market rates.
  
- **Distribution - Operating Revenues**  
Revenue is recognized when energy and power is provided at rates specified under contract terms or prevailing market rates.
  
- **Distribution - Non Operating Revenues**  
Revenue is recognized as services are provided, such as public light posts, telephone poles, and other services related to distribution services.
  
- **Engineering Services and Real Estate**  
Revenue is recognized as services are provided, or when projects are sold.
  
- **Corporate and Other**  
Revenue is recognized as services are provided, or when supplies or equipment are sold.

The following segment information has been disclosed in accordance with U.S. reporting requirements, however, the information presented has been determined in accordance with Chilean GAAP:

| 2000  | Generation           | Distribution         | Engineering services and real estate | Corporate and other | Eliminations         | Consolidated         |
|---|----------------------|----------------------|--------------------------------------|---------------------|----------------------|----------------------|
|   | ThCh\$               | ThCh\$               | ThCh\$                               | ThCh\$              | ThCh\$               | ThCh\$               |
| Sales to unaffiliated customers                               | 700,831,148          | 1,972,978,680        | 47,820,038                           | 35,417,231          |                      | 2,757,047,097        |
| Intersegment sales  | 236,819,167          | 29,428,862           | 32,294,269                           | 25,803,150          | (324,345,448)        |                      |
| <b>Total revenues</b>   | <b>937,650,315</b>   | <b>2,002,407,542</b> | <b>80,114,307</b>                    | <b>61,220,381</b>   | <b>(324,345,448)</b> | <b>2,757,047,097</b> |
| <b>Operating income</b>                                       | <b>266,929,009</b>   | <b>271,970,486</b>   | <b>14,955,921</b>                    | <b>(8,807,981)</b>  | <b>7,702,184</b>     | <b>552,749,619</b>   |
| Participation in net income of affiliate companies            |                      |                      | 3,556                                | 73,197              |                      | 76,753               |
| Depreciation and amortization                                 | 169,553,126          | 243,552,307          | 1,264,335                            | 49,658,881          | (266,434)            | 463,762,215          |
| Identifiable assets including investment in related companies | 6,016,567,836        | 6,005,278,026        | 143,109,885                          | 4,729,152,140       | (5,138,754,125)      | 11,755,353,762       |
| Capital expenditures  | 89,662,770           | 250,520,763          | 1,028,999                            | 1,796,973           |                      | 343,009,505          |
| 2001  | Generation           | Distribution         | Engineering services and real estate | Corporate and other | Eliminations         | Consolidated         |
|   | ThCh\$               | ThCh\$               | ThCh\$                               | ThCh\$              | ThCh\$               | ThCh\$               |
| Sales to unaffiliated customers                               | 836,144,871          | 2,126,128,164        | 35,046,655                           | 62,061,071          |                      | 3,059,380,761        |
| Intersegment sales  | 209,134,449          | 43,705,715           | 28,336,648                           | 30,562,731          | (311,739,543)        |                      |
| <b>Total revenues</b>   | <b>1,045,279,320</b> | <b>2,169,833,879</b> | <b>63,383,303</b>                    | <b>92,623,802</b>   | <b>(311,739,543)</b> | <b>3,059,380,761</b> |
| <b>Operating income</b>                                       | <b>347,975,163</b>   | <b>386,500,673</b>   | <b>10,133,274</b>                    | <b>(4,545,293)</b>  | <b>14,479,950</b>    | <b>754,543,767</b>   |
| Participation in net income of affiliate companies            | (10,355,056)         |                      |                                      | (343,742)           |                      | (10,698,798)         |
| Depreciation and amortization                                 | 150,091,696          | 260,276,949          | 1,241,298                            | 56,491,985          | (266,433)            | 467,835,495          |
| Identifiable assets including investment in related companies | 6,361,571,367        | 6,310,062,578        | 135,386,583                          | 4,945,729,831       | (4,992,951,048)      | 12,759,799,311       |
| Capital expenditures  | (52,972,422)         | (287,990,889)        | (415,494)                            | (174,931)           |                      | (341,553,736)        |
| 2002  | Generation           | Distribution         | Engineering services and real estate | Corporate and other | Eliminations         | Consolidated         |
|   | ThCh\$               | ThCh\$               | ThCh\$                               | ThCh\$              | ThCh\$               | ThCh\$               |
| Sales to unaffiliated customers                               | 724,708,753          | 1,712,052,829        | 34,157,580                           | 14,954,058          |                      | 2,485,873,220        |
| Intersegment sales  | 213,390,398          | 50,057,741           | 71,166,328                           | 42,859,584          | (377,474,051)        |                      |
| <b>Total revenues</b>   | <b>938,099,151</b>   | <b>1,762,110,570</b> | <b>105,323,908</b>                   | <b>57,813,642</b>   | <b>(377,474,051)</b> | <b>2,485,873,220</b> |
| <b>Operating income</b>                                       | <b>336,622,006</b>   | <b>183,495,124</b>   | <b>13,379,302</b>                    | <b>(111,044)</b>    | <b>(741,027)</b>     | <b>532,644,361</b>   |
| Participation in net income of affiliate companies            | 8,541,745            |                      |                                      | (277,962)           |                      | 8,263,783            |
| Depreciation and amortization                                 | 221,359,385          | 512,547,464          | 1,411,217                            | 110,822,164         | 12,816,588           | 858,956,818          |
| Identifiable assets including investment in related companies | 6,524,201,396        | 6,105,423,113        | 140,950,745                          | 4,294,946,364       | (4,444,356,942)      | 12,621,164,676       |
| Capital expenditures  | 134,858,115          | 181,859,234          | 755,092                              | 443,002             |                      | 317,915,443          |

A summary of activities by geographic area is as follows:

|                             | <b>Chile<br/>ThCh\$</b> | <b>Argentina<br/>ThCh\$</b> | <b>Perú<br/>ThCh\$</b> | <b>Brazil<br/>ThCh\$</b> | <b>Colombia<br/>ThCh\$</b> | <b>Total<br/>ThCh\$</b> |
|-----------------------------|-------------------------|-----------------------------|------------------------|--------------------------|----------------------------|-------------------------|
| <b>2000</b>                 |                         |                             |                        |                          |                            |                         |
| Total revenues              | 699,239,131             | 759,355,551                 | 233,989,079            | 634,011,382              | 430,451,955                | 2,757,047,098           |
| Long lived assets (net) (1) | 2,803,069,054           | 1,440,626,633               | 1,064,776,614          | 1,254,692,103            | 2,381,648,403              | 8,944,812,807           |
| <b>2001</b>                 |                         |                             |                        |                          |                            |                         |
| Total revenues              | 805,112,327             | 827,352,863                 | 265,489,142            | 691,658,117              | 469,768,312                | 3,059,380,761           |
| Long lived assets (net) (1) | 2,365,838,917           | 1,562,886,168               | 1,173,962,317          | 1,944,053,053            | 2,578,309,204              | 9,625,049,659           |
| <b>2002</b>                 |                         |                             |                        |                          |                            |                         |
| Total revenues              | 799,462,080             | 297,634,006                 | 292,427,127            | 624,290,007              | 472,060,000                | 2,485,873,220           |
| Long lived assets (net) (1) | 2,374,734,591           | 1,551,821,292               | 1,235,792,237          | 2,039,631,354            | 2,677,478,709              | 9,879,458,183           |

(1) Long-lived assets include property, plant and equipment.

**f. Concentration of risk:**

The Company does not believe that it is exposed to any unusual credit risk from any single customer. The Company's debtors are dependent on the economy in Latin America, which could make them vulnerable to downturns in the economic activity in the countries in which the Company operates.

No single customers accounted for more than 10% of revenues for the years ending December 31, 2001 and 2002.

**g. Schedule of debt maturity:**

Following is a schedule of debt maturity in each of the next five years and thereafter:

|              | <b>ThCh\$</b>        |
|--------------|----------------------|
| 2003         | 1,558,378,097        |
| 2004         | 2,355,368,823        |
| 2005         | 177,943,497          |
| 2006         | 611,688,751          |
| 2007         | 155,949,924          |
| Thereafter   | 1,518,063,448        |
| <b>Total</b> | <b>6,377,392,540</b> |

**h. Disclosure regarding interest capitalization:**

|   | Year ended December 31, |                |                |
|---|-------------------------|----------------|----------------|
|   | 2000<br>ThCh\$          | 2001<br>ThCh\$ | 2002<br>ThCh\$ |
| Interest cost incurred                  | 520,328,589             | 457,221,298    | 446,064,039    |
| Interest capitalized under Chilean GAAP | 21,323,611              | 24,250,320     | 19,467,730     |
| Interest capitalized under U.S. GAAP    | 55,715,832              | 29,138,235     | 23,656,508     |

**i. Cash flow information:**

(i) The statement of cash flows under Chile GAAP differs in certain respects from the presentation of a statement of cash flow under U.S. GAAP as follows:

|  | Year ended December 31, |                      |                      |
|--|-------------------------|----------------------|----------------------|
|  | 2000<br>ThCh\$          | 2001<br>ThCh\$       | 2002<br>ThCh\$       |
| Cash provided by operating activities under Chilean GAAP               | 538,690,847             | 662,920,609          | 627,782,332          |
| Development stage companies  |                         | 1,303,896            |                      |
| <b>Cash provided by (used in) operating activities under U.S. GAAP</b> | <b>538,690,847</b>      | <b>664,224,505</b>   | <b>627,782,332</b>   |
| Cash provided by (used in) financing activities under Chilean GAAP     | (814,290,090)           | (61,414,127)         | (285,039,864)        |
| Development stage companies  |                         | (985,718)            |                      |
| Repurchase of Yankee Bonds   |                         | (177,168,871)        |                      |
| <b>Cash provided by (used in) financing activities under U.S.GAAP</b>  | <b>(814,290,090)</b>    | <b>(239,568,716)</b> | <b>(285,039,864)</b> |
| Cash provided by (used in) investing activities under Chilean GAAP     | 176,616,070             | (503,639,589)        | (336,878,757)        |
| Development stage companies  |                         | (310,893)            |                      |
| Repurchase of Yankee Bonds   |                         | 177,168,871          |                      |
| Time deposits (1)  |                         |                      | (10,176,847)         |
| <b>Cash provided by (used in) investing activities under U.S.GAAP</b>  | <b>176,616,070</b>      | <b>(326,781,611)</b> | <b>(347,055,604)</b> |

(1) Time deposits with maturities longer than 90 days

(ii) Cash and cash equivalents includes all highly liquid debt instruments purchased with a maturity of three months or less:

|  | Year ended December 31, |                    |                    |
|--|-------------------------|--------------------|--------------------|
|  | 2000<br>ThCh\$          | 2001<br>ThCh\$     | 2002<br>ThCh\$     |
| Cash                                   | 28,073,249              | 37,648,796         | 48,184,878         |
| Time deposits                          | 79,697,694              | 178,113,234        | 135,450,047        |
| Marketable securities                  |                         | 198,248            | 1,543,290          |
| Other current assets                   | 12,264,761              | 1,867,323          | 25,836,618         |
| <b>Total cash and cash equivalents</b> | <b>120,035,704</b>      | <b>217,827,601</b> | <b>211,014,833</b> |

(iii) Additional disclosures required under U.S. GAAP are as follows:

|                                       | Year ended December 31, |                |                |
|---------------------------------------|-------------------------|----------------|----------------|
|                                       | 2000<br>ThCh\$          | 2001<br>ThCh\$ | 2002<br>ThCh\$ |
| Interest paid during the year         | 381,782,050             | 405,238,393    | 455,550,047    |
| Income taxes paid during the year     | 154,341,501             | 132,198,412    | 136,413,682    |
| Assets acquired under capital leasing | 2,314,164               | 238,590        | -              |

**j. Disclosures about fair value of financial instruments**

The following methods and assumption were used to estimate the fair value of each class of financial instruments as of December 31, 2001 and 2002 for which it is practicable to estimate that value:

- **Cash**  
The fair value of the Company's cash is equal to its carrying value.
- **Time deposits**  
The fair value of time deposits approximates carrying value due to the relatively short-term nature.
- **Marketable securities**  
The fair value of marketable securities is based on quoted market prices of the common stock held and approximates carrying value.
- **Long-term accounts receivable**  
The fair value of long-term accounts receivable was estimated using the interest rates that are currently offered for loans with similar terms and remaining maturities.
- **Long-term debt**  
The fair value of long-term debt was based on rates currently available to the Company for debt with similar terms and remaining maturities.

- **Derivative instruments**

Estimates of fair values of derivative instruments for which no quoted prices or secondary market exists have been made using valuation techniques such as forward pricing models, present value of estimated future cash flows, and other modeling techniques. These estimates of fair value include assumptions made by the Company about market variables that may change in the future. Changes in assumptions could have a significant impact on the estimate of fair values disclosed. As a result such fair value amounts are subject to significant volatility and are highly dependent on the quality of the assumptions used.

The estimated fair values of the Company's financial instruments compared to Chilean GAAP carrying amounts are as follows:

|                                    | <b>As of December 31,</b> |                   |                        |                   |
|------------------------------------|---------------------------|-------------------|------------------------|-------------------|
|                                    | <b>2001</b>               |                   | <b>2002</b>            |                   |
|                                    | <b>Carrying amount</b>    | <b>Fair Value</b> | <b>Carrying amount</b> | <b>Fair Value</b> |
|                                    | <b>ThCh\$</b>             | <b>ThCh\$</b>     | <b>ThCh\$</b>          | <b>ThCh\$</b>     |
| Cash                               | 37,648,796                | 37,648,796        | 48,184,878             | 48,184,878        |
| Time deposits                      | 178,113,234               | 178,113,234       | 145,626,894            | 145,626,894       |
| Marketable securities              | 203,072                   | 203,072           | 1,543,290              | 1,543,290         |
| Accounts receivable                | 550,248,992               | 550,248,992       | 458,839,724            | 458,839,724       |
| Notes receivable, net              | 12,018,206                | 12,018,206        | 5,131,349              | 5,131,349         |
| Other accounts receivable, net     | 65,885,843                | 65,885,843        | 62,776,096             | 62,776,096        |
| Amounts due from related companies | 188,687,370               | 188,687,370       | 196,297,002            | 196,297,002       |
| Long-term accounts receivable      | 101,903,562               | 101,903,562       | 125,850,513            | 125,850,513       |
| Accounts payable and other         | (265,964,525)             | (265,964,525)     | (236,630,187)          | (236,630,187)     |
| Notes payable                      | (279,395,725)             | (279,395,725)     | (225,719,764)          | (225,719,764)     |
| long-term debt                     | (6,232,523,988)           | (6,191,284,245)   | (6,377,392,540)        | (6,342,731,573)   |
| Derivatives instruments            | (79,982,358)              | 130,385,292       | 128,686,537            | 128,686,537       |

- **k. Derivative instruments**

The Company is exposed to the impact of market fluctuations in the price of electricity, primary materials such as natural gas, petroleum, coal, and other energy-related products, interest rates, and foreign exchange rates. The Company employs policies and procedures to manage its risks associated with these market fluctuation on a global basis through strategic contract selection, fixed-rate and variable-rate portfolio targets, net investment hedges, and financial derivatives. All derivatives that do not qualify for the normal purchase and sales exemption under SFAS No. 133 are recorded at their fair value. On the date that swaps, futures, forwards or option contracts are entered into, the Company designates the derivatives as a "hedge", if the documentation is not appropriate to designate as a "hedge" the derivative's mark-to-market adjustment flows through the income statement. The Company does not have the appropriate documentation in place to designate contracts as hedges of a forecasted transaction or future cash flows (cash flow hedge) or as a hedge of a recognized assets, liability or firm commitment (fair value hedge).

The Company has classified its derivatives into the following general categories: commodity derivatives, embedded derivatives, and financial derivatives. Certain energy and other contracts for the Company's operations in Chile are denominated in the US dollar. According to SFAS No. 133, an embedded foreign currency derivative should be separated from the host contract because none of the applicable exclusions are met (See Embedded Derivative Contracts below). For purposes of evaluating the functional currency of the Company's subsidiaries in Argentina, Perú, Brazil, and Colombia, the Company applied BT 64,

consistent with the methodology described in paragraph (s), thus the functional currency of these subsidiaries was the US dollar as these subsidiaries were remeasured into US dollars because foreign subsidiaries operate in countries exposed to significant risks as determined under BT 64.

The following is a summary of the Company's adjustment to fair values for all identified derivative contracts at the date of implementation of SFAS No. 133 on January 1, 2001 and as the year-ended December 31, 2001 and 2002.

|  | <b>As of January 1, 2001</b> |                   |                   |
|--|------------------------------|-------------------|-------------------|
|  | <b>Distribution</b>          | <b>Generation</b> | <b>Total</b>      |
|  | <b>ThCh\$</b>                | <b>ThCh\$</b>     | <b>ThCh\$</b>     |
| <i>Commodity derivatives</i>                     | 16,330,955                   | 127,914,469       | 144,245,424       |
| <i>Embedded derivatives</i>                      | 25,266                       | (8,631,797)       | (8,606,531)       |
| <i>Financial derivatives</i>                     | (1,650,130)                  | (3,776,374)       | (5,426,504)       |
|  | 14,706,091                   | 115,506,298       | 130,212,389       |
| <i>Effects of minority interest</i>              | (7,947,755)                  | (54,673,667)      | (62,621,422)      |
| <i>Deferred tax effects</i>                      | (5,185,287)                  | (41,390,634)      | (46,575,921)      |
|  |                              |                   |                   |
| <b>Cumulative change in accounting principle</b> | <b>1,573,049</b>             | <b>19,441,997</b> | <b>21,015,046</b> |

|   | <b>As of December 31, 2001</b> |                    |                    |
|---|--------------------------------|--------------------|--------------------|
|   | <b>Distribution</b>            | <b>Generation</b>  | <b>Total</b>       |
|   | <b>ThCh\$</b>                  | <b>ThCh\$</b>      | <b>ThCh\$</b>      |
| <i>Commodity derivatives</i>  | 80,927,204                     | 135,782,017        | 216,709,221        |
| <i>Embedded derivatives</i>   | (23,089,669)                   | (3,876,022)        | (26,965,691)       |
| <i>Financial derivatives</i>  | 352,726                        | (19,026,564)       | (18,673,838)       |
|   | 58,190,261                     | 112,879,431        | 171,069,692        |
| <i>Investment in related companies</i>                                |                                | 39,297,958         | 39,297,958         |
| <b>Derivative instruments U.S.GAAP Shareholders equity adjustment</b> | <b>58,190,261</b>              | <b>152,177,389</b> | <b>210,367,650</b> |

|   | <b>As of December 31, 2002</b> |                    |                    |
|---|--------------------------------|--------------------|--------------------|
|   | <b>Distribution</b>            | <b>Generation</b>  | <b>Total</b>       |
|   | <b>ThCh\$</b>                  | <b>ThCh\$</b>      | <b>ThCh\$</b>      |
| <i>Commodity derivatives</i>  | (11,240,489)                   | 218,474,062        | 207,233,573        |
| <i>Embedded derivatives</i>   | 262,190                        | (12,209,854)       | (11,947,664)       |
| <i>Financial derivatives</i>  | (28,432,901)                   | (16,952,690)       | (45,385,591)       |
|   | (39,411,200)                   | 189,311,518        | 149,900,318        |
| <i>Investment in related companies</i>                                |                                | 7,649,226          | 7,649,226          |
| <b>Derivative instruments U.S.GAAP Shareholders equity adjustment</b> | <b>(39,411,200)</b>            | <b>196,960,744</b> | <b>157,549,544</b> |

Certain Company's generation and distribution commodity contracts could be seen as contracts that meet the definition of a derivative under SFAS No. 133 and would be required to be accounted for at fair value. These conditions are (i) have an underlying, which is the market price of power at the delivery location and a notional amount specified in the contract; (ii) have no initial payment on entering into the contract; and (iii) do not have a net settlement provision have has the characteristic of net settlement because power is readily convertible to cash, as it is both fungible and actively traded in the country of generation or country of distribution.

The Company assessed that its commodity contracts that are requirements contracts do not meet the above definition because the contracts do not have notional amounts, as they only have maximum amounts or no specified amounts, and do not include an implicit or explicit minimum amount in a settlement or a default clause. A requirements contract allows the purchaser to use as many units of power as required to satisfy its actual needs for power during the period of the contract, and the party is not permitted to buy more than its actual needs.

The Company concluded that all of its power is readily convertible to cash as energy is actively traded, or the Company has access, to markets where energy is actively traded. However, only certain participants have access to the energy markets, thus determination as to whether energy could be considered readily convertible to cash was analyzed on a country by country basis. Currently, Chilean distributors do not have access to the Chilean spot market, however this could change in the future if energy regulations are changed. The Company has also concluded that multiple-delivery long-term power contracts meet the net settlement characteristic. Management multiple-delivery long-term power contracts are readily convertible to cash because the Company operates in countries with active spot markets, that although they contain varying levels of liquidity, can rapidly absorb the contract's quantities at each delivery date without significantly affecting the price, and thus meet the definition of net settlement, consequently these contracts are accounted as derivatives that under SFAS No.133.

The Company's Argentine generation entities have access to the Brazilian energy market through an interconnection system between the two markets. In order to calculate the fair values of the purchase and sale contracts related to the energy to be sold in the Brazilian market, the Argentine market prices were used. The Company believes this is the best measure for fair value, because in the event that the Brazilian market prices are below the cost to produce the energy in Argentina, the Company will sell the energy in Argentina and purchase the energy from the spot market in Brazil. Additionally, the interconnection line was established to sell energy generated in Argentina in the Brazilian market, as the Brazilian energy market heavily relies on hydro-electric generation and has historically had significant problems with meeting its energy needs economically due to lack of rainfall.

Because both the purchases and sales interconnection contracts are for periods up to 20 years in complex markets, where no similar term forward market information is available, the Company has estimated such values based on the best information available, including using modeling and other valuation techniques. The Company has recorded the best estimate of fair value, however with different assumptions such as interest rates, inflation rates, exchange rates, electricity rates, and increases in cost trends, materially different fair values could result. As a result such estimates are highly volatile and dependent upon the assumptions used. The assumption to measure the fair value of these interconnection related contracts using the Argentine market prices has a significant effect on the Company's net income and shareholder equity.

If Brazilian market prices had been used instead of Argentine prices estimated fair values of the related energy contracts a significantly different fair value would result. The Company considers the Argentine prices to be the correct benchmark to value the fair value of the interconnection contracts because the Company does not have concessions to sell the Argentine generated energy in the Brazilian market to any parties other than those currently contracted. Therefore the Company views the interconnection as an extension of the Argentine market and as a more appropriate measure of the fair value of energy.



Such values are included in the reconciliation to U.S. GAAP in paragraph (aa).

### ***Embedded Derivative Contracts***

The Company enters into certain contracts that have embedded features that are not clearly and closely related to the host contract. As specified in SFAS No. 133, bifurcation analysis focuses on whether the economic characteristics and risks of the embedded derivative are clearly and closely related to the economic characteristics and risks of the host contract. In certain identified contracts, the host service contract and the embedded feature are not indexed to the same underlying and changes in the price or value of service will not always correspond to changes in the price of the commodity to which the contract is indexed. U.S. GAAP requires embedded features to be measured at fair value as freestanding instruments. Unless the embedded contracts are remeasured at fair value under otherwise applicable GAAP, the embedded feature must be valued at fair value with changes in fair value reported in earnings as they occur.

Embedded foreign currency derivative instruments are not separated from the host contract and considered a derivative instrument if the host contract is not a financial instrument and it requires payments denominated in either: (1) the functional currency of any substantial party to the contract, (2) the local currency of any substantial party to the contract, (3) the currency used because the primary economic environment is highly inflationary, or (4) the currency in which the good or service is routinely denominated in international commerce.

### ***Financial Derivatives***

Changes in interest rates expose the Company to risk as a result of its portfolio of fixed-rate and variable rate debt. The Company manages interest rate risk exposure on a global basis by limiting its variable rate and fixed-rate exposures to certain variable/fixed mixes set by policy. The Company manages interest rate risk through the use of interest rate swaps and collars and cross-currency swaps. The Company does not enter into financial instruments for trading or speculative purposes.

### ***Net Investment Hedges***

The Company is also exposed to foreign currency risk arising from long-term debt denominated in foreign currencies, the majority of which is the US dollar. This risk is mitigated, as a substantial portion of the Company's revenues are either directly or indirectly linked to the US dollar. Additionally, the Company records the foreign exchange gains and losses on liabilities related to net investments in foreign countries which are denominated in the same currency as the functional currency of those foreign investments. Such unrealized gains and losses are included in the cumulative translation adjustment account in shareholders equity, and in this way act as a net investment hedge of the exchange risk affecting the investments (see Note II (c) and Note 22 (f) for further detail). The Company also uses short duration forward foreign currency contracts and swaps, and cross-currency swaps, where possible, to manage its risk related to foreign currency fluctuations. These contracts are considered "cover" contracts under Chilean GAAP. In accordance with Chilean GAAP the gain and losses on these contracts are deferred until realized as assets or liabilities.

For U.S. GAAP purposes, as the Company has not met the requirements for designating these derivatives contracts as "hedges", the contracts are recorded at fair value in the balance sheet with any unrealized gain and/or losses being directly recorded in the income statement.

### ***I. Reclassification to U.S. GAAP***

Certain reclassifications would be made to the Chilean GAAP income statement in order to present Chilean GAAP amounts in accordance with presentation requirements under U.S. GAAP. Amortization of negative goodwill, amortization of goodwill, and certain other non-operating income and expense, would be included in operating income. Recoverable taxes included in other non-operating revenues would be recorded as part of income taxes under U.S. GAAP. The gain from the repurchase

of Yankee bonds by Enersis S.A. and Endesa Chile S.A. included in non-operating income under Chilean GAAP would be presented as an extraordinary gain according to U.S. GAAP. Equity participation in income or losses of related companies included in non-operating income would be presented after income taxes and minority interest in accordance with U.S. GAAP. The following reclassifications included in the column labeled "Reclassifications" disclose amounts using a U.S. GAAP presentation, although the amounts displayed have been determined in accordance with Chilean GAAP:

|  | Year ended December 31, 2000 |                  |                        |
|--|------------------------------|------------------|------------------------|
|  | Chilean GAAP                 | Reclassification | U.S. GAAP Presentation |
|  | ThCh\$                       | ThCh\$           | ThCh\$                 |
| Operating income   | 552,749,621                  | 258,352,632      | 811,102,252            |
| Non-operating expense, net                               | (169,411,441)                | (219,985,929)    | (389,397,370)          |
| Income taxes   | (146,323,505)                | 4,203,502        | (142,120,003)          |
| Minority interest  | (184,000,228)                | -                | (184,000,228)          |
| Equity participation in income of related companies, net | -                            | 76,753           | 76,753                 |
| Amortization of negative goodwill                        | 42,646,957                   | (42,646,957)     | -                      |
| <b>Net income</b>  | <b>95,661,405</b>            | <b>-</b>         | <b>95,661,405</b>      |

|  | Year ended December 31, 2001 |                     |                        |
|--|------------------------------|---------------------|------------------------|
|  | Chilean GAAP                 | Reclassification    | U.S. GAAP Presentation |
|  | ThCh\$                       | ThCh\$              | ThCh\$                 |
| Operating income   | 754,543,767                  | (84,016,035)        | 670,527,732            |
| Non-operating expense, net                               | (498,001,278)                | 109,936,884         | (388,064,394)          |
| Income taxes   | (136,687,539)                | 8,116,807           | (128,570,732)          |
| Minority interest  | (125,152,619)                | -                   | (125,152,619)          |
| Equity participation in income of related companies, net | -                            | (10,698,797)        | (10,698,797)           |
| Amortization of negative goodwill                        | 47,451,702                   | (47,451,702)        | 0                      |
| <b>Net income before extraordinary gain</b>              | <b>42,154,033</b>            | <b>(24,112,843)</b> | <b>18,041,190</b>      |
| Extraordinary gain                                       | -                            | 24,112,843          | 24,112,843             |
| <b>Net income</b>  | <b>42,154,033</b>            | <b>-</b>            | <b>42,154,033</b>      |

|  | Year ended December 31, 2002 |                  |                        |
|--|------------------------------|------------------|------------------------|
|  | Chilean GAAP                 | Reclassification | U.S. GAAP Presentation |
|  | ThCh\$                       | ThCh\$           | ThCh\$                 |
| Operating income   | 532,644,361                  | (443,002,361)    | 89,642,000             |
| Non-operating expense, net                               | (796,530,156)                | 540,598,729      | (255,931,427)          |
| Income taxes   | (66,016,985)                 | (15,988,017)     | (82,005,002)           |
| Minority interest  | 16,282,559                   | -                | 16,282,559             |
| Equity participation in income of related companies, net |                              | 8,263,783        | 8,263,783              |
| Amortization of negative goodwill                        | 112,247,774                  | (112,247,774)    | -                      |
| Net loss before extraordinary items                      | (201,372,447)                | (22,375,640)     | (223,748,087)          |
| Extraordinary items                                      | (22,375,640)                 | 22,375,640       | -                      |
| <b>Net loss</b>  | <b>(223,748,087)</b>         | <b>-</b>         | <b>(223,748,087)</b>   |

Certain reclassifications would be made to the Chilean GAAP balance sheet in order to present Chilean GAAP amounts in accordance with presentation requirements under U.S. GAAP. Deferred taxes from depreciation differences that are recorded as short-term under Chilean GAAP would be recorded as long-term under U.S. GAAP. Real estate properties under development and construction-in-progress are included in current assets as inventory in Chilean GAAP and under U.S. GAAP such assets would have been included as property, plant and equipment. Additionally, the regulated asset recorded during 2001 by Coelce and Cerj, Brazilian subsidiaries, has been partially recorded in trade receivables and an additional component was recorded in current assets by Coelce under Chilean GAAP. However, under U.S. GAAP the presentation of these regulated assets should be classified as non-current assets as the recovery of these assets is not expected in the short term. These reclassifications exclude consolidation of development stage companies, the effect of which is immaterial.

The effect of the following reclassifications included in the column labeled "Reclassifications" discloses amounts using a U.S. GAAP presentation although the amounts displayed have been determined in accordance with Chilean GAAP:

|   | Year ended December 31, 2001 |                      |                        |
|---|------------------------------|----------------------|------------------------|
|   | Chilean GAAP                 | Reclassification     | U.S. GAAP Presentation |
|   | ThCh\$                       | ThCh\$               | ThCh\$                 |
| Current assets                                    | 1,162,446,794                | (211,305,194)        | 951,141,600            |
| Property, plant and equipment, net                | 9,625,049,659                | 27,262,972           | 9,652,312,631          |
| Other assets                                      | 1,972,302,858                | (52,706,143)         | 1,919,596,715          |
| <b>Total assets</b>                               | <b>12,759,799,311</b>        | <b>(236,748,365)</b> | <b>12,523,050,946</b>  |
| Current liabilities                               | 1,639,303,381                | (110,607,126)        | 1,528,696,255          |
| Long-term liabilities                             | 5,832,362,823                | (126,141,239)        | 5,706,221,584          |
| Minority interest                                 | 4,073,571,128                | -                    | 4,073,571,128          |
| Shareholders' equity                              | 1,214,561,979                | -                    | 1,214,561,979          |
| <b>Total liabilities and shareholders' equity</b> | <b>12,759,799,311</b>        | <b>(236,748,365)</b> | <b>12,523,050,946</b>  |

|   | Year ended December 31, 2002 |                     |                        |
|---|------------------------------|---------------------|------------------------|
|   | Chilean GAAP                 | Reclassification    | U.S. GAAP Presentation |
|   | ThCh\$                       | ThCh\$              | ThCh\$                 |
| Current assets                                    | 1,223,963,114                | (84,691,477)        | 1,139,271,637          |
| Property, plant and equipment, net                | 9,879,458,183                | 23,804,228          | 9,903,262,411          |
| Other assets                                      | 1,517,743,379                | (24,600,329)        | 1,493,143,050          |
| <b>Total assets</b>                               | <b>12,621,164,676</b>        | <b>(85,487,578)</b> | <b>12,535,677,098</b>  |
| Current liabilities                               | 2,151,373,249                | (28,554,145)        | 2,122,819,104          |
| Long-term liabilities                             | 5,413,608,412                | (56,933,433)        | 5,356,674,979          |
| Minority interest                                 | 4,050,602,721                |                     | 4,050,602,721          |
| Shareholders' equity                              | 1,005,580,294                |                     | 1,005,580,294          |
| <b>Total liabilities and shareholders' equity</b> | <b>12,621,164,676</b>        | <b>(85,487,578)</b> | <b>12,535,677,098</b>  |

#### **m. Employee Benefit Plans**

Enersis S.A. and its subsidiaries sponsor various benefit plans for its current and retired employees. A description of such benefits follows:

##### **Severance indemnities**

The provision for severance indemnities, included in the account "Accrued expenses" short and long-term is calculated in accordance with the policy set forth in Note 2 (n), using the current salary levels of all employees covered under the severance indemnities agreement, an assumed discount rate of 9.5% for the years ended December 31, 1999, 2000 and 2001, and an estimated average service period based on the years of services for the Company.

##### **Benefits for Retired Personnel**

Other benefits provided to certain retired personnel of Enersis include electrical service rate subsidies, additional medical insurance and additional post-retirement benefits. Descriptions of these benefits for retired personnel are as follows:

##### **i) Electrical rate service**

This benefit is extended only to certain retired personnel of Enersis. These electric rate subsidies result in the eligible retired employees paying a percentage of their total monthly electricity costs, with Enersis paying the difference.

##### **ii) Medical benefits**

This benefit provides supplementary health insurance, which covers a portion of health benefits not covered under the institutional health benefits maintained by employees of Enersis. This benefit expires at the time of death of the pensioner.

##### **iii) Supplementary pension benefits**

Eligible employees are able to receive a monthly amount designed to cover a portion of the difference between their salary at the point of retirement and the theoretical pension that would have been received had the employee reached the legal retirement age of the Institución de Previsión Social (Institute of Social Welfare). This benefit expires upon the death of the pensioner for the Enersis employee, however, continues to cover the surviving-spouse in the case of employees of the subsidiary Endesa-Chile.

iv) Worker's compensation benefits

Employees that were entitled to Worker's compensation insurance in prior years for work related accidents receive benefits from the Company as such insurance has expired. This benefit continues at the time of death of the pensioner, to cover the surviving-spouse.

The Company has recognized liabilities related to complementary pension plan benefits and other postretirement benefits as stipulated in collective bargaining agreements. Under U.S. GAAP, post-retirement employee benefits have been accounted for in accordance with SFAS No. 87 and SFAS No. 106, with inclusion of prior-period amounts in current year's income as the amounts are not considered significant to the overall financial statement presentation. The effects of accounting for post-retirement benefits under U.S. GAAP have been presented in paragraph (bb), above. The following data are presented under U.S. GAAP for Company's post-retirement benefit plans.

| <b>Changes in benefit (obligations)</b>              | <b>Pension Benefits</b> |                        | <b>Other Benefits</b>  |                        |
|--|-------------------------|------------------------|------------------------|------------------------|
|  | <b>2001<br/>ThCh\$</b>  | <b>2002<br/>ThCh\$</b> | <b>2001<br/>ThCh\$</b> | <b>2002<br/>ThCh\$</b> |
| <i>Benefit (obligations) at January 1</i>            | (127,276,623)           | (158,318,450)          | (5,630,758)            | (18,790,555)           |
| <i>Price-level restatement</i>                       | 3,826,939               | 4,141,331              | 136,056                | 468,722                |
| <i>Foreign exchange effect</i>                       | (15,743,272)            | (2,514,206)            | -                      |                        |
| <i>Net periodic expense</i>                          | (14,783,599)            | (13,649,465)           | (12,326,341)           | (18,982,900)           |
| <i>Benefits paid</i>                                 | 1,130,278               | 14,647,166             | 906,077                | (170,245)              |
| <i>Company contributions</i>                         | 8,250,286               | 32,554,873             |                        | 4,029,429              |
| <b><i>Benefit (obligations) at December 31</i></b>   | <b>(144,595,992)</b>    | <b>(123,138,751)</b>   | <b>(16,914,966)</b>    | <b>(33,445,549)</b>    |
| <b><i>Funded Status of the Plans</i></b>             |                         |                        |                        |                        |
| <i>Projected Benefit Obligation</i>                  | (224,243,937)           | (208,863,000)          | (19,442,624)           | (33,293,198)           |
| <i>Fair value of the plan's assets</i>               | 93,527,895              | 93,196,829             |                        |                        |
| <i>Funded Status</i>                                 | (130,716,041)           | (115,666,171)          | (19,442,624)           | (33,293,198)           |
| <i>Unrecognized loss</i>                             | (30,531,801)            | (17,138,790)           | -                      | (13,056,708)           |
| <i>Unrecognized net transition obligation</i>        | 16,651,850              | 9,666,203              | 2,527,658              | 12,904,357             |
| <b><i>Net liability recorded under U.S. GAAP</i></b> | <b>(144,595,992)</b>    | <b>(123,138,758)</b>   | <b>(16,914,966)</b>    | <b>(33,445,549)</b>    |

Adjustment required to reflect minimum liability:

|   |           |           |
|---|-----------|-----------|
| <i>Additional minimum liability</i>           | (291,282) | (299,601) |
| <i>Intangible asset</i>                       | 291,282   | 299,601   |
| <b><i>Balance of additional liability</i></b> | <b>-</b>  | <b>-</b>  |

| <b>Change in the plan assets</b>               | <b>Pension Benefits</b> |
|--|-------------------------|
|  | <b>2002<br/>ThCh\$</b>  |
| Fair value of plans assets, January 1          | 86,445,632              |
| Foreign exchange effect                        | (19,338,142)            |
| Actual return on the plan assets               | 28,063,671              |
| Employer contributions                         | 13,665,577              |
| Plan participant contributions                 | 4,110,398               |
| Benefits paid                                  | (19,750,307)            |
| <b>Fair value of plans assets, December 31</b> | <b>93,196,829</b>       |

| <b>Assumptions as of December 31</b>                | <b>Pension Benefits</b> |                        |                        | <b>Other Benefits</b>  |                        |                        |
|---|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | <b>2000<br/>ThCh\$</b>  | <b>2001<br/>ThCh\$</b> | <b>2002<br/>ThCh\$</b> | <b>2000<br/>ThCh\$</b> | <b>2001<br/>ThCh\$</b> | <b>2002<br/>ThCh\$</b> |
| Discount rate                                       | 15.0%                   | 12.2%                  | 12.97%                 | 9.5%                   | 11.8%                  | 11%                    |
| Salary increase                                     | 9.6%                    | 7.0%                   | 6.86%                  | -                      | -                      | -                      |
| Return on plan assets                               | 10.4%                   | 10.4%                  | 10.96%                 | -                      | -                      | -                      |
| <b>Components of net periodic Benefits expenses</b> |                         |                        |                        |                        |                        |                        |
| Service cost  | (748,873)               | (697,719)              | (905,752)              | 1,272,083              | (11,129,179)           | (4,407,258)            |
| Interest cost                                       | (16,106,429)            | (23,595,153)           | (13,605,434)           | (716,812)              | (986,524)              | (2,586,994)            |
| Expected return on assets                           | 1,026,865               | 15,826,320             | 6,541,907              | -                      | -                      | -                      |
| Amortization gain (loss)                            | 6,101,489               | (3,838,806)            | (4,040,437)            | -                      | -                      | (10,120,907)           |
| Amortization of transition asset                    | (1,482,653)             | (2,478,241)            | (1,639,750)            | 217,167                | (210,638)              | (1,867,741)            |
| <b>Net periodic expenses</b>                        | <b>(11,209,601)</b>     | <b>(14,783,599)</b>    | <b>(13,649,466)</b>    | <b>772,438</b>         | <b>(12,326,341)</b>    | <b>(18,982,900)</b>    |

**n. Comprehensive income (loss)**

In accordance with U.S. GAAP, the Company reports a measure of all changes in shareholders' equity that result from transactions and other economic events of the period other-than transactions with owners ("comprehensive income"). Comprehensive income is the total of net income and other non-owner equity transactions that result in changes in net shareholders' equity.

The following represents accumulated other comprehensive income balances as of December 31, 2000, 2001 and 2002 (in thousands of constant Chilean pesos as of December 31,2002).

|                                | 2000   |   |   |
|--------------------------------|--|---|---|
|                                | Chilean GAAP<br>cumulative translation<br>adjustment | Effect of U.S. GAAP<br>adjustments on<br>cumulative<br>translation adjustment | Accumulated other<br>comprehensive<br>income (loss) |
|                                | ThCh\$   | ThCh\$  | ThCh\$  |
| Beginning balance              | 8,454,732  | 4,135,642   | 12,590,374  |
| Credit (charge) for the period | 1,336,996  | (4,410,079)   | (3,073,083)   |
| <b>Ending balance</b>          | <b>9,791,728</b>                                     | <b>(247,437)</b>  | <b>9,517,291</b>                                    |

|                                | 2001   |   |   |
|--------------------------------|--|---|---|
|                                | Chilean GAAP<br>cumulative translation<br>adjustment | Effect of U.S. GAAP<br>adjustments on<br>cumulative<br>translation adjustment | Accumulated other<br>comprehensive<br>income (loss) |
|                                | ThCh\$   | ThCh\$  | ThCh\$  |
| Beginning balance              | 9,791,728  | (274,437)   | 9,517,291   |
| Credit (charge) for the period | 19,459,327   | (3,494,199)   | 15,965,128  |
| <b>Ending balance</b>          | <b>29,251,055</b>                                    | <b>(3,768,636)</b>  | <b>25,482,419</b>                                   |

|                                | 2002   |   |   |
|--------------------------------|--|---|---|
|                                | Chilean GAAP<br>cumulative translation<br>adjustment | Effect of U.S. GAAP<br>adjustments on<br>cumulative<br>translation adjustment | Accumulated other<br>comprehensive<br>income (loss) |
|                                | ThCh\$   | ThCh\$  | ThCh\$  |
| Beginning balance              | 29,251,055   | (3,768,636)   | 25,482,419  |
| Credit (charge) for the period | 20,596,914   | (12,536,493)  | 8,060,421   |
| <b>Ending balance</b>          | <b>49,847,969</b>                                    | <b>(16,305,129)</b>   | <b>33,542,840</b>                                   |

**o. Discontinued operations**

In October of 2001, the FASB issued SFAS No. 144 which is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 establishes accounting and reporting standards for the impairment and disposal of long-lived assets and discontinued operations. The Company adopted SFAS No. 144 in 2002. All prior year reporting periods have been restated to reflect the adoption. The application of this statement resulted in the classification, and separate financial presentation of certain entities as discontinued operations, the results of which are not included in continuing operations. There was no impairment of assets related to discontinued operations, as their fair value exceeded their carrying value. Fair values used in these calculations has been determined by using the agreed upon sales prices.

In 2002, the Endesa Chile (Enersis Subsidiary) committed to a plan to dispose the 60% equity participation it held in the consolidated subsidiary, Infraestructura Dos Mil S.A. It was accounted for as discontinued operations in accordance with SFAS No. 144 and, accordingly, amounts in reconciliation of net income to US GAAP and the additional disclosure notes required under US GAAP for all periods shown, reflect that component as a discontinued operation.

The net sales from discontinued operations for the years 2000, 2001 and 2002 were ThCh\$15,081,812, ThCh\$20,150,123 and ThCh\$20,202,007, respectively. The major classes of discontinued consolidated assets, consolidated liabilities and minority interest included in the Chilean GAAP Endesa Chile consolidated Balance Sheet are as follows:

|   | <b>As of December 31,</b> |                        |
|---|---------------------------|------------------------|
|   | <b>2001<br/>ThCh\$</b>    | <b>2002<br/>ThCh\$</b> |
| <b>Assets:</b>  |                           |                        |
| Cash  | 543,989                   | 190,065                |
| Account receivable, net   | 7,276,944                 | 14,769,412             |
| Other current assets  | 2,556,811                 | 35,355,119             |
| Property, plant and equipment, net  | 177,536,030               | 168,496,330            |
| Intangibles   | 21,445                    | 34,420                 |
| Other assets  | 2,517,470                 | 18,055,721             |
| <b>Total assets of discontinued operations</b>                            | <b>190,452,689</b>        | <b>236,901,067</b>     |
| <b>Liabilities:</b>   |                           |                        |
| Current liabilities   | 122,970,123               | 74,178,107             |
| Long term liabilities   | 2,621,183                 | 97,156,269             |
| Income taxes payable (including deferred)                                 | 536,942                   | 835,078                |
| Minority interest   | 734,927                   | 729,136                |
| <b>Total liabilities and minority interest of discontinued operations</b> | <b>126,863,175</b>        | <b>172,898,590</b>     |



The major classes of consolidated revenues and expenses included in the Chilean GAAP Enersis consolidated Income Statement are as follows:

|  | <b>As of December 31,</b> |                        |                        |
|--|---------------------------|------------------------|------------------------|
|  | <b>2000<br/>ThCh\$</b>    | <b>2001<br/>ThCh\$</b> | <b>2002<br/>ThCh\$</b> |
| Sales  | 15,081,812                | 20,150,123             | 20,202,007             |
| Costs of sales                                   | (8,689,379)               | (10,457,778)           | (9,961,732)            |
| <b>Gross profit</b>                              | <b>6,392,433</b>          | <b>9,692,345</b>       | <b>10,240,275</b>      |
| Administrative and selling expenses              | (985,710)                 | (1,291,432)            | (1,309,638)            |
| <b>Operating income</b>                          | <b>5,406,723</b>          | <b>8,400,913</b>       | <b>8,930,637</b>       |
| Non operating (loss) income                      | (4,836,751)               | (7,003,803)            | (7,501,002)            |
| <b>Income before taxes and minority interest</b> | <b>569,972</b>            | <b>1,397,110</b>       | <b>1,429,635</b>       |
| Income tax                                       | 155,745                   | (605,137)              | (972,455)              |
| Minority interest                                | (465,717)                 | (507,563)              | (292,061)              |
| <b>Net income for the year</b>                   | <b>260,000</b>            | <b>284,410</b>         | <b>165,119</b>         |

**p. Goodwill and intangible assets**

As discussed in paragraph (i), Enersis S.A. adopted SFAS 142, which requires companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, FAS 142 requires that goodwill and intangible assets deemed to have an indefinite useful life be reviewed for impairment upon adoption of SFAS 142, effective January 1, 2002 and annually thereafter. Under SFAS 142, goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The Company's reporting units are at the operating subsidiary level. This methodology differs from Enersis's previous policy, as provided under accounting standards existing at that time of using undiscounted cash flows on an enterprise-wide basis to determine if goodwill was recoverable. Upon adoption of SFAS 142 in 2002, the Company has recognized a non-cash charge of ThCh\$600,380,013 to reduce the carrying value of goodwill.

In calculating the impairment charge, the fair value of the impaired reporting units underlying the segments were estimated using discounted cash flow methodology. The ThCh\$600,380,013 goodwill impairment is associated entirely with goodwill associated with investments in Argentina and Brazil. The impairment reflects the decline in the Company's revenues and forecasted cash flows in their Argentina and Brazilian subsidiaries and the increase in inflation and interest rates and decreasing expectations of the currencies in Argentina and Brazil. Prior to performing the review for impairment, SFAS 142 required that all goodwill deemed to be related to the entity as a whole be assigned to all of the Company's reporting units, including the reporting units of the acquirer.

A summary of the changes in the Company's goodwill under U.S. GAAP during the year ended December 31, 2002, by country of operation is as follows:

|                  | <b>Goodwill</b>                |                     |                                   |                      |                              |
|------------------|--------------------------------|---------------------|-----------------------------------|----------------------|------------------------------|
|                  | <b>January 1,<br/>2002 (1)</b> | <b>Acquisitions</b> | <b>Translation<br/>adjustment</b> | <b>Impairment</b>    | <b>December 31,<br/>2002</b> |
|                  | <b>ThCh\$</b>                  | <b>ThCh\$</b>       | <b>ThCh\$</b>                     | <b>ThCh\$</b>        | <b>ThCh\$</b>                |
| <i>Chile</i>     | 998,343,122                    | 3,333,940           | -                                 | (1,713,130)          | 999,963,932                  |
| <i>Argentina</i> | 83,196,029                     | -                   | 6,624,271                         | (89,820,300)         | -                            |
| <i>Brazil</i>    | 482,974,835                    | -                   | 25,871,748                        | (508,846,583)        | -                            |
| <i>Colombia</i>  | 60,415,564                     | -                   | 2,225,133                         | -                    | 62,640,697                   |
| <i>Peru</i>      | 19,993,731                     | -                   | 1,309,513                         | -                    | 21,303,244                   |
| <b>Total</b>     | <b>1,644,923,281</b>           | <b>3,333,940</b>    | <b>36,030,665</b>                 | <b>(600,380,013)</b> | <b>1,083,907,873</b>         |

(1) In thousands of constant Chilean pesos as of December 31, 2002, using exchange rate of Ch\$ 718,61 per US\$

The Company's intangible assets were ThCh\$71,697,080 and ThCh\$80,915,893 and related accumulated amortization were ThCh\$25,148,069 and ThCh\$34,648,290 as of December 31, 2001 and 2002, respectively. There is no difference between Chilean and U.S. GAAP in the amortization of intangible assets because all of the Company's intangible assets are subject to amortization, since they relate to finite contracts or concessions.

#### **q. Recent accounting pronouncements**

In January 2003, the Chilean Association of Accountants issued Technical Bulletin No. 72, "Combinación de Negocios Inversiones Permanentes y Consolidación de Estados Financieros". This standard complements or replaces existing accounting literature for business combinations under Chilean GAAP, and requires all acquisitions initiated after January 1, 2003 to be accounted for using the purchase method based on fair values of assets acquired and liabilities assumed. In addition, in exceptional cases, the pooling-of-interest method may be used in reorganizations between related parties or for those transactions, where there is no clear acquirer. Technical Bulletin No. 72 continues to require the amortization of goodwill, and specifies the requirement for an impairment test. Notwithstanding any future transactions, the adoption of Technical Bulletin No. 72 is not expected to have a significant effect on the results of operations, financial position or cash flows of the Company.

In June 2001 the Financia1 Accounting Standards Board issued Statement of Financia1 Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). This standard requires that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. Upon initially recognizing a liability for an asset retirement obligation, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. Over time, this liability is accreted to its present value, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. If the Company reported in accordance with U.S. GAAP, the Company would be required to adopt SFAS No. 143 effective January 1, 2003. The Company expects that the adoption of this statement will not result in a significant difference between Chilean GAAP and US GAAP in future periods, however the Company is still assessing the impact.

In April 2002, the FASB issued Statement of Financia1 Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". This statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishments of Debt", and an amendment of that Statement, Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements" This Statement also amends other existing authoritative

pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of SFAS 145 related to the rescission of SFAS No. 4 shall be applied in fiscal years beginning after May 15, 2002, although early application is encouraged. Any gain or loss on extinguishments of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB Opinion 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" for classification as an extraordinary item shall be reclassified. Debt extinguishments used as part of an entity's risk management strategy represent one example of debt extinguishments that do not meet the criteria for classification as extraordinary items in APB Opinion No. 30. The Company will apply SFAS 145 beginning January 1, 2003. The Company's application of SFAS 145 will require the reclassification of the extraordinary gain on early retirement of Yankee bonds of ThCh\$23,410,527 (as presented in Note 34 I(l) to other non-operating income, so upon application there will be no presentational difference between Chile and U.S. GAAP for the early extinguishments of debt.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred, not when it is "planned". The Company is required to adopt the provisions of SFAS No. 146 for exit or disposal activities that are initiated after December 31, 2002 and does not expect the adoption to have a material impact on the Company's results of operations or financial position.

In April 2003, the Financial Accounting Standards Board (FASB) issued Statement N°149 (SFAS N°149), Amendment of Statement 133 on Derivative Instruments and Hedging Activities. FAS N° 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS N°133. SFAS N°149 is applied prospectively and is effective for contracts entered into or modified after June 30, 2003, except for SFAS N°133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003, and certain provisions relating to forward purchases or sales of when-issued securities or other securities that do not yet exist. Enersis is evaluating the effect, if any, that SFAS N°149 will have on its results of operating its financial position and its cash flows.

In June, 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 150 ("SFAS No. 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement clarifies classification and measurement of certain financial instruments with characteristics of both liabilities and equity. It requires classification of financial instruments within a company's scope as liabilities. Such financial instruments may include mandatorily redeemable shares, financial instruments which embody an obligation to repurchase shares or require issuer to settle the obligation by transferring assets, or financial instruments that embody an unconditional obligation, or, in certain circumstances, an unconditional obligation. The Company believes that the adoption of this pronouncement will not have an impact on its statements of financial condition, its statements of operations or cash flows.

In January, 2003, Emerging Issues Task Force ("EITF") 00-21, "Revenue Arrangements with Multiple Deliverables," was issued, which is applicable for all revenue arrangements of this nature entered into after June 15, 2003. This EITF applies to all deliverables within contractually binding arrangements in all industries in which a vendor will perform multiple revenue-generating activities with certain exceptions. The application guidance contains guidance on 1) how these arrangements should be measured; 2) whether the arrangement should be divided into separate units of accounting, and 3) how the arrangement consideration should be allocated among the separate units of accounting. The Company believes that the issuance of this EITF will have no impact on its statements of financial condition, its statements of operations or cash flows.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). The Interpretation will significantly change current practice in the accounting for, and disclosure of, guarantees. In general, the Interpretation applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or an equity security of the guaranteed party. Guarantees meeting the characteristics described in the Interpretation, are required to be initially recorded at fair value, which is different from the general current practice of recording a liability only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, "Accounting for Contingencies". The Interpretation also requires a guarantor to make significant new disclosures for virtually all guarantees even when the likelihood of the guarantor's having to make payments under the guarantee is remote. The Interpretation's disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The Interpretation's initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The Company has implemented FIN 45 during December 31, 2002, noting no adjustments to US GAAP were necessary as the fair values of all direct and indirect guarantees were zero, see Note 28 for a detail of the Company's guarantees.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities-an interpretation of ARB 51," to expand upon and strengthen existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. Many variable interest entities have commonly been referred to as special-purpose entities or off-balance sheet structures, but the guidance applies to a larger population of entities. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. The Company must apply Interpretation No. 46 immediately to variable interest entities created after January 31, 2003 and apply it to existing variable interest entities in the first fiscal year or interim period beginning after June 15, 2003. The Company does not expect the interpretation to have a material impact on the Company's results of operation or financial position.

**r. Subsequent events**

- (1) During January 2003, the governor of the State of Paraná in Brazil suspended payment and announced its intention to cancel or renegotiate the long-term energy contracts between Copel and Endesa-Chile's equity method investment, CIEN. The 20-year long-term contracts were negotiated during almost two years of negotiations and aim to relieve the energy-supply shortages in Brazil, and were complied with through December 31, 2002. An investment of more than US\$ 700 million was made to build the Interconnection-line between Brazil and Argentina. During 2002, approximately R\$1.2 billion (or approximately US\$ 340 million) of energy was sold by CIEN to Copel through the long-term energy contracts. CIEN has notified the Ministry of Mines and Energy and the Electric Energy Regulatory Agency ("ANEEL") of Copel's default. CIEN has 20-year long-term energy purchase commitments in Argentina to satisfy the supply contracts with Copel. Additionally, the estimated fair value of these long-term energy contracts with Copel was US\$ 350 million as of December 31, 2002, and any changes or cancellation of the contracts would likely have a material impact in the Company's consolidated net income and shareholders' equity.
- (2) On March 28, 2003, Enersis announced that the board of directors awarded the sale of its 98.7% equity stake in Río Maipo to CGE Distribución S.A. for US\$ 203 million. Enersis' shareholders approved the sale of Río Maipo at a March 31, 2003 Extraordinary Shareholders' Meeting. Enersis estimates that the sale of Río Maipo will contribute US\$ 126 million before taxes to its income statement for the year ended December 31, 2003, and expects to apply the proceeds of this sale to reduce its debt. On April 30, 2003, Río Maipo was sold for US\$ 203 million, including US\$ 33 million in debt.

- (3) On March 31, 2003, at an Extraordinary Shareholders' Meeting, Enersis' management approved a capital increase for the equivalent of up to US\$ 2 billion. The capital increase, which commenced on May 31, 2003, already allowed for the capitalization of all of Endesa-Spain's loan to Enersis (with a face value of approximately US\$ 1.37 billion), and will allow the capitalization of Enersis' local bonds (with a face value of approximately US\$ 151 million), as well as the subscription of shares for cash. All existing shareholders, other than Endesa-Spain, will have two pre-emptive rights periods in which they are allowed to subscribe their pro rata equity shares, or sell their rights in the market. Endesa-Spain exercised its rights on June 2, 2003, and has voluntarily excluded itself from the second pre-emptive rights period. The new shares to be offered in the capital increase will not be registered with the Securities and Exchange Commission (the "SEC"), and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act of 1933, as amended. Enersis' shareholders approved the removal of the 65% maximum limit that a single shareholder was permitted to own in Enersis.
- (4) In April 2003, CELG initiated legal proceedings against Cachoeira Dourada and ANEEL demanding the annulment of the energy sale contract signed with Cachoeira Dourada in 1998, alleging, among other things, that the contract is extremely onerous and damaging to the financial stability of CELG, causing it supposed damages of approximately US\$ 250 million from 1997 to 2003.

CELG obtained a preliminary and provisional judgment that suspends the effects of the contract and authorizes CELG to stop payments, also provisionally, of the amounts contractually due to Cachoeira Dourada which correspond to the energy sale price.

Both Cachoeira Dourada and ANEEL presented their defenses and legal argument against the decision to suspend the contract. All parties are waiting for the judge to decide whether or not to confirm the preliminary decision of suspending the effects of the contract. Should the judge confirm the decision to suspend the effects of the contract, Cachoeira Dourada and ANEEL will have the opportunity to appeal to an appropriate authority.

Both Cachoeira Dourada and its lawyers believe that there is a high probability of obtaining a favorable final decision.

- (5) On April 8, 2003 Endesa Chile (Enersis Subsidiary) sold 285 kilometers of 220 kV transmission lines to Transelec for US\$ 32 million (approximately ThCh\$ 22,400,000). The carrying value of net assets under Chilean GAAP sold amounted to ThCh\$21,562,962 as of December 31, 2002. Additionally, GasAtacama Generación Limitada, of which Endesa Chile has a 50% participation, sold 673 kilometers of 220 kV line transmission lines for approximately US\$ 78 million (ThCh\$54,600,000 approximately). The carrying value of net assets under Chilean GAAP sold amounted to ThCh\$53,458,465 as of December 31, 2002. In both cases, the transaction included the transfer of the respective substations.
- (6) On April 25, 2003, Enersis, Endesa-Chile, Enersis Internacional, Chilectra Internacional, and Chilectra filed an action before the Centro Internacional de Arreglo de Diferencias relativas a Inversiones ("CIADI") in Washington, D.C., requesting an arbitration for resolving a dispute with the Republic of Argentina. The grounds of this action are the damages suffered by the investments of Enersis and our subsidiaries in Argentina, as a consequence of the approval of Economic Emergency Law, Decree N°214/2002, Decree N°293/2002 and Resolution N°38/2002 of the Ministry of Economy. The outcome of these new rules has been a complete new legal framework for the Argentine investments of Enersis and its subsidiaries, which originally date back to September 1992. The original commitments assumed by the Republic of Argentina regarding these investments have not been met. The arbitration action argues that the Republic of Argentina's failure to comply with its commitments in relation to our investments by the part of the Republic of Argentina is against the letter and the spirit of the Treaty.

- (7) On April 30, 2003 Endesa Chile (Enersis Subsidiary) sold Canutillar Plant to Cenelec S.A. for US\$ 174 million (approximately ThCh\$121,800,000). The carrying value of net assets sold under Chilean GAAP amounted to ThCh\$ 125,925,381 as of December 31, 2002 and its installed capacity was 172 MW.
- (8) In May 2003 Chilectra increased its interest in Cerj in Brazil from 33.4% to 41.2% through a capital increase to which Enersis subscribed in January 2003, and later sold a share to Chilectra. Its interest in Coelce in Brazil was also indirectly increased, through Cerj, from 12.8% to 14.4%. Chilectra also owns a 9.9% interest in Codensa in Colombia and a 15.6% interest in Edelnor in Peru.
- (9) On May 15, 2003, Enersis and Endesa-Chile refinanced US\$ 2.33 billion in syndicated loans and bilateral credit agreements structured as:
- a US\$ 200 million Senior Secured Syndicated Term Loan Facility for Enersis and a US\$ 1,388 billion Senior Secured Syndication Term Loan Facility for Enersis, acting through its Cayman Islands Branch (the "Enersis Facility") each for five years; and
  - a US\$ 743 million Senior Guaranteed Syndicated Term Loan Facility for Endesa-Chile, acting through its Cayman Islands Branch (the "Endesa-Chile Facility", and together with the Enersis Facility, the "Facilities").

The refinancing of bank obligations with the Facilities has allowed Enersis and Endesa-Chile to: (a) make payments for the bond maturities and put option coming due in 2003 for a total of US\$ 701 million, (b) lengthen the maturity profile of our debt, (c) allow a greater period of time before amortizing principal payments on our debt and (d) provide better conditions for the planned capital increase process.

The following table shows the effects that would have been recognized under Chilean GAAP from the refinancing of liabilities mentioned before.

|   | <b>As of December 31, 2002</b> |                          |
|---|--------------------------------|--------------------------|
|   | <b>Before refinancing</b>      | <b>After refinancing</b> |
|   | <b>ThCh\$</b>                  | <b>ThCh\$</b>            |
| <b>CURRENT LIABILITIES:</b>   |                                |                          |
| Short-term debt due to banks and financial institutions                   | 425,049,260                    | 384,736,676              |
| Current portion of long-term debt due to banks and financial institutions | 605,261,953                    | 226,914,211              |
| Other current liabilities   | 1,121,062,036                  | 1,121,062,036            |
| <b>Total assets of discontinued operations</b>                            | <b>2,151,373,249</b>           | <b>1,732,712,923</b>     |
| <b>LONG-TERM LIABILITIES:</b>   |                                |                          |
| Due to banks and financial institutions                                   | 1,691,338,670                  | 2,109,998,996            |
| Other long-term liabilities   | 3,722,269,742                  | 3,722,269,742            |
| <b>Total liabilities and minority interest of discontinued operations</b> | <b>5,413,608,412</b>           | <b>5,832,268,738</b>     |

- (10) On May 15, 2003 the Supreme Court of Chile made its final verdict as a consequence of an appeal against Resolution No. 667, ruling in favor of Enersis and confirming Resolution No. 667 from Comisión Resolutiva.

On May 28, 2003, a private complaint against Enersis was filed with the Comisión Resolutiva alleging that Enersis has failed to comply with Resolution No. 667 since Enersis, Endesa-Chile and Chilectra have supposedly shared finance, auditing and communication departments. The complaint alleges that by joining these departments, Enersis is frustrating the Comisión Resolutiva's objective of preventing energy companies from sharing essential information and keeping the electricity business of generation and distribution independent. Enersis believes that the Comisión Resolutiva's investigation will not lead to a prohibition of Enersis's control over the energy distribution and generation markets, because we believe this matter was clearly resolved by Resolution No.667.

- (11) The Sixth Civil Court of Santiago recently issued its ruling in relation to a lawsuit opposing the Ralco Project filed by a group of people belonging to the Pehuenche ethnic group. The lower court's sentence concludes that the voluntary procedure undertaken by Endesa-Chile for the assessment of the environmental impact of the Ralco Project is null since, in the court's opinion, CONAMA, the Environmental Government Agency, was not legally entitled to assess the environmental impact study presented by the Company to CONAMA. Both defendants, the Company and CONAMA, consider this questioning of the legitimacy of the process is unjustified. The resolution dictated by the Sixth Civil Court of Santiago does not imply the penalization of the project, which to date has achieved more than 80% completion.

On May 30, 2003, the plaintiffs requested the suspension of the Ralco Project, which was rejected by the court. Instead, of suspending the entire project, the judge ruled that the flooding of the dam should not proceed. Endesa plans to appeal this ruling before the Appeals Court of Santiago.

**Schedule II – Valuation and Qualifying Accounts**

|   | <i>Balance at beginning of period</i> | <i>Additions charged to costs and expenses</i> | <i>Deductions</i> | <i>Others</i> | <i>Balance at end of period</i> |
|---|---------------------------------------|--|-------------------|---------------|---------------------------------|
|   | <i>ThCh\$</i>                         | <i>ThCh\$</i>                                  | <i>ThCh\$</i>     | <i>ThCh\$</i> | <i>ThCh\$</i>                   |
| <b>December 31, 2000</b>                          |                                       |  |                   |               |                                 |
| <i>Allowance for doubtful accounts receivable</i> | 78,303,154                            | 64,414,380                                     | (10,600,402)      | (10,783,848)  | 121,333,284                     |
| <b>December 31, 2001</b>                          |                                       |  |                   |               |                                 |
| <i>Allowance for doubtful accounts receivable</i> | 121,333,284                           | 42,858,379                                     | (6,340,092)       | (11,474,437)  | 146,377,134                     |
| <b>December 31, 2002</b>                          |                                       |  |                   |               |                                 |
| <i>Allowance for doubtful accounts receivable</i> | 146,377,134                           | 18,798,815                                     | (1,297,010)       | (48,529,408)  | 115,349,531                     |



JUAN CARLOS WIECZOREK  
General Account



ENRIQUE GARCIA  
Chief Executive Officer

# Enersis S.A. Consolidated Relevant Facts

## ***Provisional Dividends***

The Board of Directors of Enersis S.A., as of January 31, 2002 agreed, upon unanimous vote of its members, not to distribute in February 2002, a provisional dividend charged to the results of December 2001, due to not satisfying the requirements provided for such action in the Dividend Policy of the Company.

In the Ordinary Meeting of the month of May, the Board of Directors of Enersis S.A. agreed, upon unanimous vote of its present members, not to distribute in May 2002, a provisional dividend charged to the results of March 2002, according to the policy in force on this subject, due to not satisfying the requirements provided for such action in the above mentioned Dividend Policy of the Company.

In the Extraordinary Meeting held on July 31, 2002, the Board of Directors of Enersis S.A. agreed, upon unanimous vote of its present members, not to distribute in August 2002, a provisional dividend charged to the results of June 2002, according to the policy in force on this subject, due to not satisfying the requirements provided for such action in the above mentioned Dividend Policy of the Company.

In the Ordinary Meeting held on October 28, 2002, the Board of Directors of Enersis S.A. agreed, upon unanimous vote of its present members, not to distribute in November 2002, a provisional dividend charged to the results of September 2002, according to the policy in force on this subject, due to not satisfying the requirements provided for such action in the above mentioned Dividend Policy of the Company.

## ***Changes to the Board of Directors***

In the Extraordinary Meeting held on July 25, 2002, the resignation of Director Mr. Luis Rivera to the Board of Directors of the Company was accepted. Likewise, in the Ordinary Meeting held on July 26, 2002, the resignation of Mr. Alfredo Llorente to the positions held by him as Chairman of the Board, Director, President of the Committee of Directors and member of this Committee, was accepted.

In the same Ordinary Meeting held on July 26, 2002, the following was agreed upon:

- To appoint Mr. Pablo Yrarrázaval as Director and Chairman of the Board of Enersis S.A.
- To appoint Mr. Pablo Yrarrázaval, Mr. Hernán Somerville and Mr. Ernesto Silva as members of the Committee of Directors.
- Finally, Mr. José Luis Palomo was appointed Director.

## ***Relevant aspects on the businesses of Endesa España***

As of September 20, 2002, our parent company, Endesa S.A. (Spain) has presented to the Comisión Nacional de Mercado de Valores de Madrid (Madrid Stock Exchange National Commission), the Superintendencia of Securities and Insurance and the S.E.C., a report on the relevant aspects of its businesses. This report and how the situation of its businesses in Latin America affects Endesa España, states the following:

“No extraordinary rightoffs, such as those already carried out by other national and international companies, are foreseen. The rightoffs have been made in each quarter by adjusting the value of the investments according to the devaluation of the Latin American currencies, additionally supplying the provisions deemed necessary. This has meant an accumulated rightoff, from the time when these investments were made, of 2,700 million euros of the Latin American investment. The book value of the Latin American assets reasonably corresponds to the market value of same.



Businesses in Latin America show a general positive behavior during the year, as reflected in the operating result of the Latin American business which was increased by 6% in the first half of the year compared to the previous year. Without taking Argentina into consideration, the operating result has increased by 25%.

**Brazil.** The impact caused by the devaluation of the Real is very limited, because 55% of the debt of our Brazilian subsidiaries is denominated in Reales. The remainder is in US dollars, financing a company, CIEN, whose income is linked to the US dollar. The strong increase in the demand during July and the full operation of the second interconnection line between Argentina and Brazil will contribute to improve the profitability of our operations between these two countries. Additionally, US\$ 62 million have already been collected from the BNDES loan due to the electric rationing.

**Chile.** The recovery of the hydraulic production in Chile is largely contributing to a strong operating improvement during the year. The operating result for the generation business in Chile was increased by 55% during the first half.

**Argentina.** Provision has been made for 100% of Endesa's investment in that country. Taken together, the Argentinean companies have a positive operating result, which is higher than the interests corresponding to the debt.

***Indebtedness and liquidity of the Latin American companies.***

- Neither Enersis nor Endesa (Chile) have liquidity problems.
- The Enersis group has reduced its indebtedness by 1,140 million euros during the first half.
- These companies may, in the short term, dispose assets for a minimal amount of 600 million euros which, taken together with the debt associated with these assets, will represent a total reduction in indebtedness of 1,000 million euros.
- The companies have closed August with a positive cash situation of US\$ 460 million, and maintain an absolutely normal financial situation with the exception of Argentina, where the general situation of the country is affecting the financial activities. Notwithstanding, the Endesa subsidiaries are serving the interest payments and are obtaining extensions for the maturities of the principal of their debts.
- Endesa (España) would be willing to capitalize the loan granted to Enersis for an amount of 1,440 million euros, which would represent an important improvement of its equity situation.
- Standard & Poors has ratified in last July, the BBB+ rating for the long term debt of Enersis and Endesa Chile.
- Finally, the debt of Enersis with Endesa has no warranty or coverage has been given on this debt and there are no "cross-default" clauses with said debt.

***Financial strengthening plan***

In the Extraordinary Meeting held on October 4, 2002, the Board of Directors of Enersis S.A. agreed, upon unanimous vote of its present members, to announce that a financial and economic strengthening plan has been approved for Enersis S.A., intended to strengthen its equity, via improving its financial structure and allowing the Company to face the regional situation which affects its investments. Said plan contemplates the following operations:

- a) Increase of capital: The Board of Directors of Enersis has decided to initiate a capital increase process for an amount of up to US\$ 1,500 million, which includes cash and/or financial loan contributions. Said process will involve summoning, in one of the following meetings of the Board of Directors of the Company, an Extraordinary Shareholders' Meeting which will decide on the terms of this capital increase, anticipating that this meeting should take place during the first four months of 2003;

- b) Disposal of the following assets:
- (1) Compañía Eléctrica del Río Maipo S.A. distributing company.
  - (2) Inmobiliaria Manso de Velasco Limitada real estate company.
  - (3) Several real properties owned by Enersis S.A. and its subsidiaries.

Regarding the sale of Compañía Eléctrica del Río Maipo S.A., and considering that it is an asset deemed essential within the policy of investment and financing of Enersis, said divestment should be authorized by the Extraordinary Shareholders' Meeting which will be summoned in due time.

Regarding the real properties owned by the subsidiaries of Enersis S.A., this Company will propose the divestment of same to the pertinent companies.

The amount expected to be raised through the process of divestment of assets contemplated in the financial and economic strengthening plan of Enersis S.A. will be assigned to reduce the financial indebtedness of the Company;

- c) Refinancing the intercompany loans of some of the subsidiaries with Enersis S.A.: Part of the Enersis financing with its subsidiaries will be substituted by loans directly contracted in the market. This will result in a substantial improvement in the leverage (ratio between debt and equity) of the balance sheet of Enersis S.A.; and
- d) Improvement in free cash flow. Enersis S.A. will continue to enforce the efficiency measures for operations and investments, in order to increase its yearly operating consolidated free cash flows by at least US\$ 130 million, achievable in a three-year term. These higher flows will be in addition to those derived from demand variations and unit margins for energy sales and purchases.

On the other hand, the above mentioned capital increase will benefit the company with an additional increase in cash flow due to the consequent reduction in financial expenses.

All of these measures should allow a reduction in the indebtedness of Enersis, S.A. by up to US\$ 2,200 million, as well as the attainment of a ratio of debt/funds of its own of about 0.6.

The Board of Directors agreed to authorize the Management of the Company to propose to the Board of Directors the appointment of an investor bank to conduct the above mentioned alienation processes, as well as to adopt all of the measures leading to the adequate materialization of the above described operations.

#### ***Study of stock placement***

As of November 7, Enersis S.A. has initiated negotiations with the following investment banks, in order to study the possibility of placing shares in foreign markets: Deutsche Bank, Salomon Smith Barney and Santander Investment, leading the process jointly.

## **CHILECTRA AND SUBSIDIARIES**

### **DIVIDENDS**

1. The Board of Directors of the Company, in the meeting held on January 29, 2002, agreed to distribute as of February 21, 2002, a provisional dividend of Ch\$ 14.00 per share, charged to the profits of the period 2001.
2. In the Ordinary Meeting held on March 22, 2002, the Board of Directors of Chilectra S.A. agreed, upon unanimous vote of its present members, to propose to the Ordinary Shareholders' Meeting, in respect of definitive dividend No. 67:

It is agreed to propose to the Ordinary Shareholders' Meeting to be held on April 10, 2002, the distribution of the definitive dividend for a total amount of Ch\$ 16,821,431,731, to be paid as of April 19, 2002. This amount is made up of an additional definitive dividend of Ch\$ 16,753,684,391 and an eventual definitive dividend of Ch\$ 67,747,340.

3. The Board of Directors of the Company, in the meeting held on April 29, 2002, agreed to distribute as of May 23, 2002, a provisional dividend of Ch\$ 39.60 per share, charged to the profits of the period 2002.
4. The Board of Directors of the Company, in the meeting held on July 30, 2002, agreed to distribute as of August 23, 2002, a provisional dividend of Ch\$ 45.90 per share, charged to the profits of the period 2002.
5. The Board of Directors of the Company, in the meeting held on October 28, 2002, agreed to distribute as of November 29, 2002, a provisional dividend of Ch\$ 20.60 per share, charged to the profits of the period 2002.

### **CHANGES AND APPOINTMENTS**

1. In the meeting of the Board of Directors held on January 29, Mr. Marcelo Castillo was appointed Communications Executive Officer, in place of Mr. Guillermo Amunátegui.

Additionally, the Planning and Control Executive Officer, Mr. Alfonso Prieto, has disassociated from the Company, and the position has been assumed by Mr. Jorge Faúndez as Planning and Control Deputy Executive Officer.

Finally, the position of Economic Planning and Control Executive Officer held by Mrs. Ana Gete, reporting to the Regional Distribution Chief Executive Officer, has been deleted from the organizational structure of the Company.

2. The Board of Directors of Chilectra S.A., in its Ordinary Meeting No.13/2002 held on December 19, 2002, was informed of and accepted the resignation of Mr. Enrique García to his position as Director. Likewise, it is stated that Mr. García was one of the members of the Committee of Directors.
3. In its Ordinary Meeting No.13/2002 held on December 19, 2002, the Board of Directors of Chilectra S.A. appointed Mr. Alberto Martín and Mr. Marcelo Liévenes as Directors, in place of Mr. Enrique García and Mr. Juan Ignacio Domínguez. On the other hand, the Board of Directors appointed Mr. Jorge Rosenblut, Mr. Hernán Felipe Errázuriz and Mr. Alberto Martín as members of the Committee of Directors.

Consequently, the Board of Directors of Chilectra S.A. is now constituted as follows: Jorge Rosenblut (Chairman), José Manuel Fernández (Vice-Chairman), Pedro Buttazzoni, Hernán Felipe Errázuriz, Alvaro Quiralte, Alberto Martín and Marcelo Liévenes.

## **COMPAÑÍA ELÉCTRICA DEL RÍO MAIPO S.A.**

### **DIVIDENDS**

The Board of Directors of the Company, in the meeting held on January 29, 2002, agreed to distribute a provisional dividend of Ch\$ 4.81 per share, charged to the profits of the period 2001, which was paid as of February 21, 2002.

The Board of Directors of the Company, in its Ordinary Meeting held on April 26, 2002, agreed to distribute a provisional dividend of Ch\$ 5.92, charged to the profits of the period 2002, which was paid as of May 23, 2002.

The Ordinary Shareholders' Meeting held on April 9 agreed to distribute a definitive dividend of Ch\$ 1,348,832,902 and an eventual dividend of Ch\$ 8,623,813, charged to the profits of the period 2001, which was paid as of April 18, 2002.

The Board of Directors of the Company, in its meeting held on July 25, 2002, agreed to distribute a provisional dividend of Ch\$ 5.2 per share, charged to the profits of the period 2002, which was paid as of August 23, 2002.

The Board of Directors of the Company, in its meeting held on October 25, 2002, agreed to distribute a provisional dividend of Ch\$ 6.48 per share, charged to the profits of the period 2002, which was paid as of November 29, 2002.

### **BOARD OF DIRECTORS**

According to the General Rule No.30, we announce as an essential fact, the reception of Mr. Alberto López's letter of resignation to his position as Chairman of the Board. The resignation of Mr. López García was informed to the Board of Directors in the meeting held on July 25, 2002.

In that same meeting, Mr. Marcelo Silva was appointed in place of Mr. López. Mr. Silva Iribarne was also appointed Chairman of the Board and member of the Committee of Directors of this Company.

According to the General Rule No.30, we inform as an essential fact, the reception of Mr. Marcelo Silva's letter of resignation to his position as Chairman of the Board. The resignation of Mr. Silva Iribarne was informed to the Board of Directors of the Company in the meeting held on this date.

In that same meeting, Mr. Guillermo Pérez was appointed in place of Mr. Silva.

In view of the foregoing, Mr. Julio Valenzuela was appointed Chairman of the Board and member of the Committee of Directors of this Company.

### **ENDESA S.A. AND SUBSIDIARIES**

During the period January-December 2002, and according to the General Rule No. 30, the Company informed of the following essential or relevant facts to the Superintendencia of Securities and Insurance:

#### **ENDESA MAIN OFFICE**

On March 6, 2002, it is informed as a relevant fact, that on March 5 of the present year, ENDESA was notified of a suit for arbitral trial filed by the insurance company AGF/ALLIANZ CHILE COMPAÑÍA DE SEGUROS GENERALES S.A., requesting from the referee Mr. Ricardo Peralta, the rescission of insurance policy No. 96676. Said policy protects against all building and installation risks, including civil liability and anticipated loss of benefits for the construction of Ralco Hydroelectric Power Station. Said policy is in force from May 1, 1999 to May 1, 2003.

The arbitral suit has, as a direct antecedent, the accident at the cofferdam of the Ralco Project occurred on May 27, 2001, and is founded on the existence of true risks; subsidiarily, on the aggravation of same; and, finally, on the lack of information about the nature and extension of the risks under contract.

It is worth pointing out that the settlement of the above mentioned accident is pending until the issuance of the final report by the liquidator appointed in the policy.

From the preliminary analysis of the plaintiff's claims, we can inform that, in our opinion, the suit filed by the insurance company requesting the rescission of the insurance contract lacks support. Therefore, ENDESA, together with adopting all of the pertinent securities for the protection of the assets insured by the referred policy, will respond to the above mentioned suit according to the arguments to which it is entitled in fact and by right, in order to obtain its complete rejection.

On March 19, 2002, it is informed as a relevant fact, that the present day press announces extensively that the node price will be reduced by 12% in the next tariff setting process. These news are sourced from a release from the National Energy Commission, to the companies of the energy sector and to the media, of the preliminary report on node prices.

Regarding the above and considering the negative effect observed today in the share price of our company in the stock exchange centers where they are traded, we have considered pertinent to point out the following:

The thus announced 12% reduction in the node prices corresponds to the result of a model with which the National Energy Commission estimates the level of the node prices in a preliminary calculation and report. However, according to DFL No.1 (Electric Law) which rules this subject, said preliminary calculation must be revised by the National Energy Commission, taking into consideration the observations set forth by the companies. The process ends with a new calculation which should be carried out next April, in view of said observations. Therefore, the present calculation does not constitute in itself the node price setting it is just a step of the process. Endesa anticipates right now, at this point that a preliminary analysis of this first calculation suggests several alternatives of correction, which the Company will present to the authority within the referred process.

However, DFL No.1 also establishes as mandatory that the final calculation should be contrasted with the average price level of the non regulated market, through a price band which, in the eventual case of a rise or fall in the prices resulting from the theoretical model, would act to attenuate any effect of rise or fall in the final price that will be set. It is of common knowledge to the companies of the sector and the authority that, if in April the theoretical model maintains results such as those of this preliminary calculation, the referred band would act to significantly attenuate the theoretical effect announced.

In view of the foregoing, it is premature and distorting for the market to anticipate falls in the node prices such as those announced, without describing the complete process and without disclosing the existence of the referred band.

In the Ordinary Shareholder's Meeting of the Company held on April 11, 2002, the following decisions were adopted:

Approval of the Financial Report, Balance Sheet, Other Financial Statements and Report from the External Auditors, corresponding to the period ended at December 31, 2001.

Approval of a definitive dividend for the period 2001, which represents a total dividend to be paid of Ch\$ 0.94 per share, which will be paid as of April 22, 2002.

The following Directors were elected:

Mr. Jaime Bauzá

Mr. Emilio García

Mr. José María Hidalgo

Mr. Pablo Yrarrázaval

Mr. Rodolfo Martín

Mr. Antonio Pareja

Mr. Andrés Regué

Mr. Antonio Tuset

Mr. Leonidas Vial

On this same date, the Board of Directors of the Company was constituted, appointing Mr. Pablo Yrarrázaval and Mr. Antonio Pareja as Chairman and Vice-Chairman of the Board, respectively.

In this same meeting, Mr. Jaime Bauzá, Mr. Pablo Yrarrázaval and Mr. Antonio Tuset were appointed members of the Committee of Directors of the Company.

On June 27, 2002, it is informed that the Board of Directors of the Company, in a meeting held on this same date and in compliance with the resolution adopted by the last Ordinary Shareholder's Meeting of Endesa, appointed the firm Langton Clarke Auditores y Consultoría Ltda. as external auditors of the Company for the period 2002.

It is stated that this appointment is applicable to the continuator of said firm, considering the incorporation process presently in progress with the international network of Ernst & Young International.

On July 25, 2002, it is informed as an essential fact, that in an Extraordinary Meeting of the Board of Directors of the Company held on this same date, Mr. Luis Rivera was appointed as new Chairman of the Board and of the Company. Mr. Rivera was incorporated as Director of Endesa in this same meeting, in place of Mr. Pablo Yrarrázaval, who resigned to the positions he held as Director and Chairman of the Company.

On October 4, 2002, it is informed as an essential fact, that in the Extraordinary Meeting held on October 3, 2002, the Board of Directors of the Empresa Nacional de Electricidad S.A. agreed, upon unanimous vote of its present members, to approve a financial and economic strengthening plan for Endesa, and consequently for its national and foreign subsidiaries, via improving its credit structure, expediting the investment process presently in progress, and reasserting the financial strength of Endesa to allow it to face, more easily, the regional situation which affects its investments. Said plan contemplates the disinvestment of several assets, and the refinancing and reduction of debts, with the purpose of achieving an equity and financial strengthening of the Company.

The referred plan basically contains the following operations:

Initiation of the divestment process of Canutillar Hydroelectric Power Station owned by Endesa, having an installed capacity of 172 MW and a mean production of 950 GWh, and representing 4.4% of the installed capacity of Endesa in Chile. Within this process, an Extraordinary Shareholders' Meeting will be held for its approval.

Promote the refinancing of the GasAtacama Project in order to replace the debt held by the companies involved in the project with their owners, through external financing granted by international banks.

Alienation of transmission lines owned by Endesa and its subsidiaries.

To all of the above is added the divestment of Endesa's stake in Infraestructura Dos Mil S.A., a process presently in progress which, in addition to the price corresponding to the divestment in itself, approximately US\$ 50,000,000, will permit the reduction of the consolidated debt by approximately US\$ 20,000,000.

Compliance with the financial strengthening plan, which comprises the global process of disposal of assets, the effect for the company of the refinancing of Gas Atacama and the consolidated debt reduction through the sale of Infraestructura Dos Mil S.A., will result in an estimated income of US\$ 600 million to US\$ 700 million, which will be assigned to reduce the financial indebtedness of the Company. The compliance of the plan is progressive, although it should be completed during next year.

Also, the Board of Directors agreed to authorize the executive management of the Company to carry out the referred financial strengthening plan, to this effect being able to carry out all the initiatives and actions leading to its complete materialization.

On October 29, 2002, it is informed as an essential fact that, in the Ordinary Meeting of the Board of Directors held on October 28, 2002, it was unanimously agreed by all present members, to create a subsidiary named "Empresa Eléctrica Canutillar S.A.", in which Endesa will own 99.9% of the capital stock and which, in due time and after obtaining the corresponding corporate authorizations, will be provided with all the assets of Canutillar Power Station, today owned by Endesa. All of this is within the process for the alienation of this hydroelectric asset to third parties, as reported in our essential fact of October 4, 2002.

On January 15, 2003, it is informed as an essential fact, that the Board of Directors of Empresa Nacional de Electricidad, in an Extraordinary Meeting held today, agreed to will make accounting adjustments and extraordinary charges to its balance sheet, due to its investments in Brazil and Argentina, for a total amount of US\$ 137.4 million, or its equivalent in national currency, said extraordinary adjustments being reflected on the results of the period 2002.

The above mentioned figure can be broken up as follows for each country:

|            |                    |
|------------|--------------------|
| Brazil:    | US\$ 100 million   |
| Argentina: | US\$ 37.4 million. |

The agreement of accounting adjustments is taken in compliance with the application of the new accounting regulation promulgated in the USA, which is mandatory for the companies listed (registered) in said country. This regulation, incorporated in the generally accepted accounting principles applied by the external auditors of the Company, corresponds to the Rule FAS 142 and its first application will be to the financial statements of December 2002.

The extraordinary adjustments will have no impact on the cash flow of the Company and will not affect its liquidity situation, this extraordinary measure being inserted for this only one time as a complement of the financial and economic strengthening plan for the Company, approved by the Board of Directors in October 2002.

**PEHUENCHE S.A.**

On January 30, 2002, it is informed as an essential fact, that in the meeting held on January 29, 2002, the Board of Directors of Empresa Eléctrica Pehuenche S.A., considering that the profits of the period January-November 2001 are substantially lower than the expectations considered in the estimated budget for said period, approved upon unanimous vote of its present members, not to distribute during the month of January 2002 the provisional dividend charged to net and realized income for the period January-November 2001, as the amount to be distributed would be immaterial. In fact, the financial statements of the Company as of November 30, 2001 show a net and realized income for the period of Ch\$ 59,124,009, a figure which includes an approximate estimate of the tax payments for this period. Therefore, if the provisional dividend were distributed, as contemplated in the dividend policy informed to the Ordinary Shareholders' Meeting of the Company held on March 30, 2001, and which corresponds to 70% of the net and realized income for the above mentioned period, said provisional dividend would be approximately Ch\$ 0.07 per share.

All of the above is without prejudice (independent) of the definitive dividend, regarding which the Ordinary Shareholders' Meeting scheduled for the month of April 2002 should issue a pronouncement.

The Ordinary Shareholder's Meeting of the subsidiary "Empresa Eléctrica Pehuenche S.A.", held on April 8, 2002, approved the balance sheet corresponding to the period ended at December 31, 2001.

On this occasion, the Shareholders' Meeting approved the proposal of the Board of Directors to pay a definitive dividend for the period 2001, representing a total dividend of Ch\$ 7.866182 per share which will be paid as of April 22, 2002.

The Board of Directors of the Company, in a meeting held on June 27, 2002, agreed to distribute to the shareholders a provisional dividend, according to the provisions of the dividend policy informed to the Ordinary Shareholder's Meeting held on April 8, 2002. Said provisional dividend will amount to Ch\$ 4.090154 per share and will be paid as of July 25, 2002.

The Board of Directors of the Company, in a meeting held on September 26, 2002, agreed to distribute to the shareholders a provisional dividend, according to the provisions of the dividend policy informed to the Ordinary Shareholder's Meeting held on April 8, 2002. Said provisional dividend will amount to Ch\$ 5.534918 per share and will be paid as of October 11, 2002.

The Board of Directors of the Company, in a meeting held on December 17, 2002, agreed to distribute to the shareholders a provisional dividend, according to the provisions of the dividend policy informed to the Ordinary Shareholder's Meeting held on April 8, 2002. Said provisional dividend will amount to Ch\$ 9,702599 per share and will be paid as of January 15, 2003.

**AUTOPISTA DEL SOL S.A.**

As of March 27, 2002, it is informed as an essential fact, that the Board of Directors of the Company in a meeting held on March 26, 2002, agreed to propose to the Ordinary Shareholder's Meeting of "Sociedad Concesionaria Autopista del Sol" scheduled for April 5, 2002, to pay a definitive dividend charged to the profits of the period 2001, of Ch\$ 429.5 per share, as of April 10, 2002.

The Ordinary Shareholder's Meeting of the subsidiary "Sociedad Concesionaria Autopista del Sol S.A.", held on April 5, 2002, approved the balance sheet corresponding to the period ended at December 31, 2001.

On this occasion, the Shareholder's Meeting approved the proposal of the Board of Directors of the Company to pay a definitive dividend for the period 2001, which represents a total dividend of Ch\$ 429.53440535 per share, which will be paid as of April 10, 2002.



According to the provisions of the law and the by laws of the Company, the Board of Directors of the Company was elected, being constituted by the following Directors:

Mr. Mario Valcarce  
Mr. Víctor Bezanilla  
Mr. Jorge Alé  
Mr. Rodolfo Nieto  
Mr. Alexander Fernández

On September 3, 2002, it is informed as an essential fact, that the Extraordinary Shareholder's Meeting of Sociedad Concesionaria Autopista del Sol S.A., held on August 30, 2002, agreed on a unanimous vote to reduce the capital stock which presently amounts to Ch\$ 35,452,296,130 divided into 3,740,916 nominative shares, belonging to only one series and with no face value, to Ch\$ 32,947,307,337 divided into 3,740,916 nominative shares belonging to only one series and with no face value, representing a reduction of Ch\$ 2,504,988,793, an amount which will be distributed among the shareholders at Ch\$ 669.6190967667 per share.

***AUTOPISTA LOS LIBERTADORES S.A.***

The Ordinary Shareholder's Meeting of the subsidiary "Sociedad Concesionaria Autopista Los Libertadores S.A.", held on April 5, 2002, approved the balance sheet corresponding to the period ended at December 31, 2001.

According to the provisions of the law and the by laws of the Company, the Board of Directors of the Company was elected, being constituted by the following Directors:

Mr. Mario Valcarce  
Mr. Víctor Bezanilla  
Mr. Jorge Alé  
Mr. Rodolfo Nieto  
Mr. Alexander Fernández

***INFRAESTRUCTURA DOS MIL S.A.***

The Ordinary Shareholder's Meeting of the subsidiary "Infraestructura Dos Mil S.A.", held on April 5, 2002, approved the balance sheet corresponding to the period ended at December 31, 2001.

According to the provisions of the law and the by laws of the Company, the Board of Directors of the Company was elected, being constituted by the following Directors:

Mr. Mario Valcarce  
Mr. Juan Benabarre  
Mr. Jorge Alé  
Mr. Maximiliano Ruiz  
Mr. Rodolfo Nieto  
Mr. Víctor Bezanilla  
Mr. Fernando Larraín  
Mr. Horacio Peña  
Mr. Alexander Fernández

**PANGUE S.A.**

The Ordinary Shareholder's Meeting of the subsidiary "Empresa Eléctrica Pangué S.A.", held on April 8, 2002, approved the balance sheet corresponding to the period ended at December 31, 2001.

According to the provisions of the law and the by laws of the Company, the Board of Directors of the Company was elected, being constituted by the following Directors:

Mr. Enrique Bordiú

Mr. Claudio Iglesias

Mr. Osvaldo Muñoz

Mr. Alan Fisher

Mr. Alejandro Wendling

The meeting of the Board of Directors of the Company, held on December 17, 2002, agreed to distribute to the shareholders a provisional dividend, according to the provisions of the dividend policy informed to the Ordinary Shareholder's Meeting held on April 8, 2002. Said provisional dividend will amount to Ch\$ 13.774273 per share and will be paid as of January 27, 2003.

# Consolidated Management Analysis

## ***ECONOMIC-FINANCIAL SUMMARY***

As of December, 2002, Net Income registered a loss of Ch\$ 223.748 million, compared to the profit of Ch\$ 42.154 million as of December, 2001. This decrease is basically related to the Accounting Adjustments made by the Company for our investments in Argentina and Brasil. In any event, it is important to highlight that these one time adjustments, are merely accounting issues, and do not represent cash flow reduction. Therefore, these will not affect the liquidity of the Company.

Operating Income amounted to Ch\$ 532.644 million, which represents a 29.4% respect to the year 2001. This fall is mainly explained by the economic instability in Argentina and the strong devaluation in Brazil. It is important to highlight, however, the improved Operating Income achieved during this period by Chilean subsidiaries.

In this respect, this is clearly shown when isolating the effect of subsidiaries in Argentina, in which case the Operating Income decreased only 8.6%, equivalent to Ch\$ 50.009 million, as shown in the Pro-Forma Income Statement.

In the Distribution Business, it is important to highlight improvement of 1.6% in consolidated Physical Sales, reaching 48,955 GWh, is equivalent to 767 GWh of higher sales compared to 2001, which shows the recovery of some key ratios of the business. On the other hand, physical sales in generation, decrease mainly in Argentina, from 12.988 GWh to 7.897 GWh.

Also in the Distribution Business, there is a 2.8% increase in the number of clients, reaching 275,000 new customers, equivalent to add a company like Río Maipo. This growth in clients, with the recovery of the demand, makes us to believe that sales will increase during the year 2003.

Another important element in the operating side is the labor productivity, that increase 2.2%, from 1,379 clients per employee to 1,409 clients per employee, confirming the positive trend shown in the last three years.

Energy losses, another key variable in the distribution business, increase from 11.9% to 12.1%, primarily due to Edesur, offset by the decrease of Codensa, from 11.8% to 10.3%, as well as the other subsidiaries.

Net Financial Result improved by Ch\$ 41.957 million or 10.6%, from a loss of Ch\$ 396.208 million as of December 2001 to a loss of Ch\$ 354.251 million this year. This variation is the result of lower interest rates on the international markets respect to the previous year.

Ch\$ 573,508 million of lower operating revenues, offset by a decrease of operating costs in 14.6%, equivalent to Ch\$ 295.262 million, additionally Ch\$ 56.346 million of lower administrative and selling expenses, equivalent to a 20%. Excluding our Argentinean subsidiaries, the decrease in operating revenues have been only 2.2%.

## MARKETS IN WHICH THE COMPANY OPERATES

Enersis' commercial activities are handled through subsidiaries that operate the various businesses in the countries where the company has a presence. For Enersis, the most important activities are the Distribution and Generation of electricity.

The following tables illustrate the evolution of the key ratios in the different countries

### Distribution Business

| Company      | Energy sales (GWh) (*) |               | Energy losses (%) |              | Clients (thousand) |               | Clients / Employees (thousand) |              |
|--------------|------------------------|---------------|-------------------|--------------|--------------------|---------------|--------------------------------|--------------|
|              | Dec-01                 | Dec-02        | Dec-01            | Dec-02       | Dec-01             | Dec-02        | Dec-01                         | Dec-02       |
| Chilectra    | 9,585                  | 9,952         | 5.4%              | 5.6%         | 1,289              | 1,319         | 1,785                          | 1,833        |
| Río Maipo    | 1,245                  | 1,274         | 6.4%              | 6.2%         | 294                | 302           | 3,764                          | 4,021        |
| Edesur       | 12,909                 | 12,138        | 9.9%              | 11.6%        | 2,097              | 2,090         | 925                            | 928          |
| Edelnor      | 3,685                  | 3,872         | 8.9%              | 8.5%         | 867                | 871           | 1,557                          | 1,465        |
| Cerj         | 6,739                  | 7,146         | 22.7%             | 22.6%        | 1,691              | 1,778         | 1,249                          | 1,226        |
| Coelce       | 5,352                  | 5,558         | 13.0%             | 12.9%        | 1,917              | 2,009         | 1,309                          | 1,434        |
| Codensa      | 8,673                  | 9,015         | 11.8%             | 10.3%        | 1,850              | 1,911         | 2,276                          | 2,382        |
| <b>Total</b> | <b>48,188</b>          | <b>48,955</b> | <b>11.9%</b>      | <b>12.1%</b> | <b>10,005</b>      | <b>10,280</b> | <b>1,379</b>                   | <b>1,409</b> |

(\*) It includes sales to final clients, tools, and intercompany sales.

### Generating Business

| Country      | Market of operations | Energy sales (GWh) |               | Market share |        |
|--------------|----------------------|--------------------|---------------|--------------|--------|
|              |                      | Dec-01             | Dec-02        | Dec-01       | Dec-02 |
| Chile        | SIC y SING           | 18,673             | 18,344        | 49.0%        | 46.1%  |
| Argentina    | SIN                  | 12,988             | 7,897         | 13.5%        | 10.9%  |
| Perú         | SICN                 | 4,239              | 4,158         | 23.0%        | 21.2%  |
| Colombia     | SIN                  | 14,590             | 14,639        | 23.3%        | 21.4%  |
| Brasil       | SICN                 | 3,743              | 3,591         | 1.2%         | 1.1%   |
| <b>Total</b> |                      | <b>54,233</b>      | <b>48,629</b> |              |        |

## ANALYSIS OF THE FINANCIAL STATEMENTS

### 1. ANALYSIS OF THE INCOME STATEMENTS

As of December, 2002, Net Income registered a loss of Ch\$ 223.748 million, compared to the profit of Ch\$ 42.154 million as of December, 2001. This decrease is basically related to the Accounting Adjustments made by the Company for our investments in Argentina and Brasil.

The variations of the income statements are as follows:

| <i>Income Statement (million Ch\$)</i>     | <i>Dec-01</i>    | <i>Dec-02</i>    | <i>Var Dec 02-01</i> | <i>%Var 02-01</i> |
|--|------------------|------------------|----------------------|-------------------|
| <i>Operating Revenues</i>                  | 3,059,381        | 2,485,873        | (573,508)            | (18.7%)           |
| <i>Operating Costs</i>                     | (2,025,312)      | (1,730,050)      | 295,262              | (14.6%)           |
| <b><i>Operating Margin</i></b>             | <b>1,034,069</b> | <b>755,823</b>   | <b>(278,246)</b>     | <b>(26.9%)</b>    |
| <i>Selling and Administrative Expenses</i> | (279,525)        | (223,179)        | 56,346               | (20.2%)           |
| <b><i>Operating Income</i></b>             | <b>754,544</b>   | <b>532,644</b>   | <b>(221,900)</b>     | <b>(29.4%)</b>    |
| <i>Profit (Loss) in Related Companies.</i> | (10,699)         | 8,264            | 18,963               | (177.2%)          |
| <i>Inet Others non Operating Income</i>    | 10,764           | 66,947           | 56,183               | 522.0%            |
| <i>Net Financial Margin</i>                | (396,208)        | (354,252)        | 41,956               | (10.6%)           |
| <i>Positive Goodwill Amortization</i>      | (80,576)         | (506,344)        | (425,768)            | 528.4%            |
| <i>Monetary</i>                            | 2,175            | 4,965            | 2,790                | 128.3%            |
| <i>Exchange Difference</i>                 | (30,543)         | (16,110)         | 14,433               | (47.3%)           |
| <b><i>Non Operating Income</i></b>         | <b>(505,087)</b> | <b>(796,530)</b> | <b>(291,443)</b>     | <b>57.7%</b>      |
| <i>Income Tax</i>                          | (129,850)        | (66,017)         | 63,833               | (49.2%)           |
| <i>Items extraordinarios</i>               | -                | (22,376)         | (22,376)             | 100.0%            |
| <i>Minority Interest</i>                   | (125,153)        | 16,283           | 141,436              | (113.0%)          |
| <i>Negative Goodwill Amortization</i>      | 47,700           | 112,248          | 64,548               | 135.3%            |
| <b><i>Net Income</i></b>                   | <b>42,154</b>    | <b>(223,748)</b> | <b>(265,902)</b>     | <b>(630.8%)</b>   |
| <i>R.A.I.I.D.A.I.E. (*)</i>                | 1,207,029        | 1,079,877        | (127,152)            | (10.5%)           |
| <b><i>Earnings per Share \$</i></b>        | <b>5,08</b>      | <b>(26,99)</b>   | <b>(32,07)</b>       | <b>(630.8%)</b>   |

(\*) Earning before taxes, interests, depreciation, amortization and extraordinary items.

#### a. Operating Income

Operating Income amounted to Ch\$ 532.644 million, which represents a decrease of Ch\$ 221.900 million or 29.4% respect to the year 2001. This fall is mainly explained by the economic instability in Argentina and the strong devaluation in Brazil. It is important to highlight, however, the improved Operating Income achieved during this period by Chilean subsidiaries. This is clearly shown when isolating the effect of subsidiaries in Argentina, in which case the Operating Income decreased only 8.6%, equivalent to Ch\$ 50,009 million, as shown in the Pro-Forma Income Statement.

## Proforma - Income Statements

With Edesur, Central Costanera and Chocón subsidiaries under equity method

| <b>Income Statement (million Ch\$)</b> | <b>Dec-01</b>    | <b>Dec-02</b>    | <b>Var Dec 02- 01</b> | <b>%Var 02-01</b> |
|--|------------------|------------------|-----------------------|-------------------|
| Operating Revenues                     | 2,238,527        | 2,188,614        | (49,913)              | (2.2%)            |
| Operating Costs                        | (1,455,061)      | (1,467,935)      | (12,874)              | (0.9%)            |
| <b>Operating Margin</b>                | <b>783,466</b>   | <b>720,679</b>   | <b>(62,787)</b>       | <b>(8.0%)</b>     |
| Selling and Administrative Expenses    | (203,571)        | (190,793)        | 12,778                | 6.3%              |
| <b>Operating Income</b>                | <b>579,895</b>   | <b>529,886</b>   | <b>(50,009)</b>       | <b>(8.6%)</b>     |
| Profit (Loss) in Related Companies.    | 59,734           | 9,678            | (50,056)              | (83.8%)           |
| Inet Others non Operating Income       | (3,900)          | 46,413           | 50,313                | (1.290.1%)        |
| Net Financial Margin                   | (365,448)        | (303,963)        | 61,485                | 16.8%             |
| Positive Goodwill Amortization         | (80,576)         | (506,344)        | (425,768)             | (528.4%)          |
| Monetary                               | 2,178            | 4,967            | 2,789                 | (128.1%)          |
| Exchange Difference                    | (16,083)         | (16,101)         | (18)                  | 0.1%              |
| <b>Non Operating Income</b>            | <b>(404,095)</b> | <b>(765,350)</b> | <b>(361,255)</b>      | <b>(89.4%)</b>    |
| Income Tax                             | (82,283)         | (100,155)        | (17,872)              | (21.7%)           |
| Items extraordinarios                  | -                | (22,376)         | (22,376)              | N/A               |
| Minority Interest                      | (99,063)         | 21,999           | 121,062               | 122.2%            |
| Negative Goodwill Amortization         | 47,700           | 112,248          | 64,548                | 135.3%            |
| <b>Net Income</b>                      | <b>42,154</b>    | <b>(223,748)</b> | <b>(265,902)</b>      | <b>(630.8%)</b>   |

**In the Generation Business**, the Operating Income of Endesa Chile amounted to Ch\$ 346.224 million, a decrease of 0.5%, basically due to a lower Operating Income in Argentina and Brazil, compensated by improvements in Chile and Peru.

In Argentina, Operating Income amounted to Ch\$ 12.256 million, a fall of Ch\$ 30.784 million respect to December 2001. This decrease is due to the drop in average sales prices of energy from El Chocón as a result of the devaluation of the Argentine Peso and also 39.2% decrease in physical sales. Furthermore, lower energy prices in Brazil as a result of a surplus water supply in the zone, implied that in 2002 only 2% needed to be purchased from CIEN interconnection line.

In Brazil, Operating Income of Cachoeira Dourada decreased by 39.2% to Ch\$ 16.981 million. This decrease was result of 20.3% lower average energy sales prices, due to the devaluation of the Brazilian currency respect to the US\$ and greater energy purchases associated to the recovery of reservoirs after the drought in southeastern Brazil.

In Chile, Operating Income amounted to Ch\$ 171.136 million, reflecting an increase of 25.4%, mainly due to the result of higher hydroelectric generation associated to an improvement in the reservoirs levels. Another contributing factor, was the increase in average sales prices resulting from the marketing policies that enabled the company to obtain the best prices on unregulated clients and spot markets. Furthermore, the reduction in the generation of thermoelectric meant a decrease of Ch\$ 24.155 million in the cost of fuel and transport of gas and the greater volumes of water allowed for a reduction of Ch\$ 10.909 million in the cost of energy purchases.

In Colombia, Operating Income increased by 1.1% to Ch\$ 75.373 million, basically as a result of an increase in physical sales of energy due to an improvement in water supplies and rainfall and to higher energy sales prices on the spot market.

In Peru, Operating Income rose by 6.7% to Ch\$ 70.477 million mainly due to higher average sales prices on the spot market which more than compensated the reduction in physical sales.

**The Distribution Business** shows an improvement of 1.6% in consolidated Physical Sales, reaching 48,955 GWh, which is equivalent to 767 GWh of higher sales compared to 2001. There is a 2.7% increase in the number of clients, reaching 275,000 new customers.

In Chile, Chilectra shows an improvement of Ch\$ 5.651 million, equivalent to 6.9%, basically due to greater physical sales, compensated by an increase in Selling and Administrative Expenses related to higher salaries expenses. In the case of Rio Maipo, Operating Income increased by Ch\$ 223 million due to greater Energy Sales and lower Selling and Administrative Expenses.

In Brazil, the Operating Income of our subsidiaries Cerj and Coelce show a decrease of Ch\$ 49.609 million and Ch\$ 19.720 million, respectively. This variation is due to Regulatory Asset that both companies recognized on December 2001, addressed to the recovery of financial and economic equilibrium of the concessions contracts, and by that way, recover the consumption losses registered during the rationing in place during the year 2001 and early 2002.

In Colombia, Codensa shows a decrease of Ch\$ 7.226 million, mainly explained by the increase in Operating Expenses and Administrative Expenses, which was partially compensated by the increase in Operating Revenues, due to greater physical energy sales and lower energy losses, improving from 11.8% as of December 2001, to a 10.3% as of December 2002.

In Peru, the subsidiary Edelnor reduced its Operating Income by Ch\$ 1.749 million, basically due to an increase in Operating and Maintenance Costs.

In Argentina, Edesur registered a loss of Ch\$ 12.737 million as of December 2002. This lower result is due to the economic instability of the country, that implied lower revenues on sales, due to a freeze on tariffs, a reduction in physical sales as a result of a lower demand of energy, losses arising from the devaluation of the Argentine Peso and to an increase of energy losses due to theft. This significant negative impact on the Operating Income led to a net reduction in the consolidated Operating Income of Enersis, in comparison with the same period of the previous year.

Operating income and expenses, as well as administrative and selling expenses, by subsidiaries, for the year ended December 2002 and 2001, are shown below:

| Company                          | Dec-01             |                    |                         |                  | Dec-02             |                    |                         |                  |
|----------------------------------|--------------------|--------------------|-------------------------|------------------|--------------------|--------------------|-------------------------|------------------|
|                                  | Operating Revenues | Operating Costs    | Selling & Adm, Expenses | Operating Income | Operating Revenues | Operating Costs    | Selling & Adm, Expenses | Operating Income |
| Endesa S.A.                      | 1,045,279          | (662,608)          | (34,697)                | 347,974          | 938,099            | (555,586)          | (36,289)                | 346,224          |
| Chilectra S.A.                   | 370,833            | (257,611)          | (31,554)                | 81,668           | 397,937            | (278,725)          | (31,893)                | 87,319           |
| Rio Maipo S.A.                   | 53,150             | (38,976)           | (4,124)                 | 10,050           | 56,670             | (42,428)           | (3,969)                 | 10,273           |
| Edesur S.A.                      | 599,372            | (408,059)          | (73,464)                | 117,849          | 199,479            | (181,631)          | (30,585)                | (12,737)         |
| Edelnor S.A.                     | 189,080            | (135,220)          | (19,220)                | 34,640           | 203,634            | (151,209)          | (19,534)                | 32,891           |
| Cerj                             | 376,867            | (274,819)          | (32,035)                | 70,013           | 345,161            | (303,347)          | (21,410)                | 20,404           |
| Coelce                           | 247,525            | (158,451)          | (45,361)                | 43,713           | 227,725            | (163,320)          | (40,412)                | 23,993           |
| Codensa S.A.                     | 326,902            | (269,908)          | (28,400)                | 28,594           | 331,505            | (277,641)          | (32,496)                | 21,368           |
| Cam Ltda.                        | 93,646             | (72,841)           | (8,406)                 | 12,399           | 93,946             | (73,685)           | (7,915)                 | 12,346           |
| Inmob. Manso de Velasco Ltda.    | 12,162             | (7,438)            | (1,725)                 | 2,999            | 11,378             | (5,977)            | (1,625)                 | 3,776            |
| Synapsis Soluc.y Servicios Ltda. | 45,898             | (32,651)           | (5,862)                 | 7,385            | 49,533             | (37,231)           | (6,117)                 | 6,185            |
| Holding Enersis y soc. inversión | 10,405             | (6,485)            | (21,140)                | (17,220)         | 4,281              | (1,086)            | (21,852)                | (18,657)         |
| Consolidation Adjustment         | (311,738)          | 299,755            | 26,463                  | 14,480           | (373,475)          | 341,816            | 30,918                  | (741)            |
| <b>Consolidated Total</b>        | <b>3,059,381</b>   | <b>(2,025,312)</b> | <b>(279,525)</b>        | <b>754,544</b>   | <b>2,485,873</b>   | <b>(1,730,050)</b> | <b>(223,179)</b>        | <b>532,644</b>   |

#### Operating Income by Line of Business

Operating income and expenses by subsidiaries, for the year ended December 2002 and 2001, broken down by line of business are shown below:

| Company                 | Generation     |                | Distribution   |                | Eng. services & Real Estate |               | Parent Co & Others services |               | Adjustments     |                 | Total            |                |
|-------------------------|----------------|----------------|----------------|----------------|-----------------------------|---------------|-----------------------------|---------------|-----------------|-----------------|------------------|----------------|
|                         | Dec-01         | Dec-02         | Dec-01         | Dec-02         | Dec-01                      | Dec-02        | Dec-01                      | Dec-02        | Dec-01          | Dec-02          | Dec-01           | Dec-02         |
| Operating revenues      | 1,008,053      | 897,530        | 2,169,834      | 1,762,110      | 100,609                     | 51,948        | 92,624                      | 147,760       | (311,739)       | (373,475)       | 3,059,381        | 2,485,873      |
| Operating Costs         | (636,535)      | (526,866)      | (1,548,686)    | (1,398,301)    | (73,207)                    | (34,697)      | (66,641)                    | (112,002)     | 299,757         | 341,816         | (2,025,312)      | (1,730,050)    |
| <b>Operating margin</b> | <b>371,518</b> | <b>370,664</b> | <b>621,148</b> | <b>363,809</b> | <b>27,402</b>               | <b>17,251</b> | <b>25,983</b>               | <b>35,758</b> | <b>(11,982)</b> | <b>(31,659)</b> | <b>1,034,069</b> | <b>755,823</b> |
| Selling & Adm. Expenses | (32,542)       | (34,042)       | (234,647)      | (180,314)      | (8,270)                     | (3,872)       | (30,528)                    | (35,869)      | 26,462          | 30,918          | (279,525)        | (223,179)      |
| <b>Operating income</b> | <b>338,976</b> | <b>336,622</b> | <b>386,501</b> | <b>183,495</b> | <b>19,132</b>               | <b>13,379</b> | <b>(4,545)</b>              | <b>(111)</b>  | <b>14,480</b>   | <b>(741)</b>    | <b>754,544</b>   | <b>532,644</b> |



**b. Non-operating Income**

Non-Operating Income shows a greater loss of Ch\$ 796.530 million. This is mainly explained by the Accounting Adjustments made by the Company. These adjustments are in accordance to Chilean generally accepted accounting rules and have been applied for the first time on our Financial Statements. Adjustments correspond to the acceleration of net balance of negative and positive goodwill of investments in distribution and generation located in Argentina and Brazil, and due to the socioeconomic instability experienced in that countries.

**Net Financial Result** improved by Ch\$ 41.957 million or 10.6%, from a loss of Ch\$ 396.208 million as of December 2001 to a loss of Ch\$ 354.251 million this year. This variation is the result of lower interest rates on the international markets respect to the previous year.

**Investment in Related Companies** registered a net profit of Ch\$ 8.264 million, a positive variation of Ch\$ 18.963 million when compared to the net loss of Ch\$ 10.699 million registered in December 2001. This is principally due to the better result of Ch\$ 13.058 million of CIEN, and the effects of the exchange rates in the results for both periods of the Endesa Chile's related companies.

**The Amortization on Positive Goodwill** for the year 2002, amounted to Ch\$ 506.344 million, an increase of Ch\$ 425.768 million respect to Ch\$ 80.576 million as of December 2001. The increase in the amortization is related to the acceleration of amortization of the net balance of Negative and Positive goodwill of investments in distribution and generation located in Argentina and Brazil, accelerating the amortization of positive goodwill of this investments for \$424.698 million (\$273.790 million net of minorities). The final net effect, including the negative goodwill, represent a loss of \$362.179 million (\$236.435 million net of minorities).

**Net Other Non-Operating Income** increased by Ch\$ 56.212 million, reaching a total amount of Ch\$ 66.976 million.

This increase is mainly due to:

- An increase of Ch\$ 156.799 million derived from the adjustment on converting over to Chilean Accounting Rules on applying the norms contained in Technical Bulletin N°64, particularly respect to subsidiaries in Brazil and Argentina. This was principally due to the devaluation of both Brazilian Real and the Argentine Peso against its monetary assets and liabilities structure.
- An increase of Ch\$ 10.567 million in profits from forward contracts, which recovered from a loss of Ch\$ 5.752 million as of December 2001 to a profit of Ch\$ 4.815 million this year.
- Higher dividends received from related companies of Ch\$ 5.307 million.

This was partially compensated by:

- Provisions made during 2002 of Ch\$ 62.912 million for real estate projects in course.
- Lower profits booked during the year 2001 of Ch\$ 24.113 million, due to the repurchase of the Yankee Bonds made by Enersis and Endesa Chile on November 2001.

- An increase of Ch\$ 13.130 million in provisions for contingencies and lawsuits.
- Net losses of Ch\$ 7.528 million resulting from the recalculations of energy in the SIC-SING system.
- Taxes adjustment of the sales in a Brazilian subsidiary during the past year of Ch\$ 6.731 million.
- Adjustment to the market value of the Sovereign Bond of the Argentinean Government by Ch\$ 5.103 million.

**Price Level Restatement and Exchange Differences** show lower losses of Ch\$ 17.223 million. This was caused principally by the effects of the nominal devaluation of 9.75% of the Ch\$ against the US\$, compared to a devaluation of 14.14% as the same date last year. These effects were compensated to a large extent by forward contracts held by the Company.

**Income Tax and Deferred Taxes** registered a reduction of Ch\$ 63.833 million. This is mainly explained by a fall of Ch\$ 51.205 million in Income Tax, mainly due to the effects of the Argentinean subsidiaries and by a decrease of Ch\$ 12.628 million in Deferred Taxes.

**Extraordinary Items** as of December, 2002 show a loss of Ch\$ 23.552 million as a result of a new tax imposed by the Colombian Government (Tax to contribute to security's purposes) upon all companies established in that country.

#### ***Interest rate risks***

On a consolidated basis, as of December 31st, 2001, 42% of the total debt was expressed in variable terms (mainly Libor USD and Chilean TAB), while 58% was at fixed rates and secure.

At the end of 2002, the debt linked to variable rates represented 30% of the total debt, while 70% was at fixed rates.

The reduction in the percentage of debt at variable rates during this year is explained basically by the refinancing of obligations (previously at variable terms) into fixed rates, and by hedge operations of Libor US\$ rate for US\$ 1,000 million, of which US\$ 700 million were done by Enersis and US\$ 300 million by Endesa Chile.

The Company manages its interest rate risk by concentrating its debt structure on the long term with a suitable combination of debt at fixed rates and at variable rates.

In the Argentinean subsidiaries, most of the debt is linked to the Libor. This rate have been decreasing, so we decide to maintain a high percentage of debt in variable rate.

In Brazil, our subsidiaries has a natural coverage, tariffs are updated with the local price index correlated with the local interest rate. Because of that we have decided to maintain important part of the debt in variable rate, due to the good moments of the market to fixed some interest periods.

### Exchange risk

The Company's exposure to an exchange risk is derived from the assets and liabilities denominated in foreign currency, mainly US\$.

On a consolidated basis, as of December 2001, Enersis had 72% of its total debt expressed in US\$. With the US\$/Ch\$ forward position, the weight of this debt in US\$ was reduced to 67%.

As of December 31st, 2002, 69% of the debt was denominated in US\$. Considering the US\$/Ch\$ hedging policy mentioned below, the percentage of the debt denominated in US\$ is reduced to 65%.

The reason behind the largest part of our debt being denominated in US\$ is the fact that an important proportion of our revenues is directly or indirectly related to US\$. Thus, the tariffs of the majority of the countries in which we have operations are tied to a large extent to the evolution of the US\$. Particularly in Chile and Peru. In countries where the indexation to the US\$ is lower, the companies borrow a greater proportion of their loans in local currency.

In our generation subsidiaries, in the case of Argentina, a large part of Central Costanera's income come from exports to Brazil with contracts indexed to the US\$. On the other hand, El Chocon contracts, expressed in US\$, are currently being paid in Argentine Pesos. In Colombia the contracts are at spot and at short term and, to a large extent follow the variation of the US\$ exchange rate. In Chile and Peru, the tariff process and the contracts are indexed to changes in the US\$. Finally, the tariffs set for Cachoeira Dourada (in Brazil) are not indexed to US\$. Revenues are in local currency and are indexed to the inflation.

In the case of Distribution companies in Argentina which operates under a federal concession, their tariffs are established in US\$ in contracts and are indexed to the United States inflation, this is the case of our subsidiary Edesur. Nevertheless, the Emergency Law promulgated in January 2002 expressed the tariffs in Pesos and has maintained them frozen. For this reason, the companies have had to absorb, with no compensation whatsoever, the effects of devaluation and of inflation. Within the framework of renegotiation that is ongoing between the government and the companies, must established the conditions under which the tariffs will be set in the future. In Brazil, tariffs are indexed to the General Market Price Index. In Colombia the Added Distribution Value (VAD) is adjusted in accordance with the Producers Price Index every time that this rises by more than 3% in any of its components.

Operating income and expenses, for the year ended December 2002 and 2001, broken down by countries are shown below:

| Company                 | Chile     |           | Argentina |           | Brazil    |           | Perú      |           | Colombia  |           | Total       |             |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|-------------|
|                         | Dec-01    | Dec-02    | Dec-01    | Dec-02    | Dec-01    | Dec-02    | Dec-01    | Dec-02    | Dec-01    | Dic-02    | Dic-01      | Dic-02      |
| Operating Revenues      | 805,113   | 799,462   | 827,353   | 297,634   | 691,658   | 624,290   | 265,489   | 292,427   | 469,769   | 472,060   | 3,059,380   | 2,485,874   |
| % r / consolidado       | 26%       | 32%       | 27%       | 12%       | 23%       | 25%       | 9%        | 12%       | 15%       | 19%       |             |             |
| Operating Costs         | (516,954) | (479,952) | (571,916) | (262,424) | (469,877) | (499,243) | (137,902) | (160,438) | (328,664) | (327,993) | (2,025,312) | (1,730,050) |
| % r / consolidado       | 26%       | 28%       | 28%       | 15%       | 23%       | 29%       | 7%        | 9%        | 16%       | 19%       |             |             |
| Operating Margin        | 288,159   | 319,510   | 255,437   | 35,210    | 221,781   | 125,047   | 127,587   | 131,989   | 141,105   | 144,067   | 1,034,068   | 755,824     |
| % r / consolidado       | 28%       | 42%       | 25%       | 5%        | 21%       | 17%       | 12%       | 17%       | 14%       | 19%       |             |             |
| Selling & Adm, Expenses | (68,485)  | (68,064)  | (76,185)  | (32,410)  | (78,028)  | (60,105)  | (23,942)  | (22,486)  | (32,884)  | (40,113)  | (279,524)   | (223,180)   |
| % r / consolidado       | 25%       | 30%       | 27%       | 15%       | 28%       | 27%       | 9%        | 10%       | 12%       | 18%       |             |             |
| Operating Income        | 219,674   | 251,446   | 179,252   | 2,800     | 143,753   | 64,942    | 103,645   | 109,503   | 108,221   | 103,954   | 754,544     | 532,644     |

In Argentina, generating subsidiaries have their debts expressed in US\$, given that their operating cash flows are largely related to that currency. Edesur has most of its debts in US\$, because before the emergency law, its tariffs were indexed to that currency. Since then, the restrictions imposed, and the volatility on the local financial market have prevented any form of hedging the exchange risk. Thus, to date, the exposure to the US\$ remains. On the other hand, in Brazil, our generating subsidiary is not exposed to the US\$ as it has very low debt in Reales. Distribution subsidiaries used to have loans with third parties in local currencies. Only Cerj has received inter-company loans in US\$ and for this reason has adopted a hedging policy, tending to maintain its US\$ exposure at around 20%.

In the particular case of Chile, the exchange risk depends on the variation in the exchange rates of the currencies in which assets and liabilities are booked. For accounting purposes and bearing in mind the instructions contained in Bulletin N° 64, our results are also affected. According to this Chilean accounting norm, debts in foreign currency utilized to finance investments in countries considered to have an unstable currency are matched against the corresponding investments and the result of the variations of the Dollar against the Chilean Peso from the crossed debts are not reflected in the income statement.

Currently, the exchange risk is managed on a consolidated basis, taking into consideration the part of these risks that our Chilean subsidiaries have not covered. The company's policy is set on maintaining between 70% and 85% of the booked exposure to exchange risk covered.

The current exchange exposure between the Chilean Peso and the US Dollar is controlled with financial derivative instruments, basically USD/CLP forward contracts, to cover the exchange risk.

#### **Others**

As is customary in most of debts contracts from bank borrowings, and also on the capital markets, a substantial proportion of the financial debt of Enersis S.A. is subject to cross-default conditions. Some defaults on the part of Endesa Chile or its subsidiaries, if not cured in time (in those specific conditions that permit some time to resolve the problem), could result in a cross-default for Endesa Chile and for Enersis S.A.

We give below a detail of the defaults by Enersis or its subsidiaries that, if not cured in time, could result in a cross-default for Enersis and/or its subsidiaries:

- Failure to pay capital and interest on the corresponding debt.
- Failure by Enersis, Endesa Chile or of one of their respective subsidiaries to pay a single debt of USD 30 million or more on the date the corresponding payment should be paid (be it on the maturity date or by acceleration).
- Bankruptcy or suspension of payments by Enersis, Endesa Chile or one of their respective subsidiaries.
- Legal resolutions against Enersis, Endesa Chile or of one of their respective subsidiaries that imply an obligation for an amount equivalent or superior, jointly, to USD 30 million, and legal resolutions whose contents are different to a payment of a monetary obligation against Enersis, Endesa Chile or of one of their respective subsidiaries that could have an important adverse effect on Enersis (consolidated), or on Endesa Chile (consolidated), whichever the case.
- Government action by virtue of which all or a major part of the property or assets of Enersis, Endesa Chile or of one of their respective subsidiaries is nationalized, embargoed, expropriated, or government action impedes the continuity of operations, or a major part of them, of Enersis, Endesa Chile or of one of their respective subsidiaries.

- In certain cases, Enersis's or Endesa Chile's (whichever the case) debt expressed in US Dollars is rated below the "investment grade" category by the corresponding Risk Rating Agency (which, in this case, is Standard & Poor's).
- Failure to comply with the clauses of the corresponding contract and that are not regularized during the grace period established such as commitments to maintain specific ratios on debt, interest coverage and a minimum net worth.

In most credits –and in general terms– the expression "affiliate" relates to those which are relevant, both in Chile and abroad.

Liabilities which could become due and payable regarding each default and the respective creditor subsidiary are detailed below:

### **Bilaterals and Syndicated Bank Loans**

Amounts in US\$ millions at December 31, 2002

|                     | <b>Bilateral</b> | <b>Syndicated</b> | <b>Total</b> |
|---------------------|------------------|-------------------|--------------|
| <i>Enersis</i>      | 614              | 900               | 1,514        |
| <i>Endesa Chile</i> | 162              | 556               | 718          |
| <b>Total</b>        | <b>776</b>       | <b>1,456</b>      | <b>2,232</b> |

Potentially Active Events of Default in Affiliates (would trigger cross default in parent company)

|  | <b>Principal Subsidiaries</b>                 |                    |                         | <b>Subsidiaries</b>     |
|--|---|--------------------|-------------------------|-------------------------|
|  | <b>Endesa Chile</b>                           | <b>Cono Sur</b>    | <b>Endesa Argentina</b> | <b>Other affiliates</b> |
|  | <b>(affected amounts in brackets, MMUS\$)</b> |                    |                         |                         |
| <b>Enersis</b>                                 |   |                    |                         |                         |
| 1. Default of debt >= 30 MMUS\$ (1)            | <i>sí</i> (\$1,514)                           | <i>n/a</i>         | <i>n/a</i>              | <i>no</i>               |
| 2. Bankruptcy or Discontinuance of payment (2) | <i>sí</i> (\$1,514)                           | <i>n/a</i>         | <i>n/a</i>              | <i>no</i>               |
| 3. Material Adverse Effect Fallos              | <i>sí</i> (\$1,150)                           | <i>n/a</i>         | <i>n/a</i>              | <i>yes</i> (\$1,150)    |
| 4. Government Action (3)                       | <i>sí</i> (\$1,464)                           | <i>n/a</i>         | <i>n/a</i>              | <i>yes</i> (\$1,464)    |
| <b>Endesa Chile</b>                            |   |                    |                         |                         |
| 1. Default of debt >= 30 MMUS\$ (1)            | <i>n/a</i>                                    | <i>no</i>          | <i>no</i>               | <i>no</i>               |
| 2. Bankruptcy or Discontinuance of payment (2) | <i>n/a</i>                                    | <i>yes</i> (\$718) | <i>yes</i> (\$718)      | <i>no</i>               |
| 3. Material Adverse Effect Fallos              | <i>n/a</i>                                    | <i>yes</i> (\$500) | <i>yes</i> (\$500)      | <i>yes</i> (\$500)      |
| 4. Government Action (3)                       | <i>n/a</i>                                    | <i>yes</i> (\$718) | <i>yes</i> (\$718)      | <i>yes</i> (\$718)      |

Notes:

(1) For an individual debt or for a sum of debts of a Principal Subsidiary Cono Sur and Endesa Argentina have no debts with third parties

(2) Only affecting Principal Subsidiaries

(3) Nationalization, expropriation, dissolution, etc.

### **International Yankee Bonds**

Amounts in US\$ millions at December 31, 2002

|                     | <b>Yankee B.</b> |
|---------------------|------------------|
| <i>Enersis</i>      | 700              |
| <i>Endesa Chile</i> | 1,416            |
| <b>Total</b>        | <b>2,116</b>     |

Potentially Active Events of Default in Affiliates (would trigger default in parent cross company)

|  | Significant Subsidiaries               |               |                       |               |               |                  |                            |
|--|--|---------------|-----------------------|---------------|---------------|------------------|----------------------------|
|  | Chilectra                              | Edesur        | Enersis Internacional | Endesa Chile  | Cono Sur      | Endesa Argentina | Endesa Chile Internacional |
|  | (affected amounts in brackets, MMUS\$) |               |                       |               |               |                  |                            |
| <b>Enersis</b>                         |  |               |                       |               |               |                  |                            |
| 1. Default of debt > 30 MMUS\$ (1)     | no                                     | no            | no                    | si (\$700)    | n/a           | n/a              | n/a                        |
| 2. Start-up of Bankruptcy Process (2)  | yes (\$700)                            | yes (\$700)   | yes (\$700)           | yes (\$700)   | n/a           | n/a              | n/a                        |
| <b>Endesa Chile</b>                    |  |               |                       |               |               |                  |                            |
| 1. Default of debt > 30 MMUS\$ (1)     | n/a                                    | n/a           | n/a                   | n/a           | no            | no               | yes (\$1,416)              |
| 2. Start-up of Bankruptcy Process (2)  | n/a                                    | n/a           | n/a                   | n/a           | yes (\$1,416) | yes (\$1,416)    | yes (\$1,416)              |
| <b>Subsidiaries (3)</b>                |  |               |                       |               |               |                  |                            |
|  | Celta                                  | San Isidro    | Pehuenche             | A. Del Sol    | Costanera     |                  |                            |
| (affected amounts in brackets, MMUS\$) |  |               |                       |               |               |                  |                            |
| <b>Enersis</b>                         |  |               |                       |               |               |                  |                            |
| 1. Default of debt > 30 MMUS\$ (1)     | yes (\$700)                            | yes (\$700)   | yes (\$700)           | yes (\$700)   | yes (\$700)   |                  |                            |
| 2. Start-up of Bankruptcy Process (2)  | no                                     | no            | no                    | no            | no            |                  |                            |
| <b>Endesa Chile</b>                    |  |               |                       |               |               |                  |                            |
| 1. Default of debt > 30 MMUS\$ (1)     | yes (\$1,416)                          | yes (\$1,416) | yes (\$1,416)         | yes (\$1,416) | yes (\$1,416) |                  |                            |
| 2. Start-up of Bankruptcy Process (2)  | no                                     | no            | no                    | no            | no            |                  |                            |

Notes:

- (1) Only for individual debt. Significant Subsidiaries having a "no" in default of debt, have no individual debts with third parties over \$30 m.  
(2) Voluntarily or involuntarily, or else a court rules 1) its bankruptcy, 2) its insolvency, 3) names a receiver or 4) decides on dissolution/winding-up.  
(3) Subsidiaries with individual debts of over \$30 m (at December 2002).  
CHILE: Pehuenche \$170 Yankee and \$55 Private Placement. Celta \$40 Banesto; San Isidro \$58 Mitsubishi; Autopista del Sol \$130 Local Bonds;  
ARGENTINA: Costanera \$95 Syndicated and \$179 Mitsubishi; Betania \$45 Syndicated.

**Local Bonds**

Amounts in US\$ millions at December 31, 2002

|              | Local Bonds |
|--------------|-------------|
| Enersis      | 140         |
| Endesa Chile | 208         |
| <b>Total</b> | <b>348</b>  |

The ENERSIS bond has cross default with its own debt exceeding 3% of assets (>500 MMUS\$)

**Potentially Active Events of Default in Affiliates woud (would trigger cross default in parent company)**

|   | Important Affiliates                   | Affiliates        |
|---|--|-------------------|
|   | Cono Sur                               | Others Affiliates |
|   | (affected amounts in brackets, MMUS\$) |                   |
| 1. Insolvency or inability to pay debts | yes (\$208)                            | yes (\$31)        |
| 2. Default of debt >= 2 MMUF            | no                                     | no                |
| 3. Start-up of Bankruptcy Process       | yes (\$178)                            | no                |

## 2. ANALYSIS OF THE BALANCE SHEET

Total assets of the Company show a decrease of \$138,635 million compared to the same period the year before. This is mainly due to:

| <i>Assets (millions of \$)</i> | <i>Dec-01</i>     | <i>Dec-02</i>     | <i>Var Deec 02- 01</i> | <i>%Var 02-01</i> |
|--------------------------------|-------------------|-------------------|------------------------|-------------------|
| <i>Current Assets</i>          | 1,162,447         | 1,223,963         | 61,516                 | 5.3%              |
| <i>Fixed Assets</i>            | 9,625,049         | 9,879,458         | 254,409                | 2.6%              |
| <i>Other Assets</i>            | 1,972,303         | 1,517,743         | (454,560)              | (23.0%)           |
| <b>Total Assets</b>            | <b>12,759,799</b> | <b>12,621,164</b> | <b>(138,635)</b>       | <b>(1.1%)</b>     |

- An increase in fixed assets by \$254,409 million as a result of new capitalizations of \$317,915 million and of the methodology of booking the non-monetary assets in historical dollars, in accordance with Technical Bulletin No. 64, in the affiliates located in unstable countries. This is partially offset by the depreciation in the period of \$454,471 million.
- Current assets show an increase of \$61,516 million, mainly due to the increase in accounts collectable from EE.RR. in the short term, by a transfer from the long term of \$177,379 million, an increase in short-term deferred taxes of \$27,794 million, an increase in cash of \$10,536 million and the increase of other current assets by \$4.780 million, partially offset by the decrease in debtors for sales by \$91,409 million, a decrease in time deposits by \$32,486 million, a decrease in inventories by \$17,041 million and a decrease in various debtors of \$9,445 million.
- Other long-term assets show a reduction of \$454,560 million, explained by the decrease in the net balance of goodwill and negative goodwill by \$385,297 million, basically as a result of the write-off carried out for the impairment of goodwill and negative goodwill of investments in Argentina and Brasil. A decrease in accounts collectable from EE.RR. in the long term of \$169,770 million, partially offset by the increase in capital expenditures in related companies of \$26,716 million, an increase in long-term debtors for \$23.947 million and the increase of other long-term assets for \$40,220 million.

Total liabilities of the Company show a reduction of \$138,635 million in respect of the same period the year before. This is mainly due to:

| <i>Liabilities (millions of \$)</i> | <i>Dec-01</i>     | <i>Dec-02</i>     | <i>Var Dec 02- 01</i> | <i>%Var 02-01</i> |
|-------------------------------------|-------------------|-------------------|-----------------------|-------------------|
| <i>Current Liabilities</i>          | 1,639,303         | 2,151,373         | 512,070               | 31.2%             |
| <i>Long-term Liabilities</i>        | 5,832,363         | 5,413,608         | (418,755)             | (7.2%)            |
| <i>Minority Interest</i>            | 4,073,571         | 4,050,603         | (22,968)              | (0.6%)            |
| <i>Shareholders' Equity</i>         | 1,214,562         | 1,005,580         | (208,982)             | (17.2%)           |
| <b>Total Liabilities</b>            | <b>12,759,799</b> | <b>12,621,164</b> | <b>(138,635)</b>      | <b>(1.1%)</b>     |

Due and payable liabilities show a net increase of \$512,070 million, equivalent to 31.2%, mainly explained by the increase in Public Obligations of \$435,653 million, due to the transfer from the long term to the short term of the Pehuenche Bonds and the Endesa Chile Euro Bonds, an increase in long-term Bank Obligations, current portion, by \$179,725 million, and an increase in short-term Bank Obligations byr \$124,039 million, partially offset by a decrease in other current liabilities by \$90,842 million, a reduction in income tax of \$49,751 million and a decrease in accounts payable for \$40,596 million.

Long-term liabilities decreased by \$418,755 million, mainly as a result of a reduction in long-term Bank Obligations by \$279,911 million, basically due to the transfer, and also the reduction in Public Obligations of \$173,623 million due to the transfer from the long term to the short term of the Pehuenche Bonds and the Endesa Chile Euro Bond, partially offset by the increase of bonds due to the issuance made by Autopista del Sol, equivalent to \$92,355 million.

Minority interest decreased by \$22,968 million due to a decrease in shareholders' equity because of the losses for the accounting period 2002, offset by an increase in the equity of the foreign affiliates due to the methodology of booking the non-monetary liabilities (equity) in historical dollars.

Regarding shareholder's equity, it should be stated that it decreased by \$208.982 compared to December, 2001. This variation is explained mainly by the recognition of the loss for the period of \$ 223,748 million, the increase in shortfall in tax revenue by \$5,830 million, partially offset by an increase in reserves by \$20,597.

The evolution of the main financial indicators is as follows:

| <b>Indicator</b>     |                                      | <b>Unit</b>  | <b>Dec-01</b> | <b>Dec-02</b> | <b>Var Dec 02-01</b> | <b>%Var 02-01</b> |
|----------------------|--------------------------------------|--------------|---------------|---------------|----------------------|-------------------|
| <b>Liquidity</b>     | <i>Current Liquidity</i>             | <i>Times</i> | 0,71          | 0,57          | (0,14)               | (19.7%)           |
|                      | <i>Acid-test ratio (1)</i>           | <i>Times</i> | 0,70          | 0,56          | (0,14)               | (20.0%)           |
|                      | <i>Working Capital</i>               | <i>MM\$</i>  | (476,856)     | (927,410)     | (450,554)            | (94.5%)           |
| <b>Indebtedness</b>  | <i>Indebtedness Ratio</i>            | <i>Times</i> | 1,41          | 1,50          | 0,09                 | 6.4%              |
|                      | <i>Short-term Debt</i>               | <i>%</i>     | 0.22          | 0.28          | 0.06                 | 29.6 %            |
|                      | <i>Long-term Debt</i>                | <i>%</i>     | 0.78          | 0.72          | (0.06)               | (8.3)%            |
|                      | <i>Interest expense coverage (2)</i> | <i>Times</i> | 2,67          | 2,46          | (0,21)               | (7.8%)            |
| <b>Profitability</b> | <i>Return on Investment</i>          | <i>%</i>     | 3.47          | (22.25)       | (25.72)              | (741.1)%          |
|                      | <i>Return on Assets</i>              | <i>%</i>     | 0.33          | (1.77)        | (2.10)               | (636.6)%          |

(1) Current assets, net of prepaid expenses

(2) RAIIAIE divided by interest expense was used

Liquidity ratio at December, 2002 is 0.57, showing a worsening of 0.14 points compared to the same date the year before. Such worsening is because there is less than one year left for the maturity dates of the Endesa Chile Internacional Bond por MM\$ 400 Euros, the Pehuenche Bond for MM US\$ 170 and, at the Cayman Branch of Enersis, the bank debt for MM US\$ 460, which were transferred to the short term.

The company is negotiating with the Banks for the refinancing of its debt which will mature in the following years, therefore, once such operation is performed, the liquidity ratio will substantially improve.

The indebtedness ratio, which at December 31, 2002 was 1.50 times higher than in the same period of 2001, shows an increase of 0.09 points. The increase is basically due to the effect of the exchange rate, because a great portion of the debt is indexed to the US dollar, and to the equity reduction due to the loss in the accounting period.

On the other side, return on investment is (22,25%), compared to the same date the year before when it reached 3.47%. This decrease in return is the result of the loss obtained at December 2002, compared to the profits obtained at the same date the year before, going from a profit of \$ 42,154 million to a loss of \$223,748 million.

Return on assets changed from 0.33% in December, 2001 to (1.77%) in December, 2002. This is basically explained by the decrease in the profits of the period.



### 3. PRINCIPALES FLUJOS DE EFECTIVO

During the period, the Company generated a net cash flow of Ch\$ 5,864 million, explained as follows:

| <b>Cash Flow (millions of \$)</b> | <b>Dec-01</b> | <b>Dec-02</b> | <b>Var Dec 02-01</b> | <b>%Var 02-01</b> |
|-----------------------------------|---------------|---------------|----------------------|-------------------|
| Operating                         | 560,521       | 627,783       | 67,262               | 12.0%             |
| Fixancing                         | 40,985        | (285,040)     | (326,025)            | (795.5%)          |
| Investing                         | (503,639)     | (336,879)     | 166,760              | (33.1%)           |
| <b>Net cash flow</b>              | <b>97,867</b> | <b>5,864</b>  | <b>(92,003)</b>      | <b>(94.0%)</b>    |

**Operating activities** generated a net positive cash flow of Ch\$ 627,783 million, 12% greater than year 2002. This flow is mainly related to a loss for the period of Ch\$ 223,748 million, plus net charges to income that do not represent cash flow for Ch\$ 836,377 million that correspond mainly to Depreciation by Ch\$ 454,471 million and Amortization of Negative and Positive Goodwill for Ch\$ 394,096 million.

**Financing activities** produced a negative cash flow of Ch\$ 285,040 million mainly due to loan payment for Ch\$ 1,094,546 million, dividend payment for Ch\$ 100,446 million, Bonds payment for Ch\$ 29,347 million and capital reduction in subsidiaries for Ch\$ 119,287 million. These were partially compensated by loans received and Bonds issued for Ch\$ 978,914 million and Ch\$ 131,515 million, respectively.

**Investment activities** generated a net negative cash flow of Ch\$ 336,879 million, basically explained by the addition of fixed assets by Ch\$ 317,915 million, here it is worth mentioned Endesa Chile' investment in Ralco for Ch\$ 122,725 million. Other important factors in Investment Activities are, investment in subsidiaries, basically Central Fortaleza in Brazil, for Ch\$ 15,480 million, investments in financial instruments for Ch\$ 724 million and other disbursements for Ch\$ 35,935 million. These were partially compensated by the sale of fixed assets for Ch\$ 22,605 million and other income for Ch\$ 18,556 million.

#### **Fixed Assets by Company**

(millions of Ch\$)

| <b>Empresa</b>                        | <b>Payments of additions of fixed Assets</b> |                | <b>Fixed Asset Depreciation</b> |                |
|---------------------------------------|--|----------------|---------------------------------|----------------|
|                                       | <b>Dec-01</b>                                | <b>Dec-02</b>  | <b>Dec-01</b>                   | <b>Dec-02</b>  |
| Endesa S.A.                           | 52,973                                       | 134,858        | 185,421                         | 195,859        |
| Chilectra S.A.                        | 11,915                                       | 19,750         | 11,953                          | 12,683         |
| Río Maipo S.A.                        | 3,476  | 6,067          | 1,553                           | 1,889          |
| Edesur S.A.                           | 85,880                                       | 21,410         | 69,258                          | 65,881         |
| Edelnor S.A.                          | 29,608                                       | 23,621         | 15,612                          | 17,322         |
| Cerj                                  | 64,839                                       | 34,402         | 45,243                          | 54,971         |
| Coelce                                | 52,144                                       | 48,141         | 38,079                          | 42,084         |
| Codensa S.A.                          | 40,128                                       | 28,468         | 55,645                          | 60,072         |
| Cam Ltda.                             | 433  | 314            | 959                             | 1,083          |
| Inmobiliaria Manso de Velasco Ltda.   | -  | 441            | 242                             | 220            |
| Synapsis Soluciones y Servicios Ltda. | 159  | 443            | 1,255                           | 1,366          |
| Holding Enersis                       | -  | -              | 801                             | 1,041          |
| <b>Total Consolidado</b>              | <b>341,554</b>                               | <b>317,915</b> | <b>426,020</b>                  | <b>454,471</b> |

#### **4. BOOK VALUE AND ECONOMIC VALUE OF THE ASSETS**

Among the most important assets, we can mention the following:

The values for fixed assets are adjusted according to the accounting criteria established by the Superintendencia de Valores y Seguros (S.V.S., Superintendence of Securities and Insurance) in Resolutions Nos. 550 and 566 of 1985. In the case of Sociedad Extranjera Inversiones Distrilima S.A., the fixed asset values were adjusted according to the exception criterium established in Technical Bulletin No. 45 of the Colegio de Contadores de Chile A.G. (Chilean Accounting Association), a rule in force at the time when the investment was made and which was not modified by Technical Bulletin No.51 which replaced the former.

Depreciation is calculated on the updated value of the property according to the remaining years of useful life of each piece of property.

Investments in related companies are presented updated to their proportional equity value. In the case of foreign companies, as of the second quarter of 1998, this methodology has been applied on financial statements prepared according to Technical Bulletin No.64 of the Colegio de Contadores de Chile A.G., and the intangible values are price level restated and amortized according to the dispositions of Technical Bulletin No.55 of the Colegio de Contadores de Chile A. G.

According to Oficio Circular No. 150 of January 31, 2003 of S.V.S., the company has evaluated the recovery of the assets associated to its investments at the closing date of the financial statements, by applying the accounting principles generally accepted in Chile, which are Technical Bulletins No.33 for fixed assets and, according to the ranking defined in Technical Bulletin No. 56, NIC 36 has been applied for goodwill and negative goodwill related to such investments.

Assets expressed in foreign currency are presented at the exchange rate effective at the closing of the period.

Investments in financial instruments in repos are presented according to their purchase value plus the proportion of the corresponding interests according to the implicit rate for each operation.

Accounts and documents to be collected from related companies are classified according to their maturity dates into short- and long-term documents. The operations are adjusted to fairness conditions similar to those customarily prevailing in the market.

In summary, the assets are shown updated according to generally accepted accounting principles and rules, and to the instructions issued by the Superintendencia de Valores y Seguros, as disclosed in Note 2 to the Financial Statements.



# Unconsolidated

## Unconsolidated

Energis Unconsolidated Financial Statements



## INDEX

|  |     |
|--|-----|
| Accounts Inspector's Report                      | 228 |
| Independent Accountant's Report                  | 229 |
| Unconsolidated Balance Sheets                    | 230 |
| Unconsolidated Statements of Income              | 232 |
| Unconsolidated Statements of Cash Flow           | 233 |
| Notes to the Unconsolidated Financial Statements | 235 |
| Unconsolidated Relevant Facts                    | 271 |
| Unconsolidated Management Analysis               | 274 |

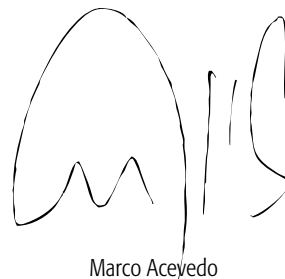
## ACCOUNTS INSPECTOR'S REPORT

Pursuant to the provisions in law No. 18,046 on Limited Liability Stock Companies and in compliance with the mandate granted by the Ordinary Shareholders' Meeting held on April 11, 2002, we have examined the Consolidated Financial Statements of Enersis S.A. for period between January 1 and December 31, 2002.

Our assignment was focused on verifying, on a selective basis, the coincidence of the figures presented in the Financial Statements with the official records of the Company and its subsidiaries and to such end we compared the figures presented in the ledger with the grouping and classification worksheets. To subsequently ascertain if these amounts which are the balances of accounts of the same nature match with those included in the Financial Statements, a revision which entailed no objections.



Marcela Araya  
Accounts Inspector



Marco Acevedo  
Accounts Inspector

Santiago, January 31, 2003

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& Touche**

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of Enersis S.A.:

We have audited the accompanying balance sheets of Enersis S.A. (the "Company") as of December 31, 2002, and the related statements of income, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements at December 31, 2002, of certain subsidiaries and investees, representing 34.44% and 30.40% of consolidated total assets and consolidated total revenues, respectively. These financial statements were audited by other auditors, whose reports have been provided to us. The report of these auditors on the financial statements of the subsidiary Edesur S.A., contains an emphasis paragraph that explains Argentina's politically and economically unstable situation. Our opinion, insofar as it relates to the amounts included for these companies, is based solely on the reports of such other auditors. The financial statements at December 31, 2001, were audited by other auditors, who issued an unqualified opinion on the same in their report dated February 26, 2002, with an emphasis paragraph on uncertainty arising from the effects of the politically and economically unstable situation in Argentina.

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

The abovementioned financial statements have been prepared to reflect the individual financial position of Enersis S.A. on the basis of the criteria set forth in Note 2b, prior to consolidating the financial statements of the subsidiaries detailed in Note 8. Therefore, these individual financial statements, in order to be properly understood, should be read and analyzed together with the consolidated financial statements of Enersis S.A. and subsidiaries, which are required by accounting principles generally accepted in Chile.

In our opinion, based on our audit and the report of the other auditors, such 2002 financial statements present fairly, in all material respects, the financial position of Enersis S.A. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in Chile.

The 2002 financial statements have been translated into United States dollars, as described in Note 2, solely for the convenience of the reader.

*Deloitte & Touche*

Santiago, Chile  
January 31, 2003

Deloitte  
Touche  
Tohmatsu

# Energis S.A. Balance Sheets

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2002 and thousands of US dollars)

| ASSETS  | 2001<br>ThCh\$       | 2002<br>ThCh\$       | 2002<br>ThUS\$<br>(Note 2) |
|---|----------------------|----------------------|----------------------------|
| <b>CURRENT ASSETS:</b>                          |                      |                      |                            |
| Cash  | 554,859              | 419,971              | 584                        |
| Time deposits                                   | 3,339,638            | 4,599,104            | 6,400                      |
| Notes receivable, net                           | 759                  | 737                  | 1                          |
| Other accounts receivable, net                  | 9,653,095            | 4,723,505            | 6,573                      |
| Amounts due from related companies              | 78,688,804           | 187,939,210          | 261,532                    |
| Income taxes recoverable                        | 11,993,039           | 9,252,460            | 12,876                     |
| Prepaid expenses                                | 23,545               | 23,946               | 33                         |
| Deferred income taxes                           | 2,890,033            | 13,703,886           | 19,070                     |
| Other current assets                            | 113,427,127          | 5,003,039            | 6,962                      |
| <b>Total current assets</b>                     | <b>220,570,899</b>   | <b>225,665,858</b>   | <b>314,031</b>             |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>            |                      |                      |                            |
| Buildings and infrastructure                    | 20,592,396           | 20,592,331           | 28,656                     |
| Machinery and equipment                         | 1,547,428            | 2,237,900            | 3,114                      |
| Other assets                                    | 1,351,831            | 778,024              | 1,083                      |
| Technical appraisal                             | 32,871               | 32,853               | 46                         |
| <b>Sub-total</b>                                | <b>23,524,526</b>    | <b>23,641,108</b>    | <b>32,899</b>              |
| Less: accumulated depreciation                  | (9,832,948)          | (10,674,829)         | (14,855)                   |
| <b>Total property, plant and equipment, net</b> | <b>13,691,578</b>    | <b>12,966,279</b>    | <b>18,044</b>              |
| <b>OTHER ASSETS:</b>                            |                      |                      |                            |
| Investments in related companies                | 2,422,927,530        | 2,293,369,227        | 3,191,396                  |
| Goodwill, net                                   | 845,668,431          | 787,722,648          | 1,096,175                  |
| Negative goodwill, net                          | (1,104,295)          | (753,014)            | (1,048)                    |
| Long-term receivables                           | 489,642              | 475,380              | 662                        |
| Amounts due from related companies              | 663,834,927          | 500,634,149          | 696,670                    |
| Intangibles                                     | 1,423,691            | 1,423,691            | 1,981                      |
| Accumulated amortization                        | (276,786)            | (348,105)            | (484)                      |
| Other assets                                    | 14,444,523           | 52,615,157           | 73,218                     |
| <b>Total other assets</b>                       | <b>3,947,407,663</b> | <b>3,635,139,133</b> | <b>5,058,570</b>           |
| <b>TOTAL ASSETS</b>                             | <b>4,181,670,140</b> | <b>3,873,771,270</b> | <b>5,390,645</b>           |

The accompanying notes are an integral part of these financial statements



| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                      | <b>2001<br/>ThCh\$</b> | <b>2002<br/>ThCh\$</b> | <b>2002<br/>ThUS\$<br/>(Note 2)</b> |
|--|------------------------|------------------------|-------------------------------------|
| <b>CURRENT LIABILITIES:</b>  |                        |                        |                                     |
| <i>Current portion of long-term debt due to banks and financial institutions</i> | 41,978,939             | 266,570,546            | 370,953                             |
| <i>Current portion of bonds payable</i>  | 10,407,623             | 10,978,002             | 15,277                              |
| <i>Dividends payable</i>   | 388,968                | 210,095                | 292                                 |
| <i>Accounts payable</i>  | 487,375                | 351,012                | 489                                 |
| <i>Miscellaneous payables</i>  | 1,103,337              | 225,262                | 314                                 |
| <i>Amounts payable to related companies</i>                                      | 105,642,409            | 35,340,092             | 49,178                              |
| <i>Accrued expenses</i>  | 2,580,316              | 5,498,327              | 7,651                               |
| <i>Withholdings</i>  | 919,521                | 201,903                | 281                                 |
| <i>Income taxes payable</i>  | 17,175                 | 16,675                 | 23                                  |
| <i>Unearned income</i>   | 423,677                | 198,493                | 276                                 |
| <i>Other current liabilities</i>   | 114,353,517            | 4,058,871              | 5,648                               |
| <b>Total current liabilities</b>   | <b>278,302,857</b>     | <b>323,649,278</b>     | <b>450,382</b>                      |
| <b>LONG-TERM LIABILITIES:</b>  |                        |                        |                                     |
| <i>Due to banks and financial institutions</i>                                   | 992,321,281            | 826,401,500            | 1,150,000                           |
| <i>Bonds payable</i>   | 637,946,436            | 665,784,177            | 926,489                             |
| <i>Amounts payable to related companies</i>                                      | 1,052,651,113          | 1,008,142,313          | 1,402,906                           |
| <i>Accrued expenses</i>  | 1,820,408              | 1,994,209              | 2,775                               |
| <i>Deferred income taxes</i>   | 4,066,066              | 4,198,442              | 5,843                               |
| <i>Other long-term liabilities</i>   | -                      | 38,021,057             | 52,909                              |
| <b>Total long-term liabilities</b>   | <b>2,688,805,304</b>   | <b>2,544,541,698</b>   | <b>3,540,922</b>                    |
| <b>SHAREHOLDERS' EQUITY:</b>   |                        |                        |                                     |
| <i>Paid-in capital, no par value shares</i>                                      | 751,208,197            | 751,208,197            | 1,045,363                           |
| <i>Additional paid-in capital</i>  | 33,370,057             | 33,370,057             | 46,437                              |
| <i>Other reserves</i>  | 26,282,673             | 46,879,587             | 65,236                              |
| <i>Retained earnings</i>   | 360,653,617            | 402,807,650            | 560,537                             |
| <i>Net income (loss) for the year</i>  | 42,154,033             | (223,748,087)          | (311,362)                           |
| <i>Accumulated development period surplus (deficit) of subsidiaries</i>          | 893,402                | (4,937,110)            | (6,870)                             |
| <b>Total shareholders' equity</b>  | <b>1,214,561,979</b>   | <b>1,005,580,294</b>   | <b>1,399,341</b>                    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                | <b>4,181,670,140</b>   | <b>3,873,771,270</b>   | <b>5,390,645</b>                    |

The accompanying notes are an integral part of these financial statements

# Unconsolidated Statements of Income

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2002 and thousands of US dollars)

|  | 2001<br>ThCh\$      | 2002<br>ThCh\$       | 2002<br>ThUS\$<br>(Note 2) |
|--|---------------------|----------------------|----------------------------|
| <b>OPERATING INCOME:</b>   |                     |                      |                            |
| Sales  | 4,300,825           | 4,281,520            | 5,958                      |
| Cost of sales  | (844,901)           | (1,085,952)          | (1,511)                    |
| <b>GROSS PROFIT</b>  | <b>3,455,924</b>    | <b>3,195,568</b>     | <b>4,447</b>               |
| <b>ADMINISTRATIVE AND SELLING EXPENSES</b>                                     |                     |                      |                            |
|  | <b>(20,641,463)</b> | <b>(21,829,565)</b>  | <b>(30,378)</b>            |
| <b>OPERATING LOSS</b>  | <b>(17,185,539)</b> | <b>(18,633,997)</b>  | <b>(25,931)</b>            |
| <b>NON-OPERATING INCOME AND EXPENSE:</b>                                       |                     |                      |                            |
| Interest income  | 47,004,483          | 57,094,170           | 79,451                     |
| Equity in income of related companies  | 248,764,514         | 71,887,722           | 100,037                    |
| Other non-operating income   | 29,498,296          | 22,378,615           | 31,141                     |
| Equity in losses of related companies  | (10,134,537)        | (80,331,239)         | (111,787)                  |
| Amortization of goodwill   | (50,470,996)        | (107,888,725)        | (150,135)                  |
| Interest expense   | (161,691,390)       | (144,154,767)        | (200,602)                  |
| Other non-operating expenses   | (16,282,459)        | (18,068,458)         | (25,144)                   |
| Price-level restatements, net  | 1,583,108           | 1,580,699            | 2,200                      |
| Exchange difference, net   | (37,302,866)        | (18,141,777)         | (25,246)                   |
| <b>NON-OPERATING RESULT</b>  | <b>50,968,153</b>   | <b>(215,643,760)</b> | <b>(300,085)</b>           |
| <b>INCOME (LOSS) BEFORE INCOME TAXES AND AMORTIZATION OF NEGATIVE GOODWILL</b> | <b>33,782,614</b>   | <b>(234,277,757)</b> | <b>(326,015)</b>           |
| Income Tax   | 8,306,245           | 9,486,627            | 13,201                     |
| <b>INCOME (LOSS) BEFORE AMORTIZATION OF NEGATIVE GOODWILL</b>                  | <b>42,088,859</b>   | <b>(224,791,130)</b> | <b>(312,814)</b>           |
| Amortization of negative goodwill  | 65,174              | 1,043,043            | 1,451                      |
| <b>NET INCOME (LOSS) FOR THE YEAR</b>  | <b>42,154,033</b>   | <b>(223,748,087)</b> | <b>(311,362)</b>           |

The accompanying notes are an integral part of these financial statements

# Unconsolidated Statements of Cash Flows

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2002 and thousands of US dollars)

|   | Years ended December 31, |                     |                            |
|---|--------------------------|---------------------|----------------------------|
|   | 2001<br>ThCh\$           | 2002<br>ThCh\$      | 2002<br>ThUS\$<br>(Note 2) |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                              |                          |                     |                            |
| Net income (loss) for the year  | 42,154,033               | (223,748,087)       | (311,362)                  |
| <b>Gain (losses) from sales of assets:</b>                                |                          |                     |                            |
| Losses on sales of property, plant and equipment                          | 5,794                    | -                   | -                          |
| <b>Charges (credits) to income which do not represent cash flows:</b>     |                          |                     |                            |
| Depreciation  | 800,193                  | 1,041,243           | 1,449                      |
| Amortization of intangibles   | 71,317                   | 71,319              | 99                         |
| Equity in income of related companies                                     | (248,764,514)            | (71,887,722)        | (100,037)                  |
| Equity in losses of related companies                                     | 10,134,537               | 80,331,239          | 111,787                    |
| Amortization of goodwill  | 50,470,996               | 107,888,725         | 150,135                    |
| Amortization of negative goodwill   | (65,174)                 | (1,043,043)         | (1,452)                    |
| Price-level restatement, net  | (1,583,108)              | (1,580,699)         | (2,200)                    |
| Exchange difference, net  | 37,302,866               | 18,141,777          | 25,246                     |
| Other credits to income which do not represent cash flows                 | -                        | (13,949,057)        | (19,411)                   |
| Other charges to income which do not represent cash flows                 | -                        | 21,108,650          | 29,374                     |
| <b>Changes in assets which affect cash flows:</b>                         |                          |                     |                            |
| Decrease (increase) in trade receivables                                  | (30,322)                 | 414,999             | 578                        |
| Decrease in other assets  | 83,828,481               | 30,360,554          | 42,249                     |
| <b>Changes in liabilities which affect cash flows:</b>                    |                          |                     |                            |
| Increase (decrease) in accounts payable associated with operating results | (15,756,346)             | 1,108,510           | 1,543                      |
| Increase in interest payable  | 32,220,008               | 41,853,397          | 58,242                     |
| Decrease in income tax payable  | (8,306,245)              | (9,486,628)         | (13,201)                   |
| Increase in other accounts payable associated with non-operating results  | 16,250,794               | 9,771,445           | 13,598                     |
| Net decrease in value added tax and other similar taxes payable           | (2,274,805)              | (675,243)           | (940)                      |
| <b>Net cash flows used in operating activities</b>                        | <b>(3,541,495)</b>       | <b>(10,278,621)</b> | <b>(14,303)</b>            |

The accompanying notes are an integral part of these financial statements

# Unconsolidated Statements of Cash Flows

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2002 and thousands of US dollars)

|   | Years ended December 31, |                     |                            |
|---|--------------------------|---------------------|----------------------------|
|   | 2001<br>ThCh\$           | 2002<br>ThCh\$      | 2002<br>ThUS\$<br>(Note 2) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                          |                          |                     |                            |
| Loans obtained  | 730,193,952              | 66,040,029          | 91,900                     |
| Proceeds from bond issuances  | 102,320,957              | -                   | -                          |
| Loans obtained from related companies                                 | 7,174,169                | 56,352,557          | 78,419                     |
| Dividends paid  | (15,856,258)             | (136,002)           | (189)                      |
| Payment of loans  | (405,705,901)            | (76,693,051)        | (106,724)                  |
| Payment of bonds  | (3,399,930)              | (7,050,306)         | (9,811)                    |
| Payment of loans granted by related companies                         | (153,799,591)            | (98,911,652)        | (137,643)                  |
| Payment of other loans obtained from related companies                | (161,245,309)            | (22,172,355)        | (30,855)                   |
| Payment of bond issuance costs  | (996,147)                | -                   | -                          |
| Other disbursements for financing                                     | (5,741,087)              | -                   | -                          |
| <b>Net cash provided by (used in) financing activities</b>            | <b>92,944,855</b>        | <b>(82,570,780)</b> | <b>(114,903)</b>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                          |                          |                     |                            |
| Proceeds from sales of long-term investments                          | -                        | 1,131               | 2                          |
| Proceeds from loans obtained from related companies                   | 95,851,021               | 254,952,492         | 354,786                    |
| Other receipts from investments                                       | 13,400,097               | 29,481,330          | 41,025                     |
| Additions to property, plant and equipment                            | (73,425)                 | -                   | -                          |
| Long-term investments   | (11,392,238)             | (16,732,134)        | (23,284)                   |
| Loans granted to related companies                                    | (183,688,465)            | (162,862,889)       | (226,636)                  |
| Other loans granted to related companies                              | -                        | (1,576,335)         | (2,194)                    |
| Other investment disbursements  | (20,756)                 | (9,060,476)         | (12,608)                   |
| <b>Net cash provided by (used in) investing activities</b>            | <b>(85,923,766)</b>      | <b>94,203,119</b>   | <b>131,091</b>             |
| <b>NET CASH FLOW FOR THE YEAR</b>                                     | <b>3,479,594</b>         | <b>1,353,718</b>    | <b>1,884</b>               |
| <b>EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND CASH EQUIVALENTS</b> | <b>377,555</b>           | <b>(229,140)</b>    | <b>(319)</b>               |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                      | <b>3,857,149</b>         | <b>1,124,578</b>    | <b>1,565</b>               |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                 | <b>37,348</b>            | <b>3,894,497</b>    | <b>5,419</b>               |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                       | <b>3,894,497</b>         | <b>5,019,075</b>    | <b>6,984</b>               |

The accompanying notes are an integral part of these financial statements

# Enersis S.A. Notes to the Financial Statements

(Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2002, except as stated)

1.

## DESCRIPTION OF BUSINESS

Enersis S.A. (the "Company") is registered in the Securities Register under N°0175 and is regulated by the Chilean Superintendency of Securities and Insurance (the "SVS"). The Company issued American Depositary Receipts in 1993 and 1996 and is also subject to the regulation of the securities and exchange Commission (SEC) of the United States.

2.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. *Periods covered*

These financial statements cover the years ended December 31, 2002 and 2001.

### b. *Basis of preparation*

The financial statements have been prepared in accordance with generally accepted accounting principles in Chile and the regulations established by the SVS (collectively "Chilean GAAP"), except for the investment in subsidiaries, which is shown in one line of the balance sheet under the equity method and, therefore, have not been consolidated line by line. This treatment does not affect the net income of the year or shareholders' equity.

These financial statements have been prepared order an individual analysis of the Company and they should be read along with the consolidated financial statements required by accounting principles accepted in Chile.

These financial statements include assets, liabilities and result of the agency established in 1996 by Enersis S.A. in Cayman Islands.

### c. *Basis of presentation*

The 2001 financial statements and its corresponding notes are presented updated and restated by 3.0% to facilitate comparison. This percentage corresponds to the Consumer Price Index variation within the last twelve months, with a one-month lag.

### d. *Price-level restatement*

The financial statements have been price-level restated in accordance with generally accepted accounting principles, to reflect the effects of the changes in the purchasing power of the Chilean peso for the years ended December 31, 2002 and 2001 in 3.0% and 3.1% respectively. The effects of these off-the-books restatements are shown in Note 17.

### e. *Currency conversion*

Assets and liabilities denominated in foreign currencies and/or Unidad de Fomento (UF, Inflation index linked units of accounts) are shown at their corresponding values and/or exchange rates effective at each year end using the following year-end rates:

| Currency                        | Symbol used | 2001 Ch\$ | 2002 Ch\$ |
|---------------------------------|-------------|-----------|-----------|
| United States dollar (Observed) | US\$        | 654.79    | 718.61    |
| Euro                            | €           | 578.18    | 752.55    |
| Unidad de Fomento (UF)          | UF          | 16,262.66 | 16,744.12 |

**Convenience translation to U.S. dollars**

The financial statements are stated in Chilean pesos. The translations of Chilean pesos into US dollars are included solely for the convenience of the reader, using the observed exchange rate reported by the Chilean Central Bank as of December 31, 2002 of Ch\$718.61 to US\$1.00. The convenience translations should not be construed as representations that the Chilean peso amounts have been, could have been, or could in the future be, converted into US dollars at this or any other rate of exchange.

**f. Time deposits**

Time deposits are presented at original placement plus accrued interest and UF indexation adjustments at each year end.

**g. Property, plant and equipment**

Property, plant and equipment are stated at cost plus price-level restatement.

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

The Company has evaluated the recoverability of the book value of its property, plant and equipment in accordance with Technical Bulletin N°33 of the Chilean Accounting Association. As a result of this evaluation no adjustments have been determined that affect the book values of these assets.

**h. Depreciation**

Depreciation expense is calculated on the revalued balances using the straight-line method over the estimated useful lives of the assets. Depreciation expense was ThCh\$800,193 and ThCh\$1,041,243 in 2001 and 2002, respectively.

**i. Intangibles**

Intangibles are mainly easements, and amortized in accordance with Technical Bulletin N°55 of the Chilean Association of Accountants.

**j. Investments in related companies**

Investments in related companies are presented under the equity method of accounting, on the basis of the corresponding financial statements of the investee.

Investments in foreign affiliates are recorded in accordance with Technical Bulletin No.64 of the Chilean Association of Accountants.

The Company has evaluated the recoverability of the book value of its investments abroad in accordance with Technical Bulletins N°33 and N° 42 of the Chilean Accounting Association.

As a result of this evaluation no adjustments have been determined that affect the book values of these assets.

**k. Goodwill and negative goodwill**

Goodwill and negative goodwill are determined according to Circular N°368 of the SVS. Amortization is calculated using the straight-line method, considering the nature and characteristic of each investment, foreseeable life of the business and investment return, and does not exceed 20 years.

The Company has evaluated the recoverability of its goodwill and negative goodwill arising on investments abroad, and in virtue of Technical Bulletin N°56 of the Chilean Association of Accountants, it has resorted to IAS 36 "Impairment of Assets Value" (See Note 9).

***l. Bonds***

Bonds payable are recorded at the face value of the bonds. The difference between the face value and the placement value, equal to the premium or discount, is deferred and amortized over the term of the bonds.

***m. Income tax and deferred income taxes***

At December 31, 2002 and 2001, the Company recorded current tax expense according to the tax laws and regulations in each country. The Company records income taxes in accordance with Technical Bulletin N°60 and its complements of the Chilean Association of Accountants, and with circular N°1466 issued on January 27, 2000 by the SVS, recognizing, using the liability method, recognizing the deferred tax effects of temporary differences between the financial and tax values of assets and liabilities.

***n. Severance indemnity***

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

***o. Revenue recognition***

The Company recognizes revenues for amounts received from substations rental and electrical distribution lines in accordance with contracts with Chilectra S.A. These amounts are presented in current assets as amounts due from related companies and the corresponding cost is included in cost of sales as depreciation of the aforementioned equipment and electrical installations.

***p. Pension and post-retirement benefits***

Pension and post-retirement benefits are recorded in accordance with the respective Collective Bargaining Contracts of the employees based on the actuarially determined projected benefit obligation.

***q. Accrued vacation expense***

In accordance with Technical Bulletin No.47 issued by the Chilean Association of Accountants, employee vacation expense is recorded on the accrual basis.

***r. Financial derivative contracts***

As of December 31, 2002 the Company has forward contracts, currency swaps, and interest swaps and collars with several financial institutions, defined as cover, which are recorded according to Technical Bulletin N°57 of the Chilean Association of Accountants.

***s. Software***

Software has acquired by the Company and its subsidiaries as computing packages and is amortized over a 3-year term.

***t. Research and development costs***

During 2001 and 2002 there have been no expenses under this caption which require footnote disclosure as required by Circular No. 981 of SVS dated December 28, 1990.

**u. Statements of cash flows**

Investments considered as cash equivalents, as indicated in point 6.2 of Technical Bulletin N°50 issued by the Chilean Association of Accountants, include cash and time deposits.

For classification purposes, cash flows from operations include collections and payments to related companies for services and dividends paid.

**v. Reclassification**

The following reclassification was made at December 31, 2001:

- From “other reserves”, a charge of M\$1,210,739 to “Accumulated development period deficit of subsidiaries”.

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## 3.

### CHANGE IN ACCOUNTING PRINCIPLES

There were no changes in accounting principles during 2002 that would effect comparison with the prior year financial statements.



## 4.

## TRANSACTIONS WITH RELATED COMPANIES

Balances of accounts receivable and payable are as follows at December 31, 2001 and 2002:

## a. Notes and accounts receivable:

| Company  | As of December 31, |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | Short-term         |                    | Long-term          |                    |
|  | 2001<br>M\$        | 2002<br>M\$        | 2001<br>M\$        | 2002<br>M\$        |
| Chilectra S.A.                                 | 3,929,476          | 145,737,576        | 266,810,206        | -                  |
| Synapsis, Soluciones y Servicios IT Ltda.      | 79,637             | 35,785             | -                  | -                  |
| Inmobiliaria Manso de Velasco Ltda.            | 11,115,948         | 36,812             | -                  | -                  |
| Cia. Americana de Multiservicios Ltda. (*)     | 6,531,582          | 4,573,693          | -                  | -                  |
| Compañía Eléctrica del Río Maipo S.A.          | 80,700             | 3,851,691          | -                  | -                  |
| Enersis Internacional                          | 538,764            | 2,201,202          | 37,809,713         | 44,952,377         |
| Chilectra S.A. (Cayman Islands Agency)         | 11,012             | 9,631              | 309,730,584        | 355,502,853        |
| Enersis de Argentina S.A.                      | 1,164              | 1,234              | -                  | -                  |
| Empresa Eléctrica de Panamá S.A.               | 45,072             | -                  | 15,762,739         | -                  |
| Edelnor S.A.                                   | 64,875             | 69,123             | -                  | -                  |
| Sociedad Panameña de Electricidad S.A.         | 361                | -                  | -                  | -                  |
| Companhia de Eletricidade do Rio de Janeiro    | 20,220             | 21,544             | -                  | -                  |
| Interocean Developments Inc.                   | 1,111              | -                  | -                  | -                  |
| Luz de Bogotá S.A.                             | 23,410             | 24,944             | -                  | -                  |
| Edesur S.A.                                    | 60,115             | 64,053             | -                  | -                  |
| Luz de Río Ltda.                               | 16,160             | 17,219             | -                  | 41,032,618         |
| Cerj Overseas                                  | 1,132,342          | 1,122,995          | 33,721,685         | 35,930,500         |
| Codensa S.A.                                   | 13,795             | 14,698             | -                  | -                  |
| Empresa Eléctrica de Colina Ltda.              | 1,147              | 735                | -                  | -                  |
| Endesa S.A. (Chile)                            | 49,286,910         | 29,318,877         | -                  | -                  |
| Cia. Americana de Multiservicios Uno Ltda. (*) | 5,016,632          | -                  | -                  | -                  |
| Elesur S.A.                                    | 17,098             | 21,094             | -                  | -                  |
| Inversiones Distrilima S.A.                    | 503                | 488                | -                  | -                  |
| Ingendesa S.A.                                 | 69,341             | 59,209             | -                  | -                  |
| Infraestructura 2000 S.A.                      | 180,391            | 42,592             | -                  | -                  |
| Túnel el Melón S.A.                            | 52,178             | 79,817             | -                  | -                  |
| Smartcom S.A.                                  | 18                 | 341                | -                  | -                  |
| Compañía Eléctrica Tarapacá (Celta)            | 11,077             | 31,875             | -                  | -                  |
| Autopista Los Libertadores S.A.                | 1,676              | 2,526              | -                  | -                  |
| Endesa S.A. (España)                           | 364,605            | 322,122            | -                  | -                  |
| Endesa Inversiones Generales S.A.              | 16,238             | -                  | -                  | -                  |
| Autopista del Sol S.A.                         | 2,618              | 3,363              | -                  | -                  |
| Chispa Uno S.A.                                | -                  | 279                | -                  | -                  |
| Luz Andes Ltda.                                | 170                | 52                 | -                  | -                  |
| Agencia Endesa Chile S.A.                      | -                  | 241,975            | -                  | 23,215,801         |
| Endesa Internacional S.A.                      | 2,458              | -                  | -                  | -                  |
| Empresa Eléctrica Pangué S.A.                  | -                  | 52                 | -                  | -                  |
| Empresa Eléctrica Pehuenche S.A.               | -                  | 31,561             | -                  | -                  |
| Compañía Eléctrica San Isidro S.A.             | -                  | 52                 | -                  | -                  |
| <b>Total</b>                                   | <b>78,688,804</b>  | <b>187,939,210</b> | <b>663,834,927</b> | <b>500,634,149</b> |

(\*) As of January 1, 2002, these companies merged with Compañía Americana de Multiservicios Ltda.

**b. Notes and accounts payable:**

| Sociedad                                       | As of December 31, |                   |                      |                      |
|--|--------------------|-------------------|----------------------|----------------------|
|  | Short - term       |                   | Long - term          |                      |
|  | 2001<br>M\$        | 2002<br>M\$       | 2001<br>M\$          | 2002<br>M\$          |
| Chilectra S.A.                                 | 79,520,696         | 2,231,300         | 60,326,128           | 13,263,199           |
| Synapsis, Soluciones y Servicios IT Ltda.      | 4,745,883          | 6,208,252         | -                    | -                    |
| Inmobiliaria Manso de Velasco Ltda.            | 72,232             | 6,114,375         | -                    | -                    |
| Cía. Americana de Multiservicios Ltda. (*)     | 146,446            | 243,558           | 2,274,676            | 2,314,836            |
| Compañía Eléctrica del Río Maipo S.A.          | 3,239,105          | 7,183,321         | 5,070,293            | 5,193,212            |
| Enersis Internacional                          | 16,333             | 1,601,141         | -                    | -                    |
| Endesa S.A. (Chile)                            | 410,965            | 66,590            | -                    | -                    |
| Edelnor S.A.                                   | 15,829             | 16,866            | -                    | -                    |
| Cía. Americana de Multiservicios Uno Ltda. (*) | 80,414             | -                 | -                    | -                    |
| Enersis de Argentina S.A.                      | 36,150             | 38,872            | -                    | -                    |
| Edesur S.A.                                    | 15,065             | 24,802            | -                    | -                    |
| Elesur S.A.                                    | 17,289,294         | 11,465,695        | 984,980,016          | 987,371,066          |
| Smartcom S.A.                                  | 19,978             | 19,397            | -                    | -                    |
| Infraestructura 2000 S.A.                      | 422                | 410               | -                    | -                    |
| Túnel el Melón S.A.                            | 63                 | 61                | -                    | -                    |
| Ingendesa S.A.                                 | 387                | 376               | -                    | -                    |
| Interocean Developments Inc.                   | 4,423              | -                 | -                    | -                    |
| Chilectra Internacional                        | -                  | 49                | -                    | -                    |
| Chilectra S.A. (Cayman Islands Agency)         | -                  | 36,753            | -                    | -                    |
| Endesa Inversiones Generales S.A.              | 28,724             | 88,274            | -                    | -                    |
| <b>Total</b>                                   | <b>105,642,409</b> | <b>35,340,092</b> | <b>1,052,651,113</b> | <b>1,008,142,313</b> |

(\*) As of January 1, 2002, these companies merged with Compañía Americana de Multiservicios Ltda.

c. Effects in income (expense) in each year are as follows:

| Company  | Nature of Transaction | Income (expense)    |                   |
|--|-----------------------|---------------------|-------------------|
|  |                       | 2001<br>ThCh\$      | 2002<br>ThCh\$    |
| Chilectra S.A.                                     | Loans                 | 9,484,345           | 12,982,335        |
|  | Property rental       | 4,284,015           | 4,281,520         |
|  | Services              | 4,406,319           | 3,994,044         |
| Inmobiliaria Manso de Velasco Ltda.                | Loans                 | 1,966,529           | 137,190           |
|  | Property rental       | (468,575)           | (373,130)         |
| Compañía Americana de Multiservicios Ltda. (*)     | Loans                 | 251,133             | 345,502           |
|  | Services              | 196,741             | 128,439           |
|  | Materials             | (159,444)           | (18,054)          |
|  | Property maintenance  | -                   | (414,343)         |
| Synopsis, Soluciones y Servicios IT Ltda.          | Loans                 | (549,590)           | (446,668)         |
|  | Services              | (557,875)           | (554,104)         |
| Compañía Eléctrica del Río Maipo S.A.              | Loans                 | (43,535)            | (282,920)         |
|  | Services              | 550,635             | 514,630           |
| Empresa Distribuidora Sur S.A.                     | Services              | 6,993,370           | 1,772,601         |
| Elesur S.A.  | Loans                 | (51,512,360)        | (43,408,831)      |
| Endesa S.A. ( Chile )                              | Loans                 | (295,391)           | 2,828,813         |
|  | Services              | -                   | 714,607           |
| Enersis Internacional                              | Loans                 | 125,029             | -                 |
| Endesa Inversiones Generales S.A.                  | Property rental       | (209,716)           | (678,420)         |
| Compañía Americana de Multiservicios Uno Ltda. (*) | Property rental       | 320,387             | -                 |
|  | Property maintenance  | (472,297)           | -                 |
|  | Services              | 400,968             | -                 |
| Endesa S.A. (España)                               | Services              | 346,528             | 322,122           |
| <i>By agency intermediation:</i>                   |                       |                     |                   |
| Chilectra S.A. (Cayman Islands Agency)             | Loans                 | 20,910,865          | 24,543,397        |
| Luz de Río   | Loans                 | -                   | 2,417,389         |
| Empresa Eléctrica de Panamá S.A.                   | Loans                 | 1,253,136           | -                 |
| Enersis Internacional                              | Loans                 | (1,957,587)         | 1,487,546         |
| Endesa Chile Internacional                         | Loans                 | -                   | 434,481           |
| Chilectra Argentina                                | Dividend              | (15,483,679)        | -                 |
| Cerj Overseas                                      | Loans                 | 1,168,581           | 2,820,765         |
| Endesa Agencia                                     | Loans                 | 647,454             | 280,544           |
| <b>Total</b>                                       |                       | <b>(18,404,014)</b> | <b>13,829,455</b> |

(\*) As of January 1, 2002, these companies merged with Compañía Americana de Multiservicios Ltda.

The transfer of short-term funds between related companies is on the basis of a current cash account, at a variable interest rate based on market conditions. The resulting accounts receivable and accounts payable are essentially on 30 day terms, with automatic rollover for the same period and settlement in line with cash flows.

Conditions of the long-term receivables and payables are as follows:

| <b>Company</b>                             | <b>Tipo</b>        | <b>Due Date</b> | <b>Currency</b> | <b>Capital</b> | <b>Interest Rate</b> |
|--|--------------------|-----------------|-----------------|----------------|----------------------|
| Chilectra S.A.                             | Account payable    | 29/8/04         | UF              | 339,609.70     | 1.52%                |
|  | Account payable    | 29/8/04         | UF              | 452,501.10     | 1.52%                |
| Compañía Americana de Multiservicios Ltda. | Account payable    | 5/6/04          | UF              | 138,247.70     | 3.63%                |
| Compañía Eléctrica del Río Maipo S.A.      | Account payable    | 25/7/04         | UF              | 310,151.38     | 2.33%                |
| Elesur S.A.                                | Account payable    | 13/5/04         | UF              | 35,827,779.56  | 4.57%                |
|  | Account payable    | 13/5/04         | UF              | 22,873,999.43  | 1.46%                |
|  | Account payable    | 28/8/04         | UF              | 266,447.80     | 2.95%                |
| <i>By agency intermediation:</i>           |                    |                 |                 |                |                      |
| Chilectra S.A. (Cayman Islands Agency)     | Account receivable | 28/4/07         | US\$            | 494,709,026.48 | 7.01%                |
| Enersis Internacional                      | Account receivable | 7/12/04         | US\$            | 35,055,847.92  | 3.45%                |
|  | Account receivable | 7/6/04          | US\$            | 10,156,566.67  | 3.45%                |
|  | Account receivable | 5/7/04          | US\$            | 17,342,208.65  | 2.95%                |
|  | Account receivable | 2/8/04          | US\$            | 50,000,000.00  | 7.88%                |
| Luz de Río Ltda.                           | Account receivable | 26/2/07         | US\$            | 57,099,981.62  | 6.80%                |
| Endesa S.A. (Cayman Islands Agency)        | Account receivable | 25/3/04         | US\$            | 32,306,537.11  | 2.72%                |

## 5.

### DEFERRED INCOME TAXES

- a. The income tax to be received and to be paid as of December 2002 and 2001, is shown as follows:

|   | <b>As of December 31,</b> |                        |
|---|---------------------------|------------------------|
|   | <b>2001<br/>ThCh\$</b>    | <b>2002<br/>ThCh\$</b> |
| <i>Credit for absorbed profits</i>      | 11,859,244                | 9,122,561              |
| <i>PPM, donations, training expense</i> | 133,795                   | 129,899                |
| <b>Total income taxes recoverable</b>   | <b>11,993,039</b>         | <b>9,252,460</b>       |
| <i>Income tax prior year</i>            | 17,175                    | 16,675                 |
| <b>Total income tax payable</b>         | <b>17,175</b>             | <b>16,675</b>          |

b. The Company has tax losses of ThCh\$110,967,917 and ThCh\$89,744,825 for the years ended December 31, 2002 and 2001, respectively.

c. The balance of taxed retained earnings and related tax credits are as follows:

| Year | Loss<br>ThCh\$ | Credit<br>ThCh\$ |
|------|----------------|------------------|
| 2002 | 23,698,947     | 4,524,557        |
| 2001 | 18,159,574     | -                |

d. In accordance with BTs N°60 and 69 of the Chilean Association of Accountants, and Circular N°1,466 of the SVS, the Company has recorded deferred income taxes as of December 31, 2002 and 2001 as follows:

|   | As of December 31, 2001 |                     |                      |                     | As of December 31, 2002 |                     |                      |                     |
|---|-------------------------|---------------------|----------------------|---------------------|-------------------------|---------------------|----------------------|---------------------|
|   | Asset                   |                     | Liability            |                     | Asset                   |                     | Liability            |                     |
|   | Short-term<br>ThCh\$    | Long-term<br>ThCh\$ | Short-term<br>ThCh\$ | Long-term<br>ThCh\$ | Short-term<br>ThCh\$    | Long-term<br>ThCh\$ | Short-term<br>ThCh\$ | Long-term<br>ThCh\$ |
| Depreciation  | -                       | -                   | -                    | 1,907,756           | -                       | -                   | -                    | 1,831,029           |
| Severance indemnities   | -                       | -                   | -                    | 96,345              | -                       | -                   | -                    | 103,679             |
| Tax losses  | 2,905,532               | -                   | -                    | -                   | 15,305,920              | -                   | -                    | -                   |
| Unearned income   | 72,025                  | -                   | -                    | -                   | 33,744                  | -                   | -                    | -                   |
| Deferred charges  | 39,777                  | -                   | 259,464              | 604,637             | -                       | -                   | 561,812              | 1,035,445           |
| Vacation accrual  | 88,543                  | -                   | -                    | -                   | 98,178                  | -                   | -                    | -                   |
| Other events  | 13,656                  | 91,600              | -                    | -                   | 72,829                  | 94,084              | -                    | -                   |
| Provisions  | 193,618                 | -                   | 5,659                | 13,103              | 387,316                 | -                   | 5,494                | 6,884               |
| Differences between the financial and tax value of Rio Maipo S.A. | -                       | -                   | -                    | -                   | -                       | -                   | 1,475,222            | -                   |
| Bond discount   | -                       | -                   | 161,469              | 1,704,883           | -                       | -                   | 154,508              | 1,482,485           |
| Complementary account, net  | -                       | -                   | (3,474)              | (169,058)           | -                       | -                   | (2,935)              | (166,996)           |
| <b>Total</b>  | <b>3,313,151</b>        | <b>91,600</b>       | <b>423,118</b>       | <b>4,157,666</b>    | <b>15,897,987</b>       | <b>94,084</b>       | <b>2,194,101</b>     | <b>4,292,526</b>    |

e. Income tax expense for the years ended December 31, 2001 and 2002 is as follows:

|   | As of December 31, |                  |
|---|--------------------|------------------|
|   | 2001<br>ThCh\$     | 2002<br>ThCh\$   |
| Effect on deferred tax assets or liabilities for the year | (1,031,239)        | 10,644,800       |
| Adjustment for tax expense-prior year                     | (1,286,954)        | (1,160,596)      |
| Benefits for tax losses                                   | 10,535,996         | -                |
| Amortization of complementary accounts                    | 105,617            | 2,423            |
| Other charges or credits                                  | (17,175)           | -                |
| <b>Total</b>  | <b>8,306,245</b>   | <b>9,486,627</b> |

## 6.

## OTHER CURRENT ASSETS

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

|   | <i>As of December 31,</i> |                        |
|---|---------------------------|------------------------|
|   | <b>2001<br/>ThCh\$</b>    | <b>2002<br/>ThCh\$</b> |
| <i>Forward contracts</i>                                  | 110,607,126               | 11,782                 |
| <i>Deferred costs-loans</i>                               | 810,843                   | 810,844                |
| <i>Post-retirement benefits</i>                           | 35,368                    | 34,338                 |
| <i>Deferred expense Collar contracts</i>                  | 810,810                   | 2,700,479              |
| <i>Bond discount</i>                                      | 1,009,179                 | 965,677                |
| <i>Unrealized lesson fair value-of interest rate swap</i> | -                         | 349,531                |
| <i>Other</i>  | 153,801                   | 130,388                |
| <b>Total</b>  | <b>113,427,127</b>        | <b>5,003,039</b>       |

## 7.

## PROPERTY, PLANT AND EQUIPMENT

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

|   | As of December 31, |                     |
|---|--------------------|---------------------|
|   | 2001<br>ThCh\$     | 2002<br>ThCh\$      |
| <i>Buildings and infrastructure</i>   | 20,592,396         | 20,592,331          |
| <i>Machinery and equipment</i>  | 1,547,428          | 2,237,900           |
| <i>Other assets in transit</i>  | 1,351,831          | 778,024             |
| <i>Technical appraisal of buildings and infrastructure</i>  | 32,871             | 32,853              |
| <b>Total fixed assets</b>   | <b>23,524,526</b>  | <b>23,641,108</b>   |
| <i>Accumulated depreciation at beginning of year</i>  |                    |                     |
| <i>Buildings and infrastructure</i>   | (8,414,833)        | (8,869,519)         |
| <i>Machinery and equipment</i>  | (597,691)          | (709,508)           |
| <i>Other assets in transit</i>  | -                  | (33,160)            |
| <b>Total accumulated depreciation at beginning of year</b>  | <b>(9,012,524)</b> | <b>(9,612,187)</b>  |
| <i>Accumulated depreciation at beginning of year-<br/>technical appraisal of buildings and infrastructure</i> | (20,231)           | (21,399)            |
| <b>Total accumulated depreciation at beginning of year<br/>Technical appraisal</b>                            | <b>(20,231)</b>    | <b>(21,399)</b>     |
| <i>Depreciation of the year</i>   | (800,193)          | (1,041,243)         |
| <b>Total accumulated depreciation at end of year</b>  | <b>(9,832,948)</b> | <b>(10,674,829)</b> |
| <b>Total property, plant and equipment, net</b>   | <b>13,691,578</b>  | <b>12,966,279</b>   |

The depreciation charge was ThCh\$1,041,243 and ThCh\$800,193 as of December 31, 2002 and 2001, respectively. Depreciation expense of ThCh\$1,014,633 and ThCh\$773,582 were included in cost of sales and ThCh\$26,610 and ThCh\$26,610, were included in Administrative and selling expenses, respectively.

## 8.

## INVESTMENT IN RELATED COMPANIES

a. Investments as of each year-end are as follows:

| Related Companies                                  | Number of shares  | Percentage owned |         | Shareholders' equity of investee |               |
|--|-------------------|------------------|---------|----------------------------------|---------------|
|  |                   | % 2001           | % 2002  | 2001 ThCh\$                      | 2002 ThCh\$   |
| Empresa Nacional de Electricidad S.A.              | 4,919,488,794     | 59.98%           | 59.98%  | 1,446,549,434                    | 1,430,635,321 |
| Chilectra S.A.                                     | 359,602,436       | 98.24%           | 98.24%  | 498,295,654                      | 421,691,742   |
| Enerjis Internacional                              | 360,557,687       | 100.00%          | 100.00% | 302,294,900                      | 348,705,819   |
| Luz de Bogotá S.A.                                 | 8,660,073,943,175 | 25.71%           | 25.71%  | 643,243,838                      | 600,529,806   |
| Companhia de Eletricidade do Rio de Janeiro        | 432,923,636,114   | 7.99%            | 20.38%  | 489,488,447                      | 579,561,108   |
| Empresa Distribuidora Sur S.A.                     | 143,996,758       | 16.02%           | 16.02%  | 677,251,929                      | 729,817,969   |
| Investluz S.A.                                     | 15,681,945,734    | -                | 15.61%  | -                                | 357,552,301   |
| Distrilec Inversora S.A.                           | 101,684,374       | 20.43%           | 20.43%  | 381,690,644                      | 411,308,793   |
| Inmobiliaria Manso de Velasco Ltda.                | 29,462,253        | 99.99%           | 99.99%  | 50,236,353                       | 40,188,546    |
| Inversiones Distrilima S.A.                        | 95,363,337        | 14.79%           | 15.93%  | 159,715,296                      | 172,793,816   |
| Compañía Eléctrica del Río Maipo S.A.              | 356,078,645       | 98.74%           | 98.74%  | 22,260,807                       | 22,623,680    |
| Central Geradora Termeléctrica Fortaleza S.A.      | 20,246,908        | 48.82%           | 48.82%  | 11,033,676                       | 43,697,439    |
| Compañía Americana de Multiservicios Ltda. (*)     | -                 | 99.93%           | 99.99%  | 5,275,364                        | 25,033,298    |
| Synapsis, Soluciones y Servicios IT Ltda.          | -                 | 99.99%           | 99.99%  | 7,530,032                        | 8,759,604     |
| Endesa Market Place                                | 210               | 15.00%           | 15.00%  | 4,015,840                        | 3,199,945     |
| Enerjis Energía de Colombia S.A.                   | 30,000,001        | 99.99%           | 99.99%  | 302,146                          | 216,301       |
| Enerjis de Argentina S.A.                          | 119,999           | 99.99%           | 99.99%  | 98,015                           | 79,107        |
| Synapsis Colombia S.A.                             | 1                 | 0.10%            | 0.10%   | 592,009                          | 821,658       |
| Constructora El Gobernador                         | -                 | -                | 0.00%   | 20,481,983                       | 21,085,334    |
| Codensa S.A.                                       | 1                 | -                | -       | 1,112,677,346                    | 1,009,464,988 |
| Luz de Río Ltda.                                   | -                 | -                | 43.24%  | -                                | 3,629,879     |
| Interocean Developments Inc. (**)                  | -                 | 100.00%          | -       | 136,776,971                      | -             |
| Empresa Eléctrica de Panamá S.A. (**)              | -                 | 80.99%           | -       | 134,654,968                      | -             |
| Compañía Americana de Multiservicios Uno Ltda. (*) | -                 | 99.99%           | -       | 11,496,195                       | -             |
| <b>Total</b>                                       |                   |                  |         |                                  |               |

(\*) As of January 1, 2002, these companies merged with Compañía Americana de Multiservicios Ltda.

(\*\*) Companies dissolved in 2002.

b. In accordance with Technical Bulletin N°64 of the Chilean Association of Accountants, at December 31, 2002 and 2001, the Company has recorded foreign exchange gains and losses on liabilities related to net investments in foreign countries that are denominated in the same currency as the functional currency of those foreign investments. Such gains and losses are included in the cumulative translation adjustment account in shareholders' equity, and in this way, act as a hedge of the exchange risk affecting the investments. As of December 31, 2002 the corresponding amounts are as follows:

| Company                                     | Country of origin | Investment ThCh\$  | Reporting currency | Liability ThCh\$   |
|---|-------------------|--------------------|--------------------|--------------------|
| Edesur S.A.                                 | Argentina         | 198,370,509        | US\$               | 186,980,271        |
| Companhia de Eletricidade do Rio de Janeiro | Brasil            | 118,088,246        | US\$               | 188,262,271        |
| Luz de Bogotá S.A. (Codensa S.A.)           | Colombia          | 158,042,551        | US\$               | 232,445,627        |
| Investluz S.A. (Coelce)                     | Brasil            | 55,813,358         | US\$               | 97,921,693         |
| <b>Total</b>                                |                   | <b>530,314,664</b> |                    | <b>705,609,862</b> |



| Net income of investees |                | Equity in income   |                    | Share of equity      |                      | Unrealized income |                    | Investment book value |                      |
|-------------------------|----------------|--------------------|--------------------|----------------------|----------------------|-------------------|--------------------|-----------------------|----------------------|
| 2001<br>ThCh\$          | 2002<br>ThCh\$ | 2001<br>ThCh\$     | 2002<br>ThCh\$     | 2001<br>ThCh\$       | 2002<br>ThCh\$       | 2001<br>ThCh\$    | 2002<br>ThCh\$     | 2001<br>ThCh\$        | 2002<br>ThCh\$       |
| 72,160,017              | (9,319,056)    | 43,282,249         | (5,589,656)        | 867,653,826          | 858,108,391          | -                 | -                  | 867,653,826           | 858,108,391          |
| 73,185,247              | (31,001,664)   | 71,803,197         | (30,455,987)       | 489,524,879          | 414,269,316          | -                 | -                  | 489,524,879           | 414,269,316          |
| 61,920,890              | 38,943,177     | 56,389,840         | 38,493,177         | 302,294,900          | 348,705,819          | -                 | -                  | 302,294,900           | 348,705,819          |
| 11,524,049              | (4,512,003)    | 2,963,329          | (1,160,229)        | 165,405,561          | 154,421,958          | -                 | -                  | 165,405,561           | 154,421,958          |
| (3,400,351)             | (9,012,430)    | (271,964)          | (1,836,324)        | 39,149,928           | 118,088,246          | -                 | -                  | 39,149,928            | 118,088,246          |
| 83,679,490              | 8,205,141      | 13,409,499         | 1,314,860          | 108,528,496          | 116,952,117          | -                 | -                  | 108,528,496           | 116,952,117          |
| -                       | (198,253,211)  | -                  | (30,947,018)       | -                    | 55,813,358           | -                 | -                  | -                     | 55,813,358           |
| 47,181,754              | 4,616,907      | 9,641,341          | 943,440            | 77,996,456           | 84,048,767           | -                 | -                  | 77,996,456            | 84,048,767           |
| 5,596,173               | (9,936,221)    | 5,596,171          | (9,936,217)        | 50,236,335           | 40,188,532           | -                 | -                  | 50,236,335            | 40,188,532           |
| 12,342,281              | 13,071,302     | 1,825,424          | 2,082,258          | 23,621,892           | 27,526,055           | -                 | -                  | 23,621,892            | 27,526,055           |
| 9,261,986               | 11,727,292     | 9,128,053          | 11,579,815         | 21,980,865           | 22,339,175           | -                 | -                  | 21,980,865            | 22,339,175           |
| -                       | -              | -                  | -                  | 5,386,640            | 21,333,090           | -                 | -                  | 5,386,640             | 21,333,090           |
| 4,115,693               | 7,981,909      | 4,112,862          | 4,775,935          | 5,271,737            | 25,031,071           | -                 | (3,205,264)        | 5,271,737             | 21,825,807           |
| 5,473,684               | 4,396,039      | 5,473,137          | 3,039,497          | 7,529,280            | 8,758,728            | -                 | (1,356,102)        | 7,529,280             | 7,402,626            |
| (2,242,714)             | (1,875,096)    | (336,406)          | (281,264)          | 602,376              | 479,992              | -                 | -                  | 602,376               | 479,992              |
| (253,587)               | (105,636)      | (253,587)          | (105,636)          | 302,146              | 216,301              | -                 | -                  | 302,146               | 216,301              |
| 15,469,249              | (18,908)       | 15,469,120         | (18,908)           | 98,014               | 79,106               | -                 | -                  | 98,014                | 79,106               |
| 458,354                 | 573,630        | 457                | 574                | 591                  | 822                  | -                 | -                  | 591                   | 822                  |
| 1,830,559               | 267,223        | 3                  | -                  | 32                   | 32                   | -                 | -                  | 32                    | 32                   |
| 22,799,906              | (6,655,951)    | -                  | -                  | 6                    | 5                    | -                 | -                  | 6                     | 5                    |
| -                       | 22,334,017     | -                  | 9,658,166          | -                    | 1,569,712            | -                 | -                  | -                     | 1,569,712            |
| 5,477,758               | -              | 5,477,758          | -                  | 136,776,971          | -                    | -                 | -                  | 136,776,971           | -                    |
| (11,447,640)            | -              | (9,272,580)        | -                  | 109,070,408          | -                    | -                 | -                  | 109,070,408           | -                    |
| 4,192,075               | -              | 4,192,074          | -                  | 11,496,191           | -                    | -                 | -                  | 11,496,191            | -                    |
|                         |                | <b>238,629,977</b> | <b>(8,443,517)</b> | <b>2,422,927,530</b> | <b>2,297,930,593</b> | <b>-</b>          | <b>(4,561,366)</b> | <b>2,422,927,530</b>  | <b>2,293,369,227</b> |

### c. Investments

The investments made by Enersis S.A. during the year ended December 31, 2002, are detailed as follows:

| Acquisitions                                 | As of December 31, |                   |
|--|--------------------|-------------------|
|  | 2001<br>ThCh\$     | 2002<br>ThCh\$    |
| Central Geradora Termelétrica Fortaleza S.A. | 5.911.275          | 15.480.376        |
| Inversiones Distrilima S.A.                  | -                  | 1.190.289         |
| Luz de Río Ltda.                             | -                  | 61.469            |
| Chilectra S.A.                               | 4.982.826          | -                 |
| Compañía Eléctrica del Río Maipo S.A.        | 498.137            | -                 |
| <b>Total</b>                                 | <b>11.392.238</b>  | <b>16.732.134</b> |

- In May 2002, Enersis S.A. acquired 6,824,495 Sociedad Inversiones Distrilima S.A. shares equivalent to 1.14% of issued capital for US\$1,767,761,22 increasing its direct interest from 14.79% to 15.93%.
- In February and April 2002 Enersis S.A. made contributions of US\$22,773,195.87 and US\$86,600 to Central Geradora Termelétrica Fortaleza S.A. and Luz de Río for a capital increase, respectively maintaining its 48.82% and 43.24%.

**d. Dissolution of investment vehicles**

At December 31, 2002, Empresa Eléctrica de Panamá S.A. and Interocean Development Inc. were liquidated and absorbed by Agencia Enersis Cayman.

As a result of the liquidation of Empresa Eléctrica Panamá S.A., Agencia Enersis Cayman received 296,633,449,926 shares in Companhia de Electricidade do Rio de Janeiro, thus increasing its interest to 25.41%, and as a result of the liquidation of Interocean Development Inc., 15,681,945,734 shares were received from Investluz, thus increasing the direct interest to 15.61%.

**e. Debenture capitalization in Cerj**

On July 11, 2002, the company Luz de Río Ltda. and Endesa Internacional Energía Ltda., holders of convertible bonds issued by Companhia de Electricidade do Rio de Janeiro, exercised the option to capitalize their investment. To that effect, 420,705,127,532 no par value shares were issued.

**f. Recoverability of investment**

Enersis and its local subsidiaries have carried out an analysis of the book values of their property, plant and equipment and of the companies in which it has invested abroad. This analysis is motivated by the appearance of negative circumstances in the economies of the region's countries and by the fact that the property, plant and equipment in these countries are measured in US dollars. The analysis consisted of evaluating both the recoverability of property, plant and equipment of these companies', and the recorded goodwill and negative goodwill, in accordance with accounting principles generally accepted in Chile.

The property, plant and equipment recoverability analysis in these companies, as explained in Note 2j, was carried out considering that when there is evidence that the company's operations do not permanently have sufficient earnings to cover all costs, including the depreciation of property, plant and equipment taken as a whole, and when the book value of said assets exceeds their realization value, these values must be written down to recoverable amounts by charging non operating income.

The results of this analysis determined that no adjustments affecting the Company and its Subsidiaries' book values of property, plant and equipment are required.

**g. Situation in Argentina**

In Argentina, at the end of 2001, as a result of the serious economic crisis, a change in the economic model and in the law of convertibility was implemented with the promulgation of new National Government regulations. This situation gave rise to, among other consequences: devaluation of the Argentinean peso with respect to the US dollar and the pesification of certain assets and liabilities recorded in foreign currency in said country, pesification of public service tariffs, introduction of deposit withdrawal limitations in financial institutions, limitations to make certain transfers abroad for capital services and financial loan interest without prior authorization of the Central Bank of the Republic of Argentina.

Considering the above mentioned unstable environment, the company performed an evaluation of the recoverability of its investments in Argentinean companies. Management believes that the evolution of the aforementioned measures will not result in significant adjustments other than those recognized in these financial statements.

At December 31, 2002 the investment in these companies represents 5.2% of total assets of the company and equity in income of investees was recognized for M\$2,258,300.

## 9.

### GOODWILL AND NEGATIVE GOODWILL

- a. In accordance with current standards, recognition has been given to the excess of purchase price over the equity in net assets acquired (goodwill) in the purchase of shares as of December 31, 2001 and 2002, as follows:

| Sociedad  | As of December 31,     |                       |                        |                       |
|---|------------------------|-----------------------|------------------------|-----------------------|
|   | 2001                   |                       | 2002                   |                       |
|   | Amortization<br>ThCh\$ | Net balance<br>ThCh\$ | Amortization<br>ThCh\$ | Net balance<br>ThCh\$ |
| Empresa Nacional de Electricidad S.A.           | (42.958.281)           | 710.600.834           | (42.958.280)           | 667.642.554           |
| Distrilec Inversora S.A.                        | (257.087)              | 4.298.745             | (4.580.318)            | -                     |
| Chilectra S.A.                                  | (6.178.814)            | 112.424.542           | (6.210.655)            | 106.213.887           |
| Inversiones Distrilima S.A.                     | (1.408)                | 18.301                | (1.500)                | 18.000                |
| Compañía Eléctrica del Río Maipo S.A.           | (566.455)              | 10.802.028            | (574.414)              | 10.227.614            |
| Empresa Distribuidora Sur S.A.                  | (278.825)              | 3.880.324             | (4.134.489)            | -                     |
| Companhia de Eletricidade do Rio de Janeiro (1) | -                      | -                     | (48.540.702)           | -                     |
| Investluz S.A. (2)                              | -                      | -                     | (626.637)              | -                     |
| Luz de Bogotá S.A.                              | (230.126)              | 3.643.657             | (261.730)              | 3.620.593             |
| <b>Total</b>                                    | <b>(50.470.996)</b>    | <b>845.668.431</b>    | <b>(107.888.725)</b>   | <b>787.722.648</b>    |

(1) Recorded after Empresa Eléctrica de Panamá S.A. dissolution

(2) Recorded after Interocean Development Inc. dissolution

- b. In accordance with current standards, recognition has been given to the excess of purchase price over the equity in net assets acquired (negative goodwill) in the purchase of shares as of December 31, 2001 and 2002, as follows:

| Company                                     | As of December 31,     |                       |                        |                       |
|---|------------------------|-----------------------|------------------------|-----------------------|
|   | 2001                   |                       | 2002                   |                       |
|   | Amortization<br>ThCh\$ | Net balance<br>ThCh\$ | Amortization<br>ThCh\$ | Net balance<br>ThCh\$ |
| Inversiones Distrilima S.A.                 | -                      | -                     | 18.366                 | (611.346)             |
| Synapsis, Soluciones y Servicios IT Ltda.   | 15.316                 | (156.983)             | 15.315                 | (141.668)             |
| Companhia de Eletricidade do Rio de Janeiro | 49.858                 | (947.312)             | 1.009.362              | -                     |
| <b>Total</b>                                | <b>65.174</b>          | <b>(1.104.295)</b>    | <b>1.043.043</b>       | <b>(753.014)</b>      |

**c. Recoverability of goodwill**

To carry out the analysis of the recoverability of goodwill and negative goodwill on investments abroad, as explained in Note 2 k, the Company used International Accounting Standard (IAS) N°36.

The analysis determined that the impairment of goodwill and negative goodwill in the companies, related to investments in Argentina and Brazil, is 100%, as, when comparing cash flows generated by the companies in said countries, such flows do not cover the recorded goodwill and negative goodwill. Thus, these balances have been fully amortized, resulting in a higher net charge to income for the period of ThCh\$53,116,770, which is included in goodwill and negative goodwill amortization in the income statement.

**10.**

**DUE TO BANKS AND FINANCIAL INSTITUTIONS**

**a. Current portion of long-term debt due to banks and financial institutions:**

| Financial Institution                  | Currency          |                    |                |                |                |                |                |                | Total             |                    |
|--|-------------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|--------------------|
|  | US\$              |                    | Other foreign  |                | UF             |                | Ch\$           |                |                   |                    |
|  | 2001<br>ThCh\$    | 2002<br>ThCh\$     | 2001<br>ThCh\$ | 2002<br>ThCh\$ | 2001<br>ThCh\$ | 2002<br>ThCh\$ | 2001<br>ThCh\$ | 2002<br>ThCh\$ | 2001<br>ThCh\$    | 2002<br>M\$        |
| Bank of América                        | 5,392,383         | 29,494,243         | -              | -              | -              | -              | -              | -              | 5,392,383         | 29,494,243         |
| Citibank                               | 406,445           | -                  | -              | -              | -              | -              | -              | -              | 406,445           | -                  |
| Dresdner Bank                          | 235,839           | 82,932,830         | -              | -              | -              | -              | -              | -              | 235,839           | 82,932,830         |
| ABN Amor                               | 514,881           | 461,208            | -              | -              | -              | -              | -              | -              | 514,881           | 461,208            |
| Banco Santander Central Hispano        | 1,088,041         | 104,195,014        | -              | -              | -              | -              | -              | -              | 1,088,041         | 104,195,014        |
| HSBC                                   | 21,590            | 10,824,955         | -              | -              | -              | -              | -              | -              | 21,590            | 10,824,955         |
| BBVA                                   | 586,366           | 1,447,394          | -              | -              | -              | -              | -              | -              | 586,366           | 1,447,394          |
| Bank of Tokio Mitsubishi               | 33,733,394        | 36,012,111         | -              | -              | -              | -              | -              | -              | 33,733,394        | 36,012,111         |
| JP Morgan - Chase (swap)               | -                 | 250,615            | -              | -              | -              | -              | -              | -              | -                 | 250,615            |
| Santander Central Hispano (swap)       | -                 | 248,738            | -              | -              | -              | -              | -              | -              | -                 | 248,738            |
| Banco Bilbao Viscaya Argentaria (swap) | -                 | 249,806            | -              | -              | -              | -              | -              | -              | -                 | 249,806            |
| Deutsche Bank (swap)                   | -                 | 453,632            | -              | -              | -              | -              | -              | -              | -                 | 453,632            |
| <b>Total</b>                           | <b>41,978,939</b> | <b>266,570,546</b> | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>41,978,939</b> | <b>266,570,546</b> |

|   | As of December 31, |               |
|---|--------------------|---------------|
|   | 2001<br>%          | 2002<br>%     |
| Percentage of debt in foreign currency: | 100.00             | 100.00        |
| Percentage of debt in local currency:   | -                  | -             |
| <b>Total</b>                            | <b>100.00</b>      | <b>100.00</b> |

## 11.

## OTHER CURRENT LIABILITIES

Other current liabilities at each year-end are as follows::

|   | As of December 31, |                  |
|---|--------------------|------------------|
|   | 2001<br>ThCh\$     | 2002<br>ThCh\$   |
| Swap Enersis bonds-rate and currency (*)          | -                  | 2,270,807        |
| Unrealized gain on fair value of forward contract | -                  | 4,556            |
| Account payable swap-contract                     | -                  | 349,531          |
| Forward contract obligations                      | 113,160,188        | -                |
| Swap collar rate contract ( ** )                  | 1,403,204          | 1,434,077        |
| Swap collar rate-currency contract (***)          | (209,875)          | -                |
| <b>Total</b>                                      | <b>114,353,517</b> | <b>4,058,971</b> |

(\*) Net effect of the contracts for hedging Series B1 Bonds that relate to a ThCh\$85,988 decrease in financial expenses and a ThCh\$2,356,795 negative exchange difference, the detail of which contracts is shown in note 19.

(\*\*) The effects in results are in Interest expense

(\*\*\*) The effects in results are in Other non-operating expenses

## 12.

## LONG-TERM PORTION OF DEBT DUE TO BANKS AND FINANCIAL INSTITUTIONS

| Financial Institution           | Currency | Years to maturity                         |   |   |  |                |          | Total long-term portion<br>ThCh\$ | Average annual interest rate % | Total long-term portion-2001<br>ThCh\$ |
|---------------------------------|----------|---|---|---|--|----------------|----------|-----------------------------------|--------------------------------|--|
|                                 |          | After 1 year but within 2 years<br>ThCh\$ | After 2 year but within 3 years<br>ThCh\$ | After 3 year but within 5 years<br>ThCh\$ | After 5 year but within 10 years<br>ThCh\$ | After 10 years |          |                                   |                                |  |
|                                 |          |   |   |   |  | years          | ThCh\$   |                                   |                                |  |
| Bank of América                 | US\$     | -   | -   | -   | -  | -              | -        | -                                 | 0.00                           | 27,587,424                             |
| ABN Amro                        | US\$     | 71,861,000                                | -   | -   | -  | -              | -        | 71,861,000                        | 2.81                           | 67,443,370                             |
| Citibank                        | US\$     | -   | -   | -   | -  | -              | -        | -                                 | 0.00                           | 36,311,511                             |
| Dresdner Bank                   | US\$     | -   | -   | -   | -  | -              | -        | -                                 | 0.00                           | 77,624,232                             |
| Banco Santander Central Hispano | US\$     | 287,444,000                               | -   | -   | -  | -              | -        | 287,444,000                       | 2.64                           | 366,386,108                            |
| HSBC                            | US\$     | -   | -   | -   | -  | -              | -        | -                                 | 0.00                           | 10,116,506                             |
| BBVA                            | US\$     | 107,791,500                               | -   | -   | -  | -              | -        | 107,791,500                       | 2.76                           | 406,852,130                            |
| BBVA                            | US\$     | 359,305,000                               | -   | -   | -  | -              | -        | 359,305,000                       | 2.56                           | -                                      |
| <b>Totales</b>                  |          | <b>826,401,500</b>                        | <b>-</b>                                  | <b>-</b>                                  | <b>-</b>                                   | <b>-</b>       | <b>-</b> | <b>826,401,500</b>                |                                | <b>992,321,281</b>                     |

|   | As of December 31, |               |
|---|--------------------|---------------|
|   | 2001<br>%          | 2002<br>%     |
| Percentage of debt in foreign currency: | 100.00             | 100.00        |
| Percentage of debt in local currency:   | -                  | -             |
| <b>Total</b>                            | <b>100.00</b>      | <b>100.00</b> |

## BONDS PAYABLE

a. Details of the current portion of bonds payable is as follows at each year-end:

| Instrument   | Series | Face value outstanding<br>ThCh\$ | Currency | Interest Rate<br>% | Maturity Date | Par Value         |                   |
|--------------|--------|----------------------------------|----------|--------------------|---------------|-------------------|-------------------|
|              |        |                                  |          |                    |               | 2001<br>M\$       | 2002<br>M\$       |
| 269          | B-1    | 445,863,21                       | U.F.     | 5.50               | Jun-09        | 7,232,494         | 7,601,852         |
| 269          | B-2    | -                                | U.F.     | 5.75               | Jun-22        | 105,520           | 105,480           |
| Yankee Bonds | 1      | -                                | US\$     | 6.90               | Dec-06        | 1,124,617         | 1,198,281         |
| Yankee Bonds | 2      | -                                | US\$     | 7.40               | Dec-16        | 1,407,131         | 1,499,298         |
| Yankee Bonds | 3      | -                                | US\$     | 6.60               | Dec-26        | 537,861           | 573,091           |
| <b>Total</b> |        |                                  |          |                    |               | <b>10,407,623</b> | <b>10,978,002</b> |

b. Details of the long-term portion of bonds payable is as follows at each year-end:

| Instrument   | Series | Face value outstanding<br>ThCh\$ | Currency | Interest Rate<br>% | Maturity Date | Par Value          |                    |
|--------------|--------|----------------------------------|----------|--------------------|---------------|--------------------|--------------------|
|              |        |                                  |          |                    |               | 2001<br>M\$        | 2002<br>M\$        |
| 269          | B-1    | 2,928,543,94                     | U.F.     | 5.50               | Jun-09        | 56,523,126         | 49,035,877         |
| 269          | B-2    | 2,500,000                        | U.F.     | 5.75               | Jun-22        | 41,876,350         | 41,860,300         |
| Yankee Bonds | 1      | 300,000,000                      | US\$     | 6.90               | Dec-06        | 202,330,110        | 215,583,000        |
| Yankee Bonds | 2      | 350,000,000                      | US\$     | 7.40               | Dec-16        | 236,051,795        | 251,513,500        |
| Yankee Bonds | 3      | 150,000,000                      | US\$     | 6.60               | Dec-26        | 101,165,055        | 107,791,500        |
| <b>Total</b> |        |                                  |          |                    |               | <b>637,946,436</b> | <b>665,784,177</b> |

c. Bonds payable are comprised of the following:

**i. Enersis S.A. Series B1-B2**

On September 11, 2001, Enersis S.A. registered two series of bearer bonds as of June 14, 2001, as follows:

| Series | Total amount<br>In UF | N° of bonds<br>per series | Face Value<br>In UF |
|--------|-----------------------|---------------------------|---------------------|
| B1     | 1,000,000             | 1,000                     | 1,000               |
| B1     | 3,000,000             | 300                       | 10,000              |
| B2     | 1,000,000             | 1,000                     | 1,000               |
| B2     | 1,500,000             | 150                       | 10,000              |

The scheduled maturity of the Series B-1 bonds is 8 years, interest and principal payable semi-annually. Annual interest is 5.50%, compounded semi-annually.

The scheduled maturity of the Series B-2 bonds is 21 years, principal payments beginning after 5 years, interest and principal payable semi-annually. Annual interest is 5.75%, compounded semi-annually.

**ii. Enersis S.A. (Yankee Bonds)**

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

| <b>Series</b> | <b>Total amount<br/>In US\$</b> | <b>Years to<br/>Maturity</b> | <b>Stated annual<br/>Interest rate</b> |
|---------------|---------------------------------|------------------------------|--|
| 1             | 300,000,000                     | 10                           | 6.9%                                   |
| 2             | 350,000,000                     | 20                           | 7.4%                                   |
| 3             | 150,000,000                     | 30                           | 6.6%                                   |

Interest is payable on a semi-annual basis and principal is due upon maturity. The Series 3 bond holders have an option to require the Company to redeem all or any US\$1,000 portion thereof on December 31, 2003 at a redemption price equal to face value.

**iii. Discount on bonds placed**

The discounts on Enersis S.A. bonds placed have been deferred over the same periods as the periods of the related bonds issues. The balance at December 31, 2002 amounts to ThCh\$9,714,009 (ThCh\$12,343,837 in 2001), of which ThCh\$965,677 (ThCh\$1,009,179 in 2001) are included in "Other current assets"; and ThCh\$8,748,332 (ThCh\$11,334,659 in 2001), in "Other assets".

## 14.

### ACCRUED EXPENSES

**a. Short-term accruals:**

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

|   | <b>As of December 31,</b> |                        |
|---|---------------------------|------------------------|
|   | <b>2001<br/>ThCh\$</b>    | <b>2002<br/>ThCh\$</b> |
| <i>Profit sharing and other employee benefits</i> | 1,749,590                 | 2,278,402              |
| <i>Notes receivable provision</i>                 | 830,726                   | 3,219,925              |
| <b>Total</b>                                      | <b>2,580,316</b>          | <b>5,498,327</b>       |

During 2002 there were no debt write-offs.

**b. Long-term accruals:**

Long-term accruals include employee severance indemnities, calculated in accordance with the policy described in Note 2n, post-retirement benefits and others. An analysis of the changes in the accruals in each year is as follows:

|                                 | <b>As of December 31,</b> |                        |
|---------------------------------|---------------------------|------------------------|
|                                 | <b>2001<br/>ThCh\$</b>    | <b>2002<br/>ThCh\$</b> |
| Opening balance as of January 1 | 1,047,955                 | 1,241,825              |
| Increase in accrual             | 1,055,075                 | 653,260                |
| Payments during the year        | (823,950)                 | (456,748)              |
| <b>Sub-total</b>                | <b>1,279,080</b>          | <b>1,438,337</b>       |
| Post-retirement benefits        | 541,328                   | 555,872                |
| <b>Total</b>                    | <b>1,820,408</b>          | <b>1,994,209</b>       |

## 15.

### SHAREHOLDERS' EQUITY

**a. Dividends**

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

| <b>Dividend Number</b> | <b>Payment date</b> | <b>Historical Value<br/>Ch\$ per share</b> | <b>Type of dividend</b> | <b>Related to</b> |
|------------------------|---------------------|--|-------------------------|-------------------|
| 71                     | April/2001          | 1.806391                                   | Final                   | 2000              |

**b. Number of shares**

| <b>Series</b> | <b>As of December 31, 2002</b> |               |                  |
|---------------|--------------------------------|---------------|------------------|
|               | <b>Number of shares</b>        |               |                  |
|               | <b>Subscribed</b>              | <b>Paid</b>   | <b>With vote</b> |
| First         | 8,291,020,100                  | 8,291,020,100 | 8,291,020,100    |

**c. Subscribed and paid capital is as follows as of the year-end:**

| <b>Series</b> | <b>As of December 31, 2002</b> |                     |
|---------------|--------------------------------|---------------------|
|               | <b>Capital subscribed</b>      | <b>Capital paid</b> |
|               | <b>ThCh \$</b>                 | <b>ThCh\$</b>       |
| First         | 751,208,197                    | 751,208,197         |



d. **Accumulated net income (losses) of development-stage subsidiaries are as follows:**

| Company                                      | As of December 31, 2002 |                       |
|--|-------------------------|-----------------------|
|  | Net income (losses)     |                       |
|  | Of the period<br>ThCh\$ | Accumulated<br>ThCh\$ |
| Central Geradora Termelétrica Fortaleza S.A. | (939,553)               | (1,302,505)           |
| Aguas Santiago Poniente S.A.                 | (111,586)               | (111,586)             |
| Compañía Eléctrica Tal Tal Ltda.             | -                       | 146,371               |
| Infraestructura 2000 S.A.                    | -                       | 347,252               |
| Nopel Ltda.                                  | -                       | 811,149               |
| Ingendesa (Ingendesa do Brasil)              | 1,451                   | (46,306)              |
| Enigesas (Ingendesa do Brasil)               | 19                      | (642)                 |
| Compañía Eléctrica Cono Sur S.A. (CIEN)      | (4,780,843)             | (4,780,843)           |
| <b>Total</b>                                 | <b>(5,830,512)</b>      | <b>(4,937,110)</b>    |

e. **Other information**

Detail of other reserves is as follows:

|  | ThCh\$            |
|--|-------------------|
| Reserve for equity fluctuations                | 1,177,508         |
| Reserve for accumulated conversion differences | 45,702,079        |
| <b>Total</b>                                   | <b>46,879,587</b> |

Detail of changes in the reserve for accumulated conversion differences are as follows for the year ended December 31, 2002:

|                                   | Initial<br>Balance<br>ThCh\$ | Reserve<br>for Assets<br>ThCh\$ | Reserve for<br>Liabilities<br>ThCh\$ | Final<br>Balance<br>ThCh\$ |
|-----------------------------------|------------------------------|---------------------------------|--------------------------------------|----------------------------|
| Cumulative translation adjustment | 25,105,169                   | 96,536,552                      | (75,939,638)                         | 45,702,079                 |

The detail of the accumulated conversion difference reserve at December 31, 2002 is as follows:

|   | ThCh\$            |
|---|-------------------|
| <i>Energis Energía de Colombia S.A.</i>             | 19,753            |
| <i>Distrilec Inversora S.A.</i>                     | 2,494,214         |
| <i>Inversiones Distrilima S.A.</i>                  | 3,034,207         |
| <i>Cía. Peruana de Electricidad S.A.</i>            | 5,027,002         |
| <i>Edesur S.A.</i>                                  | 13,222,829        |
| <i>Cía. de Electricidade do Rio de Janeiro</i>      | 10,996,981        |
| <i>Luz de Bogotá</i>                                | 2,370,986         |
| <i>Investluz</i>                                    | 7,012,529         |
| <i>Endesa Market Place</i>                          | 280,302           |
| <i>Central Geradora Termelétrica Fortaleza S.A.</i> | 1,243,276         |
| <b>Total</b>  | <b>45,702,079</b> |

## 16.

### OTHER INCOME AND EXPENSES

a. The detail of other non-operating income in each year is as follows:

|   | Years ended December 31, |                   |
|---|--------------------------|-------------------|
|   | 2001<br>ThCh\$           | 2002<br>ThCh\$    |
| <i>Gain on forward contracts</i>                            | 8,171,752                | 4,815,297         |
| <i>Gain on swap contracts</i>                               | 1,493,044                | -                 |
| <i>Gain on repurchase of bonds</i>                          | 5,531,051                | -                 |
| <i>Adjustments to investments in related companies</i>      | 1,211                    | 9,133,760         |
| <i>Project administration, maintenance and construction</i> | 13,407,217               | 7,642,591         |
| <i>Other</i>  | 894,021                  | 786,967           |
| <b>Total</b>  | <b>29,498,296</b>        | <b>22,378,615</b> |

**b. Other non-operating expenses in each year are as follows:**

|   | Years ended December 31, |                   |
|---|--------------------------|-------------------|
|   | 2001<br>ThCh\$           | 2002<br>ThCh\$    |
| Adjustments to investments in related companies         | 212,536                  | 233,326           |
| Loss for non-participation in Cerj capital increase (*) | -                        | 17,020,030        |
| Usufruct contract                                       | 15,483,679               | -                 |
| Provisions  | -                        | 359,305           |
| Other   | 586,244                  | 455,797           |
| <b>Total</b>  | <b>16,282,459</b>        | <b>18,068,458</b> |

(\*) See Note 8d.

## 17.

### PRICE-LEVEL RESTATEMENT

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

|  | As of December 31,   |                      |
|--|----------------------|----------------------|
|  | 2001<br>ThCh\$       | 2002<br>ThCh\$       |
| <b>Assets</b>  |                      |                      |
| Accounts receivable from subsidiaries short-term       | (43,106)             | 8,361,377            |
| Accounts receivable from subsidiaries long-term        | 16,134,682           | 14,086,764           |
| Property, plant and equipment                          | 436,065              | 428,905              |
| Investment in subsidiaries                             | 53,963,202           | 50,820,537           |
| Investment in other companies                          | 10,739,202           | 15,529,085           |
| Amortization of goodwill                               | 26,919,672           | 25,929,210           |
| Other current assets                                   | 307                  | 19,891               |
| Other assets   | 648,361              | 1,054,443            |
| Credit for cost and expense accounts                   | 3,192,735            | 3,193,805            |
| <b>Net credit - assets</b>                             | <b>111,991,120</b>   | <b>119,424,017</b>   |
| <b>Liabilities and Shareholders' equity</b>            |                      |                      |
| Accounts payable to subsidiaries short-term            | (724,227)            | (606,331)            |
| Accounts payable to subsidiaries long-term             | (32,486,852)         | (30,424,108)         |
| Due to banks and financial institutions long-term      | (23,008,735)         | (31,288,235)         |
| Bonds payable long-term                                | (14,653,316)         | (15,714,960)         |
| Shareholders' equity                                   | (34,756,513)         | (35,375,590)         |
| Non-monetary liabilities                               | (3,578,371)          | (3,012,063)          |
| Charge to income accounts                              | (1,199,998)          | (1,422,031)          |
| <b>Net charge-liabilities and shareholders' equity</b> | <b>(110,408,012)</b> | <b>(117,843,318)</b> |
| <b>Net credits to income</b>                           | <b>1,583,108</b>     | <b>1,580,699</b>     |

The (charge) credit to income for foreign currency translation as of each year-end is as follows

| <b>Assets</b>                      |                 |                           |                        |
|------------------------------------|-----------------|---------------------------|------------------------|
| <b>Current assets</b>              | <b>Currency</b> | <b>As of December 31,</b> |                        |
|                                    |                 | <b>2001<br/>ThCh\$</b>    | <b>2002<br/>ThCh\$</b> |
| Cash                               | US\$            | 127,983                   | (221,604)              |
| Time deposits                      | US\$            | 161,722                   | 321,042                |
| Other accounts receivable, net     | US\$            | -                         | (570,924)              |
| Amounts due from related companies | US\$            | 2,297,453                 | 16,363,992             |
| Other current assets               | US\$            | 51,605                    | (61,042)               |
| <b>Non-current assets</b>          |                 |                           |                        |
| Amounts due from related companies | US\$            | 53,406,731                | 29,789,291             |
| Other assets                       | US\$            | 68,117                    | -                      |
| <b>Total gain</b>                  |                 | <b>56,113,611</b>         | <b>45,620,755</b>      |

| <b>Liabilities</b>                      |                 |                           |                        |
|---|-----------------|---------------------------|------------------------|
| <b>Current liabilities</b>              | <b>Currency</b> | <b>As of December 31,</b> |                        |
|   |                 | <b>2001<br/>ThCh\$</b>    | <b>2002<br/>ThCh\$</b> |
| Amount payable to related companies     | US\$            | (6,511,091)               | (43,018)               |
| Due to banks and financial institutions | US\$            | (311,974)                 | (318,147)              |
| Bonds payable                           | US\$            | (1,124,563)               | 421,931                |
| Other liabilities                       | US\$            | (423,674)                 | -                      |
| <b>Long-term liabilities</b>            |                 |                           |                        |
| Amount payable to related companies     | US\$            | (5,532,444)               | 25,800                 |
| Due to banks and financial institutions | US\$            | (55,923,754)              | (44,144,658)           |
| Bonds payable                           | US\$            | (23,588,977)              | (19,704,440)           |
| <b>Total loss</b>                       |                 | <b>(93,416,477)</b>       | <b>(63,762,532)</b>    |
| <b>Exchange difference-net loss</b>     |                 | <b>(37,302,866)</b>       | <b>(18,141,777)</b>    |

## 19.

## FINANCIAL DERIVATIVES

As of December 31, 2002 the Company and its subsidiaries held the following financial derivative contracts with financial institutions with the object of decreasing exposure to interest rate and foreign currency risk, as follows:

| Type   | Nominal Amount US\$ | Date of Maturity | Item          | Sales/ Purchase | Hedged Item      | As of December 31, 2002     |                             |
|--------|---------------------|------------------|---------------|-----------------|------------------|-----------------------------|-----------------------------|
|        |                     |                  |               |                 |                  | Initial hedge amount ThCh\$ | Closing hedge amount ThCh\$ |
| FR     | 47,000,000          | II - 2003        | Exchange rate | P               | Bank obligations | 33,774,670                  | 11,782                      |
| S      | 81,905,702          | II - 2009        | Exchange rate | P               | Bonds            | 56,637,729                  | 6,290,474                   |
| S      | 100,000,000         | I - 2003         | Interest rate | P/S             | Bank obligations | 71,861,000                  | (848,083)                   |
| S      | 50,000,000          | I - 2004         | Interest rate | P/S             | Bank obligations | 35,930,500                  | (2,166,192)                 |
| S      | 50,000,000          | III - 2004       | Interest rate | P/S             | Bank obligations | 35,930,500                  | (2,276,833)                 |
| COLLAR | 50,000,000          | II - 2004        | Interest rate | P/S             | Bank obligations | 35,930,500                  | (1,609,146)                 |
| COLLAR | 275,000,000         | III - 2004       | Interest rate | P/S             | Bank obligations | 197,617,750                 | (6,604,400)                 |
| COLLAR | 50,000,000          | III - 2005       | Interest rate | P/S             | Bank obligations | 35,930,500                  | (1,693,181)                 |
| COLLAR | 150,000,000         | I - 2006         | Interest rate | P/S             | Bank obligations | 107,791,500                 | (3,509,708)                 |
| COLLAR | 600,000,000         | II - 2006        | Interest rate | P/S             | Bank obligations | 431,166,000                 | (13,738,659)                |

(1) Fr = Forward, S = Swap

## 20.

## COMMITMENTS AND CONTINGENCIES

**a. Litigation and other legal actions:**

- i. Arbitration award (Case ICC N° 11046/KGA) substantiated before the Court of Arbitration of the International Chamber of Commerce with headquarters in Paris, France, started with occasion of the claim lodged by Pérez Companc S.A. and PCI Power Edesur Holding Limited. The claim requests that the Arbitration Court declare a sought after right of PCI Power Edesur Holding Limited to designate a Regular Director and an Alternate Director in the Argentinean company Distrilec Inversora S.A., a company holding Class "A" shares of Empresa Distribuidora Sur S.A. (Edesur S.A.), and on a subsidiary basis, for the event that said Court estimates that PCI Power Edesur Holding Limited lacks such right, declare that Grupo Enersis and Grupo Pecom, former Pérez Companc, have the same number of directors in Distrilec Inversora S.A.

The claim was answered opportunely by the Company on August 4, 2000. Together with the answer to the aforementioned claim, Enersis S.A. presented a reconventional claim against the claimants, that is, against Pecom S.A. and PCI Power Edesur Holding Limited, in order to request the annulment of various agreements entered into by the parties. This reconvention was answered by the reconventional defendants on October 13, 2000. On December 4, 2000, Grupo Enersis filed its arguments expansion writ and the answer to the reply of the reconventional defendants.

On December 6, 2000, the reconventional defendants, in an "Additional Statements" writ, request, among other things that, in case the reconventional claim lodged by Grupo Enersis is accepted, that a damages indemnity be declared in its favor. The reconventional defendants have provisionally estimated this possible and required indemnity in an amount between US\$180 and US\$200 million.

On April 8, 2001 a Minutes of Mission was signed establishing the unquestionable facts, the controversial facts, the parties' aims and the matters on which the Court will pronounce a judgment. On June 14, 2001 the parties submitted their evidence presentation writs.

On August 27 2001 presentation of the offered witnesses' affidavits ceased. The testimonial audience was carried out on November 12, 2001, in the city of Montevideo. On December 14, 2001 the parties presented their closing allegations and on December 20 the Court officially closed the Arbitration proceeding.

On September 6, 2002 the Final award dated September 2, 2002 the parties were notified, substantively establishing that Grupo Pecom and Grupo Enersis maintain the right to designate the same number of directors in the Distrilec Inversora S.A. Board and rejecting the contravention claim of Grupo Enersis. It also rejects the indemnity amounting between US\$180 and 200 million claimed by Grupo Pecom against Grupo Enersis.

The Final Award has been impugned opportunely through an annulment appeal filed before Uruguayan Justice on September 18, 2002, based on that it has gross procedural vices that invalidate it. The filing of said appeal suspends compliance with the verdict. On December 12, 2002 Pecom Energía answered said impugnation.

**ii. Court : Honorable resolute commission**

**Process number : 577-99**

Cause : Requirements of the "Fiscal Nacional Económico" against Enersis S.A. for the increase of ownership in Endesa-Chile S.A., asserting the transaction has considerably increased the vertical integration in the electric sector, affecting free competition.

Process status: The discussion stage has ended and the corresponding complaints have been made. The case is now in the sentencing stage. It is important to note the Commission decided not to receive the case in trial. Additionally, the petitions of the Fiscalía Nacional Económica have changed since the beginning of the case, limiting the request to the inability of Enersis S.A. and Endesa Chile to have common directors and the necessity for these companies to hire different external auditors.

Amounts involved: Undetermined.

On October 30, 2002 the Resolute Commission pronounced sentence on the case, and which is summarized as follows:

- a) "The position of principal or alternate director of Enersis S.A., Empresa Nacional de Electricidad S.A., or of some of them with Chilectra S.A. and Compañía Eléctrica del Río Maipo S.A., shall be held by different and independent individuals. A director will be regarded as independent when holding positions or carrying out employment or activities in a position of dependence of any of these companies or of any of its directors; and
- b) "The external audit of Enersis S.A., Empresa Nacional de Electricidad S.A., and Chilectra S.A. or Compañía Eléctrica del Río Maipo S.A., which, pursuant to current open stock company legislation, will be performed by different external auditing firms, having any relationship or tie of any nature between them. The same stipulation will be applied should the bylaws of said companies contemplate the appointment of account inspectors;"
- c) "By the exercise of its official faculties, the following measures will be adopted and in effect until the issue by the Resolute Commission of a resolution to the contrary:

“Enersis S.A., Elesur S.A., Empresa Nacional de Electricidad S.A., Chilectra S.A. and Compañía Eléctrica del Río Maipo S.A., may not enter into or execute any operation the objective of which would be the merger of the companies controlled by the Enersis group, whose activity would be the generation and distribution of electricity, with Enersis S.A. having to maintain the development of both segments separately, through different companies representing independent business units; and”

“Enersis S.A., Empresa Nacional de Electricidad S.A., Chilectra S.A. and Compañía Eléctrica del Río Maipo S.A., shall continue to be subject to supervision of the Superintendency of Securities and Insurance and comply with provisions applicable to open stock companies, even if they have ceased to have the status of open stock companies;”

- d) “In exercising the powers established in Decree Law N° 211 article 17, letter b), this Resolutive Commission issues the following general instructions which any individual who, by application of Ministry of Mining Electric Code article 240, Decree N° 317, of 1998, must publicly open to bid the supply and load in the terms of said norm:
- e) All those companies, associations, or company consortiums with existing or potential supply capacity will be able to participate in the supply bidding processes;
- f) The bidding conditions shall allow the applicants to present bids for the total amount of the supply intended to be contracted or for a part of the energy blocks and load open to bidding, and will include in their entirety the contracts which will be signed by the parties to execute the delivery of the supply bid; and,
- g) The receipt and opening of bids will be public. The bidding conditions to be established, as well as the result of the awarding, shall be reported to the Economic National Legal Department simultaneously upon the execution of said acts.
- h) Any other measure of a cautionary or precautionary nature taken in these cases are invalidated in particular, that ordered in Resolution N° 542 numeral 1, dated May 10, 1999, as evidenced on page 132 of the precautionary measures record.”

On November 6, 2002, Messrs. Briones and Bosselin filed an appeal as a complaint against the aforementioned sentence, which is currently in the procedural phase. Together with filing the appeal, the petitioners requested that an injunction order be decreed, which was issued on November 14, 2002, thus suspending the sentence’s effects.

Amount: Not determined.

*iii.* Accusation filed by Empresa Nacional de Telecomunicaciones S.A. (ENTEL) before the Resolutive Commission against Enersis S.A., started by presentment dated May 13, 2002. The aim was to inform the Commission about the data transmission services provided through the electric networks by Compañía Americana de Multiservicios Limitada, Enersis S.A.’s subsidiary, so as it took the necessary protection measures to guarantee free competition.

The Commission requested the Telecommunications Under-department some information, which was provided in a report dated May 31, 2002.

On June 5, 2002, Enersis S.A. answered ENTEL’s presentations, requesting that the precautionary measures requested by ENTEL be rejected as they are contrary to law and unnecessary and, also, because if they were accepted they would establish an entry barrier to the industry and postpone the investments necessary for rendering the aforementioned services.

The issuance of a report by the Economic National Legal Department is pending, as well as the resolution of the precautionary measures requested by ENTEL.

On July 19 of 2002, the Resolutive Commission acknowledged the Economic Legal National Department report, resolving to thoroughly investigate the matter and rejecting the precautionary measures requested.

On last September 25, the case was heard and the trial turned into judicial decision stage.

**iv. Court : 2nd Labor Court of Santiago**

Process number : 6061-2001

Cause : Complaint filed for severance pay for years of service on December 19, 2001 by Mr. Guillermo Calderón Ortega against Enersis S.A.

Process status : First petition sentencing stage

Amounts involved: ThCh\$52,858

v. The Ordinary Labor Trial, titled "Acevedo Bravo, Efraín and Others with Enersis S.A.", case list N°4.175-2002, heard before the 4th Labor Court for Santiago, arising from the claim for the payment of 2% monthly contribution made to finance the claimants' conventional severance indemnity. The claim was notified on 11/06/2002, against which dilatory exceptions were opposed on 12/09/2002 and the claim was answered on a subsidiary basis. The case is currently in the proof stage.

**vi. Court : 25th Civil Court of Santiago**

Process number : 3151-00

Cause : Complaint filed for compensation of damages by Mrs. Odette Legrand Halcartegaray against Enersis S.A..

Process status : First petition sentencing stage

Amounts involved: ThCh\$50,000

vii. Economic protection appeal, filed before the Court of Appeals for Santiago, List N°4591-2002, for Compañía de Teléfonos Complejo Manufacturero de Equipos Telefónicos S.A.C.I., CMET, against Enersis S.A.. The appeal was filed on 08/27/02 by CMET against Enersis S.A., which seemed to be based on the fact that Enersis S.A., through various acts, facts or omissions, would have breached article 19 N°21 of the Political Constitution of the Republic, preventing CMET from developing its commercial activities.

On 09.17.02, Enersis S.A. informed to Court, as requested, carrying out all the discharges it deemed reasonable in accordance to law, expressly rejected CMET's accusations because of their unfounded nature.

To date, the appeal is pending for its hearing and judgment, which is estimated to take place during March.

viii. Chilean Internal Revenue Service review of taxable income for the 2000, 2001 and 2002 tax years, and the tax trial in first petition for the difference of First Category Income Tax and Reintegration of Monthly Tax Prepayments for absorbed net income in the amount of ThCh\$62,400, corresponding to the 1998 tax year.

ix. First instance tax suit, that is, before the Internal Revenue Service, for a tax difference in First Category Income Tax and Repayment of Monthly Provisional Payments for absorbed earnings, in the amount of Th\$1,461,000 corresponding to the 1999 tax. This proceeding is in the discussion stage.



**b. There are no documents and loans in legal collection.**

**c. Direct guarantees**

| Guarantee creditor                      | Debtor       | Type Guarantee | Assets Committed |            | Outstanding balances on financial statement closing date |       |
|---|--------------|----------------|------------------|------------|--|-------|
|   |              |                | Assets type      | Book Value | 2002   | 2001  |
| Compañía de Telecomunicaciones de Chile | Enersis S.A. | Pledge         | Note-UF          | 1,675      | -  | 1,675 |

**d. Restrictions:**

- The Company's loan agreements establish an obligation to comply with the following financial ratios, on a consolidated level:
  - The ratio between debt and debt plus equity, not exceeding 0.7;
  - The ratio between operational cash flow and payment of debt interest, not less than 2.4;
  - Net tangible equity not less than UF45 million;
  - Assets corresponding to companies whose business is regulated, not less than 50% of total consolidated assets.

As of December 31, 2001 and 2002 all these obligations have been met.

- As a common and habitual practice for some bank loan debts and also in capital markets, a substantial portion of Enersis S.A.'s financial indebtedness is subject to cross-failure provisions. Some failures of Endesa-Chile or of its subsidiaries, if not corrected in time (as to those specific provisions allowing a period of time to correct the problem), might result in the cross-failure at Endesa-Chile and Enersis S.A. level., and, in this case, some sixty percent of Enersis S.A.'s consolidated liabilities might eventually become on demand. On the other hand, certain failures of a distribution subsidiary, if not corrected in time, would not affect Endesa-Chile, and the amount at risk of Enersis S.A.'s consolidated liabilities would decrease by thirty percent.
- Some loan agreements include clauses should the risk category of the debt expressed in US dollars fall below the "investment grade" level, according to the risk classification agency determining the applicable margin of the interest rate (which, for practical purposes hereof, is S & P). Should the long-term US dollar unsecured debt fall into a "non-investment grade" category, or below BBB – according to the nomenclature used by S & P, then, the obligation to prepay all the outstanding principal existing under these loans within the following sixty days, unless agreed upon otherwise by the parties, arises. At December 31, 2002, US\$1,464 million of the company's borrowings and US\$718 million of Endesa-Chile's loan agreements, include compulsory prepayment clauses for the mentioned circumstances.

There are no clauses in the loan agreements penalizing the Company if it is ranked below the "Investment Grade" level. Because of the above, no provisions have been recorded for said item.

- At December 31, 2002 these obligations and restrictions have been fully met.

## SURETIES OBTAINED FROM THIRD PARTIES

As of December 31, 2001, the Company has received sureties as follows:

| Operation                     | Contractor                                  | Relation | Amount<br>ThCh\$ |
|-------------------------------|---|----------|------------------|
| Support contract              | Cía. de Telecomunicaciones de Chile         | Third    | 58,627           |
| Support contract              | Metropolis Intercom                         | Third    | 58,627           |
| Propuesta internacional       | Asea Brown Boveri                           | Third    | 54,071           |
| Seriousness of supply         | Indequipos S.A.                             | Third    | 47,507           |
| Proposal GA/003/2001          | Skateeks Internacional S.A.C.               | Third    | 40,553           |
| International proposal        | Disico S.A.                                 | Third    | 27,035           |
| Public licitation GA/003/2001 | Industrias de Aparellaje Eléctrico S.A.     | Third    | 27,035           |
| Proposal GA/003/2001          | Lamparas y Equipos                          | Third    | 27,035           |
| International proposal        | Progos Ltda.                                | Third    | 27,035           |
| Seriousness of supply 3266    | Provedora Industrial Minera Andina S.A.     | Third    | 27,035           |
| International proposal        | Siemens S.A.                                | Third    | 27,035           |
| International proposal        | Sural S.A.                                  | Third    | 27,035           |
| Proposal GA/003/2001          | Tyco Electronics Chile Ltda.                | Third    | 27,035           |
| Guarantee support contract    | Empresa Nacional de Telecomunicaciones      | Third    | 16,081           |
| Support contract              | VTR Global Com S.A.                         | Third    | 15,746           |
| Guarantee support contract    | GTD Teleductos                              | Third    | 14,992           |
| International proposal        | Celsa S.A.                                  | Third    | 13,518           |
| Licitation GA/004/2001        | Comercializadora Multinacional              | Third    | 13,518           |
| International proposal        | Cooper Industries Inc.                      | Third    | 13,518           |
| International proposal        | Delixi Group Co., Ltd.                      | Third    | 13,518           |
| Proposal GA/001/2001          | Distribuidora de Productos Eléctricos Ltda. | Third    | 13,518           |
| Private proposal GA/002/2001  | Eléctricas de Medellín Ltda.                | Third    | 13,518           |
| Licitation GA/004/2001        | Electroporcelana Gamma                      | Third    | 13,518           |
| Licitation GA/004/2001        | Electrovidro                                | Third    | 13,518           |
| Proposal GA/002/2001          | GE Lighting Peru S.A.                       | Third    | 13,518           |
| International proposal        | General Electric de Chile                   | Third    | 13,518           |
| Seriousness of supply         | H. Briones Comercial S.A.                   | Third    | 13,518           |
| International proposal        | Industria Electrónica Balestro Ltda.        | Third    | 13,518           |
| Proposal GA/002/2001          | Industria Electrónica Linsa Ltda.           | Third    | 13,518           |
| Proposal GA/002/2001          | Inpronet Ingeniería                         | Third    | 13,518           |
| Proposal GA/002/2002          | Internacional Luminarias                    | Third    | 13,518           |
| Private proposal GA/004/2001  | Isoladores Santana S.A.                     | Third    | 13,518           |
| Proposal GA/002/2001          | Isolux Ltda.                                | Third    | 13,518           |
| Proposal GA/002/2001          | Josfel Comercial S.A.C.                     | Third    | 13,518           |
| Licitation GA/004/2001        | K-Line                                      | Third    | 13,518           |
| Private proposal GA/004/2001  | Masol Distribución Iluminación S.A.         | Third    | 13,518           |
| International proposal        | Medex S.A.                                  | Third    | 13,518           |
| Proposal GA/003/2001          | Metálicas y Eléctricas -Melec               | Third    | 13,518           |
| Proposal GA/002/2001          | Philips Peruana                             | Third    | 13,518           |
| Proposal GA/002/2001          | Prospective Enterprise                      | Third    | 13,518           |
| Proposal GA/004/2001          | Pyung-Il Ind.Co.Ltd.                        | Third    | 13,518           |
| Private proposal GA/002/2001  | Roy Alpha S.A.                              | Third    | 13,518           |
| International proposal        | S & Electric Company                        | Third    | 13,518           |
| International proposal        | Schneider Electric Chile S.A.               | Third    | 13,518           |
| Contract CD-295/99            | Xerox De Chile                              | Third    | 12,965           |
| Others                        |   |          | 58,340           |
| <b>Total</b>                  |   |          | <b>972,286</b>   |

- As of December 31, 2002, the Company has received sureties as follows:

| <b>Operation</b>                      | <b>Contractor</b>                             | <b>Relation</b> | <b>Amount<br/>ThCh\$</b> |
|---------------------------------------|---|-----------------|--------------------------|
| <i>Fulfillment of supply contract</i> | <i>Cia. de Telecomunicaciones de Chile</i>    | <i>Third</i>    | <i>58,604</i>            |
| <i>Supply contract</i>                | <i>Metropolis Intercom S.A.</i>               | <i>Third</i>    | <i>58,604</i>            |
| <i>Seriousness of supply</i>          | <i>Holley Group Co Ltd.</i>                   | <i>Third</i>    | <i>28,495</i>            |
| <i>Supply contract</i>                | <i>VTR Global Com</i>                         | <i>Third</i>    | <i>25,116</i>            |
| <i>Fulfillment of supply contract</i> | <i>GTD Teleductos</i>                         | <i>Third</i>    | <i>18,251</i>            |
| <i>Guarantee supply contract</i>      | <i>Empresa Nacional de Telecomunicaciones</i> | <i>Third</i>    | <i>16,074</i>            |
| <i>Guarantee fulfillment contract</i> | <i>Manquehue Net</i>                          | <i>Third</i>    | <i>15,070</i>            |
| <i>Supply contract</i>                | <i>Aguas Andina</i>                           | <i>Third</i>    | <i>8,372</i>             |
| <i>Guarantee fulfillment contract</i> | <i>Bellsouth Comunicaciones</i>               | <i>Third</i>    | <i>8,372</i>             |
| <i>Supply contract</i>                | <i>Gtd Telesat</i>                            | <i>Third</i>    | <i>8,372</i>             |
| <i>Guarantee supply contract</i>      | <i>Alfredo Ruiz Cornejo</i>                   | <i>Third</i>    | <i>5,023</i>             |
| <i>Guarantee supply contract</i>      | <i>Zerox De Chile S.A.</i>                    | <i>Third</i>    | <i>1,674</i>             |
| <i>Fulfillment of contract</i>        | <i>Resguardo</i>                              | <i>Third</i>    | <i>1,641</i>             |
| <i>Fulfillment of contract</i>        | <i>Aguas Cordillera</i>                       | <i>Third</i>    | <i>1,005</i>             |
| <i>Others</i>                         |   | <i>Third</i>    | <i>787</i>               |
| <b>Total</b>                          |   |                 | <b>255,462</b>           |

As of December 31, 2001 and 2002, foreign currency denominated assets and liabilities are as follows:

**a. Current assets**

| Account                            | Currency | As of December 31, |                    |
|------------------------------------|----------|--------------------|--------------------|
|                                    |          | 2001<br>ThCh\$     | 2002<br>ThCh\$     |
| Cash                               | CH\$     | 554,859            | 278,009            |
|                                    | US\$     | -                  | 141,962            |
| Time deposits                      | US\$     | 3,339,638          | 4,599,104          |
| Other receivables                  | CH\$     | 9,653,095          | 4,723,505          |
| Notes receivable                   | CH\$     | 759                | 737                |
| Amounts due from related companies | U.F.     | 1,069,428          | 548,981            |
|                                    | CH\$     | 72,900,473         | 38,372,273         |
|                                    | US\$     | 4,718,903          | 149,017,956        |
| Income taxes recoverable           | CH\$     | 11,993,039         | 9,252,460          |
| Prepaid expenses                   | CH\$     | 23,545             | 23,946             |
| Deferred income taxes              | CH\$     | 2,890,033          | 13,703,886         |
| Other current assets               | CH\$     | 2,820,000          | 4,991,257          |
|                                    | US\$     | 110,607,127        | 11,782             |
| <b>Total current assets</b>        |          | <b>220,570,899</b> | <b>225,665,858</b> |

**b. Property, plant and equipment**

| Account                                    | Currency | As of December 31, |                   |
|--|----------|--------------------|-------------------|
|  |          | 2001<br>ThCh\$     | 2002<br>ThCh\$    |
| Buildings and infrastructure               | Ch\$     | 20,592,396         | 20,592,331        |
| Machinery and equipment                    | Ch\$     | 1,547,428          | 2,237,900         |
| Other fixed assets                         | Ch\$     | 1,351,831          | 778,024           |
| Technical appraisal                        | Ch\$     | 32,871             | 32,853            |
| Depreciation                               | Ch\$     | (9,832,948)        | (10,674,829)      |
| <b>Total property, plant and equipment</b> |          | <b>13,691,578</b>  | <b>12,966,279</b> |

c. Other assets

| Account                            | Currency | As of December 31,   |                      |
|------------------------------------|----------|----------------------|----------------------|
|                                    |          | 2001<br>ThCh\$       | 2002<br>ThCh\$       |
| Investment in related companies    | Ch\$     | 2,001,934,027        | 1,714,489,338        |
|                                    | Euros    | 602,376              | 479,992              |
|                                    | US\$     | 420,391,127          | 578,399,897          |
| Goodwill, net                      | Ch\$     | 833,827,404          | 784,084,055          |
|                                    | US\$     | 11,841,027           | 3,638,593            |
| Negative goodwill, net             | Ch\$     | (156,983)            | (141,668)            |
|                                    | US\$     | (947,312)            | (611,346)            |
| Other receivables                  | Ch\$     | 489,642              | 475,380              |
| Amounts due from related companies | US\$     | 663,834,927          | 500,634,149          |
| Intangibles                        | Ch\$     | 1,423,691            | 1,423,691            |
| Less: Accumulated amortization     | Ch\$     | (276,786)            | (348,105)            |
| Other assets                       | CH\$     | 14,444,523           | 52,615,157           |
| <b>Total other assets</b>          |          | <b>3,947,407,663</b> | <b>3,635,139,133</b> |

d. Current liabilities

| Account                                 | Currency | Within 90 days          |                  |                         |                  | 91 days to 1 year       |                  |                         |                  |
|---|----------|-------------------------|------------------|-------------------------|------------------|-------------------------|------------------|-------------------------|------------------|
|   |          | As of December 31, 2001 |                  | As of December 31, 2002 |                  | As of December 31, 2001 |                  | As of December 31, 2002 |                  |
|   |          | Amount<br>ThCh\$        | Avg<br>Rate<br>% | Amount<br>ThCh\$        | Avg<br>Rate<br>% | Amount<br>ThCh\$        | Avg<br>Rate<br>% | Amount<br>ThCh\$        | Avg<br>Rate<br>% |
| Due to banks and financial institutions | US\$     | 8,257,254               | -                | 4,813,564               | -                | 33,721,685              | -                | 261,756,982             | 2.69             |
| Bonds payable                           | US\$     | -                       | -                | -                       | -                | 3,069,608               | -                | 3,270,670               | 7.06             |
|   | U.F.     | -                       | -                | -                       | -                | 7,338,015               | -                | 7,707,332               | 5.50             |
| Dividends payable                       | Ch\$     | 388,968                 | -                | 210,095                 | -                | -                       | -                | -                       | -                |
| Accounts payable                        | US\$     | 487,375                 | -                | 696                     | -                | -                       | -                | -                       | -                |
|   | Ch\$     | -                       | -                | 350,316                 | -                | -                       | -                | -                       | -                |
| Miscellaneous payables                  | Ch\$     | 1,103,337               | -                | 225,262                 | -                | -                       | -                | -                       | -                |
| Amounts payable to related companies    | U.F.     | 17,382,835              | -                | 11,594,646              | -                | 284,074                 | -                | -                       | -                |
|   | Ch\$     | 87,887,700              | -                | 22,026,963              | 5.04             | -                       | -                | -                       | -                |
|   | US\$     | 87,800                  | -                | 104,637                 | -                | -                       | -                | 1,613,846               | -                |
| Accrued expenses                        | Ch\$     | 2,580,316               | -                | 2,982,587               | -                | -                       | -                | 2,515,740               | -                |
| Withholdings                            | Ch\$     | 919,521                 | -                | 201,903                 | -                | -                       | -                | -                       | -                |
|   |          | -                       | -                | -                       | -                | -                       | -                | -                       | -                |
| Income tax payable                      | Ch\$     | 17,175                  | -                | 16,675                  | -                | -                       | -                | -                       | -                |
| Deferred income                         | Ch\$     | 423,677                 | -                | 198,493                 | -                | -                       | -                | -                       | -                |
| Other current liabilities               | US\$     | 1,193,328               | -                | 4,058,871               | 1.85             | -                       | -                | -                       | -                |
|   | Ch\$     | 113,160,189             | -                | -                       | -                | -                       | -                | -                       | -                |
| <b>Total current liabilities</b>        |          | <b>233,889,475</b>      |                  | <b>46,784,708</b>       |                  | <b>44,413,382</b>       |                  | <b>276,864,570</b>      |                  |

e. Long-term liabilities, December 31, 2002

| Account                                 | Currency | 1 to 3 years         |                  | 3 to 5 years       |                  | 5 to 10 years     |                  | More than 10 years |                  |
|---|----------|----------------------|------------------|--------------------|------------------|-------------------|------------------|--------------------|------------------|
|   |          | Amount<br>ThCh\$     | Avg<br>Rate<br>% | Amount<br>ThCh\$   | Avg<br>Rate<br>% | Amount<br>ThCh\$  | Avg<br>Rate<br>% | Amount<br>ThCh\$   | Avg<br>Rate<br>% |
| Due to banks and financial institutions | US\$     | 826,401,500          | 2.64             | -                  | -                | -                 | -                | -                  | -                |
| Amounts payable to related companies    | U.F.     | 1,008,142,313        | 3.33             | -                  | -                | -                 | -                | -                  | -                |
| Bonds payable                           | US\$     | -                    | -                | 230,863,000        | 6.90             | -                 | -                | 344,025,000        | 7.16             |
|   | U.F.     | 16,185,590           | 5.50             | 20,547,091         | 5.53             | 24,987,254        | 5.60             | 29,176,242         | 5.75             |
| Accrued expenses                        | Ch\$     | -                    | -                | -                  | -                | 555,872           | -                | 1,438,337          | -                |
| Deferred income taxes                   | Ch\$     | 4,198,442            | -                | -                  | -                | -                 | -                | -                  | -                |
| Other liabilities                       | US\$     | 38,021,057           | -                | -                  | -                | -                 | -                | -                  | -                |
| <b>Total current liabilities</b>        |          | <b>1,892,948,902</b> |                  | <b>251,410,091</b> |                  | <b>25,543,126</b> |                  | <b>374,639,579</b> |                  |

f. Long-term liabilities, December 31, 2001

| Account                                 | Currency | 1 to 3 years         |                  | 3 to 5 years      |                  | 5 to 10 years      |                  | More than 10 years |                  |
|---|----------|----------------------|------------------|-------------------|------------------|--------------------|------------------|--------------------|------------------|
|   |          | Amount<br>ThCh\$     | Avg<br>Rate<br>% | Amount<br>ThCh\$  | Avg<br>Rate<br>% | Amount<br>ThCh\$   | Avg<br>Rate<br>% | Amount<br>ThCh\$   | Avg<br>Rate<br>% |
| Due to banks and financial institutions | US\$     | 992,321,281          | 3.85             | -                 | -                | -                  | -                | -                  | -                |
| Amounts payable to related companies    | U.F.     | 1,039,153,679        | 4.90             | -                 | -                | -                  | -                | -                  | -                |
|   | US\$     | 13,497,434           | 5.38             | -                 | -                | -                  | -                | -                  | -                |
| Bonds payable                           | US\$     | -                    | -                | -                 | -                | 202,330,110        | 6.90             | 337,216,850        | 7.16             |
|   | U.F.     | 15,347,667           | 5.50             | 17,903,179        | 5.51             | 33,696,740         | 5.57             | 31,451,890         | 5.75             |
| Accrued expenses                        | CH\$     | -                    | -                | -                 | -                | 541,328            | -                | 1,279,080          | -                |
| Deferred income taxes                   | CH\$     | 4,066,066            | -                | -                 | -                | -                  | -                | -                  | -                |
| <b>Total long-term liabilities</b>      |          | <b>2,064,386,127</b> |                  | <b>17,903,179</b> |                  | <b>236,568,178</b> |                  | <b>369,947,820</b> |                  |

## 23.

### SANCTIONS

As of December 31, 2002, neither the Company nor its Board of Directors has been fined by the Superintendency of Securities and Insurance or any other administrative authority.

## 24.

### SUBSEQUENT EVENTS

- On December 10, 2002, a Special General Shareholders' Meeting of Cerj, an Enersis S.A. subsidiary, was held, where a capital increase was approved for Cerj, in an amount of ThUS\$105,000, approximately.

This increase took place on January 10, 2003, through the issuance and subscription of 770,833,333,333 new ordinary shares, at a value of R\$0.48 in one thousand-share batches, totaling the ThUS\$100,000 approved at the Meeting, with the Company's capital amounting to ThUS\$259,085.

With this operation, the percentage of direct participation held by Enersis S.A., through its agency, will increase from 20.38% to 40.03%.

- As a relevant event on January 15, 2003, it was reported that Enersis S.A.'s Board of Directors, at a special meeting held on that day, agreed to take note that the Company will make accounting adjustments and special charges in its balance sheet for its investments in its Chilean and foreign subsidiaries for a total of US\$387 million, in its equivalence in Chilean pesos, these special adjustments being reflected in 2002 income.

Such special adjustments and charges have no impact on the Company's cash flow and will be reflected in Enersis' 2002 financial statements. The special adjustments and charges made as well as the provisions made at November 30, 2002, are detailed as follows: (the figures shown correspond to the impact on Enersis S.A.'s financial statements):

#### Generation:

|                  |                 |
|------------------|-----------------|
| Brazil           | US\$ 60 million |
| Argentina        | US\$ 23 million |
| Total Generation | US\$ 83 million |

#### Distribution:

|                    |                  |
|--------------------|------------------|
| Brazil             | US\$ 255 million |
| Argentina          | US\$ 26 million  |
| Total distribution | US\$ 281 million |

#### Services:

|                 |                 |
|-----------------|-----------------|
| Chile           | US\$ 23 million |
| Total services: | US\$ 23 million |

**Total adjustment      US\$ 387 million**

It should be noted that, of the US\$387 million, US\$329 million will be from the acceleration of the amortization of the net balance of negative goodwill and goodwill of investments made in Brazil and Argentina in generation and distribution.

Subtracted from the figure above are the provisions made at November 30, 2002, as shown below:

|                  |                 |
|------------------|-----------------|
| Brazil           | US\$ 81 million |
| Argentina        | US\$ 16 million |
| Total Provisions | US\$ 97 million |

In view of the above, and having considered these provisions, the effect of the adjustments and special charges on the company's income will amount to the equivalent in Chilean pesos of US\$290 million, approximately.

In the period between January 1, 2003 and the date of presentation of these financial statements, no other significant event that might affect their presentation has occurred.

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## 25.

### ENVIRONMENT

As of December 31, 2002, the Company has not incurred in environmental expenses.



JUAN CARLO WIECZOREK  
General Account



ENRIQUE GARCIA  
Chief Executive Officer



# Enersis S.A. Relevant Facts

## ***Provisional Dividends***

The Board of Directors of Enersis S.A., as of January 31, 2002 agreed, upon unanimous vote of its members, not to distribute in February 2002, a provisional dividend charged to the results of December 2001, due to not satisfying the requirements provided for such action in the Dividend Policy of the Company.

In the Ordinary Meeting of the month of May, the Board of Directors of Enersis S.A. agreed, upon unanimous vote of its present members, not to distribute in May 2002, a provisional dividend charged to the results of March 2002, according to the policy in force on this subject, due to not satisfying the requirements provided for such action in the above mentioned Dividend Policy of the Company.

In the Extraordinary Meeting held on July 31, 2002, the Board of Directors of Enersis S.A. agreed, upon unanimous vote of its present members, not to distribute in August 2002, a provisional dividend charged to the results of June 2002, according to the policy in force on this subject, due to not satisfying the requirements provided for such action in the above mentioned Dividend Policy of the Company.

In the Ordinary Meeting held on October 28, 2002, the Board of Directors of Enersis S.A. agreed, upon unanimous vote of its present members, not to distribute in November 2002, a provisional dividend charged to the results of September 2002, according to the policy in force on this subject, due to not satisfying the requirements provided for such action in the above mentioned Dividend Policy of the Company.

## ***Changes to the Board of Directors***

In the Extraordinary Meeting held on July 25, 2002, the resignation of Director Mr. Luis Rivera to the Board of Directors of the Company was accepted. Likewise, in the Ordinary Meeting held on July 26, 2002, the resignation of Mr. Alfredo Llorente to the positions held by him as Chairman of the Board, Director, President of the Committee of Directors and member of this Committee, was accepted.

In the same Ordinary Meeting held on July 26, 2002, the following was agreed upon:

- To appoint Mr. Pablo Yrarrázaval as Director and Chairman of the Board of Enersis S.A.
- To appoint Mr. Pablo Yrarrázaval, Mr. Hernán Somerville and Mr. Ernesto Silva as members of the Committee of Directors.
- Finally, Mr. José Luis Palomo was appointed Director.

## ***Relevant aspects on the businesses of Endesa España***

As of September 20, 2002, our parent company, Endesa S.A. (Spain) has presented to the Comisión Nacional de Mercado de Valores de Madrid (Madrid Stock Exchange National Commission), the Superintendencia of Securities and Insurance and the S.E.C., a report on the relevant aspects of its businesses. This report and how the situation of its businesses in Latin America affects Endesa España, states the following:

“No extraordinary rightoffs, such as those already carried out by other national and international companies, are foreseen. The rightoffs have been made in each quarter by adjusting the value of the investments according to the devaluation of the Latin American currencies, additionally supplying the provisions deemed necessary. This has meant an accumulated rightoff, from the time when these investments were made, of 2,700 million euros of the Latin American investment. The book value of the Latin American assets reasonably corresponds to the market value of same.

Businesses in Latin America show a general positive behavior during the year, as reflected in the operating result of the Latin American business which was increased by 6% in the first half of the year compared to the previous year. Without taking Argentina into consideration, the operating result has increased by 25%.

**Brazil.** The impact caused by the devaluation of the Real is very limited, because 55% of the debt of our Brazilian subsidiaries is denominated in Reales. The remainder is in US dollars, financing a company, CIEN, whose income is linked to the US dollar. The strong increase in the demand during July and the full operation of the second interconnection line between Argentina and Brazil will contribute to improve the profitability of our operations between these two countries. Additionally, US\$ 62 million have already been collected from the BNDES loan due to the electric rationing.

**Chile.** The recovery of the hydraulic production in Chile is largely contributing to a strong operating improvement during the year. The operating result for the generation business in Chile was increased by 55% during the first half.

**Argentina.** Provision has been made for 100% of Endesa’s investment in that country. Taken together, the Argentinean companies have a positive operating result, which is higher than the interests corresponding to the debt.

#### ***Indebtedness and liquidity of the Latin American companies.***

- Neither Enersis nor Endesa (Chile) have liquidity problems.
- The Enersis group has reduced its indebtedness by 1,140 million euros during the first half.
- These companies may, in the short term, dispose assets for a minimal amount of 600 million euros which, taken together with the debt associated with these assets, will represent a total reduction in indebtedness of 1,000 million euros.
- The companies have closed August with a positive cash situation of US\$ 460 million, and maintain an absolutely normal financial situation with the exception of Argentina, where the general situation of the country is affecting the financial activities. Notwithstanding, the Endesa subsidiaries are serving the interest payments and are obtaining extensions for the maturities of the principal of their debts.
- Endesa (España) would be willing to capitalize the loan granted to Enersis for an amount of 1,440 million euros, which would represent an important improvement of its equity situation.
- Standard & Poors has ratified in last July, the BBB+ rating for the long term debt of Enersis and Endesa Chile.
- Finally, the debt of Enersis with Endesa has no warranty or coverage and there are no “cross-default” clauses with said debt.

#### ***Financial strengthening plan***

In the Extraordinary Meeting held on October 4, 2002, the Board of Directors of Enersis S.A. agreed, upon unanimous vote of its present members, to announce that a financial and economic strengthening plan has been approved for Enersis S.A., intended to strengthen its equity, via improving its financial structure and allowing the Company to face the regional situation which affects its investments. Said plan contemplates the following operations:

- a) Increase of capital: The Board of Directors of Enersis has decided to initiate a capital increase process for an amount of up to US\$ 1,500 million, which includes cash and/or financial loan contributions. Said process will involve summoning, in one of the following meetings of the Board of Directors of the Company, an Extraordinary Shareholders' Meeting which will decide on the terms of this capital increase, anticipating that this meeting should take place during the first four months of 2003;
- b) Disposal of the following assets:
- (1) Compañía Eléctrica del Río Maipo S.A. distributing company.
  - (2) Inmobiliaria Manso de Velasco Limitada real estate company.
  - (3) Several real properties owned by Enersis S.A. and its subsidiaries.

Regarding the sale of Compañía Eléctrica del Río Maipo S.A., and considering that it is an asset deemed essential within the policy of investment and financing of Enersis, said divestment should be authorized by the Extraordinary Shareholders' Meeting which will be summoned in due time.

Regarding the real properties owned by the subsidiaries of Enersis S.A., this Company will propose the divestment of same to the pertinent companies.

The amount expected to be raised through the process of divestment of assets contemplated in the financial and economic strengthening plan of Enersis S.A. will be assigned to reduce the financial indebtedness of the Company;

- c) Refinancing the intercompany loans of some of the subsidiaries with Enersis S.A.: Part of the Enersis financing with its subsidiaries will be substituted by loans directly contracted in the market. This will result in a substantial improvement in the leverage (ratio between debt and equity) of the balance sheet of Enersis S.A.; and
- d) Improvement in free cash flow. Enersis S.A. will continue to enforce the efficiency measures for operations and investments, in order to increase its yearly operating consolidated free cash flows by at least US\$ 130 million, achievable in a three-year term. These higher flows will be in addition to those derived from demand variations and unit margins for energy sales and purchases.

On the other hand, the above mentioned capital increase will benefit the company with an additional increase in cash flow due to the consequent reduction in financial expenses.

All of these measures should allow a reduction in the indebtedness of Enersis, S.A. by up to US\$ 2,200 million, as well as the attainment of a ratio of debt/funds of its own of about 0.6.

The Board of Directors agreed to authorize the Management of the Company to propose to the Board of Directors the appointment of an investor bank to conduct the above mentioned alienation processes, as well as to adopt all of the measures leading to the adequate materialization of the above described operations.

#### ***Study of stock placement***

As of November 7, Enersis S.A. has initiated negotiations with the following investment banks, in order to study the possibility of placing shares in foreign markets: Deutsche Bank, Salomon Smith Barney and Santander Investment, leading the process jointly.

# Unconsolidated Management Analysis

For the years ended December 2001 and 2002

## **ECONOMIC-FINANCIAL SUMMARY**

As of December, 2002, Net Income registered a loss of Ch\$ 223,748 million, compared to the profit of Ch\$ 42,154 million as of December, 2001. This decrease is basically related to the Accounting Adjustments made by the Company for our investments in Argentina and Brasil. In any event, it is important to highlight that these one time adjustments, are merely accounting issues, and do not represent cash flow reduction. Therefore, these will not affect the liquidity of the Company.

Operating Income amounted to Ch\$ 532,644 million, which represents a decrease of 29.4% respect to the year 2001. This fall is mainly explained by the economic instability in Argentina and the strong devaluation in Brazil. It is important to highlight, however, the improved Operating Income achieved during this period by Chilean subsidiaries.

In this respect, this is clearly shown when isolating the effect of subsidiaries in Argentina, in which case the Operating Income decreased only 8.6%, equivalent to Ch\$ 50,009 million, as shown in the Pro-Forma Income Statement.

In the Distribution Business, it is important to highlight the improvement of 1.6% in consolidated Physical Sales, reaching 48,955 GWh, equivalent to 767 GWh of higher sales compared to 2001. This shows the recovery of some key ratios of the business. On the other hand, physical sales in generation, decrease mainly in Argentina, from 12,988 GWh to 7,897 GWh.

Also in the Distribution Business, the number of clients in increase by 2.8% or 275,000 new customers, equivalent to add in a year, a company like Río Maipo. This growth in clients, jointly with the recovery of the demand, makes us to believe that sales will increase during the year 2003.

Another important fact in the operating side is the labor productivity, that increase 2.2%, from 1,379 clients per employee to 1,409 clients per employee, confirming the positive trend shown in the last three years.

Energy losses, another key variable in the distribution business, increase from 11.9% to 12.1%, primarily due to the increase in Edesur, offset by the decrease in Codensa, from 11.8% to 10.3%, as well as most of the other subsidiaries.

Ch\$ 573,508 million of lower operating revenues, were offset by a decrease of operating costs in 14.6%, equivalent to Ch\$ 295,262 million, additionally Ch\$ 56,346 million of lower administrative and selling expenses, equivalent to a 20%. Excluding our Argentinean subsidiaries, the decrease in operating revenues have been only 2.2%.

Net Financial Result improved by Ch\$ 41,957 million or 10.6%, respect December 2001. This variation is the result of lower interest rates, as well as the decrease of indebttness measured in dolars.

In respect to the financial area, the company launched in October a Financial Strengthening Plan. Said plan contemplates the following operations:

- a) A capital increase process for an amount of up to US\$ 1,500 million
- b) Disposal of assets for an amount of up to US\$ 1,000 million
- c) Debt payments from subsidiaries to Enersis for an amount of US\$ 500 million
- d) Improvement in free cash flow for an amount of US\$ 130 million, achievable in a three-year term.

Up to date, Enersis and its subsidiaries, are working hard to successfully achieve the different tasks previously mentioned.

In relation to the capital increase, it is expected to finish as soon as possible the definition of the main characteristics of the issuance (size, price, date of preemptive offering rights, etc.)

In terms of the divestment of assets, as of January 27th., 13 offers had been received for Rio Maipo and Canutillar. From the best offers it is expected to end the selling process by the end of March.

On the other hand, Enersis is carrying out a refinancing process which is expected to be finished during the coming months.

In relation to the net result coming from investments, this grew from a loss of Ch\$ 10,699 million up to a profit of Ch\$ 8,264 million, as consequence of a higher profit on investments in related companies by Ch\$ 11,367 million, combined with a lower loss -in the same concept- by Ch\$ 7,596 million.

Details of main variations on P&L and balance sheet, as well as a deeper analysis of our main business can be found in the following pages, under the chapter Financial Statement Analysis, where a comparison is made between December 31st., 2002, and December 31st., 2001

## MARKETS IN WHICH THE COMPANY OPERATES

Enersis' commercial activities are handled through subsidiaries that operate the various businesses in the countries where the company has a presence. For Enersis, the most important activities are the Distribution and Generation of electricity.

The following tables illustrate the evolution of the key ratios in the different countries

### Distribution Business

| Company      | Energy sales (GWh) (*) |               | Energy losses (%) |              | Clients (thousand) |               | Clients / Employees (thousand) |              |
|--------------|------------------------|---------------|-------------------|--------------|--------------------|---------------|--------------------------------|--------------|
|              | Dec-01                 | Dec-02        | Dec-01            | Dec-02       | Dec-01             | Dec-02        | Dec-01                         | Dec-02       |
| Chilectra    | 9,585                  | 9,952         | 5.4%              | 5.6%         | 1,289              | 1,319         | 1,785                          | 1,833        |
| Río Maipo    | 1,245                  | 1,274         | 6.4%              | 6.2%         | 294                | 302           | 3,764                          | 4,021        |
| Edesur       | 12,909                 | 12,138        | 9.9%              | 11.6%        | 2,097              | 2,090         | 925                            | 928          |
| Edelnor      | 3,685                  | 3,872         | 8.9%              | 8.5%         | 867                | 871           | 1,557                          | 1,465        |
| Cerj         | 6,739                  | 7,146         | 22.7%             | 22.6%        | 1,691              | 1,778         | 1,249                          | 1,226        |
| Coelce       | 5,352                  | 5,558         | 13.0%             | 12.9%        | 1,917              | 2,009         | 1,309                          | 1,434        |
| Codensa      | 8,673                  | 9,015         | 11.8%             | 10.3%        | 1,850              | 1,911         | 2,276                          | 2,382        |
| <b>Total</b> | <b>48,188</b>          | <b>48,955</b> | <b>11.9%</b>      | <b>12.1%</b> | <b>10,005</b>      | <b>10,280</b> | <b>1,379</b>                   | <b>1,409</b> |

(\*) It includes sales to final clients, tolls, and intercompany sales.

### Generating Business

| Country      | Market of operations | Energy sales (GWh) |               | Market share |        |
|--------------|----------------------|--------------------|---------------|--------------|--------|
|              |                      | Dec-01             | Dec-02        | Dec-01       | Dec-02 |
| Chile        | SIC y SING           | 18,673             | 18,344        | 49.0%        | 46.1%  |
| Argentina    | SIN                  | 12,988             | 7,897         | 13.5%        | 10.9%  |
| Perú         | SICN                 | 4,239              | 4,158         | 23.0%        | 21.2%  |
| Colombia     | SIN                  | 14,590             | 14,639        | 23.3%        | 21.4%  |
| Brasil       | SICN                 | 3,743              | 3,591         | 1.2%         | 1.1%   |
| <b>Total</b> |                      | <b>54,233</b>      | <b>48,629</b> |              |        |

## ANALYSIS OF THE FINANCIAL STATEMENTS

### 1.- ANALYSIS OF THE INCOME STATEMENTS

As of December, 2002, Net Income registered a loss of Ch\$ 223.748 million, compared to the profit of Ch\$ 42.154 million as of December 2001, a decrease of 631% or \$ 265,902.

The variations of the income statements are as follows:

| <b>Income Statement (million Ch\$)</b> | <b>Dec-01</b>   | <b>Dec-02</b>    | <b>Var Dec 02- 01</b> | <b>%Var 02-01</b> |
|--|-----------------|------------------|-----------------------|-------------------|
| Operating Revenues                     | 4.301           | 4.282            | (19)                  | (0,4%)            |
| Operating Costs                        | (845)           | (1.086)          | (241)                 | (28,5%)           |
| <b>Operating Margin</b>                | <b>3.456</b>    | <b>3.196</b>     | <b>(260)</b>          | <b>(7,5%)</b>     |
| Selling and Administrative Expenses    | (20.641)        | (21.830)         | (1.189)               | (5,8%)            |
| <b>Operating Income</b>                | <b>(17.185)</b> | <b>(18.634)</b>  | <b>(1.449)</b>        | <b>(8,4%)</b>     |
| Profit (Loss) in Related Companies.    | 238.630         | (8.443)          | (247.073)             | (103,5%)          |
| Inet Others non Operating Income       | 13.216          | 4.310            | (8.906)               | (67,4%)           |
| Net Financial Margin                   | (114.687)       | (87.061)         | 27.626                | 24,1%             |
| Positive Goodwill Amortization         | (50.471)        | (107.889)        | (57.418)              | (113,8%)          |
| Monetary                               | 1.583           | 1.581            | (2)                   | (0,1%)            |
| Exchange Difference                    | (37.303)        | (18.142)         | 19.161                | 51,4%             |
| <b>Non Operating Income</b>            | <b>50.968</b>   | <b>(215.644)</b> | <b>(266.612)</b>      | <b>(523,1%)</b>   |
| Income Tax                             | 8.306           | 9.487            | 1.181                 | 14,2%             |
| Negative Goodwill Amortization         | 65              | 1.043            | 978                   | 1504,6%           |
| <b>Net Income</b>                      | <b>42.154</b>   | <b>(223.748)</b> | <b>(265.902)</b>      | <b>(630,8%)</b>   |
| <b>R.A.I.I.D.A.I.E. (*)</b>            | <b>241.971</b>  | <b>69.855</b>    | <b>(172.116)</b>      | <b>(71,1%)</b>    |
| <b>Earnings per Share \$</b>           | <b>5.08</b>     | <b>(26.99)</b>   | <b>(32.07)</b>        | <b>(630,8%)</b>   |

(\*) Earning before taxes, interests, depreciation, amortization and extraordinary items.

**Non-Operating Income** shows a loss of Ch\$ 215,644 million, which represents a decrease of Ch\$ 266,612 million compared with the year 2001.

**Net Financial Result** improved by Ch\$ 27,626 million compared with the same period last year. This variation is the result of higher financial income of Ch\$ 10,100 million due to the increase in accounts receivables to related companies, lower financial expenses for Ch\$ 17,536 million due to lower interest rates on the international markets.

**Investment in Related Companies** registered a net loss of Ch\$ 8,443 million, a negative variation of Ch\$ 247,073 million when compared to the net profit of Ch\$ 238,630 million registered in December 2001. Principally due to the lower results of our investments in Chilectra, Endesa, Manso de Velasco for Ch\$ 169,097 million, in Edesur, Distrilec and Enersis Argentina for Ch\$ 36,281, in Investluz and Cerj for Ch\$ 32,511 million, in Enersis International for Ch\$ 17,897 million and in Luz de Bogotá for Ch\$ 4,124 million, compensated by better results in Luz de Río for Ch\$ 9,658 million.

**Amortization on Positive Goodwill** for the year 2002, amounted to Ch\$ 107,889 million, an increase of Ch\$ 57,418 million in respect to December 2001. The increase in the amortization is related to the acceleration of amortization of the net balance of Negative and Positive goodwill of investments in Argentina and Brazil, representing a higher charge of Ch\$ 53,117 million and the increase of the positive goodwill due to the acquisition of Chilectra and Rio Maipo's shares during the last months of the year 2001.

**Net Other Non-Operating Income** decreased by Ch\$ 8,906 million, reaching a profit of Ch\$ 4,310 million as of December 2002.

This increase is mainly due to:

- An increase in the amortization of the differed charge as a consequence of the equity change in Cerj of Ch\$ 17,020 million.
- A decrease in the profit as a consequence of the repurchase of bonds for Ch\$ 5,531 million.
- A decrease in income from forwards and swaps for Ch\$ 4,850 million.

This was partially compensated by:

- Lower losses for dividends distributed to Chilectra de Argentina for Ch\$ 15,484 million.
- An increase in profits due to the conversion effect to related companies for Ch\$ 9,133 million.

**Price Level Restatement and Exchange Differences** show a net profit of Ch\$ 19,159 million. This was caused principally by the effects of the nominal devaluation of 6,76% of the Ch\$ against the US\$, compared to a devaluation of 11.04% as the same date last year.

#### ***Interest rate risks***

As of December 2002, 22% of the total debt was expressed in variable terms (mainly Libor USD and Chilean TAB), compared to a 41 % as of December 2001.

The reduction in the percentage of debt at variable rates during this year is explained basically by the refinancing of obligations (previously at variable terms) into fixed rates, and by hedge operations of Libor US\$ rate for US\$ 700 million.

Considering de debt of all subsidiaries, the company structure will be 30% for the year 2002 and 42% for the year 2001.

#### ***Exchange risk***

The Company's exposure to an exchange risk is derived from the assets and liabilities denominated in foreign currency, mainly US\$.

As of December 2002, 62% of the debt was denominated in US\$. Considering the US\$/Ch\$ hedging policy mentioned below, the percentage of the debt denominated in US\$ is 60%.

As of December 2001, Enersis had 60% of its total debt expressed in US\$. With the US\$/Ch\$ forward position, the weight of this debt in US\$ was reduced to 56%.

The reason behind the largest part of our debt being denominated in US\$ is the fact that an important proportion of our revenues is directly or indirectly related to US\$.

Currently, the exchange risk is managed on a consolidated basis, taking into consideration the part of these risks that our Chilean subsidiaries have not covered. The company's policy is set on maintaining between 70% and 85% of the booked exposure to exchange risk covered.

The current exchange exposure between the Chilean Peso and the US Dollar is controlled with financial derivative instruments, basically USD/CLP forward contracts, to cover the exchange risk. As of December 2002, 2001 Enersi has forward for US\$ 47 million and US\$ 164 million, respectively.



## 2. ANALYSIS OF THE BALANCE SHEET

Total assets of the Company show as follows:

| <b>Assets (millions of \$)</b> | <b>Dec-01</b>    | <b>Dec-02</b>    | <b>Var Dec 02-01</b> | <b>%Var 02-01</b> |
|--------------------------------|------------------|------------------|----------------------|-------------------|
| Current Assets                 | 220,571          | 225,666          | 5,095                | 2.3%              |
| Fixed Assets                   | 13,691           | 12,966           | (725)                | (5.3%)            |
| Other Assets                   | 3,947,408        | 3,635,139        | (312,269)            | (7.9%)            |
| <b>Total Assets</b>            | <b>4,181,670</b> | <b>3,873,771</b> | <b>(307,899)</b>     | <b>(7.4%)</b>     |

Total assets of the Company show a decrease of \$ 307,899 million compared to the same period the year before. Mainly due to:

- Decrease in investments in related companies by \$ 129,558 million compared to the previous year, primarily due to the liquidation of the investment vehicles in Panamá. On the other hand, a decrease in the investment on Chilectra and Endesa, offset by a increase in the investment on Edesur, Distrilec, Central Generadora Termeléctrica Fortaleza and Enersis International.
- Decrease in positive and negative goodwill, with a net effect of \$ 57,594 million.
- Decrease of \$ 53,951 million in short and long term accounts receivable to related companies.
- Decrease on forward contracts for \$ 110,595 million.
- Increase in other long-term assets for \$ 38,171 million.

| <b>Liabilities (millions of \$)</b> | <b>Dec-01</b>    | <b>Dec-02</b>    | <b>Var Dec 02-01</b> | <b>%Var 02-01</b> |
|-------------------------------------|------------------|------------------|----------------------|-------------------|
| Current Liabilities                 | 278,303          | 323,649          | 45,346               | 16.3%             |
| Long-term Liabilities               | 2,688,805        | 2,544,542        | (144,263)            | (5.4%)            |
| Shareholders' Equity                | 1,214,562        | 1,005,580        | (208,982)            | (17.2%)           |
| <b>Total Liabilities</b>            | <b>4,181,670</b> | <b>3,873,771</b> | <b>(307,899)</b>     | <b>(7.4%)</b>     |

**Due and payable liabilities** show a net decrease of \$ 98,917 million in respect to the previous year, equivalent to 3,33%, mainly explained by the decrease in accounts payable to related companies for \$ 114,811 million, forward contracts for \$ 113,160 million and Bank Obligations for \$ 10,840 million, partially offset by the exchange variation between December 2002 and 2001, with a net effect of \$ 66,942 million. Additionally an increase of other long-term liabilities for \$ 38,021.

**Regarding shareholder's equity**, it should be stated that it decreased by \$ 208,982 compared to December, 2001. This variation is explained mainly by the recognition of the loss for the period of \$ 223,748 million, the increase in shortfall in tax revenue by \$ 5,830 million, partially offset by an increase in other reserves for \$ 20,597 million.

The evolution of the main financial indicators is as follows:

| <b>Indicator</b>     |                                      | <b>Unit</b> | <b>Dec-01</b> | <b>Dec-02</b> | <b>Var Dec 02-01</b> | <b>% Var 02-01</b> |
|----------------------|--------------------------------------|-------------|---------------|---------------|----------------------|--------------------|
| <b>Liquidity</b>     | <i>Current Liquidity</i>             | Veces       | 0,79          | 0,70          | (0,09)               | (11,4%)            |
|                      | <i>Acid-test ratio (1)</i>           | Veces       | 0,79          | 0,70          | (0,09)               | (11,4%)            |
|                      | <i>Working Capital</i>               | MM\$        | (57.732)      | (97.983)      | (40.251)             | 69,7%              |
| <b>Indebtedness</b>  | <i>Indebtedness Ratio</i>            | Veces       | 2,44          | 2,85          | 0,41                 | 16,8%              |
|                      | <i>Short-term Debt</i>               | %           | 0,09          | 0,11          | 0,02                 | 20,3%              |
|                      | <i>Long-term Debt</i>                | %           | 0,91          | 0,89          | (0,02)               | (2,1%)             |
|                      | <i>Interest expense coverage (2)</i> | Veces       | 1,50          | 0,48          | (1,01)               | (67,6%)            |
| <b>Profitability</b> | <i>Return on Investment</i>          | %           | 3,47%         | (22,25%)      | (25,72%)             | (741,1%)           |
|                      | <i>Return on Assets</i>              | %           | 1,01%         | (5,78%)       | (6,78%)              | (673,0%)           |

(1) Current assets, net of prepaid expenses

(2) RAIDAIE divided by interest expense was used

Liquidity ratio at December, 2002 is 0.70, showing a worsening of 0.09 points compared to the same date the year before. Such worsening is because of the Company's higher commitments with banks in the short term, affecting the working capital.

The indebtedness ratio, which at December 31, 2002 was 2.85 times higher than in the same period of 2001, shows an increase of 0.41 points. The increase is basically due to the effect of the equity reduction of 17.2% due to the loss in the accounting period.

On the other side, return index were negatively affected by the decrease in the profits of the period.

### 3. PRINCIPAL CASH FLOWS

During the period, the Company generated a net cash flow of Ch\$ 1,354 million, explained as follows:

| <b>Cash Flow (millions of \$)</b> | <b>Dec-01</b> | <b>Dec-02</b> | <b>Var Dec 02-01</b> | <b>%Var 02-01</b> |
|-----------------------------------|---------------|---------------|----------------------|-------------------|
| <i>Operating</i>                  | (3,541)       | (10,278)      | (6,737)              | 190.3%            |
| <i>Fixancing</i>                  | 92,945        | (82,571)      | (175,516)            | (188.8%)          |
| <i>Investing</i>                  | (85,924)      | 94,203        | 180,127              | (209.6%)          |
| <b>Net cashflow</b>               | <b>3,480</b>  | <b>1,354</b>  | <b>(2,126)</b>       | <b>(61.1%)</b>    |

**Operating activities** generated a net negative cash flow of Ch\$ 10,278 million. This flow is mainly related to a loss for the period of Ch\$ 223,748 million, plus net charges to income that do not represent cash flow for Ch\$ 140,123 million, a decrease of assets that affect the cash flow for \$ 30,775 million as a consequence of dividends from related companies and the increase of liabilities that affect the cash flow for \$ 42,571 million, primarily interests.

**Financing activities** produced a negative cash flow of Ch\$ 82,571 million mainly due to loans payment to related companies for Ch\$ 121,084 million, bank payments and bonds payments for Ch\$ 83,879. These were partially compensated by loans received for \$ 66,040 million and loans received by related companies for Ch\$ 56,353 million.

**Investment activities** generated a net positive cash flow of Ch\$ 94,203 million, basically explained by loans received by related companies for Ch\$ 254,952 million, derivatives for \$ 11,311 million, income from capital reduction from Luz de Bogotá and Investluz for \$ 18,170 million, compensated by loans to related companies for Ch\$ 164,439 million, permanent investments for \$ 16,732 million and \$ 9,060 million payments due to forwards.

#### **4. BOOK VALUE AND ECONOMIC VALUE OF THE ASSETS**

Among the most important assets, we can mention the following:

The values for fixed assets are adjusted according to the accounting criteria established by the Superintendencia de Valores y Seguros (S.V.S., Superintendence of Securities and Insurance) in Resolutions Nos. 550 and 566 of 1985. In the case of Sociedad Extranjera Inversiones Distrilima S.A., the fixed asset values were adjusted according to the exception criterium established in Technical Bulletin No. 45 of the Colegio de Contadores de Chile A.G. (Chilean Accounting Association), a rule in force at the time when the investment was made and which was not modified by Technical Bulletin No.51 which replaced the former.

Depreciation is calculated on the updated value of the property according to the remaining years of useful life of each.

Investments in related companies are presented updated to their proportional equity value. In the case of foreign companies, as of the second quarter of 1998, this methodology has been applied on financial statements prepared according to Technical Bulletin No.64 of the Colegio de Contadores de Chile A.G., and the intangible values are price level restated and amortized according to the dispositions of Technical Bulletin No.55 of the Colegio de Contadores de Chile A.G.

According to Oficio Circular No. 150 of January 31, 2003 of S.V.S., the company has evaluated the recovery of the assets associated to its investments at the closing date of the financial statements, by applying the accounting principles generally accepted in Chile, which are Technical Bulletins No.33 for fixed assets and, according to the ranking defined in Technical Bulletin No. 56, NIC 36 has been applied for goodwill and negative goodwill related to such investments.

Assets expressed in foreign currency are presented at the exchange rate effective at the closing of the period.

Investments in financial instruments in repos are presented according to their purchase value plus the proportion of the corresponding interests according to the implicit rate for each operation.

Accounts and documents to be collected from related companies are classified according to their maturity dates into short- and long-term documents. The operations are adjusted to fairness conditions similar to those customarily prevailing in the market.

In summary, the assets are shown updated according to generally accepted accounting principles and rules, and to the instructions issued by the Superintendencia de Valores y Seguros, as disclosed in Note 2 to the Financial Statements.



# Subsidiaries

Financial Statements of Subsidiaries



**ENERSIS**

# **ENERSIS**

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