

Annual Report  
Enel Generación Chile  
2017

enel

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EOCC

Enel Generación Chile S.A. was incorporated as Empresa Nacional de Electricidad S.A. in 1943. In 1994 the bylaws of the Company were amended to add “Endesa” as the Company’s commercial name, in 2005, “Endesa Chile” was added as a commercial name, and in 2016, the Company’s name and trademark was changed to “Enel Generación Chile”. The Company is registered in Santiago’s Register of Commerce on page 61 N° 62 and page 65 N°63, respectively, dated January 19, 1944. The address and main office is 76 Santa Rosa St., Santiago, Chile. As of December 31, 2017, the Company’s subscribed and paid capital amounted to Ch\$ 552,777 million and was represented by 8,201,754,580 shares. Its shares trade on the Chilean stock exchanges and also traded as American Depository Receipts (ADR) on the New York Stock Exchange (NYSE). The corporate object of the Company is the production, transportation, and distribution of electricity and also provide consultancy services, invest in financial assets, develop projects and carry out operations in the energy field and other fields in which electricity is essential, and to participate in public works infrastructure concessions in civil or hydraulic areas. Enel Generación Chile is the leader of the Chilean electricity sector and one of the major electricity companies in the markets in which it operates. Its total assets amounted to Ch\$ 3,554,462 million as of December 31, 2017.

The Company’s revenue reached Ch\$ 1,634,937 million, gross margin amounted to Ch\$ 463,860 million, and net income reached Ch\$ 418,454 million after taxes. By year-end 2017, the Company had a total 848 employees.

2017

Annual report

Enel Generación Chile



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# Letter from the Chairman

Dear shareholders, I have the honor to present Enel Generación Chile's Annual Report and Financial Statements for 2017. In the following pages, you will find details of this year's main milestones, and the different initiatives we undertook to maintain our leadership position in the electricity generation market.

During this period, the board of directors has worked with great professionalism and vast knowledge of the business, always seeking to obtain the best results for Enel Generación Chile. My sincere gratitude to all the members of the board, for the trust they have placed in my administration.

This company, with 75 years of history in Chile, has an excellent workforce, including executives, professionals and technicians who have been the protagonists of the Company's major achievements throughout its history.

2017 was the company's first year as Enel Generación Chile, and the purpose was to focus our management on the generation of electricity in the country, and on exploring the opportunities that this market presents.

## Corporate Organization Project

In August of 2017, the Board of Directors of Enel Generación Chile analyzed Enel Chile's proposal regarding a corporate reorganization within the Enel Group by means of which Enel Chile would absorb, through a merger, the Non-Conventional Renewable Energy (NCRE) assets that Enel Green Power Latin America Limited owned in Chile (EGP Chile). The proposal implied conditioning said merger to the success of a PTO that Enel Chile would carry out to acquire up to 100% of the shares issued by Enel Generación Chile owned by the minority shareholders of Enel Generación Chile. The Board agreed to consider this transaction as an operation between related parties. The board members of the company, unanimously, indicated that the proposal

contributes to the social interest of the firm, and additionally, it has been well received by the financial market.

On December 20, 2017, Enel Generación Chile's Extraordinary Shareholders' Meeting was held to vote on this proposal. On this occasion, the amendment of the Company's bylaws, which was necessary to carry out the operation, was approved. This modification implies the elimination of limitations and restrictions established in Title XII of the D.L. 3,500. Additionally, the Extraordinary Shareholder's Meeting approved that the bylaw amendment be subject to the suspensive condition that Enel Chile declares the PTO a success.

The shareholders of Enel Generación Chile that decide to participate in the PTO will become shareholders of Enel Chile, since a part of the price in cash that they receive for the offer will be destined to subscribe shares of Enel Chile.

## 2017 Results

Dear shareholders, I will proceed with a brief summary of the results of Enel Generación Chile's operations during 2017. Of course, you will be able to find more detailed information regarding each subject in the corresponding chapters of this report.

The company's net electricity generation reached 17,073 GWh, 3% less than the figure for 2016 due to a lower dispatch of combined cycles. However, this scenario was partially compensated by a greater hydroelectric generation during the fourth quarter of 2017 as a consequence of improved hydrology in the south-central region of Chile. Meanwhile, the company's installed capacity reached 6,351 MW by the end of the year.

Enel Generación Chile's operating revenue presented a slight 1% reduction, reaching Ch\$ 1,634,937 million, due to lower physical sales, mainly to regulated clients, com-

bined with a lower average sales price in Chilean pesos. Worth highlighting is our effective commercial strategy to attract nonregulated customers, which significantly compensated for the decrease in sales to regulated customers and contributed to the development of the gas commercialization business, hence strengthening Enel Generación Chile's competitiveness.

Other fixed costs of the operation reached Ch\$ 102,821 million, a 14% reduction when compared to last year, because of the Ch\$ 35,384 million loss booked in 2016 due to an impairment of assets related to returning unused water rights. Meanwhile, in December 2017, a loss of Ch\$ 25,106 million was recorded due to the impairment of assets related to the abandonment of Neltume and Choshuenco projects. The company decided to give up the water rights related to these projects considering, among other things, the high annual cost of maintaining unused water rights. Additionally, these projects were not technically and economically feasible, and didn't have community approval. The high level of competition in the Chilean electricity market, which was ratified in November 2017 with the results of the last tenders carried out for electricity distributors, was also considered in the decision.

The factors and variables that I just pointed out resulted in an EBITDA of Ch\$ 581,142 million for 2017, which represents a 2% decrease when compared to 2016, although operating income increased 8% to a total Ch\$ 463,859 million, because of lower impairment losses and depreciation of fixed assets.

In terms of the results from other investments, these presented a 13% reduction in 2017 when compared to 2016, which is related to the Group's non-strategic asset sale process. In February of 2017, the Company sold 100% of its ownership in Electrogas, earning Ch\$ 105,312 million while in September of 2016, the Company divested its total interest in GNL Quintero, earning Ch\$ 121,325 million.

Due to the factors mentioned above, the net income attributable to Enel Generación Chile's shareholders de-

creased from Ch\$ 472,558 million in December 2016, to Ch\$ 418,454 million in December 2017, equivalent to an 11% decrease compared to 2016. This result is primarily a consequence of higher taxes, and the 2016 results that included foreign businesses, before materializing the company's division on March 1st of the previous year.

## 2017 Milestones

I would like to highlight that our commercial policy has been consistent with the production characteristics of the company's generation facilities, permanently adapting to the conditions of an ever-changing competitive market. The purpose of this policy has been to achieve an attractive return, along with a low exposure operations and market risks.

Similarly, in 2017 we attained an important position in the electric bid held last October, reaching 54% of the auctioned energy. This process assigned contracts for 2,200 GWh annually to begin in 2024 to supply regulated customers for 20 years. This achievement was possible thanks to an inter-company agreement with Enel Green Power (EGP), which enabled us to offer an average price of US\$ 34.7 MWh. The tender process was very competitive in which 24 companies participated and offered an aggregate 20,700 GWh/year- in other words, more than nine times the amount of auctioned energy- which reveals the high level of competition and the entry of new actors in the sector mainly renewable energy suppliers.

According to the Ministry of Energy, the average price of this bid was US\$32.5 per MWh, which represents a 20% reduction in consumers' electricity bill by 2024, the lowest average price in 10 years and 75% lower than in 2013.

On another note, in July of 2017, we began the operations of the dome on the north coal field of our Bocamina thermoelectric facility in Coronel to improve our operational

management of this fuel. We are the first generators in the country to implement this type of standard in a thermo-electric facility, and we are replicating this standard in the southern field of Bocamina.

The domes are part of a series of improvements we have been implementing in Bocamina, that allow us to rely on a power plant with high environmental and operational standards, that go beyond what is required by regulation. During 2017, we worked on another remarkable initiative along with the Superintendence of Environment ("SMA" in its Spanish acronym), which we started up last January. It is a modern emissions monitoring system, which provides the authorities with continuous real-time information on the emissions of thermoelectric power plants.

We have also continued with the construction of our hydroelectric power plant Los Cóndores, located in the Maule Region, with an installed capacity of approximately 150 MW, expected to generate roughly 600 GWh a year. By the end of 2017, the power plant was 61% completed.

Liquefied natural gas has been a relevant factor in electricity generation in 2017. Through alliances we formed with other generators last year, natural gas fueled electricity generation has become available to the Central Interconnected System ("SIC" in its Spanish acronym) adding to the generation of our San Isidro facility and Quintero power plant, that operate in Valparaiso Region. Hence, Enel Generación Chile's generated 6 TWh of electricity with natural gas during the year, which represents 10.9% of the SIC's annual generation in 2017, 5% more than in 2016.

During the first quarter of 2017, we unloaded the first partial shipment of LNG between Quintero and Mejillones, since the commissioning of both terminals, which provided a greater amount of LNG in the central region of the country to face the drought.

We also sold three LNG shipments in 2017, including two LNG shipments sold to Enel Trade to be delivered in the United Kingdom. This is the first international LNG shipment operation related to the BG contract delivered outside Latin America.

Additionally, Enel Generación Chile, ENAP and Agesa (related to Metrogas) reached a new agreement with Enarsa (Argentinian National Energy Company) regarding natural gas exports from the Quintero Terminal to Argentina. The gas shipments totaled 277 million m<sup>3</sup>, of which 32% was supplied by Enel Generación Chile.

Recently, and after a comprehensive analysis, the Board of Directors of the company decided to end and abandon the development of the hydroelectric projects Neltume and Choshuenco located in the Los Ríos Region. This implied recording a \$25,106 million loss that affect the results of 2017. The water rights of these projects will be returned to the Chilean State. This decision, which has already been adopted regarding other hydroelectric projects, is based on our vision on investments, they must be technically and economically feasible and above all, must be accepted by the communities.

## Sustainability

Enel Generación Chile considers the integration of sustainability into the company's value chain an essential to its business.

Our effort also focuses on the work we are developing with the neighboring communities of our power plants. In Coronel, progress was made during 2017, reaching important agreements with local families to overcome the impact caused by the eradication process that began in 2010. Along this same line, we reached an agreement with evangelical organizations in the district to support the development of their activities in the core of their communities.

In collaboration with communities in Quintero, in the Valparaíso Region, we initiated a Sustainability Plan for the area. It involves joint actions with the neighbors, regarding topics and development plans that were defined by the neighbors of Quintero Bay.

In terms of the environment, we promoted the first large scale plantation and scientific investigation project in Chile, thanks to a collaborative effort with Universidad de Concepción, which allowed beginning the reforestation of 700 hectares of land in 2017, planting over two million native species.

Dear shareholders, we will continue our commitment to contribute to the country's growth and development with electric energy and today, adding to the growth of renewable energies in the Chilean market.

We will continue to encourage new ideas and seek to seize the best opportunities in a scenario that is constantly evolving, and that challenges us to be ever more creative to maintain our leadership position.

Thank you,



Giuseppe Conti

Chairman



# Enel Generación is Open Power

Opening up to technology from the outside world and to coworkers within the Company is the underlying concept of Open Power. Communicating the essence of this new and innovative Enel to our customers involves creating a new shared culture within our Group. To create this common culture, we have identified a “galaxy” with a vision

that represents our major long-term goal, and a mission to 2025 comprised of five principles that define the DNA of the Enel Group and ten behavioral components that must inspire all individuals that work for the Company. Let’s discover the Open Power world together.



VALUES

VISION

Open Power to overcome some of the greatest challenges facing the world

Trust

Proactivity

MISSION

Open energy access to more people

Open new uses of energy

Open the world of energy to new technologies

Open new ways for people to manage energy

Open new partnerships



# 2017 Milestones



## JANUARY

**Enel Group offers support to areas affected by the forest fires during the summer season**

The Group in Chile offered support to communities located in the areas affected by the forest fires. In the city of Concepcion, food and equipment were supplied to volunteers, and water tank trucks with a driver and fuel were also put to work in the area. We contributed with equipment, helicopters, and fuel for firefighters and food and drinking water. We offered the authorities of the Maule and O'Higgins Regions our support in controlling the fires and through SOFOFA made contributions to provide homes for the families affected by the fires.



## FEBRUARY

**Directors' Committee discloses its opinion on the proposal to acquire EGP assets**

The Directors' Committee of Enel Generación Chile expressed its opinion regarding the Board of Directors' proposed operation to obtain up to 40% of Enel Green Power Chile's operating assets and projects under construction. The Committee stated that the operation, within the framework defined in the proposal, would not contribute to the best interest of the Company and proposed an agreement that would offer Enel Generación Chile the option to acquire, at market value, at least 50.1% of the shares of the EGP Chile.



**Sale of the entire Electrogas shareholding**

Enel Generación Chile sold its 42.5 % interest in Electrogas for US\$180 million to the Chilean company, Aerio Chile, a subsidiary of REN-Redes Energáticas Nacionales.

**Historic agreement signed with the families from Alto Bio-Bio**

The representatives of Enel Generación Chile experienced a historic event along with the families from the Aukin Wal Mapu Pehuenche Community, signing an agreement to collaborate with the families in the development of projects for their community. The agreement represents significant progress in improving the relationship between the Company and the communities in the area because it resolves the families demands related to the Panteón Quepuca or Lot 53, which was flooded with water for the dam of the Ralco Hidroelectric plant.



## MARCH

**Inauguration of Radio System connecting the Bio Bio electricity generation power plants and Municipalities**

A radio system that connects the Ralco and Pangue power plants that belong to Enel Generación Chile, the Angostura power plant that belongs to Colbun and the Quilaco and Santa Barbara municipalities was implemented by ONEMI and the Ministry of Energy to improve communications during potential emergencies. This initiative supplements a contingency communication system project already in place.



## APRIL

**Fitch Ratings ratifies the rating for Enel Generación Chile**

The risk rating agency, Fitch Ratings, confirmed the "BBB+" with a stable outlook rating for Enel Generación Chile.



## MAY

### Enel Generación Chile and Coronel families sign a Memorandum of Understanding to overcome housing problems

The agreement signed by Enel Generación Chile and the Huertos Familiares Residents' Association from the Coronel area represents a milestone of the new roadmap defined to solve the housing difficulties of the residents that were relocated in 2010.

### Cipreses Hydroelectric power plant opens its doors to the community to celebrate Cultural Heritage Day

Over 300 people visited the facility and learned about the history of the power plant in existence since 1955, one of Enel Generación Chile's oldest facilities. The Governor of the Maule region, Pablo Meza, expressed his appreciation for the contribution to the identity of the region.



### Chile and Argentina signed an agreement to supply natural gas for a second consecutive year

ENAP, Enel Generación Chile and AGESA owned by CGE supplied natural gas using the pipelines of Electrogas and GasAndes located in the central region of the country. The gas supplied by Enel Generación Chile was equivalent to a shipment of 90 million m3 of gas. This business model allows the Company to manage its gas supply efficiently and also represents an opportunity to maintain and potentially increase this type of transaction with Argentina, offering flexibility to the Company's operations.



## JUNE

### Social and Environmental Recovery Committee of Coronel visits Bocamina

Enel Generación Chile received the members of the Social and Environmental Recovery Committee ("CRAS" in its Spanish acronym) of Coronel at the Bocamina facility to inform them on the US\$ 200 million environmental improvements implemented. This was the first time the members of the CRAS visited an industrial plant in the area.

### Feller Rate confirms rating of Enel Generación Chile

Feller Rate confirmed the "AA" domestic rating and improved perspectives to positive.



### Cleaning Program of El Esfuerzo and El Mirador areas of Coronel

Within the process of relocating the residents of the areas surrounding the Bocamina plant being carried out by Enel Generación Chile, SERVIU and the Housing Commissions, with the support of the Coronel Municipality, small garbage dumps were cleaned and debris from the previous homes were removed.

### Enel Generación Chile and Universidad de Concepcion began the first large scale reforestation program and scientific investigation

The CEO of Enel Generación Chile, Mr. Walter Moro, and the Dean of Universidad de Concepción, Mr. Sergio Lavanchy, began the reforestation of 700 hectares within the framework of the agreement signed by both entities in 2016. This agreement involves planting more than 2 million native species, an unparalleled project in Chile, to be carried out by one of the most prestigious universities in the country.



### Recovery Plan of the condors rescued in the foothills of the Andes in the Maule Region

Enel Generación Chile offered immediate assistance and collaboration to the Chilean Agricultural Inspection Service ("SAG" in its Spanish acronym) in the city of Talca after finding two Andean condors in the Maule foothills. The Company provided the facilities and professional team available in the area for wildlife related contingencies.

# 2017 Milestones



## JULY

### The dome of Bocamina Power Plant begins operations

Enel Generación Chile began operations of the dome on the north coal field of the Bocamina Power Plant, becoming the first electricity generation facility to implement this type of system to improve coal management. The roof on the south coal field is also under construction. Both projects involve an investment of nearly US\$50 million.

### Standard & Poor's ratifies the "BBB+" rating of Enel Generación Chile

The risk rating agency highlighted the Company's financial strength resulting from an adequate commercial policy that mitigates electricity generation operational risks. The agency also indicated that US\$ 200 million the Company's financial ratios remain strong and healthy.



### Soccer tournament "Copa Enel 2017" is now played in other Chilean cities and the winners travelled to Italy with Ivan Zamorano

The Copa Enel jumped to a higher level in 2017 becoming a national tournament. The winners of the tournaments in Lota, Coronel and Mejillones were included in the event, the Copa Enel ambassador, that was played in the Metropolitan Region to define one national champion and winner of the trip to Italy with Ivan Zamorano,

### Competitive Quintero Fund supports community projects

GNL Quintero and Enel Generación Chile supported initiatives for over Ch\$23 million. The ideas that received financing were: an itinerant photographic exhibition to rescue local heritage; IT equipment for the library in Loncura, and; new safety equipment for the fire department of Puchuncavi, among others.



## AUGUST

### Enel Generación Chile began the analysis of Enel Chile's Proposal

The Board of Directors of the Company analyzed Enel Chile's significant event dated August 25 regarding the corporate reorganization of the Enel group in which Enel Chile would merge with Enel Green Power Latin America absorbing its assets in Chile. The proposal conditions this merger to the success of the PTO to be carried out by Enel Chile to purchase up to 100% of the shares of its subsidiary Enel Generación Chile held by minority shareholders. The Board of Directors, unanimously by the members present at the session, agreed to consider the operation a related party transaction.



## SEPTEMBER

### Coronel families sign an unprecedented agreement with Enel Generación Chile

Nearly 144 relocated families from the Huertos Familiares area of Coronel and Enel Generación Chile signed an agreement involving a financial compensation for the inconveniences of receiving homes with construction deficiencies. The agreement also considered building an outdoor recreational field and developing a method to determine the house repairs needed. These activities seek to implement solutions that are consensual and contribute to the new perspective of the relationships among stakeholders.

### Coronel Evangelic organizations and Enel Generación Chile contributes to the church's activities in the area

A significant agreement was signed by the religious organizations in Coronel and Enel Generación Chile, within the framework of the Relocation Plan being carried out by the Company. This commitment allows the Evangelic organizations to recuperate infrastructure and equipment to develop their activities in the community in an inclusive, transparent and timely manner.



## OCTOBER

### Enel Generación Chile is awarded 54% of the electricity tender

Enel Generación Chile was the real winner of the 2017 distributor's electricity supply tender. The Company was awarded 54% of the electricity tendered, 2,200 GWh a year beginning in 2024 for regulated customers for 20 years. An agreement between Enel Generación Chile and Enel Green Power made this possible by allowing the Company to participate in the tender offering an average US\$34.7 per MWh.

### An agreement with the emblematic school in Coronel allows the construction of a new building

The traditional Rosa Medel School located next to the Bocamina power plant will be relocated to the Lagunillas area within the same district. The community was looking forward to this relocation. It is an unprecedented project in the region as the first school labelled as sustainable and environmentally friendly.



### Female Entrepreneurs from the Maule Region went on a training tour of Valparaiso

A group of 30 women from the upper basin of the Maule River went on a tour to Nogales, located in the Valparaiso region, to learn about startups and construction techniques. The purpose of this initiative, which is part of an ambitious plan being promoted by Enel Generación Chile, is to develop a community effort to take advantage of the touristic potential of the Pehuenche International Route.



### NOVEMBER

#### The Ministry of Public Works and Enel Generación Chile signed an agreement to operate and maintain the Laja reservoir.

The agreement supplements the agreement signed in 1958 and guarantees satisfying the water requirements of farmers, and adds flexibility to the use of water for electricity generation. It was ratified by the farmers' associations in the area.

#### HydroAysén comes to an end and Enel Generación Chile returns water rights

The Board of Directors of Enel Generación Chile decided to give up the water rights owned for the HydroAysén project. This decision is aligned with our vision to carry out projects that are technically feasible, economically profitable, and more importantly, accepted by the community.

#### The Competitive Quintero Fund promotes 16 community projects

The second round of projects favored by the Competitive Quintero Fund, promoted jointly by GNL Quintero and Enel Generación Chile, included a Photovoltaic project presented by Corporación Agradis, vehicle rescue equipment for the Fire Department of Quintero, amphibian chairs for people with physical disabilities, surfing classes open to the community and the first figure skating competition in the district.



#### Collective bargaining agreements were signed with unions of Enel Generación and Subsidiaries

Collective bargaining processes were carried out with three unions of Enel Generación Chile and one union of GasAtacama from November 2017 through January 2018. They were developed according to regulation and within the legal timeframe. Contracts signed have a 30 and 36-month term. The programmed meetings with unions continue, strengthening communication with workers' representatives and building a positive work climate.



### DECEMBER

#### Los Córdobes project reaches 61% progress

The facility being built on the foothills of the Andes in the Maule Region is a power plant with 150 MW installed capacity. Almost all permanent installations of this facility will be underground.

#### Moody's confirms "Baa2" rating of Enel Generación Chile

The risk rating agency Moody's Rating Services ratified the Baa2 corporate international rating of Enel Generación Chile and with a stable outlook.

#### The product diversification program begins with the hazelnut from Alto Bio Bio

The first product diversification program carried out with the Pehuenches is the development of products derived from the Chilean hazelnut. Enel Generación has jointly promoted this initiative with the Universidad de Concepción, the El Avellano Community, the Alto Bio Bio Municipality and the Pehuen Foundation. The idea is to promote education regarding products derived from hazelnuts.



#### Enel Generación Chile and the Antuco Municipality launched a plan to promote tourism to the Trubunleo Water fall

The Company began a temporary trial period altering the operation of certain installations in the Laja River basin to avoid taking in part of its water so as to boost the water flow to the Trubunleo Water Fall.

#### Coronel families and Enel Generación Chile sign an Agreement to repair homes and solve social difficulties

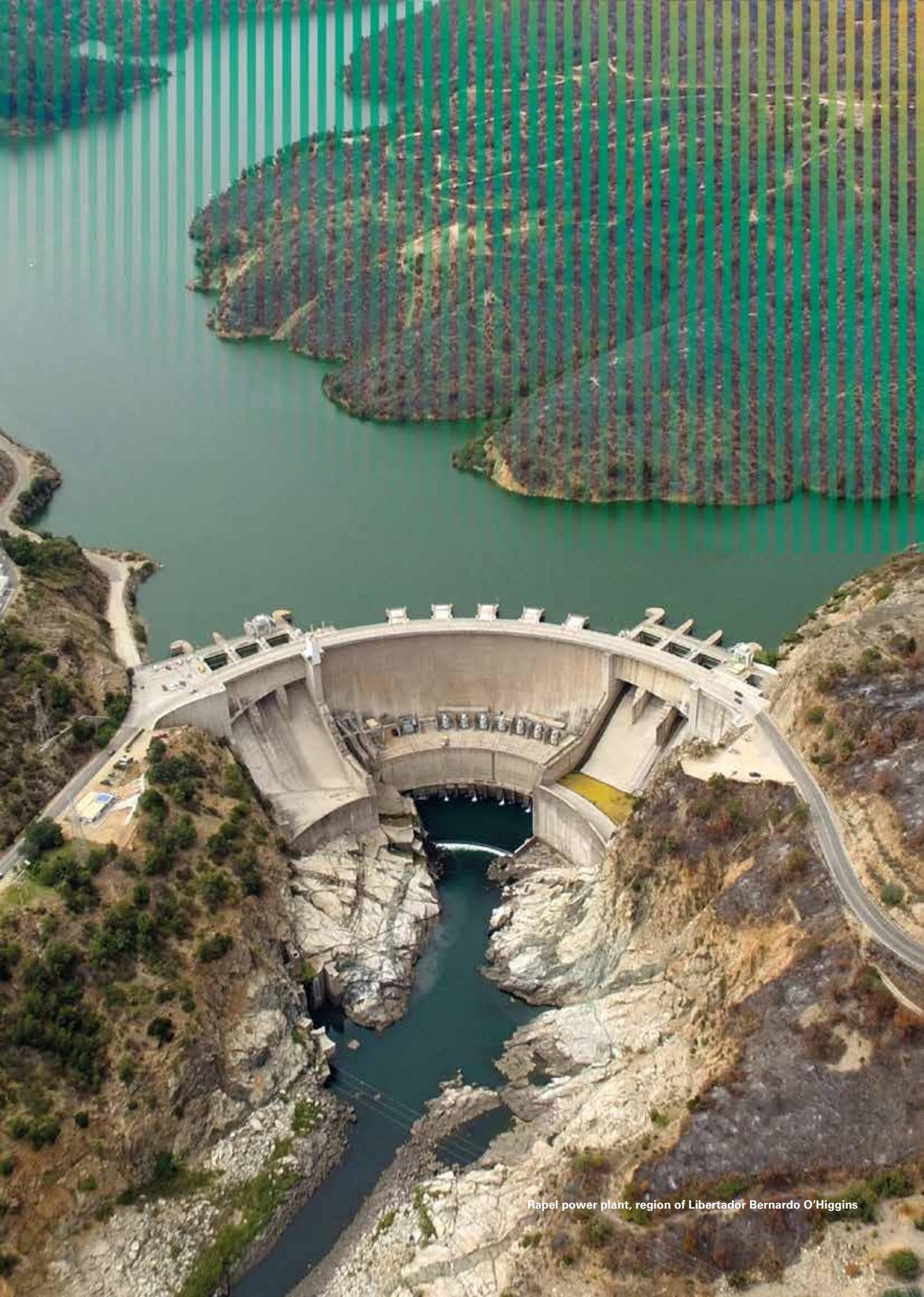
An agreement was signed with the Doña Isidora Residents' Association that defines the work to be carried out together to solve the housing deficiencies of about 80 families relocated in 2010 and also other problems caused by the conditions of the homes.

#### Extraordinary Shareholders' Meeting of Enel Generación Chile approved the Group's Reorganization in Chile

The shareholders approved the bylaw amendment required to carry out the operation proposed by Enel Chile that involves eliminating the limitations and restrictions established by Title XII of D.L. 3500. The Extraordinary Meeting also approved that the bylaw amendment be subject to Enel Chile declaring the success of the PTO as a suspensive condition.

# 04

## Main Financial and Operating Data



Rapel power plant, region of Libertador Bernardo O'Higgins



Pehuenche power plant, El Maule region.

As of December 31, of each year (figures in millions of Chilean pesos)

	2013 <sup>(1)</sup>	2014 <sup>(4)</sup>	2015 <sup>(5)</sup>	2016	<b>2017</b>
Total Assets	6,762,125	7,237,672	7,278,770	3,399,682	3,554,462
Total Liabilities	3,174,311	3,713,785	3,733,076	1,669,922	1,565,448
Operating Revenue	2,027,432	2,446,534	2,846,926	1,659,727	1,634,937
EBITDA	978,994	1,094,981	1,191,661	594,772	581,142
Net Income <sup>(2)</sup>	353,927	334,557	392,868	472,558	418,454
Current Ratio	0.78	0.75	0.68	0.98	1.22
Debt Ratio <sup>(3)</sup>	0.88	1.05	1.05	0.96	0.79

(1) Since 2009, the financial statements have been prepared according to the International Financial Reporting Standards (IFRS), also restating the company's 2008 financial statements under the new accounting standards. Because of this change in accounting standards, jointly controlled companies in which Enel Generación Chile has a shareholding became consolidated in the same proportion as the equity held by Enel Generación Chile. Therefore, as of 2008, these companies are included according to their percentage share of capacity, generation, energy sales, and employees.

(2) As of 2008, this corresponds to earnings attributable to the controlling shareholder

(3) Total liabilities/(equity plus minority interest).

(4) Figures include the consolidation of GasAtacama since May 2014.

(5) Figures include discontinued activities due to the division of Enel Generación Chile (ex Endesa Chile) approved by the Extraordinary Shareholders Meeting held on December 18, 2015.

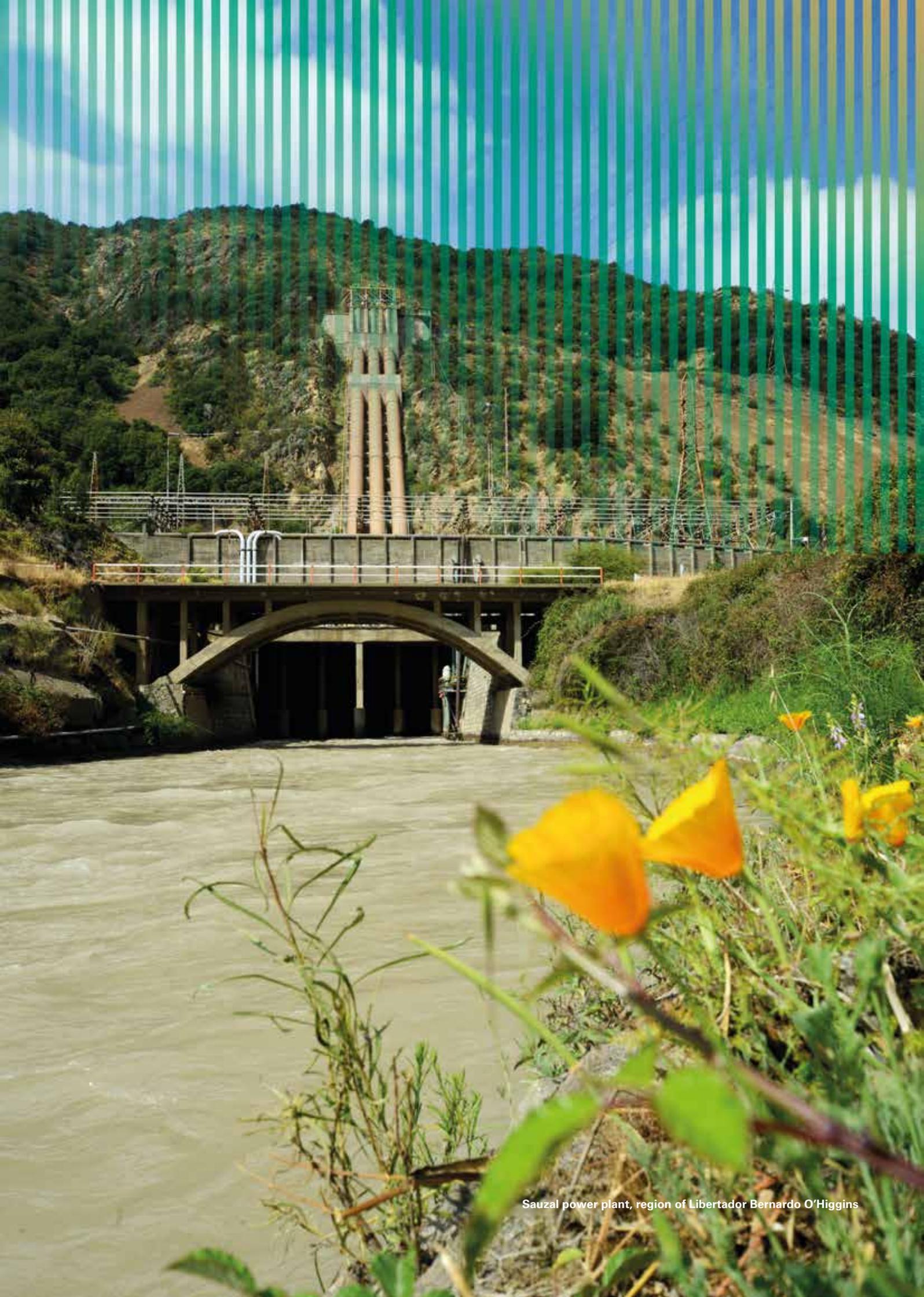
As of December 31, of each year

	2013	2014 <sup>(1)</sup>	2015	2016	<b>2017</b>
<b>CHILE</b>					
Number of employees	1,061	1,261	1,001	883	848
Number of Generation units	105	111	111	111	111
Installed capacity (MW)	5,571	6,351	6,351	6,351	6,351
Electricity generation (GWh)	19,439	18,063	18,294	17,564	17,073
Electricity Sales (GWh)	20,406	21,157	23,558	23,689	23,356

(1) Figures include the consolidation of GasAtacama since May 2014.

# 05

## Identification of the Company



Sauzal power plant, region of Libertador Bernardo O'Higgins

Name	Enel Generación Chile S.A.
Address	Santiago, although able to establish branches or agencies in other parts of the country or abroad
Company Type	Publicly Traded Company
Tax ID	91,081,000-6
Address	76 Santa Rosa St., Santiago, Chile
Zip Code	833-0099 SANTIAGO
Telephone	(56) 22630 9000
P.O. Box	1392, Santiago
Securities Registration Number	114
External Auditors	KPMG Auditores Consultores Ltda.
Subscribed and paid-in capital (Th\$)	552,777,321
Website	<a href="http://www.enelgeneracion.cl">www.enelgeneracion.cl</a>
Email	<a href="mailto:comunicacion.enelgeneracionchile@enel.com">comunicacion.enelgeneracionchile@enel.com</a>
Investor Relations Telephone	(56) 22353 4682
Ticker in Chilean stock exchanges	ENELGXCH
Ticker in New York stock exchange	EOCC
Custodial Bank ADR's	Banco Santander Chile
Depository Bank ADR's	Citibank, N.A.
Domestic Risk Rating Agency	Feller Rate and Fitch Chile Clasificadora de Riesgos Limitada
International Risk Rating Agency	Fitch Ratings, Moody's y Standard & Poor's

# Documents of Incorporation

Enel Generación Chile S.A. was incorporated as Empresa Nacional de Electricidad S.A. by public deed dated December 1, 1943 before the Santiago notary public, Luciano Hiriart Corvalán.

By Ministry of Finance Supreme Decree N° 97 dated January 3, 1944, the company's existence and bylaws were approved. Bylaws state the company's object to be the production, transportation, and distribution of electricity and, in particular, to carry out the country's Electrification Plan approved by CORFO's Council in its session N° 215 held March 24, 1943.

The abstract of the public deed and the decree mentioned above were published together in the Official Gazette on January 13, 1944 and registered in Santiago's Register of Commerce on page 61 N° 62 and page 65 N°63, respectively, dated January 17, 1944.

Its legal existence was declared by Supreme Decree of the Ministry of Finance N° 1226, on February 23, 1945, published in the Official Gazette (Diario Oficial) on March 6, 1945 and registered in the Santiago's Register of Commerce on pages 727 N° 532, on March 16, 1945.

The company's bylaws have experienced numerous amendments. Noteworthy among them is that of 1980, which eliminated the objective to execute the country's Electrification Plan. This responsibility was reassigned by Law to the National Energy Commission. The bylaw's amendment in 1982, which adjusted them to Law N° 18,046, standards of Decree Law N°3500 of 1980, allowing funds managed by the Pension Funds Administrators (AFP in its Spanish acronym) to be invested in securities issued by the Company, and the 1988 amendment, which expanded the company's object to include consultancy services.

The amendment of 1992 expanded the company's business object, allowing it to invest in financial assets, to develop projects and carry out operations in the energy

field and other fields in which electricity is essential, and to participate in public works infrastructure concessions in civil or hydraulic areas, either directly or through subsidiaries or associate companies, both in Chile and abroad. The 1994 amendment increased its capital, so that, part of it could be placed in international markets through the ADR mechanism, and adapted the bylaws to the new provisions introduced by Law 19,301 to Decree Law N° 3,500 of 1980, which allowed, among other adjustments, an increase in maximum share concentration to 26%. The 1995 amendment modified the company's arbitration system to allow the disputes among shareholders or between them and the company or its managers to be settled, alternatively, through arbitration or ordinary courts of law. The 1999 amendment allowed an increase of the maximum percentage of share concentration to 65% of the capital with voting rights of the company. The 2006 amendment added a new section title to the bylaws, the "Directors' Committee and Audit Committee," to give statutory consideration to a number of regulations related both to the Director's Committee, as referred to in Law 18,046, and to the Audit Committee, created by the Board of Directors, to comply with the provisions of the United States' Sarbanes-Oxley Act, to which the Company is subject, since it has ADRs and bonds registered in that market. The 2007 amendment modified permanent Article 5° and transitory Article 1° of the bylaws to reflect the Company's current capital and how it has been subscribed and paid. In 2008 the company amended clause 3° and 4° of Article 44, adapting them to Article 75 of the Chilean Corporations Act to replace the Board of Directors' obligation to forward a copy of the Balance Sheet and Annual Report, no later than the date of the first publication of summons to an Ordinary Shareholders' Meeting, to each shareholder registered in the respective Shareholders' Register, as well as its obligation to forward them a copy of the financial statements whenever amended by the Shareholder's Meeting, within the following 15 days, with the obligation, in both cases, of making the referred documents available to such shareholders on the occasions indicated above. The 2010 amendment modified: (a) several articles of the bylaws in order to tailor some of them, to the Chilean Corporations Act and the Securities Market Law, which were amended by Law No 20,382 concerning the improvement of corporate governance, as well as others, to the rules and regulations of the Chilean Corporations Act; and (b) Chapter IV



Loma Alta power plant, El Maule region.

of the bylaws, “Directors’ Committee and Audit Committee,” in order to merge both committees, thereby reflecting the changes and independence requirements introduced into Article 50 bis of the Chilean Corporations Act, by the above-referred Law No 20,382.

Later, the Extraordinary Shareholders’ Meeting held on December 18, 2015, agreed to modify the Company within the framework of a corporate Reorganization of the Group. The Extraordinary Shareholders’ Meeting approved dividing the Company and creating a new company, Endesa Américas S.A. Then, approved transferring to this new company all assets and liabilities of Endesa Chile outside Chile and maintaining in Endesa Chile all assets and liabilities associated with the business in Chile. The aforementioned division was subject to complying with the condition precedent stating that the minutes of the Extraordinary Shareholders’ Meeting in which the divisions of Enersis and Chilectra had been approved were duly registered as public deeds, and their corresponding extracts were, duly and timely, registered and published as determined by law. Also, under Article N° 5 related to Article 148, both from the Rules and Regulations of the Chilean Corporations Act N° 18,046, the agreement stipulated that the Division be effective as of the first calendar day of the month after the

deed regarding Compliance with Conditions Precedent to the Division of Endesa Chile was issued. The deed was subscribed on January 29, 2016, before the Notary Public Víctor Olguín Peña, and was written to the side on the Company’s registration document filed in Santiago’s Register of Commerce.

The Extraordinary Shareholders Meeting held on October 4, 2016 modified the Company bylaws once again, changing the name of the Company to Enel Generación Chile S.A. The amendment was duly recorded and written to the side on the Company’s registration document filed in Santiago’s Register of Commerce. The Extraordinary Shareholders Meeting held on April 25, 2017 modified several articles of the Company bylaws to update its provisions.

A new amendment was approved by the Extraordinary Shareholders Meeting held December 20, 2017 that eliminated Articles 1bis, 5bis, 16 bis, 20 bis, 35 bis, 40 bis, 42 bis, 43 bis to eliminate all limitations and restrictions established in Title XII of D.L. 3500/1980. This bylaw amendment is subject to the success of the 2018 Public Tender Offer by Enel Chile to purchase the shares of Enel Generación Chile S.A. as a suspensive condition.



# Corporate Object

The company's main purpose is to exploit the production, transportation, distribution and supply of electricity, for which it may obtain, acquire, and make use of the respective concessions and rights.

The company also provides consulting services in all areas and fields related to engineering and company management; acquire, design, build, maintain and develop civil or hydraulic infrastructure works, related directly to public works concessions; exploit the goods that comprise its as-

sets; invest, develop projects and carry out operations or activities in the energy sector, and other activities or products directly related to energy; invest, develop projects and carry out operations or activities in industrial projects and processes where electricity is essential, determinant and used intensively.

The company may also invest in, acquire, manage and sell property, financial assets, instruments or securities, rights in companies and commercial documents in general, provided they are related to its purpose.

In complying with its purpose, the company is entitled to operate directly or through its subsidiaries or associates, both domestically and abroad.

# 06

## Ownership and Control



Loma Alta power plant, El Maule Region

# Ownership Structure

As of December 31, 2017, the total share capital of the Company was 8,201,754,580 shares, subscribed and paid, and held by 15,101 shareholders.

Shareholders	Number of shares	Shareholding
Enel Chile S.A.	4,919,488,794	59.98%
Pension Funds	1,380,592,650	16.83%
Foreign investment funds	483,292,767	5.89%
Stockbrokers, insurance companies & mutual funds	364,646,284	4.45%
Banco de Chile on behalf of third parties	340,293,240	4.15%
ADRs (Citibank N.A. per SVS Letter 1,375) <sup>(*)</sup>	279,576,480	3.41%
Others	433,864,365	5.29%
<b>TOTAL</b>	<b>8,201,754,580</b>	<b>100%</b>

(\*) SVS, Superintendencia of Securities and Insurance, today the Financial Market Commission "CMF", in its Spanish acronym.

## Identification of the Controlling Shareholder

Enel Chile is the controlling shareholder of Enel Generación Chile, holding a 59.98% direct shareholding and does not have an agreement with other shareholders.

During 2017, there were no transactions among major shareholders of the Company.

## Enel Chile Shareholders at December 31, 2017

Name	TAX ID. No	Number of Shares	% Share
Enel S.p.A.	59,243,980-8	29,762,213,531	60.62%
Citibank N.A. per SVS Letter 1,375	59,135,290-3	3,477,135,400	7.08%
Banco de Chile on Behalf of Non-Resident Third Parties	97,004,000-5	2,889,586,476	5.89%
Banco Itau on behalf of foreign investors	97,023,000-9	2,345,100,592	4.78%
Banco Santander on behalf of Foreign Investors	97,036,000-K	1,574,876,510	3.21%
AFP Provida S.A. for Pension Fund C	76,265,736-8	762,820,688	1.55%
AFP Habitat S.A. for Pension Fund C	98,000,100-8	564,376,246	1.15%
AFP Cuprum S.A. for Pension Fund C	76,240,079-0	542,274,465	1.10%
Banchile Corredores de Bolsa S.A.	96,571,220-8	395,718,609	0.81%
Larrain Vial S.A. Corredora de Bolsa	80,537,000-9	368,863,381	0.75%
AFP Cuprum S.A. for Pension Fund A	76,240,079-0	319,159,851	0.65%
<b>Subtotal 12 shareholders</b>		<b>43,624,546,886</b>	<b>88.86%</b>
Other 6,448 shareholders		5,468,225,876	11.14%
<b>TOTAL 6.639 SHAREHOLDERS</b>		<b>49,092,772,762</b>	<b>100.00%</b>

## The Company's Twelve Largest Shareholders

Name	TAX ID. No	Number of Shares	% Share
Enel Chile SA (1)	94,271,000-3	4,919,488,794	59.98%
Banco de Chile on Behalf of Non-Resident Third Parties	97,004,000-5	340,293,240	4.15%
Banco Itaú-Corpbanca on behalf of Foreign investors	97,023,000-9	302,348,805	3.69%
Citibank N.A. per SVS Letter 1,375	59,135,290-3	2879,576,480	3.41%
AFP Habitat S.A. for Pension Fund C	98,000,100-8	201,780,870	2.46%
AFP Provida S.A. for Pension Fund C	76,265,736-8	201,080,498	2.45%
Banco Santander on Behalf of Foreign Investors	97,036,000-K	171,209,242	2.09%
AFP Capital S.A. for Pension Fund C	98,000,000-1	134,427,028	1.64%
AFP Cuprum S.A. for Pension Fund C	76,240,079-0	128,919,282	1.57%
Banchile Corredores de Bolsa S.A.	96,571,220-8	85,508,422	1.04%
AFP Habitat S.A. for Pension Fund B	98,000,100-8	82,924,205	1.01%
AFP Habitat S.A. for Pension Fund A	98,000,100-8	71,931,340	0.88%
<b>Subtotal</b>		<b>6,919,488,206</b>	<b>84.37%</b>
Others		1,282,266,374	15.63%
<b>TOTAL</b>		<b>8,201,754,580</b>	<b>100%</b>

(1) Enel Chile S.A. is controlled directly by Enel SpA., holding 60.62% of ownership.

## Most Important Changes in Ownership Share

The most important changes in the ownership of Enel Generación Chile between 2016 and 2017 are as follows:

Name	Tax ID. No	N° of Shares 12/31/2016	N° of Shares 12/31/2017	Variation
AFP Provida	76,265,736-8	352,958,517	337,190,133	-0.1923%
Banco de Chile on behalf of Non-resident third parties	97,004,000-5	432,761,179	340,293,240	-1.1274%
AFP Habitat S.A.	98,000,100-8	354,554,632	379,515,895	0.3043%
Citibank N.A. per SVS Letter 1,375	59,135,290-3	288,622,620	279,576,480	-0.1103%
AFP Capital S.A.	98,000,000-1	247,341,750	280,208,782	0.4007%
Viecal S.A.	81,280,300-K	80,229,244	55,921,452	-0.2964%
Banco Itaú-Corpbanca on behalf of investors	97,023,000-9	241,702,015	302,348,805	0.7394%
Banco Santander on behalf of foreign investors	97,036,000-K	122,276,264	171,209,242	0.5966%
Banchile Corredora de Bolsa S.A.	96,571,220-8	93,054,745	85,508,422	-0.0920%
BTG Pactual Chile S.A. Corredora de Bolsa	84,177,300-4	27,456,557	18,641,537	-0.1075%
Larrain Vial S.A. Corredora De Bolsa	80,537,000-9	36,277,385	42,549,287	0.0765%
AFP Modelo S.A.	76,762,250-3	43,163,343	76,595,368	0.4076%

action

action

action

action



## Stock Transactions among Related Parties during 2017

There were no transactions of shares involving directors or senior executives during 2017.

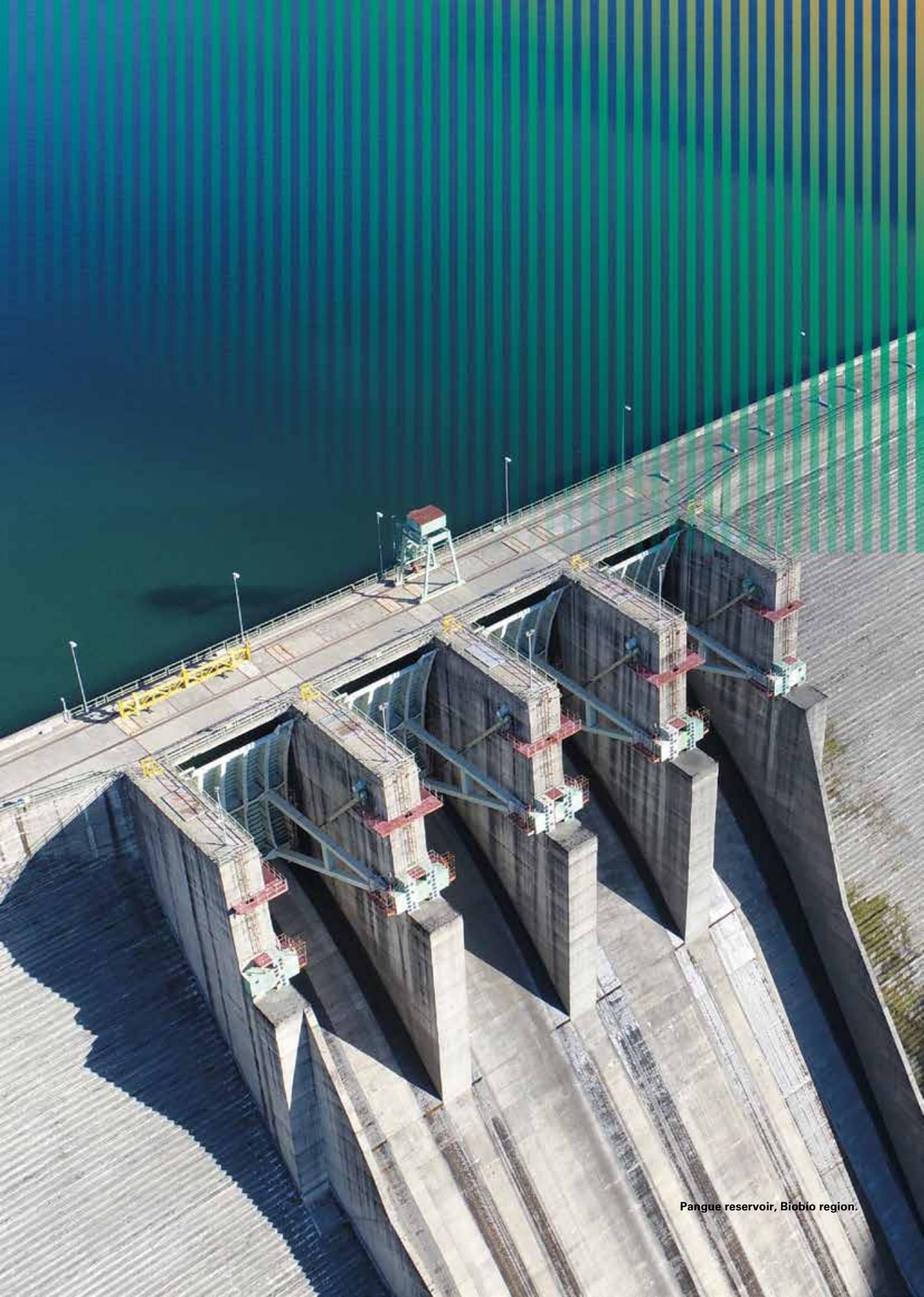


## Summary of Comments and Proposals by the Directors Committee and Shareholders

The company received no comments regarding the progress of corporate businesses between January 1 and December 31, 2017, from the majority shareholders or groups of shareholders accounting for 10% or more of the shares issued with voting rights, in accordance with the provisions of Article 74 of Law No 18,046 and Article 136 of the Rules and Regulations to the Chilean Corporations Act, nor from the Directors' Committee, notwithstanding what is mentioned in the Committee's report that is included in this report.

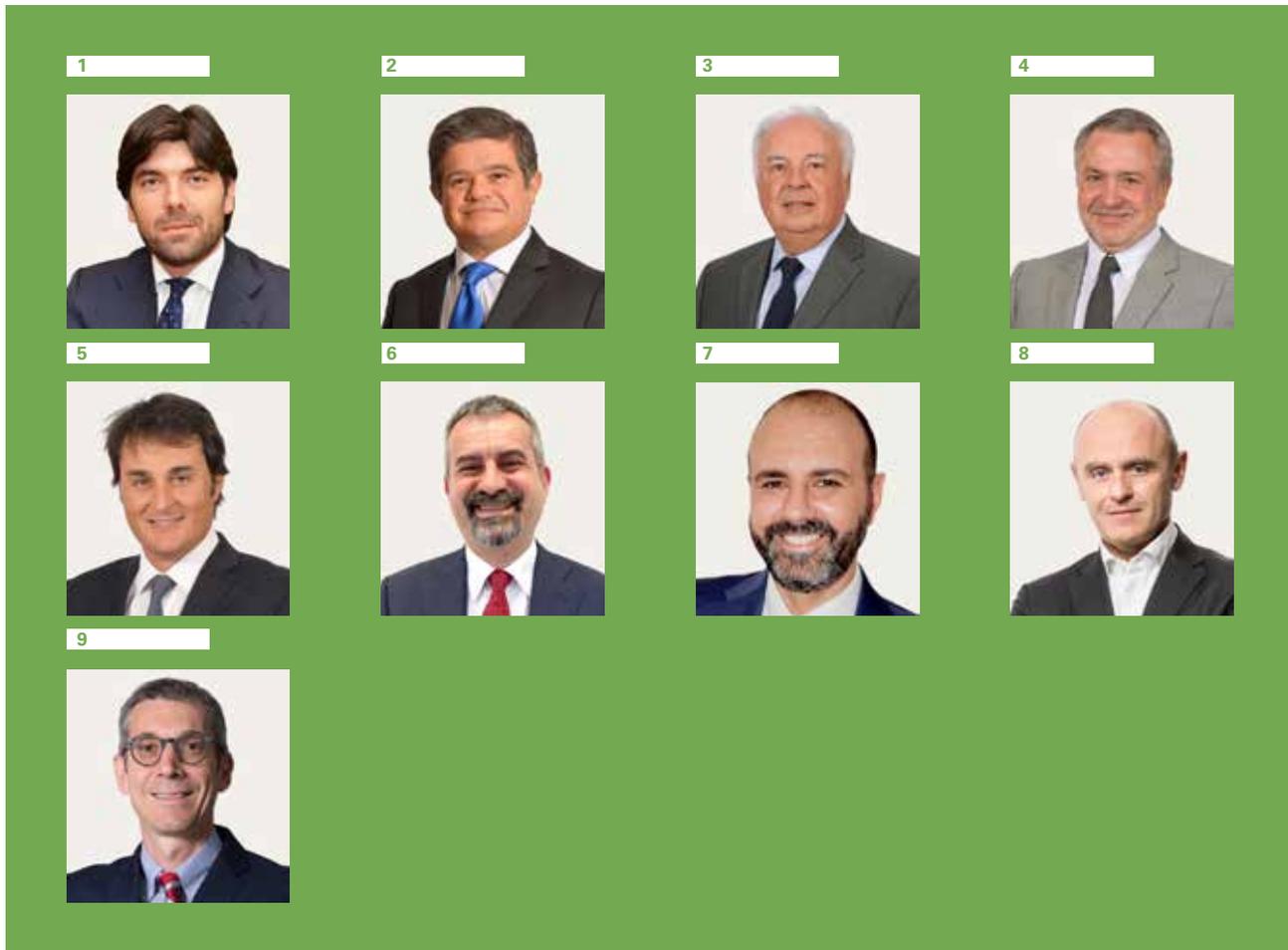
# 07

## Management



Pangue reservoir, Biobío region.

# Board of Directors



## 1. CHAIRMAN

### **Giuseppe Conti**

Lawyer  
 Universidad degli Studi di Messina  
 Passport: YA3320684  
 Since 04.27.2016

## 2. DIRECTOR

### **Francesco Giorgianni**

Lawyer  
 Universidad de Roma La Sapienza  
 Tax ID.: 24,852,388-3  
 Since 04.27.2016

## 3. DIRECTOR

### **Enrique Cibié Bluth**

Commercial Engineer, Public Accountant & Auditor  
 Pontificia Universidad Católica de Chile  
 Master in Business & Administration  
 Stanford University  
 Tax I.D.: 6,027,149-6  
 Since 04.26.2012

## 4. DIRECTOR

### **Jorge Atton Palma**

Electrical Engineer  
 Universidad Austral de Chile  
 Postgraduate in Project Management and Assessment  
 Tax ID.: 7,038,511-2  
 Since 04.27.2015

## 5. DIRECTOR

### **Julio Pellegrini Vial**

Lawyer  
 Universidad Católica de Chile  
 Master in Law  
 University of Chicago, United States  
 Tax I.D.: 12,241,361-6  
 Since 04.28.2016

## 6. DIRECTOR

### **Fabrizio Barderi**

Electronic Engineer  
 Master in Economics and Energy & Environment Management  
 Scuola Superior Enrico Mattei  
 Passport: YA7104825  
 Since 08.28.2017

## 7. DIRECTOR

### **Mauro Di Carlo**

Electrical Engineer  
 Universidad de los Estudios de Cassino  
 (Università degli Studi di Cassino – Facoltà di Ingegneria)  
 Passport: YA4657363  
 Since 04.27.2016

## 8. DIRECTOR

### **Umberto Magrini**

Mechanical Engineer  
 Università di Genova  
 Executive MBA in European Profit Management  
 Jacobs University of Bremen  
 Passport: YA5001646  
 Since 04.27.2016

## 9. DIRECTOR

### **Luca Noviello**

Mechanical Engineer  
 Università degli Studi di Roma La Sapienza  
 Master in Economics and Energy Resource Management  
 LUISS Scuola di Management  
 AIEE Associazione Italiana Economisti dell'Energia  
 Passport: YA6877260  
 Since 04.27.2016

Enel Generación Chile is managed by a Board of Directors formed by nine members. They are elected at the shareholders' meeting for a three-year term and may be reelected. The Board of Directors is comprised by the following gentlemen:

Jorge Atton Palma  
Enrique Cibié Bluth  
Giuseppe Conti  
Mauro Di Carlo  
Francesco Giorgianni  
Umberto Magrini  
Luca Noviello  
Julio Pellegrini Vial  
Fabrizio Barderi (appointed in board session held 08.28.17)

In the event of death, resignation, bankruptcy, incompatibilities or limitations or other impossibility preventing directors from performing their duties or force them to cease them, the Board must be totally renewed at the next ordinary shareholders' meeting, and the Board may appoint a substitute in the interim.

Over the last two years the following individuals were also members of the Board of Directors of Enel Generación Chile:

**Francesco Buresti**  
Electronic Engineer  
Universidad Degli Study de Bologna  
Passport: YA6104092  
From 04.26.2012 to 08.27.2017

**Enrico Viale**  
Civil Hydraulic Engineer  
Santa Clara University, California  
Passport: YA5599835  
From 11.04.2014 to 04.26.2016

**Ignacio Mateo Montoya**  
Mining Engineer specializing in Energy and Environment  
Universidad Politécnica de Madrid  
Master in Business Administration, IESE  
Passport: 50830706Q  
From 11.04.2014 to 04.26.2016

**Vittorio Vagliasindi**  
Nuclear Engineer  
Universidad La Sapienza, Italia  
Passport: AA3780593  
From 11.04.2014 to 04.26.2016

**Francesca Gostinelli**  
Environmental Engineer  
Master in Economics and Energy & Environment Management  
Scuola Superior Enrico Mattei (MEDEA)  
Passport: YA5001859  
From 04.28.2015 to 04.26.2016

**Felipe Lamarca Claro**  
Commercial Engineer  
Pontificia Universidad Católica de Chile  
Tax Id.: 4,779,125-1  
From 04.26.2012 to 04.27.2016

**Isabel Marshall Lagarrigue**  
Bachelors in Sociology and Economics  
Pontificia Universidad Católica de Chile  
Master in Economics  
Pontificia Universidad Católica de Chile  
Master in Public Administration and PHD in  
Economics and Government  
Harvard University  
Tax Id: 5.664.265-K  
From 11.04.2014 to 04.26.2016

## Compensation of the Board of Directors and Directors' Committee

By Article 50 bis of the Chilean Corporations Act, the Ordinary Shareholders' Meeting must establish the compensation of the Board of Directors and the Director's Committee.

The total compensation expense during 2017 amounted to Ch\$385 million, and it is detailed in the following table. The Board of Directors did not make additional expenses on consulting services. The Company does not have an incentive plan for its Board of Directors.

## Directors' Compensation Received in 2017 (thousands of pesos)

Board Member Name	Board Member Name	Fixed Compensation	Ordinary and Extraordinary Sessions	Committee's Fixed Compensation	Directors Committee	Total
Guiseppe Conti <sup>(1)</sup>	Chairman	-	-	-	-	-
Francesco Giorgianni <sup>(1)</sup>	Vice chairman	-	-	-	-	-
Francesco Buresti <sup>(1)</sup>	Director	-	-	-	-	-
Mauro Di Carlo <sup>(1)</sup>	Director	-	-	-	-	-
Umberto Magrini <sup>(1)</sup>	Director	-	-	-	-	-
Luca Noviello <sup>(1)</sup>	Director	-	-	-	-	-
Enrique Cibié Bluth	Director	\$ 55,507	\$ 40,222	\$ 18,505	\$ 14,143	\$ 128,378
Jorge Atton Palma	Director	\$ 55,507	\$ 40,222	\$ 18,505	\$ 14,143	\$ 128,378
Julio Pellegrini Vial	Director	\$ 55,507	\$ 40,222	\$ 18,505	\$ 14,143	\$ 128,378
<b>Total</b>		<b>\$ 166,521</b>	<b>\$ 120,667</b>	<b>\$ 55,515</b>	<b>\$ 42,429</b>	<b>\$ 385,133</b>

(1) Guiseppe Conti, Francesco Giorgianni, Francesco Buresti, Mauro Di Carlo, Umberto Magrini, and Luca Noviello, waived their fees and allowances due as Directors of the Company.

The total compensation expense during 2016 amounted to Ch\$ 417 million, and is detailed in the following table.

## Directors' Compensation Received in 2016 (thousands of pesos)

Board Member Name	Position	Fixed Compensation	Ordinary and Extraordinary Sessions	Committee's Fixed Compensation	Directors Committee	Total
Guiseppe Conti (1)	Chairman	-	-	-	-	-
Francesco Giorgianni (1)	Vice chairman	-	-	-	-	-
Francesco Buresti (1)	Director	-	-	-	-	-
Mauro Di Carlo (1)	Director	-	-	-	-	-
Umberto Magrini (1)	Director	-	-	-	-	-
Luca Noviello (1)	Director	-	-	-	-	-
Isabel Marshall Lagarrigue	Director	\$ 17,932	\$ 10,812	-	-	\$ 28,744
Felipe Lamarca Claro	Director	\$ 17,932	\$ 10,812	\$ 4,474	\$ 2,160	\$ 35,378
Enrique Cibié Bluth	Director	\$ 54,368	\$ 43,734	\$ 18,126	\$ 11,670	\$ 127,898
Jorge Atton Palma	Director	\$ 54,368	\$ 43,734	\$ 18,126	\$ 11,670	\$ 127,899
Julio Pellegrini Vial	Director	\$ 40,943	\$ 32,922	\$ 13,652	\$ 9,510	\$ 97,027
<b>Total</b>		<b>\$ 185,543</b>	<b>\$ 142,013</b>	<b>\$ 54,379</b>	<b>\$ 35,009</b>	<b>\$ 416,945</b>

(1) Guiseppe Conti, Francesco Giorgianni, Francesco Buresti, Mauro Di Carlo, Umberto Magrini, and Luca Noviello, waived their fees and allowances due as Directors of the Company.

## Incentive plans

The company has no incentive plans for the members of the Board of Directors.

## Consulting expenses

The Board of Directors spent an additional US\$180,000 in consulting services during 2017.

## Diversity in the Board of Directors

### Number of Directors by gender

Enel Generación Chile	
Female	0
Male	9
<b>Total</b>	<b>9</b>

### Number of Directors by nationality

Enel Generación Chile	
Italian	6
Chilean	3
<b>Total general</b>	<b>9</b>

### Number of Directors by age group

Enel Generación Chile	
Between 41 and 50 years	4
Between 51 and 60 years	3
Between 61 and 70 years	2
<b>Total</b>	<b>9</b>

### Number of Directors by years of service

Enel Generación Chile	
Less than 3 years	6
Between 3 and 6 years	3
<b>Total</b>	<b>9</b>

## Ownership in Enel Generación Chile

As of December 31, 2017, according to the shareholder's register, none of the Directors in office had an ownership share of the Company.

## Directors' Committee

At the Extraordinary Board Meeting of the company held on April 28, 2016, Julio Pellegrini Vial, Jorge Atton Palma and Enrique Cibié Bluth were elected as members of the Directors' Committee of Enel Generación Chile. Mr. Enrique Cibié was elected Chairman of the Committee and financial expert, under the Sarbanes-Oxley Act of the United States of America.

Conforming with the Chilean Corporations Act, the members of the Directors' Committee are all independent Board members

# Directors' Committee Annual Report

In accordance with Article 50 bis of the Chilean Corporations Act, amended by Law No 20,382 published in the Official Gazette on October 20, 2009, the following Report discloses the activities carried out by the Directors' Committee of Enel Generación Chile S.A. and their expenses for the year 2017.

**The composition of the Committee.** At the Ordinary Board of Directors' meeting of Enel Generación Chile S.A. held on April 28, 2016, Enrique Cibié Bluth, Jorge Atton Palma and Julio Pellegrini Vial were appointed as members of the Directors' Committee of Empresa Nacional de Electricidad S.A., currently Enel Generación Chile S.A. Enrique Cibié was elected Chairman of the Committee and financial expert under the Sarbanes-Oxley Act of the United States of America.

The members of the Directors' Committee are all independent Board members, as defined by the Chilean Corporations Act.

The Directors' Committee met on 18 occasions during 2017, 13 occasions were ordinary sessions and the rest were extraordinary sessions, proceeding to review the company's operations and contracts with related companies and in general pronouncing on those matters referred to in Article 50 bis of the Chilean Corporations Act, reporting its decisions to the company's Board of Directors. The Committee also pronounced, when required, on the services provided by external auditors other than the regular audit services and regarding the accusations originated from the company's Ethics Channel.

The Directors' Committee, in its session held on September 1, 2017, agreed to appoint the company Asset Chile as independent appraiser, additional to the appraiser appointed by the Board of Directors, to assist the members of the Directors' Committee in their analysis and review of the terms and conditions of the Elqui Project.

On November 9 and 14, 2017, the Directors' Committee pronounced on the corporate reorganization operation of Enel Chile, the Elqui Project, concluding that the operation, as described in its terms and conditions, contributes to the best interest of the company.

The Directors' Committee analyzed the Company's quarterly and annual financial statements and the reports of the external auditors and account inspectors. Also, KPMG Auditores Consultores Limitada presented the Annual Audit Plan and the report regarding the company's internal controls to the Directors' Committee, as stipulated in Section 404 of the Sarbanes-Oxley Act.

During the ordinary session held on April 26, 2017, the Committee pronounced on the 20-F document and authorized its submission to the United States Securities and Exchange Commission.

In 2017, specifically until December 20, 2017, the Directors' Committee analyzed and informed the Board that the following related party transactions had been performed at arm's length:

1. Trade account contracts between Enel Generación Chile and Enel Chile S.A. and between Enel Generación Chile and its subsidiaries Pehuenche, and GasAtacama Chile and a structured loan facility between Enel Generación Chile and Canela.
2. Legal services contract with Enel Chile S.A.
3. New SAP information system.
4. Engineering services contract with related companies.
5. Commodity hedging instruments

6. Services contract with Enel Green Power.
7. Electricity supply contract with Enel Distribución Chile.
8. OPR with EGP energy commercialization.
9. Spot price LNG shipment purchase.
10. Supply and technical assistance of LMS system with CESI firm.
11. LNG shipment purchase.
12. Monetary contribution to San Ignacio de Huinay Foundation.
13. LNG shipment sales contract with Enel Trade or Ende-sa Energía.
14. Representation and energy trade contract between Enel Generación Chile and GasAtacama Chile S.A..
15. Energy commercialization contract with EGP.
16. Intercompany hydroelectric and thermoelectric engineering services contracts between Enel Group companies.
17. Solar lighting contract for San Isidro's parking lot.
18. Procurement and services contract CESI.
19. Authorization to transfer the concession of the Duque-co-Pangue line.
20. Engineering services contract for the "CT Termozi-pa-expected life extension and emissions reduction" project.
21. Review of the corporate reorganization, Elqui Project.
22. Agreement to waive the condition subsequent of the Renaico Project.
23. Commodity hedging.

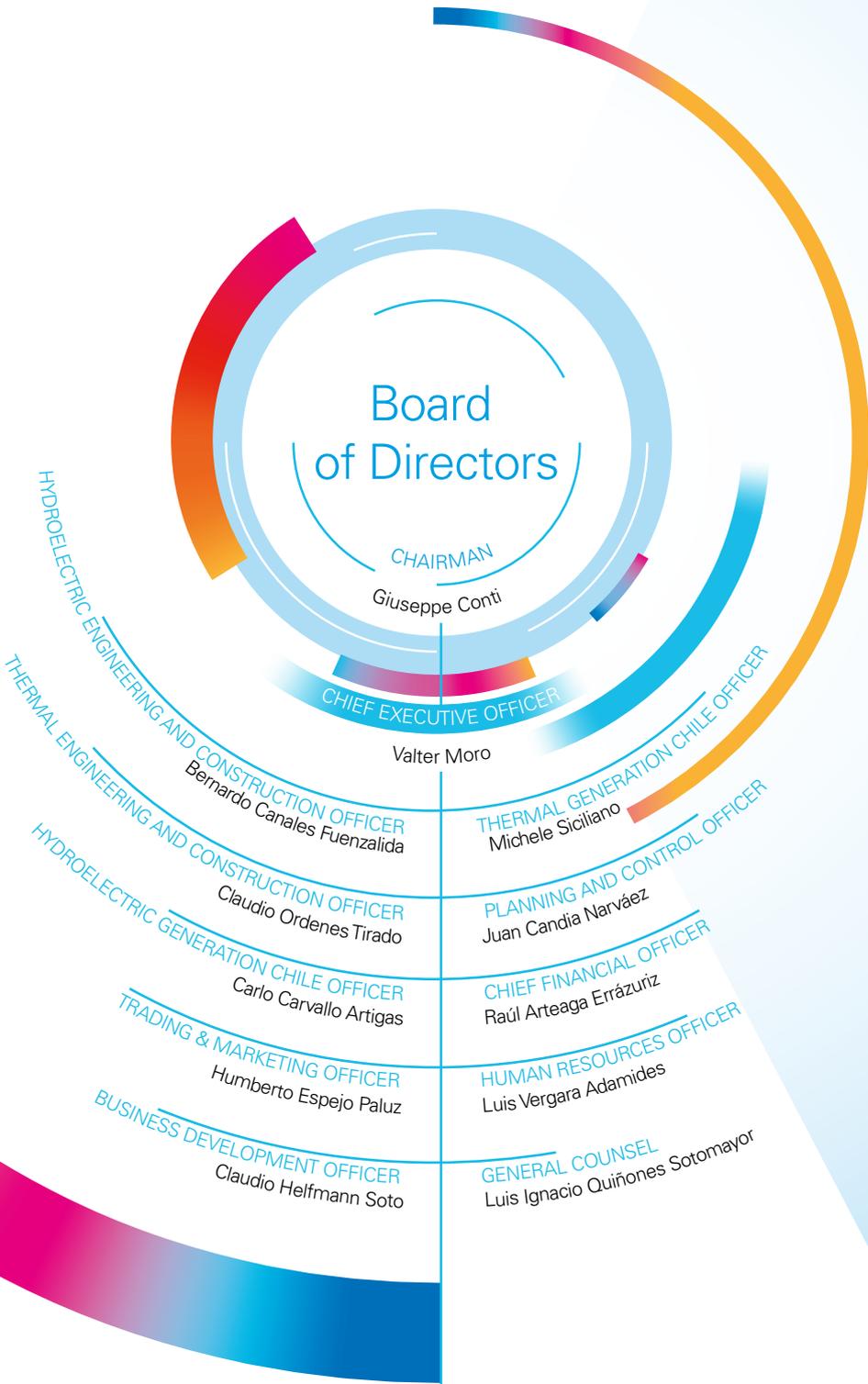
Regarding all contracts and operations mentioned, the market conditions were verified through bids, requests for comparable offers or otherwise by observing the relevant market conditions.

## Directors' Committee Expenses

The Ordinary Shareholders Meeting of Enel Generación Chile held on April 25, 2017, agreed to pay each member of the Directors' Committee an unconditional monthly compensation of UF 58 and an additional UF 28 per session attended, fixing 15 as the limit to the number of remunerated sessions a year, either ordinary or extraordinary; and an annual operations expense budget for the committee and its advisors for 2017 of UF 6,000 stating that if an additional amount is required for consulting services.

The expenses of the Directors' Committee amounted to UF 9,500 in 2017.

# Organizational structure



# Senior executives



## 1. CHIEF EXECUTIVE OFFICER

### Valter Moro

Mechanical Engineer  
 Universidad Politécnica de Marche  
 Ph.D. in Electrical Engineering  
 Universidad Politécnica de Marche  
 Tax ID No: 24,789,926-K  
 Since 11.01.2014

## 2. HUMAN RESOURCES OFFICER

### Luis Vergara Adamides

Electronic Engineer  
 Universidad Técnica Federico Santa María  
 MBA Pontificia Universidad Católica de Chile  
 Tax ID No: 8,586,744-k  
 Since 04.01.2016

## 3. GENERAL COUNSEL

### Ignacio Quiñones Sotomayor

Lawyer  
 Universidad Diego Portales  
 Tax ID No: 7,776,718-5  
 Since 11.01.2013

## 4. CHIEF FINANCIAL OFFICER

### Raúl Arteaga Errázuriz

Civil Engineer  
 Universidad de Chile  
 Tax ID No: 7,012,475-0  
 Since 05.01.2016

## 5. HYDROELECTRIC ENGINEERING AND CONSTRUCTION OFFICER

### Bernardo Canales Fuenzalida

Degree in Mechanical Engineering Sciences  
 Universidad de Chile  
 Diploma in Economics  
 Pontificia Universidad Católica de Chile  
 Tax ID No: 11,565,097-1  
 Since 02.26.2015

## 6. BUSINESS DEVELOPMENT OFFICER

### Claudio Helfmann Soto

Civil Industrial Engineer with minor in  
 Electrical Engineering  
 Pontificia Universidad Católica de Chile  
 Tax ID No: 13,191,190-4  
 Since 02.26.2015

## 7. TRADING & MARKETING OFFICER

### Humberto Espejo Paluz

Civil Engineer  
 Pontificia Universidad Católica de Chile  
 Master in Engineering Sciences  
 Pontificia Universidad Católica de Chile  
 Tax ID No: 11,629,179-7  
 Since 02.26.2015

## 8. THERMAL ENGINEERING AND CONSTRUCTION OFFICER

### Claudio Ordenes Tirado

Mechanical Engineer  
 Universidad de Santiago de Chile  
 Diploma in Business Management  
 Universidad de Chile  
 Tax ID No: 10,939,381-9  
 Since 12.15.2016

## 9. HYDROELECTRIC GENERATION CHILE OFFICER

### Carlo Carvallo Artigas

Civil Engineer  
 Universidad de Chile  
 Masters (E) Asset and Maintenance  
 Management, UTFS  
 Diploma in Applied Economics to Natural  
 Resources and Environment  
 Universidad Católica  
 Diploma Electricity Market - Universidad del  
 Desarrollo  
 Tax ID No: 8,803,928-9  
 Since 12.15.2016

## 10. THERMAL GENERATION CHILE OFFICER

### Michele Siciliano

Mechanical Engineer  
 Universidad de Calabria  
 Tax ID No: 25,467,930-5  
 Since 12.15.2016

## 11. PLANNING AND CONTROL OFFICER

### Juan Candia Narváez (\*)

Civil Electrical Engineer  
 Pontificia Universidad Católica de Valparaíso  
 Civil Industrial Engineer  
 Universidad Técnica Federico Santa María  
 Universidad de Chile  
 MBA Pontificia Universidad Católica de Chile  
 Tax ID No: 13,226,963-7  
 Since 04.01.2017

\* Replaces Jorge Burlando



Pehuenche reservoir, Maule region

## Senior Executives' and Managers' Compensation

During 2017, the compensation and benefits received by the Chief Executive Officer and senior executives of the Company amounted to Ch\$ 2,058 million of fixed compensation and Ch\$ 468 million of variable compensation and benefits.

During 2016, the compensation and benefits received by the Chief Executive Officer and senior executives of the company amounted to Ch\$ 2,671 million of fixed compensation and Ch\$ 393 million of variable compensation and benefits.

This amount included managers and senior executives in their positions at the end of each year and those who left the company during the respective year.

## Benefits for Senior Executives and Managers

The company maintains complementary health insurance and catastrophic insurance coverage for senior executives and their accredited dependents. The company also has life insurance coverage for each senior executive. These benefits are granted according to the managerial level of each employee at the time executed.

In 2017, the amount spent on these benefits was Ch\$ 38 million, which is included in the compensation received by senior executives.

## Incentive Plans for Managers and Senior Executives

Enel Generación Chile has an annual bonus plan for its executives based on achieving objectives and the level of individual contribution to the company's results. This plan defines a bonus range for each management or hierarchical level. Executive bonuses are expressed as a specific number of monthly gross salaries.

## Severance payments

The company made severance payments to senior executives of the company amounting to Ch\$ 263 million in 2017.

## Shareholdings in Enel Generación Chile

Based on the shareholder's register, as of December 31, 2017, Raúl Pablo Arteaga Errázuriz held 0.00014% of the Company's total shares.

## Management of Main Subsidiaries

**Pehuenche**  
**Carlo Carvalho Artigas**  
Civil Engineer  
Universidad de Chile

**GasAtacama Chile**  
**Valter Moro**  
Mechanical Engineer  
Universidad Politécnica de Marche Italia

# 08

## Human Resources



# Workforce

The following table includes total active employees of Enel Generación Chile and its subsidiaries as of December 31, 2017:

Companies	Managers & Senior Executives	Professionals & Technicians	Other Employees	Total
Enel Generación Chile	11	717	25	753
Pehuenche	2	-	-	2
GasAtacama	-	89	4	93
<b>Total</b>	<b>13</b>	<b>806</b>	<b>29</b>	<b>848</b>

Diversity of the Chief Executive Office and other Departments that report to CEO or Board of Directors

## Number of employees by gender

	Enel Generación Chile	Pehuenche
Female	-	-
Male	11	2
<b>Total</b>	<b>11</b>	<b>2</b>

## Number of employees by nationality

	Enel Generación Chile	Pehuenche
Chilean	9	2
Italian	2	-
<b>Total</b>	<b>11</b>	<b>2</b>

## Number of employees by age group

	Enel Generación Chile	Pehuenche
Less than 30 years	-	-
Between 30 and 40 years	2	-
Between 41 and 50 years	6	1
Between 51 and 60 years	3	-
Between 61 and 70 years	-	1
More than 70 years	-	-
<b>Total</b>	<b>11</b>	<b>2</b>

## Number of employees by years of service

	Enel Generación Chile	Pehuenche
Less than 3 years	1	-
Between 3 and 6 years	2	-
More than 6 and less than 9 years	-	-
Between 9 and 12 years	1	-
More than 12 years	7	2
<b>Total</b>	<b>11</b>	<b>2</b>

Diversity in the Organization

## Number of employees by gender

	Enel Generación Chile	GasAtacama	Pehuenche
Female	99	9	-
Male	654	84	2
<b>Total</b>	<b>753</b>	<b>93</b>	<b>2</b>



## Number of employees by nationality

	Enel Generación Chile	GasAtacama	Pehuenche
Argentine	1	24	-
Chilean	727	69	2
Colombian	4	-	-
Spanish	4	-	-
French	1	-	-
Italian	13	-	-
Mexican	1	-	-
Peruvian	2	-	-
<b>Total</b>	<b>753</b>	<b>93</b>	<b>2</b>

## Number of employees by age group

	Enel Generación Chile	GasAtacama	Pehuenche
Less than 30 years	33	5	-
Between 30 and 40 years	282	23	-
Between 41 and 50 years	249	38	1
Between 51 and 60 years	138	22	-
Between 61 and 70 years	49	5	1
More than 70 years	2	-	-
<b>Total</b>	<b>753</b>	<b>93</b>	<b>2</b>

## Number of employees by years of service

	Enel Generación Chile	GasAtacama	Pehuenche
Less than 3 years	91	13	-
Between 3 and 6 years	128	10	-
More than 6 and less than 9 years	122	12	-
Between 9 and 12 years	132	13	-
More than 12 years	280	45	2
<b>Total</b>	<b>753</b>	<b>93</b>	<b>2</b>

## Average fixed salary of women compared to men within the same professional category

Category	Chile
Senior Management	0%
Professionals - Level 1	116%
Professionals - Level 2	88%
Professionals - Level 3	92%
Administrative - Level 1	99%
Administrative - Level 2	99%
Administrative - Level 3	99%

# Human Resources Activities

## Labor Relations

Between November 2017 and January 2018, collective bargaining processes were held with Enel Generación Chile labor unions: National Intra-Company Labor Union, Engineers and Professionals of Enel Generación Chile S.A. and Subsidiaries Companies (SIPEF), Endesa and Subsidiaries National Inter-Company Labor Union (SINTEF), Executive Engineers and Professionals National Inter-Company Labor Union of Endesa, Subsidiaries and other related companies (SIEP), and a labor union from GasAtacama: GasAtacama Generation S.A. Labor Union N° 2. These processes were developed as determined by regulations and within the legally established timeframe. Contracts were signed for a 30-month term, 30 month term, 36 month term and 36 month term, respectively. Additionally, we continued the program of meetings with the unions, strengthening communication with representatives and fostering a positive work environment.

## Training

Enel Generación Chile's 2017 training program was constructed and executed based on two fundamental management principles:

1.- Obtaining the right balance between training activities focused on the development of technical skills and knowledge essential to workers' performance. These training activities focused on the development of behavioral skills to allow our employees to improve their development abilities.

2.- Building a training program on a mechanism that allows the collaborator and his manager to jointly identify the technical and behavioral gap that needs to be addressed, regarding individual productivity in the workplace and access to future opportunities of development. The mechanism of identification of needs is known as Professional Development Itinerary (IDP in its Spanish acronym), which has an implementation period of two years.

Overall, the performance of training activities in Enel Generación Chile during 2017 had a coverage of 76%, which implies that 562 workers had at least one training activity during the year. The total number of hours of training was 35,979 hours, which results in a 2.6% training rate (hours of training every 100 hours worked).

Technical training is the company's main focus when it comes to training due to the importance of updating technical knowledge and procuring the acquisition of new management tools. Technical training represented 93% of total hours dedicated to training. Worth highlighting are activities linked to knowledge management; that is, the implementation of activities related to transferring knowledge and experiences of workers that have greater expertise in certain subjects to workers that are learning and developing their skills, reinforcing the Company's commitment to employee development, recognition, and dissemination of knowledge.

Regarding the development of new behavioral and management skills, several programs were implemented during 2016. Worth highlighting are the in-house diploma programs in Electricity Markets, and Project Evaluation and Management programs performed by the University of Chile and tailored to the company's needs. Within this context, activities linked to the development of leadership skills are also worth mentioning, as they are particularly relevant to the manager's program, which seeks to identify each managers' leadership deficiencies and establish a training plan specific to their individual needs. During 2017, 24 managers participated in this program.

Finally, risk prevention, health, and the overall safety of our employees, in all levels and categories of personnel within the organization, are the focal points particularly relevant that have the Company's permanent attention.



# Human Resource Management

## Work Climate Management

Work climate represents a priority for the Company and therefore a widespread environment and safety survey is performed twice a year. This survey provides the information required to design an action plan to strengthen and enrich the Company's work environment. Work climate management and commitment closely relate to the individuals that conform the Company's human resources and are consequently fundamental pillars of the Company's strategy.

During 2017, we continued with initiatives related to leadership, communication, meritocracy and development, conflict resolution measures, and good work practices,

which maintain workers' motivation, satisfaction and commitment.

Regarding leadership, Enel Generación Chile has a manager building program that seeks to promote and reinforce the important role of managers in creating organizational environments that improve workers' satisfaction and development. "Leaving Traces" was designed as a comprehensive training program that defines an individual plan for each manager, including skill training workshops, individual coaching, guided meetings, and building a network of good practices in human resource management.

Enel Generación Chile has implemented a set of communication initiatives entitled "RHO with You" to guarantee constant communication with workers to deal with different subjects but that focuses on matters related to human resource management. Activities include a weekly radio show, a website, a manual of good practices, and monthly bulletins for managers and workers, among others.

We have also begun a program known as "Interact", which focuses on initiatives that encourage employees to interact with Human Resources. The goal of these meetings is that employees learn more about the Company's policies and good practices, in addition to offering human resources and opportunity to learn about the employee's development needs.

In 2017, the program “Areas are Introduced” was implemented in which employees deepen their understanding on the functions and challenges of the different areas of the company. The importance of this program lies in promoting a collaborative culture among different areas of the company, transforming, guiding and leading teams into a “¿How can I help you?” culture.

The Company also has programs that focus on meritocracy and development. Professional development is managed by offering promotions based on merit, and job opportunities both locally and abroad, in countries where the Group has operations.

Another initiative is the “One on One” interview. They are personalized conversations that represent an opportunity to deepen employee motivation and employees different work styles, strengthening their commitment and increasing their productivity. They also allow identifying each person’s values and specific needs to satisfy the different professional development models that exist in the company.

In Enel Generación Chile, the occasions to receive feedback from employees are opportunities to create a closer bond, increase transparency, align expectations, and support employees’ professional development. Fostering a constant feedback culture leads us to the development of our employees’ talents and towards the formation of high performing teams.

We have continued the programs “Recognizing Ourselves” and “Hall of Energies” which seek to strengthen a recognition culture within the company and create formal occasions that value peoples’ attitudes according to our values (innovation, proactiveness, trust and responsibility), and initiatives or projects that add value to the company.

Regarding Enel Generación Chile’s new challenges, we must create a culture of permanent change within the organization. In this regard, the program “agent of change” was created during 2017, which includes approximately 50 employees. This team has developed cultural change initiatives that facilitate the implementation of projects. Each team has had a company manager as a sponsor, who supports and directs their initiatives, linking the technical project with the cultural change that its implementation implies.

## Work-Life Integration Measures and Work Flexibility

With regard to measures adopted to improve the integration of work and life and also flexibility, in 2017, we began a new form of remote work, “Smart Working” evolving from the Telework Program that began in 2012. “Smart Working” is one of the Company’s most appreciated work and life integration measures, granting employees with greater flexibility when it comes to the execution of their work. Today, we have 256 workers in the program, 60 are Enel Generación Chile employees. These workers can choose to work from their homes, or from wherever they choose one day a week, between Tuesday and Thursday, complying with the safety and health measures established by current legislation.

Additionally, several other initiatives were carried out to improve worker’s quality of life, such as the sport and culture extension program, winter and summer camps for employees’ children, summer training workshops for employees’ families, and the University of Chile summer school, focused towards improving the academic performance of employees’ high school level children.

## Safety Measures and Occupational Health

In Enel Generación Chile, safety and occupational health are goals closely linked to the business. Leadership in safety integration and occupational health is particularly important throughout the continuous improvement process, at every level and any activity held by the company, strengthening its priority in corporate management due to its strategic importance. In terms of leadership, we highlight the active participation of the different tiers of the company in terms of risk control in worker’s activities, through the implementation of health and safety programs such as Safety Walks, ECoS (extra checking on site, and ISI (Intrinsic Safety Index), among others.



## Relevant Programs

### Health Dissemination and Promotion 2017

This program aims to educate and train workers in activities that promote quality of life. It carries out massive dissemination efforts using posters, graphic material and emailed information titled "Advice that gives Life." Each month has a topic, such as

- > **March:** Anti-stress campaign. Practical recommendations to eliminate its causes.
- > **April:** Immunization Campaign. Massive vaccination invitation to prevent seasonal flu.
- > **May:** Anti-tobacco campaign: Advice to prevent tobacco consumption.
- > **June:** Cervix and Prostate Cancer Campaign. An annual preventive exam for its detection is encouraged.
- > **July:** Respiratory disease and Viral Infections Prevention Campaign. Recommendations to prevent contagion.

- > **August:** Heart Care Campaign. Practical recommendations for heart care.
- > **September:** Gastric and Colon Cancer Campaign. Recommendations for detection of these diseases through preventive exams.
- > **October:** Breast Cancer Prevention Campaign. Invitation to participate in the prevention of this disease through early detection.
- > **November:** Boost your Energy Campaign. Recommendations on nutrition and quality of life improvement.
- > **December:** Skin Care Campaign. Advice regarding skin care, UV radiation and other agents.

### Immunization Program

Immunization among Enel Generation Chile workers is a preventive measure for all Company employees to prevent commonly contagious diseases.

During the first quarter of the year, Trivalent Seasonal Flu Vaccines are provided to prevent the outbreak that usually begins in June.

## Cardiovascular Risk Program

This program aims towards workers with cardiovascular risk according to the results of their preventive exams. Its purpose is to offer appropriate health care, through physical fitness with specific exercises and nutrition evaluations.

## Preventive Exams Program

The purpose of this program is to carry out periodical medical evaluations to all workers for the early detection of pathologies or disorders that could be hazardous to health. This initiative aims towards all Company's workers and follows a protocol defined by age and gender.

## Work Safety Programs implemented in 2017

A health and safety plan was developed and led by the HS unit in 2017, which focused on areas such as: standardizing medical monitoring activities for workers; improving risk management through the identification of on-site risks (hazards inherent to the facilities) and manufacturing a 3D model of the facilities' risks; improving emergency response and control plans; improving processes related to energy blocking system; standardize the use of scaffolds (assembly and use), considered a critical activity; assuring contractors' safety areas; among others.

From a strategic standpoint, several actions were implemented to control accidents during major maintenance activities. SMP (safety moving pool) is an initiative in which people are hired specifically for shutdowns, to carry out safety checks. A method to analyze interferences and critical tasks, such as tasks in confined areas, was also implemented, as well as activities aimed towards implementing random alcohol and drug checks.

## Safety Campaigns

The Safety and Health week took place during November 2017, focusing on the six safety commitments. On this occasion, the lessons learned during the company's most significant events were disseminated. Additionally, personnel from contractor companies were included in health and safety awareness activities.

## Recruitment and Selection

Enel Generación Chile's main goal is to incorporate the best people for the available positions. Our principle is to privilege internal candidates to full job openings.

## Filling Positions

During 2017, a total of 54 positions were opened, of which 37% were filled by internal candidates. Furthermore, 3% of these positions were assigned to women who either won local internal contests or were re-assigned directly. Additionally, 15% of the external workers that entered the company in 2017 (63% of the total available positions were filled with external workers), were women.

## Internships and Young Talent Program

This project is worthy of being mentioned because of its recruitment method. It involves incorporating young professionals from top universities in the country as interns. They



are given the opportunity to gradually learn about the complexity and style of Enel Generación Chile, making close recruitment sources available and relatively accessible for the company, and opening the possibility of relying on direct references and evaluations of the students that excel and match the company's technical competence as well as the company's values. Additionally, this program ensures the constant presence of the company in the country's top universities. It is a permanent program, in which 117 students participated throughout 2017, receiving the greatest number of interns during the summer.

## Diversity and Inclusion

For Enel Generación Chile, having diverse work teams and an inclusive work environment is essential to achieve a culture of innovation. Diversity grants the possibility to visualize different opinions and points of view, enriching the work environment and adding value to the business.

In our business, we value differences and turn them into a competitive advantage. This is how we improve our processes, products and services - by stimulating creativity, learning, flexibility and respect. All of this also strengthens our brand and makes us more attractive to talents in the market.

In terms of disabilities, this year we signed a value-sharing agreement with the Teletón Foundation, and encouraged the participation of young disabled people in the company. Additionally, an e-learning course on labor inclusion awareness and adaptation was developed alongside this foundation.

During 2017, we implemented the On-Boarding program, in which each worker that joins Enel Generación Chile must be guided by a tutor who supports the new employee professionally and personally, orienting them on the day-to-day dynamics and in the establishment of networks that will help them feel in a welcoming and comfortable environment. This program promotes a fast adaptation to the company's culture, and is also an opportunity to obtain feedback and suggestions from new employees.

# 09

## Stock Markets Transactions



Isla power plant, El Maule region

# Stock Markets Transactions

During 2017, the Santiago Stock Exchange traded 1,230.3 million shares amounting to Ch\$ 635,044 million. Also, 106.8 million shares were traded on the Chilean Electronic Stock Exchange amounting to a total Ch\$ 54,431 million. The Valparaíso Stock Exchange traded 51.6 million shares, amounting to Ch\$ 26.4 million.

In 2017, the price of the Enel Generación Chile share closed at Ch\$ 556.87 on the Santiago Stock Exchange, at Ch\$ 558.00 on the Electronic Stock Exchange and Ch\$ 537.00 on the Valparaíso Stock Exchange.

## Santiago Stock Exchange

Quarter	Units traded	Volume traded (Ch\$)	Average price (Ch\$)
1st quarter 2015	201,733,273	186,445,052,457	924.11
2nd quarter 2015	268,980,813	251,504,812,678	933.42
3rd quarter 2015	247,884,649	215,248,572,236	866.15
4th quarter 2015	290,618,546	248,121,641,665	853.70
1st quarter 2016	272,039,800	246,948,368,603	907.77
2nd quarter 2016 (*)	252,259,040	170,016,852,541	673.98
3rd quarter 2016 (*)	209,816,456	113,756,072,891	542.17
4th quarter 2016 (*)	302,724,133	131,395,213,626	434.04
1st quarter 2017	227,122,116	101,996,635,322	449.08
2nd quarter 2017	229,476,830	118,524,338,412	516.50
3rd quarter 2017	362,760,636	188,152,030,634	518.67
4th quarter 2017	410,970,054	226,371,938,063	550.82

(\*) The change in share price includes the effect of the division of the Company since April 21, 2016

## Chilean Electronic Exchange

Quarter	Units traded	Volume traded (Ch\$)	Average price (Ch\$)
1st quarter 2015	16,682,624	15,449,270,240	921.57
2nd quarter 2015	23,408,819	21,884,682,321	934.70
3rd quarter 2015	20,107,706	17,527,318,738	869.36
4th quarter 2015	10,672,293	9,090,770,381	848.71
1st quarter 2016	23,445,710	21,335,113,418	909.98
2nd quarter 2016 (*)	25,752,631	17,133,052,059	665.29
3rd quarter 2016 (*)	19,969,754	11,418,261,103	571.78
4th quarter 2016 (*)	20,946,310	9,296,251,809	443.81
1st quarter 2017	25,019,830	11,233,676,209	448.99
2nd quarter 2017	25,541,874	13,306,544,212	520.97
3rd quarter 2017	31,744,681	16,293,585,974	513.27
4th quarter 2017	24,498,818	13,597,617,107	555.03

(\*) Cambio en el precio de la acción incluye efecto por división de la compañía desde 21 de abril de 2016.

**Valparaiso Stock Exchange**

Quarter	Units traded	Volume traded (Ch\$)	Average price (Ch\$)
1st quarter 2015	No movements	No movements	No movements
2nd quarter 2015	52	49,192	946.00
3rd quarter 2015	No movements	No movements	No movements
4th quarter 2015	2,000	1,680,400	840.20
1st quarter 2016	359	332,075	925.00
2nd quarter 2016 (*)	36,020	21,923,941	608.66
3rd quarter 2016 (*)	31,707	137,491,436	433.63
4th quarter 2016 (*)	9,121	3,876,425	425.00
1st quarter 2017	13,065	5,542,145	424.2
2nd quarter 2017	9,749	4,916,069	504.26
3rd quarter 2017	No movements	No movements	No movements
4th quarter 2017	28,784	15,950,659	554.15

(\*) The change in share price includes the effect of the division of the Company beginning April 21, 2016

During 2017, 30.7 million shares amounting to US\$ 732.3 million were traded in the United States of America. One ADS currently represents 30 Enel Generación Chile shares. The price of the ADS of Enel Generación Chile closed at US\$26.91.

**New York Exchange (NYSE)**

Quarter	Units traded	Volume traded (Ch\$)	Average price (Ch\$)
1st quarter 2015	4,548,130	202,131,937	44.42
2nd quarter 2015	6,967,163	317,082,107	45.21
3rd quarter 2015	8,232,748	320,146,178	38.59
4th quarter 2015	7,665,071	280,573,904	36.68
1st quarter 2016	11,711,161	319,275,606	27.00
2nd quarter 2016 (*)	12,407,882	338,022,164	27.06
3rd quarter 2016 (*)	7,698,444	187,359,904	24.46
4th quarter 2016 (*)	7,481,035	148,674,315	19.80
1st quarter 2017	5,309,486	109,001,802	20.46
2nd quarter 2017	7,091,597	165,322,772	23.29
3rd quarter 2017	8,488,248	203,926,358	24.06
4th quarter 2017	9,830,474	254,031,809	26.12

(\*) The change in share price includes the effect of the division of the Company beginning April 21, 2016

# Market Information

The perspective of the global economic scenario in 2017 has been showing improvements. In general, developed economies and several emerging markets have reached higher growth rates than previous years. Additionally, global financial conditions have been favorable, to a certain extent, due to the cautious and austere management of the main international economies, which has contributed to maintain reasonably low interest rates.

With regard to Chile, the Selective Stock Price Index, IPSA (in its Spanish acronym), which groups the 40 main shares in the country regarding transaction volume, closed at 5,564.6 points equivalent to a 34.0% increase when compared to the year before.

Capital has continued flowing to emerging markets and the price of several risk assets are high. The prices of commodities have also performed better than expected.

The main external risks continue to be linked to the monetary policy of the developed world and the fiscal policy of the United States of America, and its impact on the global economy and financial conditions, in addition to the geopolitical risks mainly from China and Latin America. Notwithstanding the aforementioned, since the beginning of the year, currencies have been appreciating with respect to the US Dollar and the ten-year nominal interest rate of several economies have fallen, with the exception of China and India.

During 2017, the price of Enel Generación Chile stock increased 26.0%, which may be explained by the expectations regarding the Elqui operation combined with a moderate internalization of the lower long-term price expectation for the electricity industry.

With regard to the accumulated stock price variation in 2016 and 2017, considering the price from the first working day of 2016 until April 20 (1.6%); and then, from April 21, 2016, through December 30, 2017 (-10.7%), to make a valid comparison, the accumulated variation in the price of the Enel Generación Chile share was a 36.6% reduction. The IPSA, measured the same way, increased 51.2% during the same period. This is significantly explained by the negative perspectives for the industry as a consequence of the dry hydrology, the price of the latest electricity tenders combined with a low increase in electricity demand over the last few years.

Despite the devaluation of the Chilean Peso with respect to the US dollar, the price of the ADR's of Enel Generación Chile fell 38.43% in the New York Stock Exchange during 2017.

To make an adequate comparison and similar to the previous analysis, considering the price of the ADR from the first working day of 2016 until April 26, 2016 (6.6%); and then, its performance from April 27, 2016 through December 30, 2017 (-1.5%), the accumulated variation in the price of the Enel Generación Chile's ADR was a 27.4% reduction.

1 Exceptionally, IPSA in 2016 included 43 stocks. This number was adjusted to 40 again in 2017.

# Santiago Stock Exchange

The following table shows the changes in price of the ADR of Enel Generación Chile and the Selective Stock Price Index (IPSA) on the local stock market over the last two years:

Variation	01-04-2016 <sup>(1)</sup> / 04-20-2016	04-21-2016 / 12-30-2016	<b>2017</b>	Accumulated 2016-2017
ENELGXCH	1.6%	-29.2%	26.0%	-36.6%
IPSA	8.3%	4.1%	34.0%	51.2%

<sup>1</sup> The first working day of 2016 was 01/04/2016

# New York Stock Exchange (NYSE)

The following table shows the behavior of Enel Generación Chile's ADRs listed on the NYSE (EOCC), the Dow Jones Industrial index and the Dow Jones Utilities index over the last two years:

Variation	01-04-2016 <sup>(1)</sup> / 04-20-2016	04-21-2016 / 12-30-2016	<b>2017</b>	Accumulated 2016-2017
EOCC	6.6%	28.8%	38.4%	-27.4%
Down Jones Industrial	3.2%	9.5%	25.1%	41.9%
Down Jones Utilities	11.3%	1.0%	9.7%	25.2%

<sup>1</sup> The first working day of 2016 was 01/04/2016



# 10

Dividends



San Isidro power plant, Valparaíso region

# Dividend Policy 2018

## General

By the provisions of Circular letter N0 687 dated February 13, 1987 issued by the Superintendence of Securities and Insurance ("SVS" in its Spanish acronym) the dividend policy of the Company's Board of Directors is presented to the shareholders below:

## Dividend Policy

The Board of Directors, unanimously, agreed to propose the dividend policy for 2018 to the Ordinary Shareholders Meeting. The proposal is to distribute an interim dividend equal to 15% of the earnings as of September 30, 2018, as determined by the financial statements at that date, and payable in January 2019. The final dividend will be defined by the Ordinary Shareholders Meeting to be held during the first four months of 2019.

The Board will propose to the ordinary shareholders' meeting, to be held during the first four months of 2019, to distribute a final dividend equal to 60% of net profit for 2018. Compliance with the aforementioned dividend plan is subject to the actual net profit earned by the Company during the year, and to the results of the Company's periodic income projections or the existence of certain conditions, as applicable.

## Dividend Payment Procedure

Enel Generación Chile offers the following dividend payment methods, whether interim or final, and to avoid payment mistakes:

1. Deposit in a bank checking account, whose account-holder is the shareholder.
2. Deposit in a bank savings account, whose account-holder is the shareholder.
3. Mailing of a check or cashier's check via certified mail to the address of the shareholder's residence recorded in the shareholders' register.
4. Collection of a check or cashier's check from the offices of DCV Registros S.A., as the registrar of Enel Generación Chile's shareholders, or from the bank and branches defined for this purpose and informed in the dividend payment notice published.

For this purpose, bank checking or savings accounts may be located anywhere in the country.

It should be emphasized that the payment method chosen by each shareholder will be used by the securities depository, DCV Registros S.A. for all dividend payments unless the shareholder communicates in writing the intention to change it and a new option is recorded.

Shareholders who have not registered a payment method will be paid by method 4 indicated above.

If checks or cashier's checks are returned by the post office to DCV Registros S.A., they will remain in its custody until collected or requested by the shareholder.

In the case of deposits in bank checking accounts, Enel Generación Chile may request, for security reasons, they are verified by the respective bank. If there is an objection to the account indicated by a shareholder, whether in the prior verification process or for any other reason, the dividend will be paid according to method No 4 indicated above.

Furthermore, the company has adopted and will continue to adopt in the future all the necessary security measures required by the dividend payment process to safeguard the interests of the shareholders and Enel Generación Chile.

# Dividend Policy 2017

## General

By the provisions of Circular letter N0 687 dated February 13, 1987 issued by the SVS, the dividend policy of the Company's Board of Directors is presented to the shareholders below:

## Dividend Policy

The Board of Directors agreed to distribute an interim dividend equal to 15% of earnings as of September 30, 2017, according to the financial statements at that date, and payable in January 2018. The final dividend will be determined by the ordinary shareholders' meeting to be held during the first four months of 2018. The Board will propose to the ordinary shareholders' meeting, to be held during the first four months of 2018, to distribute a final dividend equal to 55% of net profit for 2017. Compliance with the aforementioned dividend plan is subject to the actual net profit earned by the Company during the year, and to the results of the Company's periodic income projections or subject to the existence of certain conditions, as applicable.

Dividend Payment Procedure of Enel Generación Chile for 2017.

The payment of dividends, whether interim or final and to avoid payment mistakes, Enel Generación Chile offers the following payment methods:

1. Deposit in a bank checking account, whose account-holder is the shareholder.

2. Deposit in a bank savings account, whose account-holder is the shareholder.
3. Mailing of a check or cashier's check via certified mail to the address of the shareholder's residence recorded in the shareholders' register.
4. Collection of a check or cashier's check from the offices of DCV Registros S.A., as the registrar of Enel Generación Chile's shareholders, or from the bank and branches defined for this purpose and informed in the dividend payment notice published.

For this purpose, bank checking or savings accounts may be located anywhere in the country.

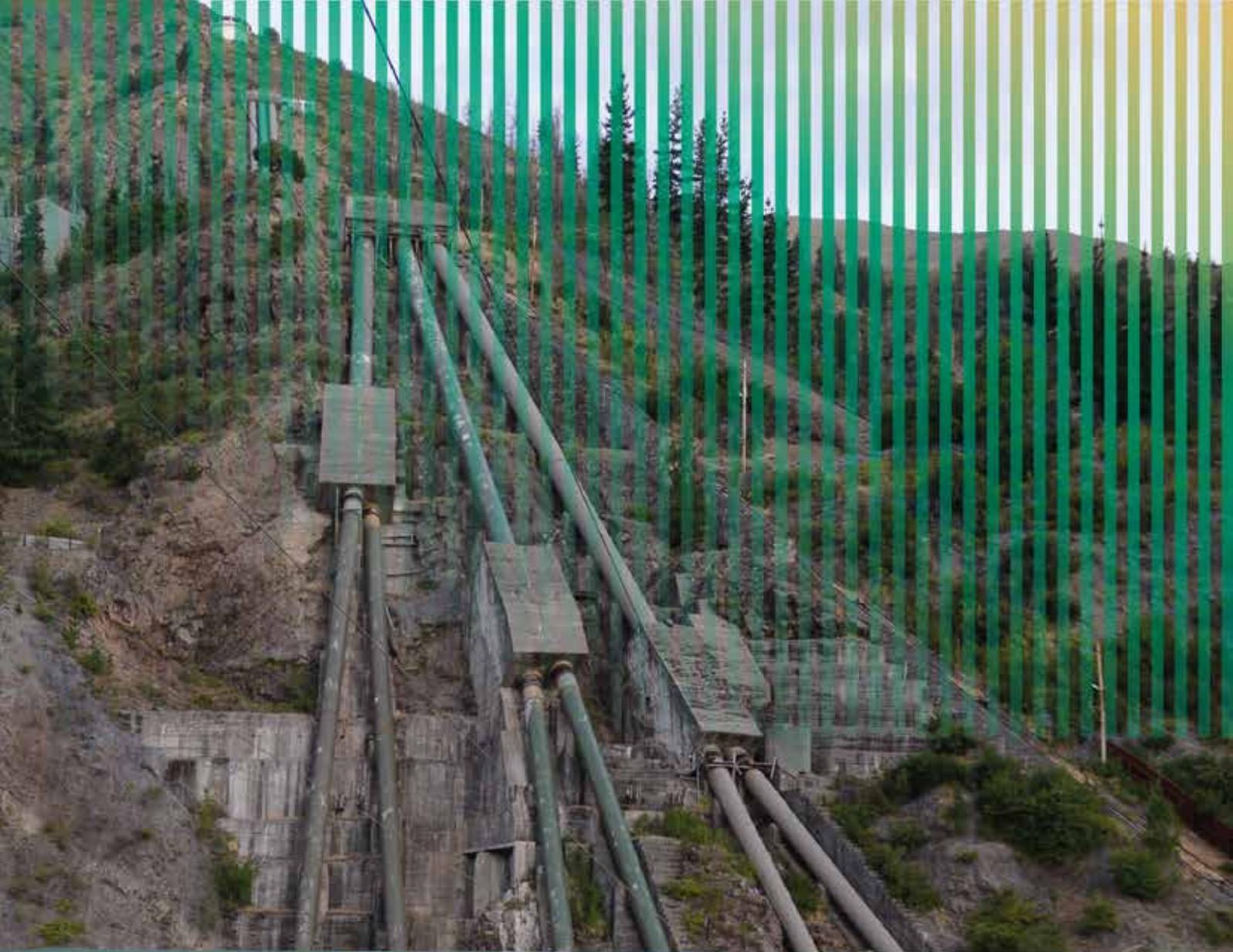
It should be emphasized that the payment method chosen by each shareholder will be used by the securities depository, DCV Registros S.A. for all dividend payments unless the shareholder communicates in writing the intention to change it and record a new option.

Shareholders who have not registered a payment method will be paid by method No 4 indicated above.

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Furthermore, the company has adopted and will continue to adopt in the future all the necessary security measures required by the dividend payment process to safeguard the interests of the shareholders and Enel Generación Chile.



Cipreses power plant, El Maule region

# Distributable Net Income 2017

Millions of Chilean pesos

**2017**

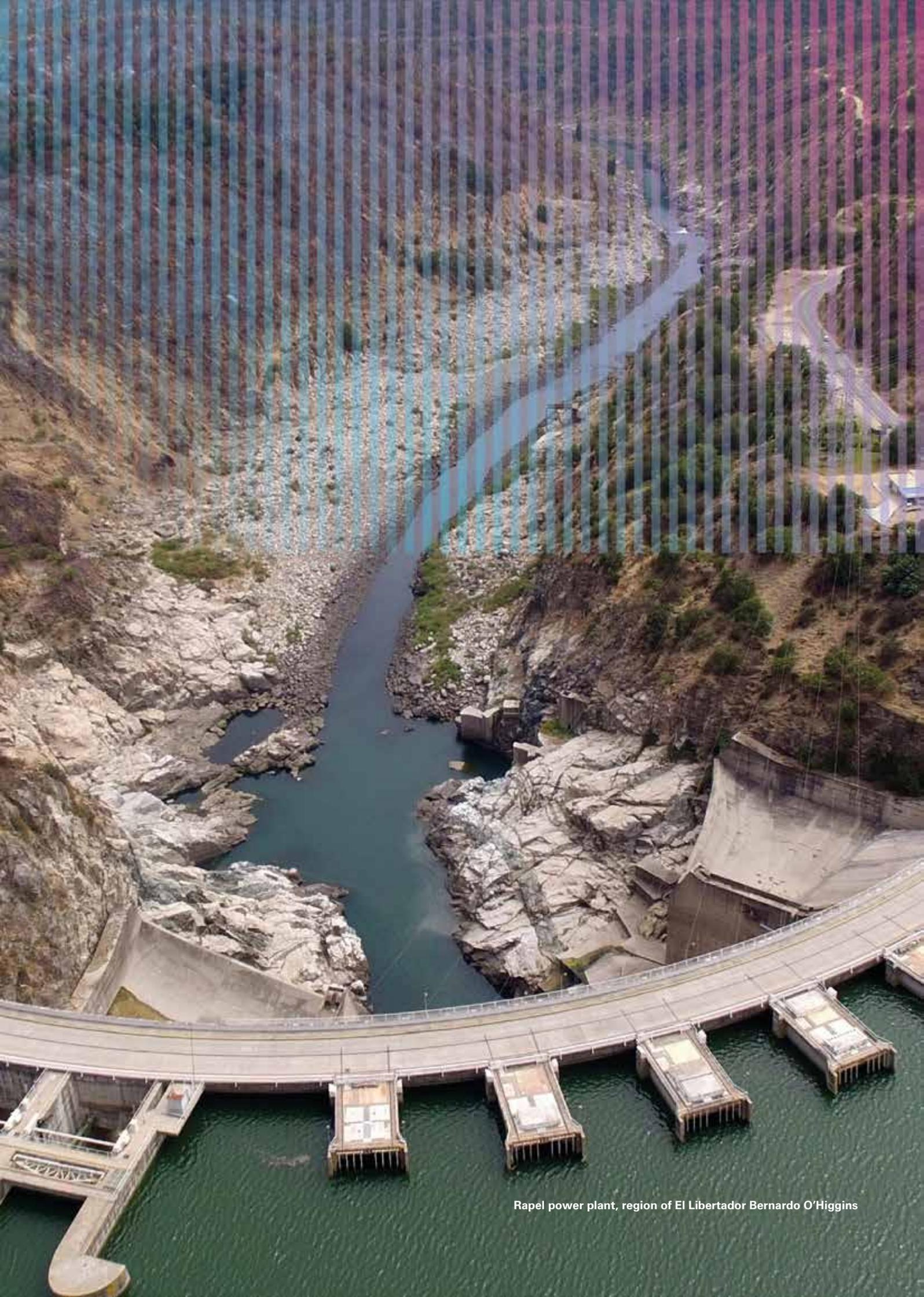
Net Income for the year attributable to the dominant company	Ch\$ 418,454
Distributable Net Income	Ch\$ 418,454

## Dividends distributed

Dividend N°	Dividend Type	Closing date	Payment date	Ch\$ per share	Input to the year	Annual dividend	% of earnings
48	Final	04/28/10	05/05/10	17.53050	2009	26.8429	35%
49	Interim	01/20/11	01/26/11	6.42895	2010		
50	Final	05/05/11	05/11/11	26.09798	2010	32.5269	50%
51	Interim	01/13/12	01/19/12	5.08439	2011		
52	Final	05/11/12	05/17/12	22.15820	2011	27.2426	50%
53	Interim	01/18/13	01/24/13	3.04265	2012		
54	Final	05/03/13	05/09/13	11.24302	2012	14.28567	50%
55	Interim	01/25/14	01/31/14	3.87772	2013		
56	Final	05/09/14	05/15/14	17.69856	2013	21.57628	50%
57	Interim	01/24/15	01/30/15	3.44046	2014		
58	Final	05/18/15	05/25/15	16.95495	2014	20.39541	50%
59	Interim	01/23/16	01/29/16	3.55641	2015		
60	Final	05/17/16	05/24/16	11.02239	2015	14.5788	50%
61	Interim	01/21/17	01/27/17	7.24787	2016		
62	Final	05/20/17	05/26/17	21.56050	2016	28.80837	50%
63	Interim	01/20/18	04/26/18	4.93614	2017		

# 11

## Investment and financing policy



Rapel power plant, region of El Libertador Bernardo O'Higgins

# Investment policy 2017

During 2017, the Company invested, directly and through its subsidiaries and associates, in projects conforming to its by-laws. The following list identifies the investment areas and the maximum investment limit in each area:

## 1. Electricity generation and transmission

The maximum investment limit is the amount needed by the of Enel Generación Chile to meet its main object (the production, transportation, and supply of electricity), that does exceed 50% of the Company's net equity defined as the respective amount in the balance sheet as of December 31, 2016.

## 2. Capital contributions to subsidiary and associate companies

Contributions will be made to subsidiaries and associates, so that, they can complete their projects and carry out the investments and activities needed to meet their respective corporate objects.

The maximum global investment limit in all local and foreign subsidiaries and associates for 2017 will be the amount equivalent to 50% of Enel Generación Chile's net equity defined as the respective amount in the balance sheet as of December 31, 2016.

## 3. Other investments

The Company may invest in financial assets, certificates, rights, securities, real estate, contributions to companies and the creation of subsidiaries and associate companies, as established in the bylaws, in order to undertake projects and operations or activities in industrial processes related to energy sources, and those in which electricity is essential, decisive and intensively used.

The total global maximum investment in all subsidiaries and associates is not to exceed 50% of Enel Generación Chile's net equity defined as the respective amount in the balance sheet as of December 31, 2016.

## 4. Investment in financial instruments

Enel Generación Chile may invest in financial instruments according to the portfolio selection and diversification criteria set by the Company's management to optimize the return on its cash surpluses.

Within this policy, which has been approved by the Shareholders' Meeting, the Board of Directors must decide the specific investments the Company is to carry out, define the amount and financing strategy in each case, and adopt the necessary mechanisms to control these investments.



# Financing policy 2017

The Company's financing policy defines the level of indebtedness as the ratio of total consolidated liabilities to equity plus minority interest, and states that the ratio should not exceed 2.2 times at December 31, 2016.

Funds will be raised from the following sources, among others:

- > Own resources.
- > Supplier credits.
- > Bank and financial institution loans.
- > Placement of securities on local and international markets.
- > Revenue from the sale of assets and services provided by Enel Generación Chile.
- > Intercompany loans.

## Other topics:

As established by Article 120 of Decree Law No 3,500, the sale or constitution of liens on goods or rights declared in these policies as essential for the Company's business, must be approved by an Extraordinary Shareholder Meeting. Consequently, and in compliance with Article 119 of the same Decree, the following assets are declared as essential for the company's operations:

The shareholdings of Enel Generación Chile that allow it to control Empresa Eléctrica Pehuenche S.A. and GasAtacama Chile S.A., either by having the majority of stocks or through a shareholders' agreement.

Regarding management's authority to agree with creditors on Enel Generación Chile dividend payment restrictions, they may only agree to such restrictions if they have been previously approved by the Shareholders Meeting (ordinary or extraordinary).

# 12

## Company Businesses





## Historic background

Enel Generación Chile was created on December 1, 1943 as Empresa Nacional de Electricidad S.A., a limited liability corporation, and subsidiary of Corporación de Fomento de la Producción (CORFO in its Spanish acronym, a state production development agency) to carry out Chile's Electrification Plan, which included the generation, transportation and distribution of electricity.

Enel Generación Chile was owned for 44 years by the Chilean state, acquiring a predominant role in the sector and becoming one of the most important Chilean companies and the foundation of the country's electricity development. Large investments were made and the company built important engineering and electrification infrastructure.

The privatization process began in 1987 through a series of public offerings and was completed in 1989. The offerings attracted investors such as pension funds (AFPs), company employees, institutional investors and thousands of small investors.

On July 27, 1994, the New York Stock Exchange (NYSE) began trading Enel Generación Chile shares, as Endesa Chile at the time, in the form of ADRs, with the EOC ticker symbol.

In May 1999, Enersis S.A. (currently Enel Américas S.A.), through a public tender offer (PTO), became the company's controller, with 60% of the shares of Endesa Chile (Enel Generación Chile today)

On September 13, 2004, Enel Generación Chile signed a letter adhering to the United Nations Global Compact, an international initiative whereby the Company committed to ten basic universal principles regarding respect for human rights, labor regulations, the environment and the fight against corruption.

In June 2008, the Ojos de Agua pass-through mini hydroelectric plant started commercial operations adding 9 MW to the installed capacity of the Company. The operations of the Taltal Plant, Unit 1 also started up using diesel, which meant an additional 120 MW of installed capacity.

In 2009, the Quintero plant also started its commercial operations with 129 MW of installed capacity, which later added a second unit increasing its gross capacity to 257 MW. The Canela II wind farm with 60 MW came into service that same year.

In 2010, the San Isidro II natural gas plant began operating with a maximum installed capacity of 399 MW. The same year, Fitch Ratings and S&P improved the international credit rating of Enel Generación Chile to BBB+, while Feller Rate raised the local risk rating to AA.

In 2014, Enel Generación Chile acquired control of GasAtacama for US\$309 million and reached close to 1,000 MW of capacity in the northern electricity network of Chile ("SING" in its Spanish acronym). The company reached 98% ownership of the controlling shareholder of GasAtacama, a 781 MW installed capacity natural gas thermal plant connected to the SING, and the Mejillones-Taltal gas pipeline and the Atacama gas pipeline between Chile and Argentina. The construction of the Los Córdobes hydroelectric plant also began that same year in Chile, which will have an installed capacity of approximately 150 MW.

On April 28, 2015, the Board of Directors of Enel Generación Chile approved to begin the analysis of a possible corporate reorganization to divide the Endesa Chile existent at that time separating the businesses inside of Chile from those outside of Chile, and operating the latter in a sole company.

On December 18, 2015, the company's Extraordinary Shareholders' Meeting took place, where members approved the first phase of the corporate reorganization plan, which separated the business in Chile from the rest of Latin America.

In June 2016, the Board of Directors of Enel Generación Chile agreed to reorganize and simplify the corporate structure of the entities that formed GasAtacama, all the subsidiaries of the company. Consequently, Compañía Eléctrica Tarapacá (Celta) S.A. was absorbed by GasAtacama Chile S.A., which was the surviving entity.

In September 2016, Enel Generación Chile signed a sales contract to sell its entire 20% stake in GNL Quintero to Enagas Chile.

In October 2016, the company's Extraordinary Shareholders' Meeting approved modifying the bylaws which changed the name of the Company to Enel Generación Chile S.A. and therefore replacing the brand Endesa Chile and the name Empresa Nacional de Electricidad.

On March 1, 2016, having complied with the suspensive conditions, the division of Empresa Nacional de Electricidad S.A. and the incorporation of Endesa Americas S.A. took place.

In December 2016, Enel Generación Chile signed a sales contract to sell its 42.5% share of Electrogas to Aerio Chile, wholly owned by Redes Energeticas Nacionales, S.G.P.S., S.A. (REN), once all conditions for this type of transaction were satisfied. The sale took place in February 2017 for US\$180 million within the context of the sale of non-strategic assets of the Group.

In August 2017, the possibility of a corporate reorganization of Enel Chile in which Enel Green Power Latinamerica S.A. would be absorbed by Enel Chile and a Public Tender Offer (PTO) for 100 % of the shares of Enel Generación Chile was discussed.

In December 2017, the respective Extraordinary Shareholders' Meetings approved the terms of the reorganization expected to be effective in 2018.

Towards the end of 2017, the Board of Directors of Enel Generación Chile decided to return the water rights of the HydroAysén project. This decision was consistent with the view that only projects that are technically viable, economically profitable and above all, accepted by the community should be developed.

Enel Generación Chile is part of the Enel Group, a global energy company and one of the main integrated operators in the electric and natural gas sectors worldwide. Enel operates in over 30 countries across four continents, generates electricity through 84 GW of installed capacity to supply over 61 million users.

# Description of the Company's Businesses

The main activities of Enel Generación Chile, its subsidiaries, and jointly-controlled companies are related to the generation and commercialization of electricity, in addition to consultancy and engineering services in all areas.

Enel Generación Chile is the leading electricity generation company in Chile and one of the largest companies in the country. It operates 111 units throughout Chile, with a total installed capacity of 6,351 MW, which represents 28% of the local market. Hydroelectricity represents 54% of the installed capacity of Enel Generación Chile, its subsidiaries and jointly-controlled companies in Chile; thermal capacity represents 44% and wind power the remaining 2%.

## Most relevant projects within the Company's Investment Plan

Enel Generación Chile coordinates the global financing strategy of its subsidiaries, including the terms and conditions of disbursements and credits between companies of subsidiaries, to optimize the management of debt and liquidity. The operating subsidiaries generally develop their capital expenditure plans independently, financed by internally generated funds or direct financing. One of the objec-

tives is to focus on investments that will provide long-term benefits, such as energy-loss reduction projects. Additionally, with the purpose of reducing the investment in areas such as acquisition systems, telecommunications, and information technology, these services are centralized and provided by a group company for Enel Generación Chile and all Group companies. Although the form of financing these investments has been considered part of the company's budgeting process, no financing structure has been committed. The investments depend on the prevailing market conditions at the time the cash flows are needed.

The investment policy of Enel Generación Chile is sufficiently flexible to adapt to changing circumstances, prioritizing each project differently, based on profitability and strategic objectives. Current investment priorities include developing environmentally and socially responsible hydroelectric and thermal projects to ensure reliable levels of supply.

From 2018 to 2020, Ch\$ 498 billion is expected to be disbursed, on a consolidated basis, relating to investments currently underway, maintenance on existing installed capacity, and studies necessary for the development of other potential generation projects.

The following table shows the expected capital expenditure for the 2018 – 2020 period and the amount incurred by our subsidiaries over the past three years:

Capital Expenditure (1) (Millions of Ch\$)	2018-2020	2017	2016	2015
Chile	498,288	206,776	194,880	525,706
<b>Total</b>	<b>498,288</b>	<b>206,776</b>	<b>194,880</b>	<b>525,706</b>

(1) The figures of capital expenditure represent payments effectively made each year, net of contributions, except for future projections.



## Relevant investments in 2018, 2017 and 2016

Capital investments over the past three years have been primarily related to:

1. Optimization project of the 350 MW Bocamina II power plant
2. Los Cóndores, 150 MW project
3. Maintenance of existing installed capacity.

These capital investments were financed as follows:

- Bocamina II Optimization: Funds generated by the company.
- Los Cóndores: Funds generated by the company.

### Projects currently under development

Los Cóndores project: hydroelectric power plant with approximately 150 MW installed capacity located in the Maule region of Chile.

### Financial Activities

#### Liquidity

At year-end 2017, Enel Generación Chile relies on committed credit lines available for US\$ 324 million. Also, the commercial paper credit lines for a maximum total amount of US\$200 million remain undisbursed. These were registered in the Securities Register of the SVS in 2009 and expires in 2019.

In addition to the liquidity instruments mentioned above, the Company and its subsidiaries ended the year with available cash amounting to US\$ 343 million.

## Indebtedness

The consolidated financial debt of Enel Generación Chile reached US\$ 1,272 million. This debt is mainly local and international bonds with 10 years, on average, to maturity.

The net consolidated debt amounted to US\$ 929 million as of December 2017, and therefore the debt ratio was 1.0 times.

## Hedging Policy

### Exchange Rate

Enel Generación Chile's exchange rate hedging policy is based on cash flows, and its goal is to maintain a balance between cash flows indexed to foreign currencies (US\$) or local currencies if any, and the levels of assets and liabilities in said currency. The objective is to minimize the exposure of cash flows to exchange rate risk.

At the end of 2017, 92% of consolidated financial debt was in US\$ dollars or converted to US\$ dollars through derivatives.

### Interest Rate

The objective of Enel Generación Chile's interest rate hedging policy is to maintain a balanced debt structure, which allows minimizing the financial cost and also the volatility of the income statement. Hedging operations are conducted based on market conditions and depending on the company's projections and debt structure objectives.

At yearend 2017, the ratio of consolidated fixed debt to total financial debt was 92%.

## Credit Rating

Enel Generación Chile's current ratings are based on the diversified asset portfolio, the strength of financial indicators, adequate maturity schedules and ample liquidity, all in a country with stable and predictable regulations.

On February 17, 2017, Fitch Rating ratified Enel Generación Chile's rating in local and foreign currency at "BBB+," as well as its long-term rating on the national scale at 'AA(c)'. The outlooks were also improved to "positive."

Subsequently, on June 19, Feller Rate confirmed the "AA+" local current rating on bond programs, shares, and commercial papers. The outlook remained stable.

Standard & Poor's, on July 13, 2017, confirmed the "BBB+" international rating for Enel Generación Chile, with a stable outlook.

On December 28, 2017, Moody's ratified the corporate rating of Enel Generación Chile at Baa2, with a stable outlook.

## Insurance

### Operational

All Enel Generación Chile companies are covered by a Worldwide Risk Coverage Program determined by parent company Enel, which covers material damages, terrorism, business interruption and civil liability. The insurance renewal process was carried out through an international tender, to which the world's leading insurance companies were invited. Contracts were renewed on November 1, 2017, and expire on October 31, 2018.

The characteristics of insurance policies currently in force for all the subsidiaries of Enel Generación Chile are the following:

Fixed asset and business interruption all-risk insurance policy. It has an indemnity limit of €1,000 million per claim (except earthquakes and floods, with an indemnity limit of €900 per claim). This insurance seeks to provide generation plants and main transmission substations greater protection against earthquakes, avalanches, fires, explosions, floods, machinery breakdowns and operational failures. Additionally, this policy includes indemnity coverage for terrorist attacks with a limit of €500 million, per claim, and per year.

Non-contractual civil liability insurance. It has an indemnity limit of up to €1,000 million annually, covering any damage the company inflicts on third parties to which it has an obligation to compensate. This insurance covers environmental damage up to €10 million per event and per year.

Enel Generación Chile companies also have maritime, air, and land transportation insurance policies to cover relocation of machinery, equipment, and supplies, and life and personal accident insurance policies for traveling personnel as stipulated by current law.

## Construction works insurance

The projects of Enel Generación Chile have insurance policies on construction and start-up delays for all its construction works. These insurance policies are contracted through a private bidding process to which the main insurance companies are invited.

The insurance program established for all projects covers all risks, construction and assembly, transportation, civil liability and start-up delays, with limits and deductibles in line with the company's risk policy.

## Trademark

Enel S.p.A sent a letter to the Board of Directors of Enel Generación Chile S.A, dated August 2, 2016, informing that Enel Generación Chile was authorized to use the brand "Enel" free of charge and allowed the company to include it in its name, logo and otherwise. The trademark "Enel Generación" is duly registered.

The company also has the "Endesa" and "Endesa Chile" trademark in services, products, and commercial and industrial establishments.

## Main customers and suppliers

<b>CUSTOMERS (GWh)</b>	Grupo CGE : 6,858
	Enel Distribución: 6,577
	SAESA: 2,399
	CHILQUINTA: 2,009
<b>SUPPLIERS</b>	GNL Chile
	Transec
	Ferrovial Agroman Chile S.A.
	CMC Coal Marketing Company LTDA.
<b>COMPETITORS (market share)</b>	AES Gener: 26.5%
	Colbún: 16.8%
	Engie : 8.5%

# 13

Risk factors



Ralco reservoir, Biobío region

# Risk management policy

All Enel Group companies are exposed to certain risks that are managed through the application of systems of identification, measurement, limit of concentration and supervision.

The basic principles defined by Enel Group in establishing its risk management policy include the following:

- > Comply with good corporate governance rules.
- > Comply strictly with the group's norms and procedures.
- > Each business and corporate area defines:
  - I. The markets in which it can operate, based on having the sufficient knowledge and abilities to ensure effective risk management
  - II. Criteria on counterparties
  - III. Authorized operators
- > Each business and corporate area establishes, for each market in which it operates, its position regarding risk, in accordance to the strategy defined.
- > All operations of businesses and corporate areas are performed within the limits approved for each case.
- > The businesses, corporate areas, business lines, and companies determine the risk management controls necessary to ensure that market transactions are performed according to the policies, rules, and procedures of Enel Generación Chile.

# Interest rate risk

Interest rate fluctuations modify the fair value of assets and liabilities that accrue interest at fixed rates, as well as the future flows of assets and liabilities based on a variable interest rate.

The objective of interest rate risk management is to achieve a debt structure balance that allows minimizing the cost of debt and maintain low income statement volatility.

Depending on the Group's estimates and debt structure objectives, hedging operations are performed by purchasing derivatives that mitigate these risks.

The comparative financial debt structure of the Enel Generación Chile group, regarding fixed and hedged interest rate to total debt, net of derivatives, is the following:

## Gross exposure:

	2017	2016
Fixed Interest Rate	92%	92%

# Exchange rate risks

Exchange rate risks are primarily related to the following transactions:

- > Debt incurred by the Group's companies in currencies other than their respective operational cash flow currency.
- > Payments in currencies other than their respective operational cash flow currency, such as payments of project-related materials and corporate insurance policies.

- > Revenues in the Group's subsidiaries that are directly linked to currencies different than their respective operational cash flow currency.

To mitigate exchange rate risk, the exchange rate hedging policy includes maintaining a balance between cash flows indexed to US dollars or local currencies, should there be any, and levels of assets and liabilities in such currency. The objective is to minimize cash flow exposure to exchange rate fluctuations.

The instruments currently used to comply with this policy are currency swaps and exchange rate forwards.

## Commodities Risk

Enel Generación Chile is exposed to certain commodity price fluctuations, primarily through:

- > Fuel purchases in the process of generating electricity.
- > Energy trading operations in local markets.

To reduce risk in situations of extreme drought, the Group has designed a commercial policy that defines levels of sale commitments, in accordance to its power plant's generation capacity in a dry year, which include risk-mitigation clauses in some contracts with nonregulated customers. In the case of regulated customers that are subject to long-term tender processes, indexation clauses are included to reduce commodity price exposure.

Considering the operating conditions faced by the electricity generation market in Chile, such as droughts and commodity price volatility in international markets, the Company is constantly evaluating the convenience of hedges to mitigate the impact of price fluctuations on profits.

As of December 31, 2017, the company had outstanding operations for 2.3 MMBtu, to be settled in January 2018.

As of December 31, 2016, there were swap operations outstanding for 3 thousand barrels of Brent oil to be settled between January and November 2017, and 3 MMBtu of Henry Hub gas to be settled between January and September 2017.

These hedging instruments may be modified or could include other commodities as a consequence of constantly changing operating conditions.

## Liquidity risk

Enel Generación Chile has a liquidity policy that establishes that enough committed long-term credit facilities and liquid financial investments must be available to finance projected needs for a certain period of time, which is calculated as a function of the overall situation and expectations regarding debt and capital markets.

The aforementioned projected needs include net financial debt maturities, in other words, after financial derivatives. For further detail regarding characteristics and conditions of financial debt and financial derivatives, see Notes 17, 19 and Appendix 4.

As of December 31, 2017, the liquidity of Enel Generación Chile amounted to ThCh\$ 211,027,141 in cash and cash equivalents, and ThCh\$ 199,271,103 in unconditional committed long-term credit lines.

As of December 31, 2016, the liquidity of Enel Generación Chile amounted to ThCh\$ 114,486,479 in cash and cash equivalents, and ThCh\$ 342,827,047 in unconditional committed long-term credit lines.

# Credit risk

Enel Generación Chile conducts a detailed credit risk follow-up.

## Trade accounts receivables

Credit risk associated to account receivables stemming from commercial activity has historically been limited, mainly due to short-term payment deadlines that prevent clients from accumulating significant individual debt amounts.

In the event of non-payment, supply disruption is a possibility. Additionally, contracts stipulate that payment defaults qualify as a cause for contract termination. For this purpose, and although the risk is limited, credit risk and maximum amounts exposed to payment risk are constantly measured and monitored.

## Financial Assets

Investments of cash surpluses are made in first class domestic and foreign financial institutions, within established limits for each entity.

Banks considered for investments have investment grade rating, considering the three major international rating agencies (Moody's, S&P and Fitch).

Investments may be backed by Chilean treasury bonds and securities issued by first-class banks, prioritizing the latter as they offer better returns (always within existing investment policy guidelines).

## Risk measurement

Enel Generación Chile measures the Value at Risk of its debt and financial derivatives to monitor the risk taken by the company, thus limiting income statement volatility.

The positions included in the portfolio used to calculate the present Value at Risk is composed of:

- > Financial debt.
- > Debt-hedging derivatives.

The calculated Value at Risk represents a potential loss of value of the portfolio described above in one quarter, with 95% confidence. To this effect, the company studied the volatility of variables at risk that affect the value of the portfolio, with respect to the Chilean peso, which includes:

- > US dollar Libor Rate.
- > Exchange rates of currencies included in the calculations

The calculation of Value at Risk is based on the extrapolation of future market value scenarios (one quarter out) of the variables at risk according to scenarios based on real observations for the same period (quarter), for five years.

The Value at Risk for the next quarter, with 95% confidence, is calculated as the percentile of the most adverse 5% of possible quarterly changes.

Based on the hypotheses stated above, the Value at Risk for the aforementioned positions, one quarter out, is ThCh\$ 66,890,686.

This value represents the potential increase in the debt and derivatives portfolio, and therefore is intrinsically linked, among other factors, to the value of the portfolio at the end of each quarter.

# Other risks

**Economic fluctuations in Chile, as well as certain economic interventionist measures by governmental authorities may affect the results of operations and financial condition of the company, as well as the value of its securities.**

All operations of Enel Generación Chile are located in Chile. Accordingly, its consolidated revenues may be affected by the performance of the Chilean economy. If local, regional, or worldwide economic trends adversely affect the Chilean economy, the financial condition and results of operations could be adversely affected.

The Chilean government has exercised in the past, and continues to exercise, a substantial influence over many aspects of the private sector, which may result in changes to economic or other policies.

Future adverse developments in Chile or changes in policies regarding pricing, water usage rights, exchange controls, regulations and taxation may affect the company's results of operations and financial condition. Inflation, devaluation, social instability and other political, economic, or diplomatic developments could also reduce profitability. In addition, Chilean financial and securities markets are influenced by economic and market conditions in other countries and may be affected by events in other countries, which could adversely affect the value of securities.

**Because the business depends heavily on hydrology, droughts, floods, and other weather conditions may adversely affect operations and profitability.**

About 55% of Enel Generación Chile's installed generation capacity in 2017 was hydroelectric. Accordingly, extremely dry hydrological conditions could adversely affect the business, results of operations and financial condition. Results have been adversely affected when hydrological conditions in Chile have been below their historical average.

Below average hydrological conditions not only reduce the ability to operate hydroelectric plants at full capacity, but

also may result in increased transportation costs of water for cooling purposes in the San Isidro thermal power plant. Although Enel Generación Chile has entered into certain agreements with the Chilean government and local irrigators regarding the use of water for hydroelectric generation purposes, especially during periods of low water levels, if drought conditions persist or worsen, increased pressure by the Chilean government or third parties to further restrict water use could arise.

Thermal plant operating costs can be considerably higher than those of hydroelectric plants. Operating expenses increase during periods of drought, as thermal plants are used more frequently. Also, the company might have to buy electricity at higher spot prices in order to comply with contractual supply obligations, and the cost of these electricity purchases may exceed the contracted electricity sale prices, thus potentially producing losses in those contracts.

Droughts also affect the operation of thermal plants, including facilities that use natural gas, fuel oil or coal as fuel, in the following ways:

The thermal power plants of Enel Generación Chile require water for cooling, and droughts not only reduce the availability of water, but also increase the concentration of chemicals, such as sulfates, in the water. High concentration of chemicals in the water used for cooling increases the risk of damaging the thermal plant's equipment, as well as the risk of violating environmental regulations. As a result, water has been purchased from agricultural areas that are also experiencing water shortages. These water purchases may increase operating costs and may require negotiation with local communities.

Thermal power plants that burn natural gas generate emissions, such as sulfur dioxide (SO<sub>2</sub>) and nitrogen monoxide (NO). When operating with diesel, they release particulate matter into the atmosphere. Coal-fired plants generate SO<sub>2</sub> and NO emissions. Therefore, greater use of thermal plants during periods of drought generally increases the risk of producing higher level of pollutants.

A full recovery from the drought that has been affecting the regions where most of the company's hydroelectric

plants are located may last for an extended period, and new drought periods could recur in the future. A prolonged drought could exacerbate the risks described above and have an additional adverse effect on the business, results of operations and financial condition.

### **The generation business may be affected by new regulation**

The company and the tariffs that we charge our customers, among other aspects of the business, are subject to extensive regulation and these regulations may adversely affect our profitability. For example, governmental authorities might impose rationing policies during droughts or prolonged failures of power facilities, which may negatively affect our business, results or operations and financial condition.

Electricity regulations issued by governmental authorities in Chile may affect the ability of generating companies to collect revenues sufficient to offset their operating costs.

In addition, changes in the regulatory framework are often submitted to legislators and administrative authorities, and some of these changes could have a material adverse impact on the business, results of operations and financial condition. For instance, in 2005 there was a change in the water rights law in Chile that requires the payment of unused water rights, increasing the annual cost to maintain unused water rights for hydroelectric projects that are neither economically nor technically feasible. In August 2016, Enel Generación Chile returned its unused water rights, booking a Ch\$ 35.4 billion write-off.

### **Regulatory authorities may impose fines on subsidiaries due to operational failures or any breach of regulations**

The electricity businesses may be subject to regulatory fines for any breach of current regulations, including energy supply failures.

In Chile, such fines may be imposed for a maximum of 10,000 Annual Tax Units ("UTA," in its Spanish acronym), or Ch\$ 5.4 billion using the UTA as of December 31, 2017. Electricity generation subsidiaries are supervised by local regulatory authorities and may be subject to these fines

in cases where, in the opinion of the regulatory entity, the Company is responsible for operational failures affecting the regular electricity supply to the system, such as, situations that result from the lack of coordination with the system operator. In addition, the new electricity transmission law establishes a compensation fee to end customers when energy supply is interrupted for a period of time that exceeds the standard time allowed. Compensation by generators is calculated as a proportion of the energy not supplied, with a minimum value between 20,000 UTA (Ch\$ 11.1 billion) and the previous year's energy sales revenue.

Further fines imposed on the Company's power plants could adversely affect the business, results of operations and financial condition.

### **The Company depends, to a certain extent, on payments received from subsidiaries and jointly-controlled entities to meet its payment obligations.**

In order to pay its obligations, the Company could rely on cash distributions from its subsidiaries. The ability of subsidiaries to pay dividends, interest payments, loans and other distributions is subject to legal constraints, such as dividend restrictions, fiduciary duties and contractual limitations that may be imposed by local authorities.

Dividend limits and other legal restrictions. The ability of any subsidiary that is not wholly-owned to distribute cash may be limited by the directors' fiduciary duties of such subsidiaries to minority shareholders. Furthermore, some subsidiaries may be forced by law, in accordance with applicable regulation, to diminish or eliminate dividend payments. As a consequence of such restrictions, the Company's restrictions might, under certain circumstances, be impeded from distributing cash to us.

Operating results of subsidiaries. The ability of subsidiaries to pay dividends, amortize loans, or make other distributions, is limited by operating results. To the extent that the cash requirements of any subsidiary exceed its available cash, the Company will be unable to rely on resources from such subsidiary.

Any of the situations described above could adversely affect the business, results of operations and financial condition.

## Legal proceedings

Enel Generación Chile is currently involved in various litigation proceedings, which could result in unfavorable decisions or fines. The Company will continue to be subject to future litigation proceedings, which could cause material adverse consequences to the business. The financial condition or results of operations could be adversely if positive results are not obtained in lawsuits and proceedings against the Company. For more information on litigation proceedings, see Note 38 of the Notes to the consolidated financial statements.

## **Environmental regulations and other factors may cause delays, impede the development of new projects, or increase the costs of operations and capital expenditures.**

Enel Generación Chile and its subsidiaries are subject to environmental regulations, which, among other things, require environmental impact studies for future projects, and obtain permits from both local and national regulators. The approval of these environmental impact studies may be denied by governmental authorities, and therefore their processing time may be longer than initially expected.

Projects that require consultation with local stakeholders in their evaluation process may be rejected, or their development may be impeded or slowed down. Stakeholders may also seek precautionary measures or other relief, which could cause a negative impact if successful. Moreover, projects that do not require consultation with local groups may be subject to intervention or suffer continuous resistance, delaying their approval process or development.

Environmental regulations for existing and future power plants may become stricter, which would require increased capital investments. For example, Decree 13/2011 of the Chilean Ministry of the Environment, published in June 2011, established stricter emission standards for existing thermoelectric plants that were required to be met between 2014 and 2016, and stricter standards for new facilities or additional capacity. As of December 31, 2017, the estimated total investment in reducing emissions was Ch\$ 68,240 million. Decree 13/2011 also required the establishment of a system of continuous emission monitoring,

pursuant to which thermoelectric plants must implement a monitoring system in accordance with the guidelines and protocols issued by the Superintendence of the Environment. All thermoelectric plants made incremental investments installing abatement systems to control pollutant emissions so as to be in compliance with these environmental regulations.

Any delay in meeting standards constitutes a violation of these regulations, which established emission limits effective June 23, 2015, or June 23, 2016, depending on the plant's location. Failure to certify the implementation of such monitoring system may result in penalties and sanctions.

In addition, any deviation from the environmental license to operate could result in severe sanctions from authorities.

The Chilean Ministry of the Environment modified Decree 13/2011 and made emission standards for thermoelectric plants more restrictive, which will require additional investments in the future. In June 2016, Law 20,920 (the "recycling law") established the legal framework for the recovery of waste in Chile. The Ministry of the Environment must establish recycling objectives for different products. The Company expects the first objectives to be established no later than 2019, and will force regulated companies to finance recycling management systems. This may lead to the need to recycle batteries in the generation business, or street lights in the distribution business, as well as electronic waste, such as discarded computers, telephones, etc.

The tax reform law (2014), established an annual Green tax on stationary power generators, such as thermal generators, based on their emission of pollutants in the previous year. This provision came into effect in 2018. In December 2016, the Chilean Ministry of Environment published the list of thermal generators subject to this tax, including all our thermoelectric plants. These plants have reported their emissions during 2017 and will book an additional tax liability in 2018. The tax will be paid in 2018, based on 2017 emissions. In addition, during 2017, the Superintendence of the Environment established new measurement, monitoring and reporting requirements for purposes of compliance with the green tax, which also apply to requirements under

Decree 13/2011. During 2017, partially due to the Ch\$ 17.3 billion higher thermal emission taxes on thermoelectric plants, which will be paid in April 2018. Tax expense may increase in the future, increasing costs of operation and therefore discouraging thermal electricity generation.

Delays or modifications to any proposed project, and laws or regulations that may change or be interpreted in a manner that could adversely affect operations or plans for firms in which the Company holds investments, could adversely affect the business, results of operations, and financial condition.

**Power plant projects may encounter significant opposition that may delay their development, increase costs, damage the reputation and potentially result in impairment of goodwill with stakeholders.**

The reputation of Enel Generación Chile is the foundation of the relationship with key stakeholders. If the Company is unable to effectively manage real or perceived issues that could impact the Company negatively, the business, results of operations or financial situation could be adversely affected.

In 2015, the Chilean Ministry of the Environment enacted Law 20,500, setting the procedures for stakeholder participation in the preliminary phase of the evaluation process, to avoid conflicts of interest and minimize the project's impact. Power plants built before the adoption of these rules and that were not submitted to local consultation may face opposition from several stakeholders, such as ethnic groups, environmental groups, land owners, farmers, local communities and political parties, among others, any of whom may impact the sponsoring company's reputation and goodwill. For example, between 2013 and 2016, the Bocamina II power plant encountered substantial opposition from local fishermen's unions that claim that the facility negatively affects marine life and causes pollution, which resulted in the interruption of the power plant's operation for more than a year. On July 1, 2015, Bocamina II resumed operations, after the approval of a new environmental qualification resolution (RCA in its Spanish acronym) in April 2015. Later, between November 23, 2015 and January 7, 2016, a second group of fishermen illegally

occupied the first high-tension pylon, which supports the 154 kV and 220 kV circuits owned by Transelec S.A., and serve Bocamina I and II. As a consequence, both Bocamina I and II were temporarily shut down. This second group claimed that they should receive the same benefits that Enel Generación Chile granted to the first group of fishermen in the area. This situation increased the spot prices and anticipated use of hydroelectric reserves. Such groups and other similar groups may have the ability to block our power plants and directly affect our results.

The operation of thermoelectric plants could also affect the company's goodwill with stakeholders, due to emissions of particulate matter, sulfur dioxide (SO<sub>2</sub>) and nitric oxide (NO), among others that could damage the environment.

Damage to reputation may exert considerable pressure on regulators, creditors, and other groups of interest, and ultimately lead to the abandonment of projects or operations, which would cause the share price to drop, and hinder our ability to attract and retain valuable employees, any of which could result in an impairment of goodwill with stakeholders.

**Political events or financial or other crises in any region worldwide can have a significant impact in Chile, and consequently may adversely affect operations as well as liquidity.**

Chile is vulnerable to external shocks, including financial and political events, which could cause significant economic difficulties and affect growth. If the Chilean economy faces growth rates below what is expected or a recession, electricity demand from customers would probably decrease, and some customers could experience difficulties in paying their electricity bills, which would increase bad debts. Any of these situations could adversely affect the results of operations and financial condition of the company.

Financial and political crises in other parts of the world may also negatively affect the business. For example, the 2016 presidential election in the United States considerably increased the volatility of financial markets worldwide, due to the uncertainty of political decisions. New United States policies could affect world markets and global trade, and

result in renewed volatility, especially in commodity prices. Similarly, instability in the Middle East, or any other major oil producing region, could also result in higher fuel prices worldwide, which in turn could increase the cost of fuel for thermoelectric power plants, and adversely affect the results of operations and financial condition. Even temporary U.S. government shut-downs, such as those that took place in early 2008, and were threatened to begin on February 8, 2018, can have a very adverse effect on the timing, execution, and increased expense associated with main transactions and reorganizations involving ADS holders and the U.S. SEC.

Additionally, an international financial crisis and its disruptive effects on the financial industry could negatively affect the Company's ability to obtain new bank financing on the same historical terms and conditions we have obtained to this date.

Political events or financial or other crises could also diminish access to Chilean and international capital markets, or increase the interest rates. Reduced liquidity could, in turn, negatively affect capital expenditures, long term investments and acquisitions, growth prospects and dividend policy.

#### **We may be unable to enter into suitable acquisitions**

The company reviews acquisition prospects that may increase its market share or supplement existing businesses, though there can be no assurance that we will be able to identify and carry out suitable acquisitions in the future. The acquisition and integration of independent companies that Enel Generación Chile does not own is generally a complex, costly, and time-consuming process that requires significant efforts and expenditures. If the company seals an acquisition, it could result in the incurrence of substantial debt and assumption of unknown liabilities, the potential loss of key employees, amortization expenses related to tangible assets, and the diversion of management's attention from other business concerns. In addition, any delay or difficulty encountered in connection with an acquisition or integration of multiple operations could have a material adverse effect on the business, financial condition and results of operations.

#### **The business and profitability could be adversely affected if water rights are denied or if water concessions are granted with limited duration.**

Enel Generación Chile owns water rights granted by the Chilean Water Authority (Dirección General de Aguas) for the supply of water from rivers and lakes near production facilities. Under current law, these water rights are (i) unlimited in duration, (ii) absolute and unconditional property rights, and (iii) not subject to further challenge. Chilean generation companies must pay an annual license fee for unused water rights. New hydroelectric facilities are required to obtain water rights, the conditions of which may impact design, timing, or profitability of a project.

In addition, Chilean Congress is analyzing amendments to the Water Code since 2014 in order to prioritize the use of water by defining its access as a human right that must be guaranteed by the State. The amendment establishes that water use for human consumption, domestic subsistence and sanitation will always take precedence in granting and limiting the exercise of rights of exploitation. Under this proposal, (i) new water use concessions would be limited to 30 years, which would be extendable with respect to water rights actually used during the 30-year period, unless the Chilean Water Authority demonstrates the water rights have not been used effectively; (ii) new non-consumptive water rights would expire if the holder does not exercise the rights within eight years, (iii) existing non-consumptive water rights that have not been used would expire within eight years from the enactment date of the new Water Code; and (iv) the preservation of environmental water flows to protect the ecosystem for future water rights was added for both consumptive and non-consumptive and empowers the Chilean Water Authority to mandate an environmental flow requirement for existing water rights. The latter point would reduce water availability for generation purposes. Any limitations on the Company's current water rights, the need of additional water rights, or the current water concessions of unlimited duration could have a material adverse effect on hydroelectric development projects and profitability.

**Foreign exchange risks may adversely affect results and the U.S. dollar value of dividends payable to ADS holders.**

The Chilean peso has been subject to devaluations and appreciations against the U.S. dollar and may be subject to significant fluctuations in the future. Historically, a significant portion of consolidated indebtedness has been denominated in U.S. dollars. Although a substantial portion of operating cash flows is linked to the U.S. dollar, we have generally been, and will continue to be, exposed to fluctuations of the Chilean peso against the U.S. dollar because of time lags and other limitations to adjusting electricity tariffs to the dollar, and the potential difficulty of incurring debt in the same currency as the operating cash flow.

Because of this exposure, the U.S. dollar value of cash generated by subsidiaries can decrease substantially due to peso devaluations against the U.S. dollar. Future volatility in the exchange rate of the currency in which we receive revenues or incur expenditures may adversely affect the business, financial condition and results of operations.

**Long-term energy sale contracts are subject to fluctuations in the market prices of certain commodities, energy and other factors.**

In the generation business, the company is economically exposed to fluctuations in the market prices of certain commodities as a result of the long-term energy sales contracts the company has entered, and the fact that currently 97% of expected annual generation is sold under contracts with terms of at least five years. As the selling party, the company has material obligations under long-term, fixed-price electricity sales contracts. Prices in these contracts are indexed according to different commodities, exchange rates, inflation, and the market price of electricity. Adverse changes to these indices would reduce the rates charged under long-term, fixed-price electricity sales contracts, which could adversely affect the business, results of operations and financial condition.

In 2016, some customers that could choose their price, in conformity with Chilean law, and chose regulated prices in the past, are now opting for lower unregulated prices. These customers are tendering their energy needs, either directly or with other customers, because of the price ad-

vantage compared to regulated prices, which have been generally based in the past on tendered contracts at higher prices. A decrease in market prices could reduce the number of regulated customers and could cause customers to choose another electricity provider, which would reduce the company's customer base and therefore adversely affect the business, results of operations and financial condition.

**The Company's controlling shareholder may exert considerable influence and may have a different strategic view for development than minority shareholders.**

The controlling shareholder of Enel Generación Chile is Enel Chile. Enel, controlling shareholder, has the power to determine the outcome of substantially all material matters that require shareholder votes in accordance with Chilean Corporations Law, such as the election of the majority of board members, and, subject to contractual and legal restrictions, the adoption of the Company's dividend policy. Enel's interests may in some case differ from those of minority shareholders. For example, Enel carries out its commercial operations in renewable energies in Chile through Enel Green Power S.p.A., company in which Enel Generación Chile has no equity participation. Any present or future conflict of interest that may affect Enel could be resolved in such a way that deviates from the interests of the Company and its minority shareholders.

**The electricity business is subject to risks arising from natural disasters, catastrophic accidents, and acts of terrorism that could adversely affect operations, earnings and cash flow.**

Enel Generación Chile's primary facilities include power plants and distribution assets in Chile. They may be damaged by earthquakes, flooding, fires, and other catastrophic disasters caused by nature or by humans, such as acts of vandalism, riots, and terrorism. A catastrophic event could cause disruptions in the business, significant decreases in revenue due to lower demand or significant additional costs not covered by business interruption insurance. There may be lags between a major accident or catastrophic event and the final reimbursement from insurance policies, which typically carry a deductible and are subject to per-event maximum amounts.

**The company is subject to financing risks, such as those associated with funding new projects and capital expenditures, and risks related to refinancing maturing debt. It is also subject to covenant compliance, all of which could adversely affect liquidity.**

As of December 31, 2017, our consolidated interest-bearing debt totaled Ch\$ 782 billion.

Enel Generación Chile's interest-bearing consolidated debt has the following maturity profile:

- > Ch\$ 7 billion in 2018;
- > Ch\$ 28 billion from 2019 to 2020;
- > Ch\$ 32 billion from 2020 to 2021; and
- > Ch\$ 715 billion thereafter.

Some debt agreements are subject to (1) financial covenants, (2) affirmative and negative covenants, (3) events of default and (4) mandatory prepayments for contractual breaches, among other provisions. A significant portion of the Company's financial indebtedness is subject to cross-default provisions, which have varying definitions, criteria, materiality thresholds and applicability with respect to subsidiaries, which may give rise to cross defaults.

In the event that the company breaches any of these contractual provisions, debtholders and bondholders may demand immediate repayment, and a significant portion of debt could become due and payable. The Company could be unable to refinance its debt or obtain such refinancing in acceptable terms. In the absence of refinancing, the Company may be forced to dispose of assets in order to cover debt service payments in conditions that would not favor obtaining the best price for such assets. Furthermore, selling the assets quickly enough or at high enough prices to cover the debt could be impossible.

It may also be impossible to raise the necessary funds required to finish projects under development or construction. Market conditions prevailing at the time these funds are required or other unforeseen project costs could compromise the Company's ability to finance projects and expenditures.

The inability to finance new projects or capital expenditures to refinance existing debt could adversely affect results of operation and financial condition.

**The company relies on electricity transmission facilities that belong to other operators. If these facilities do not provide an adequate transmission service, delivering the power to final customers could become impossible.**

To deliver the energy the Company sells, it depends on transmission systems that are owned and operated by unaffiliated companies. This dependence exposes the Company to several risks. If transmission is disrupted, or the transmission capacity is inadequate, it may be impossible to sell and deliver electricity. If a region's power transmission infrastructure is inadequate, the recovery of costs of sales and profit may be insufficient. If restrictive transmission price regulation is imposed, transmission companies upon whom the Company relies may not have sufficient incentives to invest in the expansion of their transmission infrastructure, which could adversely affect operations and financial results. The construction of new transmission lines may take longer than in the past, mainly because of new social and environmental requirements that add uncertainty to the probability of completing these projects.

In the past, there have been blackout events due to failure of transmission lines that exposed weaknesses in the transmission grid, and the need for expansion and technological improvements to increase its reliability. Additional failures may occur in the future.

Any disruption or failure in transmission facilities could interrupt the business, with could adversely affect the results of operations and financial condition.

**The business may experience adverse consequences if the company is unable to reach satisfactory collective bargaining agreements with unionized employees.**

A large percentage of Enel Generación Chile's employees are members of unions and have collective bargaining agreements that must be renewed on a regular basis.

The business, financial condition and results of operations could be adversely affected by a failure to reach agreement with any labor union representing such employees or by an agreement with a labor union that contains terms deemed unfavorable. Chilean law provides legal mechanisms for judicial authorities to impose a collective agreement if the parties are unable to come to an agreement, which may increase costs beyond what has been budgeted.

In addition, we employ many highly-specialized employees, and certain actions such as strikes, walk-outs or work stoppages by these employees could adversely affect the business, results of operations and financial condition, as well as the company's reputation.

**The relative illiquidity and volatility of the Chilean securities markets and its dependence on economic conditions in Latin America and other parts of the world could adversely affect the price of common stock and ADS.**

Chilean securities markets are substantially smaller and less liquid than the major securities markets in the United States or other developed countries. The low liquidity of the Chilean market may impair the ability of shareholders to sell shares, or holders of ADS to sell shares of common stock withdrawn from the ADS program, into the Chilean market in the amount and at the price they wish to do so. Also, the liquidity and the market for shares or ADSs may be affected by countless factors including variations in exchange and interest rates, the deterioration and volatility of markets for similar securities, and any changes in liquidity, financial condition, creditworthiness, results, and profitability.

In addition, Chilean securities markets may be affected in many ways by economic and market conditions and developments in Latin American countries, other emerging markets and elsewhere in the world. Even though economic conditions in such countries may differ significantly from economic conditions in Chile, investors' reactions to developments in any of these other countries may have an adverse effect on the market value and liquidity of securities for Chilean issuers. An increase in perceived risks associated to investing in South American countries and

elsewhere in the world could lessen capital flows to Chile and adversely affect the Chilean economy in general, and the interests of investors in our shares or ADSs in particular.

The company cannot give assurance that the price or the liquidity of its shares or ADSs will not be negatively affected by events in Latin American markets or the global economy in general.

**Lawsuits against the company outside Chile or complaints based on foreign legal concepts may have unfavorable outcomes.**

All of Enel Generación Chile's investments are located outside of the United States. All directors and officers reside outside the United States and most of their assets are located outside the United States as well. If any investor were to sue a director, officer, or expert in the United States, it may be difficult for them to effect service of legal process within the United States upon these persons, or to enforce against them, judgments obtained in the United States courts based upon the civil liability provisions of the federal securities laws of the United States, in United States or Chilean courts. In addition, there is doubt as to whether an action could be brought successfully in Chile on the basis of liability solely based upon the civil liability provisions of the United States federal securities laws.

**Interruption or failure of information technology or communications systems, or external attacks or breaches of these systems could have an adverse effect on operations and results.**

The company depends on information technology, communication and processing systems (IT Systems) to operate its business, the failure of which could adversely affect the business, results of operations and financial condition.

IT systems are critical in monitoring power plants' operations, maintaining generation and network performance, adequately generating invoices to customers, achieving operating efficiencies and meeting service targets and standards. Temporary or long-lasting operational failures in any of these IT systems could have a material adverse effect on results of operations. Additionally, cyber-attacks can have



an adverse effect on the company's image and relationship with the community. Over the last few years, global cyber-attacks on security systems, treasury operations, and IT systems have intensified worldwide. We are exposed to cyber-attacks aimed at damaging assets through computer networks, cyber-spying involving strategic information that may be beneficial for third parties, and the cyber-theft of proprietary and confidential information, including customer information. The company is exposed to several sorts of cyber-attacks, including denial-of-service attacks that may affect user service accessibility, as well as attacks that could affect domain name systems, preventing the use of certain useful web pages.

**Those holders who did not tender their securities of Enel Generación in the public offer will continue to be minority shareholders and ADS holders. The value of Enel Generación's securities could decrease and there may not be a liquid market for such securities.**

Following the completion of the 2018 reorganization, those holders who did not tender their securities of Enel Generación will continue to be minority shareholders and ADS holders with a limited ability to influence the outcome of any matters that are or can be subject to shareholder approval, including the appointment of directors, acquisition

of disposition of substantial assets, the issuance of capital stock and other securities, and the payment of dividends of Enel Generación securities. Furthermore, the securities market for securities of Enel Generación may become completely illiquid. As a result, any future sale of Enel Generación securities could be at a price per share of ADS significantly lower than the offer price in the public offer of the 2018 reorganization. In addition, the potential lack of market liquidity could also increase the difficulty of selling Enel Generación securities in large blocks without adversely affecting their price. Lastly, Enel Generación shares could lose its "sufficient stock market liquidity" status in Chilean Stock Exchanges, which would result in a loss of capital gains tax exemptions for certain holders of Enel Generación stock, under Chilean law.

It may be possible that, after the 2018 reorganization, Enel Generación securities fail to meet the criteria for continued listing in Chilean Stock Exchanges and/or in the NYSE. If this were the case, Securities of Enel Generación could be delisted in one or more of these exchanges.

In the event that securities of Enel Generación are delisted, the value of any security of Enel Generación not tendered in the public offer may decrease to a price per share significantly lower than the one considered in the public offers.

# 14

## Corporate Reorganization



Antuco power plant, Biobío region

# Corporate Reorganization

On December 20, 2017, the Extraordinary Shareholders' Meeting of Enel Chile approved the corporate reorganization process (the "Reorganization") that includes the following phases:

- (1) A merger of Enel Green Power Latin America S.A. by and into Enel Chile (hereafter the "Merger") that will require a capital increase in Enel Chile to pay the shareholders of Enel Green Power for the shares they have the right to according to the exchange ratio agreed to as part of the Merger, and that is subject, as a condition, to the success of Enel Chile's PTO of Enel Generación Chile, mentioned in numeral (2) below.
- (2) A Public Tender Offer of Shares to be carried out by Enel Chile to purchase up to 100% of the shares and American Depositary Shares ("ADS") issued by Enel Generación Chile held by its minority shareholders ("Enel Generación PTO") and that will be subject to the condition, among others, that Enel Chile reach at least a 75% shareholding of Enel Generación Chile and that the minority shareholders that agree to sell their shares and ADSs, also agree to subscribe either shares or ADSs, as the case may be, issued by Enel Chile provided by the capital increase identified in numeral (3) below, and to pay for those Enel Chile shares with part of the price of their Enel Generación Chile shares sold in the Enel Generación PTO.
- (3) A capital increase, to be paid in cash, of Enel Chile so as to provide for sufficient shares and ADSs to deliver to the shareholders of Enel Generación that accept to sell their shares in the Enel Generación PTO.
- (4) The success of the Enel Generación PTO is subject to the amendment of the company's bylaws that would eliminate the restrictions imposed by Title XII of D.L. 3,500/1980, which limit the possibility for a sole shareholder to concentrate more than 65% of the capital with voting rights of Enel Generación Chile. (the "Enel Generación Bylaw Amendment")

All events just described are instrumental to the Reorganization and it makes no sense to consider them individually, separate from each other. Within this context, the Shareholders' Meeting approved the Reorganization assuming that each and every one of these events is part of the Reorganization. The Reorganization will be subject to compliance with the conditions indicated hereafter, that are all related to each other, so that, the success of the Reorganization depends on the materialization of them all. The Reorganization will not be carried out if the Enel Generación PTO is not declared a success or if the conditions precedent to the Merger are not fulfilled. Therefore, every phase of the Reorganization will be subject to the "Conditions of the Reorganization":

- (1) The Merger: It was approved subject to fulfilling all the following suspensive conditions:
  - a. That the shareholders of Enel Generación agree to the Amendment of the Enel Generación Bylaws.
  - b. That Enel Chile declares the PTO a success.
  - c. That the withdrawal rights the shareholders of Enel Chile exercise related to the Merger do not exceed 5% of the company's common stock with voting rights, and that the withdrawal rights of the shareholders of Enel Chile do not lead one of these shareholders to exceed the 65% maximum shareholding concentration limit of Enel Chile at the withdrawal expiration date. The number of shares considered is the number the new capital of Enel Chile will be divided into once the Merger and the Capital Increase of Enel Chile is approved.
  - d. That no court ruling or resolution with the intent to object, sue or demand action or judicial process is pending at the effective date of the Merger that would reasonably result in the following consequences: (i) prohibit or impede the materialization

of the Merger, or (ii) impose material limitations on Enel Chile to exercise its ownership rights of Enel Green Power assets that are assigned to Enel Chile as the result of the Merger; (iii) impose limitations on Enel Chile to continue developing or operating any project owned by Enel Green Power; and in general any other action by a court, superintendence, agency or any other competent authority that would lead to any of the consequences identified in items (i) to (iii) above.

- (2) Enel Generación PTO: Beginning the PTO process was approved subject to fulfilling the following conditions precedent:
- a. That the shareholders of Enel Chile and Enel Generación Chile had approved the Merger and that none of the conditions to the Merger described above had been rejected by the commencement date of the PTO; however, the fulfilment could be pending at that date.
  - b. That the shareholders of Enel Generación had agreed on the Enel Generación Bylaw Amendment, although the materialization of the Amendment may still be pending awaiting the fulfilment of its respective conditions precedent.
  - c. That the shares issued as part of the Capital Increase be registered in the Securities Register of the SVS (currently the Financial Market Commission, "CMF" in its Spanish acronym).

The success of the Enel Generación PTO will be subject to satisfying the following conditions precedent, among other conditions that the Board of Directors of Enel Chile could establish. Enel Chile could waive any of these conditions, and the Board is empowered by the Shareholders' Meeting to carry out such waiver:

- a. That the acceptance of the Enel Generación PTO had been received from the shareholders representing the number of shares necessary for Enel Chile to reach more than 75% ownership of Enel Generación after the PTO and that these

shareholders acceptance also include their commitment to use part of the price in cash they receive for their Enel Generación Shares tendered to purchase the shares of Enel Chile within the terms agreed by the Shareholders' Meeting to be informed in the initial Enel Generación PTO Prospectus Notice.

- b. That when the applicable Capital Increase preemptive subscription period concludes, the total number of shares of Enel Chile needed to deliver to the shareholders of Enel Generación that sell their shares in the Enel Generación PTO be available, as stated by the terms and conditions of the transaction.
- c. That as a consequence of : (i) the Enel Generación PTO acceptances received and therefore the number of shares of Enel Chile needed to be subscribed by the shareholders of Enel Generación that sell their shares in the Enel Generación PTO (as agreed by the Shareholders' Meeting and informed through the initial Enel Generación PTO Prospectus Notice) and (ii) the Merger exchange ratio, Enel S.p.A. not lose its Enel Chile controlling shareholder status at any time, having to maintain a shareholding of over 50.1% of Enel Chile shares with voting rights at all times.
- d. That no court ruling or resolution with the intent to object, sue or demand action or judicial process be pending that would reasonably result in the following consequences: (i) prohibit or impede the materialization of the Enel Generación PTO, or (ii) impose material limitations on Enel Chile to purchase some or all Enel Generación shares, including any material restriction regarding the Amendment to the Enel Generación bylaws; or (iii) impose limitations on Enel Chile to continue developing or operating any project owned by Enel Green Power; and in general any other action by a court, superintendence, agency or any other competent authority that would lead to any of the consequences identified in items (i) to (iii) above.

- e. That no court ruling or resolution with the intent to object, sue or demand action or judicial process be pending that would reasonably result in the following consequences: (i) prohibit or impede the materialization of the Enel Generación PTO, or (ii) impose material limitations on Enel Chile to purchase some or all Enel Generación shares, including any material restriction regarding the Amendment to the Enel Generación bylaws; or (iii) impose material limitations on Enel Chile to exercise the ownership rights of its Enel Generación shares, including its voting rights of such shares, and in general any other action by a court, superintendence, agency or any other competent authority that would lead to any of the consequences identified in items (i) to (iii) above.
- f. That no material adverse change had occurred in Enel Generación Chile. Within this context, a material adverse change is any event, fact or circumstance that results or causes a material damage to the businesses, property, assets, obligations, results or operations of Enel Generación. Such materiality and exclusions will be determined objectively hereafter.
- (3) Capital Increase. The Shareholders' Meeting agreed that the Capital Increase would be effective on the date the Shareholders Meeting Minute is formalized as a public deed. Although, such Capital Increase will be void if the condition subsequent is fulfilled. If it is fulfilled, it is legally to be understood that the Capital Increase agreement was never adopted, and the Board of Directors is to establish such fact by public deed and an extract of such deed must be registered in the Santiago Trade Register, and to the side of the company's incorporation registration in the same Register and be published in the Official Gazette.

Also, if any of the conditions are satisfied, the company's Board of Directors must give timely notice to the SVS (currently CMF) and the stock exchanges and carry out all other necessary actions to note before such organizations that the agreement to increase capital by \$820,000,000,000 by issuing 10,000,000,000 new common shares is no longer in force.

- (4) Enel Generación Bylaw Amendment. The amendment to the bylaws of Enel Generación was approved under the condition precedent that Enel Chile would have declared the Enel Generación PTO a success.

All conditions to the Reorganization will be understood as fulfilled, or not fulfilled if referring to the condition subsequent to the Capital Increase, if on December 31, 2018 or before, Enel Chile publishes the notice declaring the success of the Enel Generación PTO, notice that is required by Article 212 of the Securities Market Law. This must be disclosed opportunely to the SVS (currently CMF) and the market through a significant event of Enel Chile. The conditions to the Reorganization will be understood as not fulfilled, or fulfilled if referring to the condition subsequent to the Capital Increase, if on December 31, 2018 or before, Enel Chile has not published the notice declaring the Enel Generación PTO a success as established by the terms and conditions of the PTO.

Consequently, having fulfilled the conditions to the Reorganization as indicated previously, or not fulfilling the condition subsequent to the Capital Increase, each phase of the Reorganization will become effective on different dates, as indicated below for each event:

- (1) The merger will become effective on the first business day of the month following the date in which the notice of the outcome of the PTO, as required by Article 212 of the Securities Market Law, is published by Enel Chile declaring it a success.
- (2) The capital increase will become effective on the date the Shareholders Meeting Minute is formalized as a public deed, notwithstanding being subject to the condition subsequent.
- (3) The acceptance date of the shareholders and the formalization of the sale of their shares tendered in the Enel Generación PTO will be the date in which the notice of the outcome of the PTO, as required by Article 212 of the Securities Market Law, is published by Enel Chile declaring it a success.



- (4) The payment date of the Enel Generación PTO, the delivery date of the new shares of Enel Chile to the shareholders of Enel Generación that accepted to sell their shares in the Enel Generación Chile PTO and the payment paid for such new Enel Chile shares by such shareholders with part of the Enel Generación Chile PTO price, will be the first business day of the month following the date in which the notice of the outcome of the PTO, as required by Article 212 of the Securities Market Law, is published by Enel Chile declaring it a success.
- (5) The Enel Generación Bylaw Amendment will be effective the date in which the notice of the outcome of the PTO, as required by Article 212 of the Securities Market Law, is published by Enel Chile declaring it a success.

# 15

Electricity industry regulation  
and electricity system operation



# Regulatory framework

Chile's electricity sector is regulated by the Chilean Electricity Law 20,218, contained in the Ministry of Mining DFL 1 issued in 1982, whose restated and coordinated text was determined by Ministry of the Economy DFL 4, issued in 2006 (the "Electricity Law") and its respective regulations contained in D.S. 327 issued in 1998.

The main authority in the energy industry is the Ministry of Energy. It is the government body responsible for proposing and delivering comprehensive public policies as a coordinate effort. It exists since February 1, 2010 as an autonomous entity after being part of the Ministry of Mining for many years.

The National Energy Commission ("CNE"; in its Spanish acronym) that regulates the electricity industry and the Superintendence of Electricity and Fuel, ("Chilean SEC"; in its Spanish acronym), the supervising body, are also relevant industry authorities. They report to the Ministry of Energy.

The CNE is the entity in charge of proposing the regulated tariffs, approving the annual transmission expansion plans, elaborating the indicative plan for the construction of new electricity generation facilities. The Chilean SEC inspects and oversees compliance with the law, rules regulations and technical norms applicable to electricity generation, transmission and distribution, liquid fuels and gas.

Additionally, the law provides for a "Panel of Experts", comprised of professional experts, whose main responsibility is to act as a court, issuing enforceable resolutions in disputes related to subjects referred to by the electricity law, "Electricity Law", and other electricity related laws.

According to the Law, the operation and coordination of the Chilean electricity system is to be carried out by a National Electricity Coordinator, ("CEN"; in its Spanish acronym). The CEN is an independent entity in charge of coordinating the operation of the electricity system with the following objectives: maintain service security, guarantee the efficient operation of the facilities connected to the system, and guarantee open access to all transmission networks. The main activities of the CEN include: coordination of electricity market operations, authorization of connections,

supplementary services management, implementation of information systems available to the public, and monitor competition and payments, among others.

The Chilean electricity sector is physically divided into three main networks, the National Electricity Network ("SEN" in its Spanish acronym) and two smaller isolated networks; Aysén and Magallanes. The SEN is the outcome of the interconnection of the Central Interconnected System ("SIC" in its Spanish acronym) and the Norte Grande Interconnected System ("SING" in its Spanish acronym) that took place in November 2017. Until then the SIC was the main grid and extended 2,400 km from Taltal in the north to Quellón on the island of Chiloé in the south. The SING covered the northern part of the country, from Arica to Coloso, and extended 700 km.

The electricity industry in Chile is divided into three segments or businesses: generation, transmission, and distribution. Operations of the related facilities must be interconnected and in coordination to supply electricity at the minimum cost within certain safety and quality standards required by electricity industry regulation.

Given the structural characteristics of the transmission and distribution segments, they are considered natural monopolies and are therefore subject to special industry regulation. The electricity grid is open access, and tariffs are regulated.

The Chilean electricity market trades two products, energy and capacity, and additionally several related services. The CEN performs the calculation of market balances, determines the transfers among generation companies and calculates the hourly marginal cost, which is the price at which energy transfers are carried out. The CEN also determines the price of generation capacity.

Customers are classified according to their demand as regulated or unregulated. Regulated customers are those whose connected capacity is below 5,000 kW. Customers with connected capacity between 500 kW and 5,000 kW may choose to be regulated or unregulated, subject to the respective price regime.



## Limits to integration and concentration

In Chile, antitrust legislation along with specific regulation applicable to the electricity industry, define criteria to avoid certain levels of market concentration and abusive practices.

Companies can participate in the different industry segments (generation, distribution and commercialization) in so far, an adequate level of corporate and accounting separation exists. The transmission sector however, is subject to more restrictions, mainly due to the nature of the activity and the need to guarantee network access to all industry players. The electricity law defines limits to the market share that generation companies and distribution companies may have of the national transmission segment and prohibits transmission companies from participating in the generation and distribution segments.

## Generation Segment

The operations of generation companies is determined by the system coordinator based on its operations plan, although generators may freely decide whether to sell their energy to either regulated or nonregulated customers. Any surplus or deficit between sales and production is commercialized among generators at the spot market price.

A generation company may have the following types of customers:

- **Nonregulated customers:** They are customers whose connected capacity is greater than 5,000 kW, mainly industrial and mining companies. These customers may freely negotiate their electricity supply prices with generators or distributors. Customers whose connected capacity ranges between 500 and 5,000 kW may choose to negotiate prices with their suppliers or be subject to regulated tariffs, for a minimum of 4 years in either regime.

- **Distribution companies:** Distinguishing between the energy they require to satisfy their regulated customers from the energy they require to satisfy their unregulated customers. The energy they require to supply their regulated customers is purchased from generation companies through an open bid process regulated by the CNE, while the supply for their unregulated customers is freely negotiated through bilateral contracts.
- **Generation companies on the spot or short-term market:** The energy and capacity transactions between generation companies that arise from the difference between the electricity produced by a generator, as determined by the CEN, and the contractual obligations of that generator with its customers is traded among generators on the spot market. The price of energy traded on the spot market is the hourly marginal cost of the system and the price of capacity traded on the spot market is the node price that is set every six months by the authority.

In Chile, capacity payments to each generator depend on the calculation performed annually by the National Electricity Coordinator, which determines the “suficiencia” capacity of each power plant. This “suficiencia” value depends on the availability of the power plant and the resources used for generation that relates to the power plant’s technology.

## Non-conventional renewable energies

Law 20,257 enacted in April 2008 creates incentives to use Non-Conventional Renewable Energies (NCRE). This rule determines that by 2014, 5% of energy commercialized by generators must be renewable and must increase 0.5% every year from 2015 until 2024 to reach 10%. This law was modified in 2013 by Law 20,698, entitled the 20/25 law, es-

establishing that by 2025, 20% of the electricity matrix must be covered by NCRE sources. For contracts in force up to July 2013, the withdrawals established by the previous law are to be respected.

## Transmission Segment

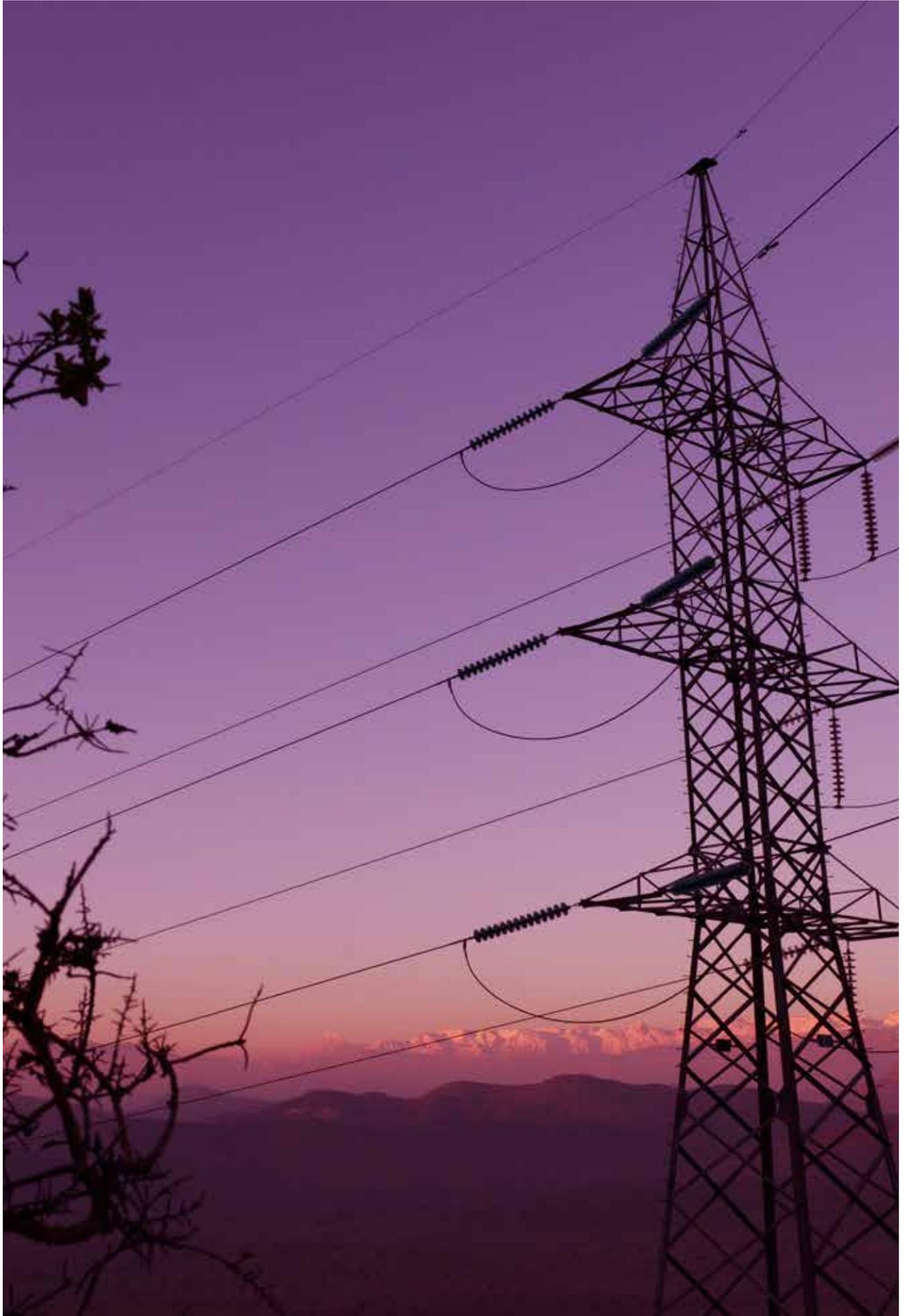
Transmission systems are comprised of the electricity lines and substations that are not considered part of the distribution network. The transmission systems in Chile are divided into five segments: National, Development Poles, Zonal, Dedicated, and International Interconnections.

Transmission facilities are open access. Therefore, they may be used by any user under nondiscriminatory conditions. The remuneration of existing national and zonal transmission installations is determined by a tariff setting process performed every four years. This process determines the Annual Transmission Value, which assumes efficient operation and maintenance costs and an annual valuation of investments that is based on a discount rate determined by the authority every four years (minimum 7% after tax) and the useful life of the installations.

National and Zonal Transmission Systems planning is a centralized and regulated process carried out by the CEN that annually issues an expansion plan to be approved by the CNE.

The expansion of both systems is granted through an open tender process that distinguishes new installations from enlargement of existing installations. The tenders carried out for new installations grant the winner ownership of the installation to be built. The expansion of existing installations, on the other hand, belongs to the owner of the original installation, who is obliged to tender the construction of the required expansion.

The remuneration of expansions is the value resulting from the respective bid of such expansion for the first 20 years of operations. From year 21 on, such expansion is considered an existing installation and remunerated accordingly.



# Distribution Segment

The distribution segment is comprised of substations and electricity lines with a voltage lower than 23 kV to supply electricity to end customers.

Electricity distribution companies operate under a public utility concession regime, with service obligations and regulated tariffs for supplying regulated customers (customers whose connected capacity is below 5,000 kW unless their connected capacity is between 500 kW and 5,000 kW and choose the nonregulated tariff). Nonregulated customers may negotiate their supply with any provider (distributor or generator) and must pay a regulated toll for the use of the distribution network.

Regarding the supply of electricity to regulated customers, the Law establishes that distribution companies must permanently have available energy supply. They must contract their energy supply through open, non-discriminatory and transparent public tenders. These bidding processes are managed by the CNE and based on distribution companies' projections of energy demand. They are carried out at least five years in advance to award 20-year energy supply contracts. In case of unforeseen deviations in the projections of demand, the regulator has the authority to carry out short-term tenders. There is also a regulated mechanism to remunerate supply not covered by a contract.

Tariffs of the distribution segment are set every four years based on a cost analysis to set the Value Added from Distribution of electricity ("VAD" in its Spanish acronym). The VAD, is based on an efficient model company scheme within a "typical area". The CNE and the distribution companies, each carry out a study with independent consultants to determine the costs of an efficient model company that

includes fixed costs, average energy and capacity losses, standard investment costs, and distribution operation and maintenance costs. The annual investment costs are calculated considering the Replacement Cost ("VNR" in its Spanish acronym) of the installations, useful life and a 10% return on assets associated with electricity investments.

The VAD is determined as a weighted average with one third of the value estimated by the study of the companies and two thirds by the CNE. With the resulting VAD, the CNE tests the resulting basic tariffs to ensure that they provide an industry aggregate rate of return within the established 10%  $\pm$ 4% range.

The VAD is calculated every four years and the regulated prices of the services determined as related to the supply of electricity by the antitrust government agency, Tribunal de la Libre Competencia ("TDLC" in its Spanish acronym) are also reviewed every four years.

The Chilean distribution tariff model is mature and has gone through nine tariff setting processes since its privatization.

## Regulatory Matters 2017

### Law 20,928 – Tariff equality law

On June 22, 2016, the Ministry of Energy published Law 20,928 in the official gazette. This Law establishes "electricity tariff equality mechanisms" and modifies the Electricity Law D.F.L. 4/2006. Law 20,928 states that the maximum tariffs that distribution companies may charge residential customers must not exceed the average national tariff by more than 10%. The differences arising from the application of this mechanism will be progressively ab-

sorbed by the remaining customers subject to regulated prices that are under the mentioned average, except for those residential customers whose monthly average consumption of energy in the prior calendar year is lower than or equal to 200 kWh. It also establishes that a discount will be applied to the energy component of the node price that distribution companies pass through to regulated customers that belong to districts that are intensive in electricity generation and located in electricity systems with over 200 MW of installed capacity.

Notwithstanding the above, the law empowers the regulator to incorporate into the VAD certain services that are not electricity distribution supply.

Within this context, in January 2017, the Ministry of Energy, the CNE and the SEC announced that the cost of the "interruption and reconnection" service due to non-payment would no longer be charged as a distribution-related service, but included in the electricity distribution tariff for 2016 – 2020.

## Electricity distribution law

A seminar entitled "The Future of Electricity Distribution" took place on September 29, 2016. It began with a discussion on the new distribution law.

The discussion was led by the Ministry of Energy with the collaboration of the Pontificia Universidad Católica de Chile. Workshops were carried out from November 2016 until the

end of January 2017 covering four subjects: "Development of the distribution network", "Future network financing and tariffs", "Distribution business models" and "Future network services". The first stage, the diagnosis of the distribution sector, concluded on April 13. The results of this process are expected to be disclosed by the authorities of the next government.

## CNE 2017 Regulatory Plan

Pursuant to Exempt Resolution 23 dated January 13, 2017, and according to Article 72-19 of the Electricity Law, the CNE published its 2017 annual technical regulation development plan. The plan included modifying the Technical Service Safety and Quality Regulation, and the Technical Annexes and Technical Rules applicable to electricity generation, transmission and distribution facilities.

## Rules published in 2017

Several rules related to the Transmission Law (Law 20,936) were published in 2017. The rules enacted are: Long term

Electric Energy Planning Rule; International trade of electric services Rule; Rules to determine the preliminary sections of new transmission system works; Rules to determine and pay compensation for unavailability of electricity supply and the Rules to Dictate the Technical Rules governing technical aspects, such as, safety, coordination, electricity information and figures regarding electricity sector operations. In December, the Rules on Complementary Services was submitted to the Government Comptroller Office. It is expected to be published in early 2018.

Additionally Exempt Resolution 659 was published establishing technical provisions to implement Article 8 of Law 20,870 that regulates the tax payments for thermal electric power plant emissions as indicated in the Tax Law Reform.

## Distribution system technical service quality rule

Exempt Resolution CNE 706 that set the technical service quality rule for distribution systems was published on December 18, 2017. The preparation of this rule was part of the CNE 2017 Regulatory Plan. It was carried out by forming an advisory committee and then submitted the text to public consultation.

The new rules increase electricity distribution technical and commercial requirements. The most relevant aspects covered by the new rules are: Reliability indicators (includes SAIDI, SAIFI, TIC and FIC indicators); product quality; measurement; monitoring and control; and commercial quality.

# 2017 Transmission expansion plan

The Electricity Law includes a procedure that must be carried out to plan for new transmission facilities every year. Within this context, on December 29, 2017, the CNE published Exempt Resolution 770 that defined the new projects and expansion projects resulting from this annual planning process. According to the stages identified by the Law, those parties interested (duly registered) may present their observations to the expansion plan during the first days of January 2018.

## Tariff reviews and supply processes

### Electricity Distribution tariff setting process

The tariff setting process for the 2016-2020 period concluded with the publication of tariff decree 11T in the Official Gazette that sets the distribution tariff formulas effective, retroactively, since November 4, 2016.

### Tariff setting process of electricity distribution related services

The "Final Electricity Distribution-Related Services Cost Study Report" was published on January 20, 2017. The CNE approved the Technical Report entitled "Tariff Formulas of Non-Electricity Supply Services, related to Electricity Distribution" through Exempt Resolution 213 dated April 27, 2017. To the date of this report, the tariff decree with the new tariffs is pending.

## Tariff setting process of zonal transmission

As determined by Article 20 of the transitory provisions of Law 20,936, the results of the tariff process carried out for the 2016-2019 period will be used to set the tariffs for the 2018-2019 period.

The "Preliminary Technical Report on the Annual Value of the Zonal System and the Dedicated Transmission System 2018-2019" was published on February 10, 2017 through CNE Exempt Resolution 83. The Final Technical Report was published on March 28, 2017 through CNE Exempt Resolution 149. To the date of this report, the tariff decree that will set the new tariffs is pending.

## Transmission Tariff Setting Process 2020-2023

Within the context of the electricity transmission tariff setting process for 2020-2023, the regulator issued the preliminary technical report on Transmission System Installations' Rating through CNE Exempt Resolutions 771 dated December 29, 2017. Also, through Exempt Resolutions 769 the CNE issued the Preliminary Technical and Administrative Terms required to carry out the Valuation of Transmission Systems Installations. According to the stages identified by the Law, those interested (duly registered) may present their observations to these documents during the first days of January 2018.

## Electricity Tenders

Three tenders have been carried out based on the rules of the New Electricity Supply Tenders Law: Supply Tender 2015/01, Supply Tender 2015/02, and Supply Tender 2017/01. The 2015/02 tender began in June 2015 and concluded in October 2015. It awarded three blocks for a total 1.2 TWh/ yr (100%) at an average 79.3US\$/MWh.

The 2015/01 tender began in May 2015 and concluded in July 2016. It awarded five blocks for a total 12.4 TWh/yr (100%) to 84 companies at a weighted average 47.6US\$/ MWh, adding new players to the market.

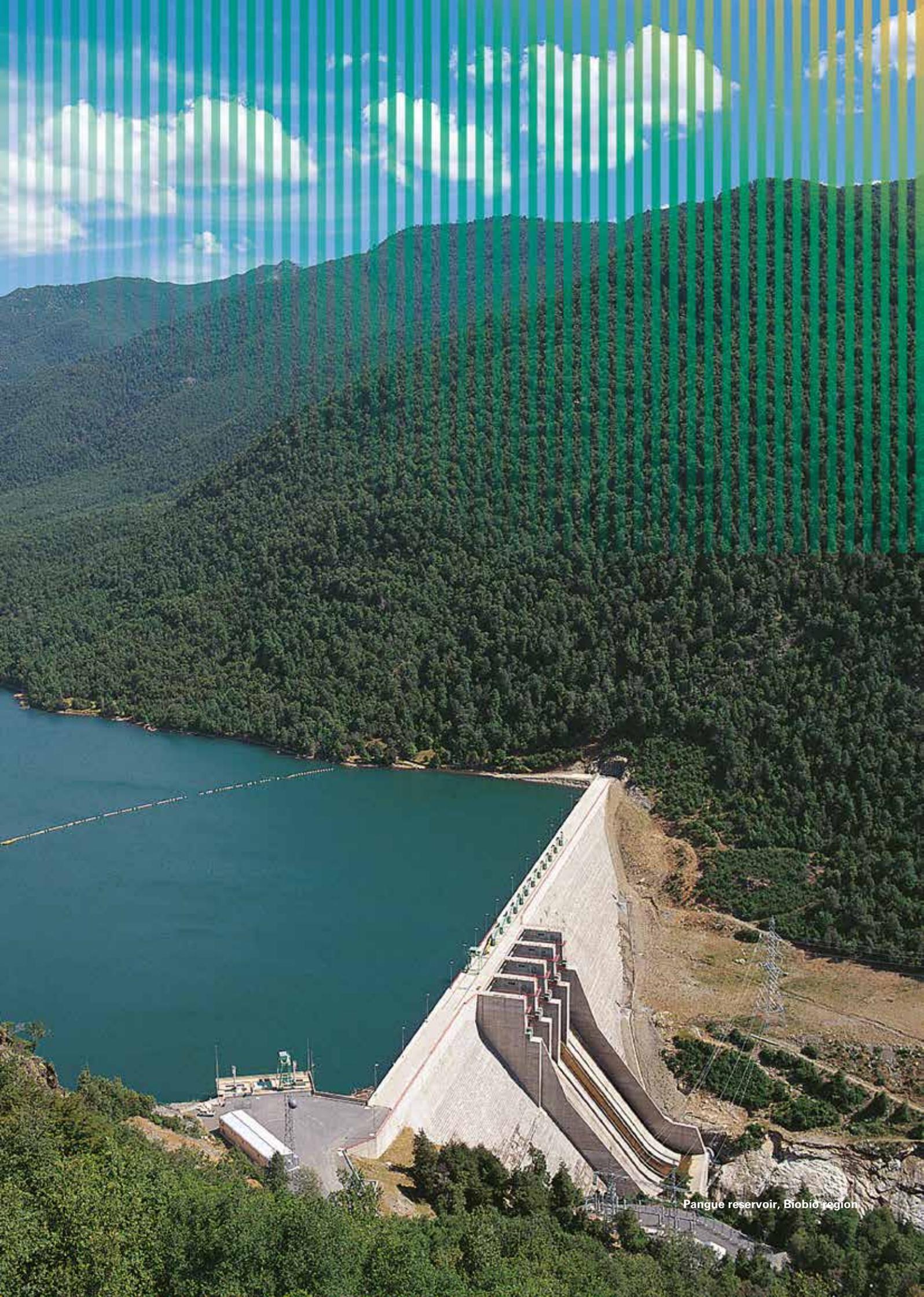
Enel Generación Chile was awarded 5.9 TWh/yr. representing 47.6% of the total energy awarded in the 2015/01 tender.

The supply tender 2017/01 began in January 2017 and concluded in November 2017. It awarded a total 2,200 GWh/ yr (100%) to 5 companies at a weighted average 32.5 US\$/ MWh.

As in the previous process, Enel Generación Chile was awarded the most with 1.2 TWh/yr. representing 54% of the total energy awarded.

# 16

## Electricity generation



Pangue reservoir, Biobío region

# Electricity generation

The total installed capacity of Enel Generación Chile was 6,351 MW at December 2017, consolidated net electricity generation amounted to 17,073 GWh, and electricity sales totaled 23,356 GWh.

The segmentation of the business into hydroelectric and thermal electric generation is natural because the variable costs of generation for each type of generation are different. Thermal generation requires the purchase of fossil fuels and hydroelectricity requires water reservoirs and rivers.

Hydroelectric sources represent 55% of the Company's consolidated installed capacity, thermal electric sources represent 44% and non-conventional renewable sources (NCRE) 1%.

Therefore, the commercial policy defined is relevant to manage the company correctly.

## Generation operations

Enel Generación Chile and its subsidiaries have a generating park comprised of 103 units throughout the Central Interconnected Electricity System and 8 units on the Northern Interconnected Electricity System.

## Generation Power Plants of Enel Generación Chile

Power Plant	Company	Technology	Installed capacity (MW) <sup>1)</sup>	
			2016	2017
Los Molles	Enel Generación Chile	Hydroelectric	18	18
Rapel	Enel Generación Chile	Hydroelectric	377	377
Sauzal	Enel Generación Chile	Hydroelectric	77	77
Sauzalito	Enel Generación Chile	Hydroelectric	12	12
Cipreses	Enel Generación Chile	Hydroelectric	106	106
Isla	Enel Generación Chile	Hydroelectric	70	70
Abanico	Enel Generación Chile	Hydroelectric	136	136
El Toro	Enel Generación Chile	Hydroelectric	450	450
Antuco	Enel Generación Chile	Hydroelectric	320	320
Ralco	Enel Generación Chile	Hydroelectric	690	690
Palmucho	Enel Generación Chile	Hydroelectric	34	34
Taltal	Enel Generación Chile	Fuel/Natural gas	245	245
Diego de Almagro	Enel Generación Chile	Fuel/Natural gas	24	24
Huasco TG	Enel Generación Chile	Fuel/Natural gas	64	64
Bocamina	Enel Generación Chile	Coal	478	478
San Isidro	GasAtacama Chile	Fuel/Natural gas	379	379
San Isidro 2	GasAtacama Chile	Fuel/Natural gas	399	399
Quintero	Enel Generación Chile	Fuel/Natural gas	257	257
Ojos de Agua	GasAtacama Chile	Hydroelectric	9	9
Pehuenche	Pehuenche	Hydroelectric	570	570
Curillinque	Pehuenche	Hydroelectric	89	89
Loma Alta	Pehuenche	Hydroelectric	40	40
Pangue	GasAtacama Chile	Hydroelectric	467	467
Canela	GasAtacama Chile	Wind	18	18
Canela II	GasAtacama Chile	Wind	60	60
Tarapacá TG	GasAtacama Chile	Fuel/Natural gas	24	24
Tarapacá carbón	GasAtacama Chile	Coal	158	158
Atacama	GasAtacama Chile	Diesel /Natural gas	781	781
<b>Total</b>			<b>6,351</b>	<b>6,351</b>

In 2017, electricity sales of Enel Generación Chile and its subsidiaries reached 23,356 GWh, which represents a 34% share of total sales of the National Electricity System, SEN, including sales to customers and net sales on the spot market.

## Enel Generación Chile and subsidiaries installed capacity, generation and energy sales

Installed capacity (MW) <sup>(1)</sup>	2016	2017
Enel Generación Chile	3,757	3,757
Pehuenche S.A.	699	699
Celta S.A. <sup>(3)</sup>	1,115	1,115
GasAtacama	781	781
<b>Total</b>	<b>6,351</b>	<b>6,351</b>

Generation <sup>(2)</sup>	2016	2017
Enel Generación Chile	11,538	10,859
Pehuenche S.A.	2,369	2,443
Celta S.A. <sup>(3)</sup>	2,429	-
GasAtacama <sup>(3)</sup>	1,229	3,655
<b>Total</b>	<b>17,564</b>	<b>17,073</b>

Sales	2016	2017
<b>Sales to end customers</b>		
Enel Generación Chile	21,105	20,924
Pehuenche S.A.	340	344
Celta S.A. <sup>(3)</sup>	930	-
GasAtacama <sup>(3)</sup>	463	1,347
Spot market sales	852	742
<b>Total</b>	<b>23,689</b>	<b>23,356</b>

(1) These figures result from the maximum capacities determined by Enel Generación Chile's Operational Norm No 38 "Regulation for defining maximum capacity in the hydroelectric and thermal plants of Enel Generación Chile", as of December 31 each year. They are the maximum design capacity of the generating units, corroborated with contractual satisfaction guarantee tests performed by the manufacturer of the generating equipment, in most cases. In some cases, the figures of maximum capacity may differ from the capacity declared to the regulatory authority and customers in each country, due to criteria defined by these entities and compliance to the corresponding contractual frameworks.

(2) Refers to total generation after deducting own consumption and transmission losses.

(3) Celta S.A. was absorbed by GasAtacama Chile S.A. on November 1, 2016.

# Operational and commercial scenario

## General operational and commercial scenario

The hydrology in the Central Interconnected System (SIC) was, on average, better than 2016 (one of the driest in statistical history) but maintained the dry conditions trend present over the last nine consecutive years since 2010, experiencing only some relief in 2014, 2015 and towards the end of 2017. This led to an increase in the hydroelectric contribution to the system when compared to 2016, and a slight reduction in thermal generation dispatch.

Generation costs were, on average, higher during the first semester and gradually declined during the second semester and more significantly during the last quarter, because hydrology intensified towards the last quarter of 2017 and fuel prices increased when compared to 2016. A moderate increase in consumption, which was 2.4% in the SIC, and the greater generation of renewable solar and wind power contributed to containing generation costs. The renewable solar and wind generation capacity increased 1,460 MW in 2017, which represents a 91% increase when compared to the solar and wind capacity that was added to the system in 2016.

Enel Generación Chile increased its hydroelectric contribution, following the trend in the SIC, but maintained its level of thermal generation when compared to 2016. Coal fueled power plants, Bocamina I and II, reduced generation, but were compensated by greater natural gas fueled generation.

The integration of the SIC and SING began in November 2017 with the operations of a 1,500 MW transmission line extending 3,100 km. that allows integrating the production and consumption of the country's two most important electricity systems. This integration will become more significant when the works still under construction conclude. The interconnection will integrate a joint production amounting to 74 TWh/yr and annual sales amounting to 71 TWh/yr, of which the SIC represents 75%. The main implications are:

- i) Greater supply reliability by allowing to exchange (bi-directional flow) generation between a system with a high concentration of hydroelectricity (SIC) and a system that is completely thermal (SING).
- ii) Advantages to develop and operate renewable generation projects, primarily solar and wind.
- iii) Integration of two markets that are significant in terms of sales but different in terms of typology (large number of regulated customers in the SIC and non-regulated and mining customers in the SING). These characteristics represent a significant source of business opportunities for Enel Generación Chile in all aspects, to develop projects, and to provide operational and commercial management.

## Main events that affected operational and commercial performance

In the commercial front, Enel Generación Chile repeated its successful participation in the power supply bid for distribution companies. The Company was awarded more than half (54%) of the 2,200 GWh/yr tendered in the 2017 process as the result of an agreement with Enel Green Power. The supply contracts signed have a 20-year term beginning in 2024.

This is the third tender process carried out governed by the new law (Law No 20,805 passed in 2015) entitled the 2017-1 tender that concluded in November 2017 and considered hourly blocks for 1,700 GWh/yr. and seasonal blocks (quarterly)

for 500 GWh/yr, to reach a total 2,200 GWh/yr. tendered. A total 24 generation companies presented offers reaching an aggregate 20,700 GWh/yr., slightly more than nine times the energy tendered, which reflects a high level of competition in this bid and that was also the case in previous bids.

As a result of the tender, the total 2,200 GWh/yr supply tendered was awarded to 5 companies at a weighted average 32.5 US\$/MWh to be effective in the future. This price was significantly lower than the price of previous tenders. The 2016 tender awarded a total 12,430 GWh/yr. at a weighted average 47.6US\$/MWh that will be effective in 2022, and the 2015 tender awarded three blocks for a total 1,200 GWh/yr. at an average 79.3US\$/MWh effective in 2021. Enel Generación Chile was at the top of the winning company list of the 2017 bid for being awarded 54% (1,180 GWh/yr.) of the bid, followed by renewable energy companies. Energía Renovable Verano Tres SpA was awarded 25% of the tender (540 GWh/yr.), Atacama Solar S.A. was awarded 10% (20 GWh/yr.), and Atacama Energy Holdings S.A. was awarded 5% (120 GWh).

Enel Generación performed a very careful and extensive analysis of the market conditions to participate in the 2017 tender process with a competitive offer (price and energy blocks) and also achieve a positive future commercial profit margin (20 years beginning in 2024), considering the level of competition and the lower prices of the previous supply tenders. Therefore, the offer was based on very low cost solar and wind renewable generation technologies, backed up by the existing diversified generation portfolio and consistent with the Company's previously signed supply commitments. As a result, we were awarded more than half of the tender at an average 34.7 US\$/MWh to become effective in 2024, a price that is higher than the total bid price average equal to 32.5 US\$/MWh. These price levels reflect the new market conditions to be present in the future, when the respective contracts come into effect (2024 in this case). There is a clear trend in the industry to operate with renewable energy at very low generation costs and that allow Enel Generación Chile to forecast attractive margins for the electricity supply already awarded. Enel is actively participating in the development and operation of renewable projects, which is facilitated by the integration of the SIC and SING because it allows the use of renewable resources available in northern Chile.

On November 16, 2017, the Ministry of Public Works and Enel Generación Chile signed the Laja reservoir Operation and Maintenance Agreement that supplements the Agreement signed in 1958. The agreement was achieved after four years of studies and dialogue with the different parties that use the water from the Laja basin and was signed by the communities and authorities involved. It includes the following main commitments:

- (i) Secure water requirements of farmers in the area, giving them priority to use the water when the level of the reservoir is low, which is also used for generation.
- (ii) Maintain the level of water required for the Laja Falls, a well-known tourist attraction in the area, to maintain its beauty.
- (iii) Increase flexibility in the use of the annual water volume to manage it more efficiently, based on watering and generation needs.

This agreement is extremely significant because it normalizes the use and operations of the water in this basin, putting an end to recurrent conflicts and lawsuits that took place in drought periods and were being solved with temporary solutions that did not allow the parties involved to plan and manage their use of this water efficiently.

The events previously mentioned reflect the Company's solid operational and commercial position, performing at a very high level as a consequence of the strengths that are highlighted below:

- i) Significant and technologically diversified generation capacity, mainly comprised of efficient hydroelectric and thermal plants, which allow the company to be very competitive, generating at low average operating costs.
- ii) Generation facilities are managed with high quality, availability and sustainability goals, which requires operational procedures and maintenance and modernization programs that fully comply with technical and environmental standards established by the electricity and environmental rules and regulations.
- iii) The commercial policy is defined to be consistent with the production characteristics of the Company's pow-

er plants and permanently adjusted to the increasingly competitive and changing market conditions. The goal of such policy has been to combine achieving an attractive return with a low exposure to production and market risk.

The production and market risk relate mainly to the following:

- i) Hydrology variability, risk that is permanently covered by the analysis and design of the optimum level of energy to be contracted.
- ii) Commodity variability risk, mainly the price of fuels that directly affect thermal production costs.
- iii) Currency variability risk, mainly the price of the United States dollar that has an impact on the revenue of the Company. This risk has been managed successfully by our parent company in Italy using financial instruments that have provided important revenue to our Company.

It is important to highlight and event that took place in 2017 regarding the natural gas supply agreement of Nueva Renca power plant, owned by AES Gener. This agreement allowed the natural gas available to Enel Generación to be used by Nueva Renca, and consequently optimize natural gas electricity generation and manage production risk and margins.

## Hydrologic condition of the SIC

The significance of hydroelectricity in Enel Generación Chile's generation mix makes hydrology relevant to the Company due to its influence on operational and commercial matters. Although 2017 was moderately less dry than 2016, hydrology was quite irregular when compared to expected rainfall and water availability of a typical year. The year began with a very dry ice melt season and this dry condition continued until September, with lower rainfall than expected during the winter months. Rainfall increased during the last quarter of the year, reversing the dry trend present in previous months and ending the year with a lev-

el of hydrology above the level in 2016. When compared to 2016, the first two quarters of the year were slightly drier with very high average accumulated exceedance probability of rivers, roughly 96% and 85% respectively. This dry condition remained stable during the third quarter of 2017, at 86% exceedance probability resulting in a lower recovery of seasonal reservoirs levels. The last quarter of the year, the snow melting season in spring, was quite favorable, consistent with an average exceedance probability of roughly 51%, which led to a significant recovery of reservoir levels and turning 2017 into a year that was moderately less dry than 2016 with a 78% total accumulated exceedance probability compared to 93% in 2016.

## SIC Generation and supply costs

Hydrology in 2017 was less dry, when compared to 2016, and therefore resulted in lower thermal generation. Energy supplied by the SIC reached 54.9 TWh of which 51% was thermal, lower than the 57% in 2016 equivalent to a 10% reduction. Hydroelectricity increased from 36% in 2016 to 39% in 2017, representing a 12.5% increase when compared to the previous year. Electricity generation from solar and wind renewable sources increased a significant 45% when compared to 2016, contributing with almost 10% of the system's total generation.

Regarding thermal generation, coal maintained its leading position representing 26% of total SIC generation, but lower than the 31% share in 2016. LNG followed with 19% of total generation, similar to the year before. Generation with diesel and biomass slightly declined from 6% to 5% of total generation.

Electricity generation of Enel Generación Chile in the SIC reached 16.5 TWh, which represents a 31% share of the SIC's total generation, slightly less than the 32% share in 2016. Hydroelectricity amounted to 9.7 TWh, 18% of the SIC's total, compared to 17% in 2016. Thermal electrici-

ty generation of Enel Generación Chile reached 6.7 TWh, 12% of the SIC's total and lower than the 7.4 TWh generated in 2016. Bocamina power plant coal generation fell from 3.0 TWh in 2016 to 2.3 TWh in 2017. Far behind comes wind generation reaching 0.1 TWh (0.2% of the total) and fuel oil generation with 0.06 TWh.

Enel Generación Chile maintained its leadership position in hydroelectricity reaching 45% of total hydro generation (48% in 2016) and also made a significant LNG generation contribution to the system, representing 45% of total LNG generation. Regarding LNG, the agreement signed with AES Gener previously mentioned, allowed the Nueva Renca power plant to generate about 1.7 TWh during 2017, positively adding to the commercial margin of both companies.

During 2017, the average price of fuels increased when compared to 2016. Coal was the predominant fuel in electricity generation and its price increased a significant 42% from 82 US\$/ton average price in 2016 to roughly 117 US\$/ton in 2017. Regarding the price of LNG, although the purchase prices of Enel Generación Chile are confidential, at a general level and according to information provided by the electricity authority, the average price increased 19% from 2.49 US\$/MMBTU in 2016 to 2.97 US\$/MMBTU in 2017. Liquid fuel as an electricity generation source was used very little for electricity generation in the SIC. Average prices of liquid fuels increased significantly, diesel 23% and fuel oil 42%.

Despite the increase in the price of fuel mentioned, the average price of electricity in 2017 was similar to 2016. The average annual spot market price of energy at the Alto Jahuel node (220 kV), which is representative of the consumption in the metropolitan area, declined slightly (3%) from 60 US\$/MMBTU in 2016 to 58.4 US\$/MMBTU in 2017, without pronounced variations throughout the year. Average prices increased moderately (7%) during the first semester when compared to the same semester of the previous year, and declined significantly (-15%) during the last two semesters, meaning that the greater cost of thermal generation is compensated by the greater contribution of hydroelectric generation and renewable energies with a variable cost equal to zero.



## The relevance of liquefied natural gas (LNG)

Enel Generación Chile entered the LNG market in 2009 when the GNL Quintero Regasification Terminal began operations, which was a project of national interest that required a significant public and private effort to ensure the country a supply of natural gas since the Argentine supply had been interrupted.

Metrogas, Enap and Enel Generación Chile, jointly promoted the development of the GNL Quintero Terminal, a facility that has played a crucial role in the supply of energy to the central region of Chile for both residential and industrial customers and also for the electricity system as a whole.

In 2017, Enel Generación Chile sold its entire 42.5% ownership share of Electrogas to Aerio Chile, a subsidiary of the Portuguese company REN-Redes Energeticas Nacionais for US\$ 180 million. This sales contract does not affect the use of Electrogas' pipeline to transport the gas required by Enel to supply electricity generation power plants.

In terms of electricity operations, the availability of LNG provided by the long term supply contract with BG Global Energy Ltd (BG) in addition to the two shipments of LNG purchased in the spot market was key to compensate for the lower level of hydroelectricity available due to the extremely dry conditions during the year.

The rental contracts signed in 2017 with AES-Gener regarding the Nueva Renca thermoelectric power plant allowed this unit to supply the SIC with natural gas fueled electricity in addition to San Isidro and Quintero plants. Total generation of Enel Generación Chile using natural gas (including operations of Nueva Renca) was 6.0 TWh throughout the year, which represented 10.9% of the SIC's total annual generation, 5% more than in 2016.

During the first quarter of 2017, Enel Generación Chile partially unloaded the first LNG shipment from the Quintero terminal to the Mejillones terminal since both power plants began operations. This allowed providing a greater amount of LNG to the central region to face the existing drought conditions.

In terms of LNG trading activities, there were no significant events during 2017.

Enel Generación Chile sold three LNG shipments, including the sale of two shipments of LNG to Enel Trade to be delivered in the United Kingdom. This was the first international trading transaction outside Latin America related to the BG contract.

Also, the Company, along with ENAP and Agegas (company related to Metrogas) reached a new export agreement Enarsa (with Empresa Nacional de Energía Argentina), to export natural gas from the Quintero terminal to Argentina. Natural gas exported amounted to 277 million cubic meters. Enel Generación Chile contributed with 32% of such amount.

In 2017, the Company once again signed a terminal use agreement, TUA, with GNL Mejillones that allowed unloading an LNG shipment. This transaction allowed renewing natural gas sales contracts with mining and industrial customers located in northern Chile making Enel Generación Chile the main industrial gas trader in northern Chile. It also makes natural gas available for the generation units of Enel Generación Chile (Taltal and GasAtacama) connected to the northern gas pipeline network.

Regarding the commercialization of LNG by using trucks as the means of transportation, the main satellite regasification plant built to this date, located in Teno, began operations in 2017 and is supplied with the Company's LNG.

During 2017, the Quintero terminal unloaded 50 shipments of natural gas, a total 3,947 MMm<sup>3</sup>. Of that amount 1,451 MMm<sup>3</sup> were for Enel Generación Chile, to satisfy its electricity generation requirements, and also to commercialize. Of the remaining amount, about 720 MMm<sup>3</sup> of gas were destined to other partners of the terminal, for electricity generation by other generators connected to the SIC.

Within this context, Enel Generación Chile continues consolidating as a relevant player in the gas market in Chile, expanding its activities in the commercialization of gas and LNG in the local and international market.

# The Commercial front

The commercial activities executed by Enel Generación Chile in 2017 were aligned with the Company's commercial policy that seeks to achieve the following goals: maintain leadership position in the industry; adequately manage risk and return given current market conditions; implement customer loyalty plans, increase new customers and efficiency in internal commercial operations.

The main actions carried out are indicated below:

New electricity supply contracts were signed with important mining and industrial customers, such as, Occidental Chemical Chile Ltda. (170 GWh/yr. for 10 years); and CMPC (606 GWh/yr. for 10 years). Important contracts were also signed with distribution companies to supply their non-regulated customers, such as, SAESA (280 GWh/yr. for 5 years); Chilquinta (170 GWh/yr. for 5 years); CGE Group (230 GWh/yr. for 4 years); and Enel Distribución (600 GWh/yr. for 9 years).

As a result of the changing trends in the electricity industry in Chile, Enel Generación Chile signed supply contracts in 2017 with approximately 100 nonregulated customers for a total 500 GWh/yr. for 5 years. These are groups of new smaller customers that chose to become nonregulated customers after being regulated customers, as allowed by current electricity industry regulation.

In August 2016, the results of the electricity supply bidding LIC2015/01 for regulated customers in Chile was announced. Enel Generación Chile was awarded approximately 5,900 GWh/yr for a 20-year period between 2022 and 2041 of this bid. The formalization of the respective

contracts continued during 2017, which involved reviewing the conditions, agreeing to them and then signing 26 supply contracts with all the distribution companies in Chile that participated in the bid.

In November 2017, the results of the electricity supply bidding 2017/01 for regulated customers in Chile was announced. Enel Generación Chile was awarded approximately 1,180 GWh/yr. for a 20-year period beginning in January 2024. Within this context, the customer management area of Enel Generación Chile has continued the subscription process with the distribution companies and the CNE that is expected to conclude in 2018. The process involves writing up the contacts and reviewing the required documentation to sign over twenty supply contracts resulting from the electricity tender.

# Enel Generación Chile projects under construction and optimization

## Los Cóndores project

The Los Cóndores hydroelectric power plant project is located in the San Clemente district, in the Maule basin and Maule region. The project involves the construction of a pass-through hydroelectric power plant with installed capacity of approximately 150 MW, through 2 vertical axle

Pelton units, that will use water from the Maule lagoon reservoir. The plant will be connected to the national electricity network by an 87 km transmission line to the Ancoa substation.

The environmental qualification resolutions required for the power plant and the transmission line were obtained in 2011 and 2012 respectively. In 2014, the hydraulic works plan of the project was approved.

By the end of 2017, the physical progress of the project is 61%, the excavation of the tunnel reached 7.2 km, the civil works of the underground powerhouse cavern has concluded and the installation of electromechanical equipment is in progress. Regarding the transmission lines, 60% of the structure is assembled and 4.6 km of cable have been installed.

The total investment accrued as of December 31, 2017 was Ch\$ 274,958 million. Based on the information available up to the date of this report, the investment is estimated to exceed the nominal amount approved for the development and construction stage, in 20% to 25%. The power plant is expected to begin operations during the second semester of 2020.

## Optimization of Bocamina plant's second unit

Bocamina is a coal fired generation power plant located in the Coronel district (Concepción, southern Chile) comprised of two units with 128 MW and 350 MW each.

The second unit of Bocamina began commercial operations in October 2012, but was interrupted in December 2013 due to a judicial order issued by the Concepcion Court.

Enel Generación Chile submitted a new environmental impact study (EIA in its Spanish acronym) in December 2013, proposing a technical optimization plan. The EIA was approved on March 16, 2015 and the RCA approval was received on April 2, 2015.

Main progress achieved in 2017 was the following:

- The Municipal Works Department (DOM in its Spanish acronym) of Coronel approved the dome built on the north coal field on July 12, 2017, and it became operational on July 17.
- The construction permit of the dome for the south coal field was granted by the Coronel DOM on January 27, 2017.
- The installation of the metallic structure on the south coal field concluded on December 21, 2017, 62 days before the programmed date. The construction is expected to conclude in 2018.

The total estimated investment is Ch\$ 62,026 million. As of December 31, 2017, a total Ch\$ 53,695 million had been disbursed.

## Tarapacá DeSox & DeNOx environmental equipment project

Tarapacá power plant is a 158 MW coal-fired thermal unit, whose average annual generation is 1,100 GWh and is connected to the Northern Interconnected System (SING).

On June 23, 2011, D.S. 13 was issued to regulate the emissions of thermal power plants, forcing the reduction of SO<sub>2</sub> and NO<sub>x</sub> emissions by June 23, 2016. This implied adapting the Tarapacá power plant to comply with the decree by installing a desulphurization system (DeSO<sub>x</sub>) and adopting methods to reduce NO<sub>x</sub> emissions (DeNO<sub>x</sub>).

Main progress achieved in 2017:

- Since December 15, 2016 the power plant became available to operate commercially and is mitigating its environmental impact.
- During 2017 the works pending were concluded and the principal contracts related to the project were closed.

The estimated total investment is Ch\$ 68,240 million, of which Ch\$ 67,696 million was accrued as of December 31, 2017.

## Projects in the feasibility study stage

In Enel Generación Chile, different growth opportunities that respond to market requirements are continuously analyzed. Since 2015, our projects' portfolio has been modified to increase flexibility by having options when making investment decisions. The focus is placed on a portfolio with projects that are sustainable from a technical, environmental, social and economic perspective.

We are searching for new opportunities in thermal generation by either modernizing and improving efficiency (operational and/or environmental) of existing assets or developing new projects including the energy storage systems.

Expected date of commissioning of every project is constantly reviewed and defined based on commercial opportunities and on the Company's capacity to carry out these projects.



## Neltume and Choshuenco hydroelectric projects

In January 2018, after a very comprehensive analysis, the Board of Directors of Enel Generación informed their decision to abandon the Neltume and Choshuenco projects located in the Region de Los Rios and booked a Ch\$ 25,106 million loss, which affected fiscal year 2017 results. The water rights for these projects were also returned.

## Taltal optimization project

The Taltal power plant is located in the Antofagasta Region. It is an energy efficiency project that uses the heat generated by the existing gas turbines to produce steam. This is done by installing a steam turbine and its generator, which allow converting the existing Taltal open cycle plant into a gas-fired combined-cycle plant.

In December 2013, an Environmental Impact Declaration (DIA in its Spanish acronym) of the optimization project was submitted to the authority and was approved in January 2017.

Any decision related to the construction of this project will depend, among other things, on the commercial opportunities envisioned for the following years, such as, the prices of future tenders to supply the electricity required by the regulated market and/or existing or new nonregulated customers.

## Vallecito hydroelectric project

The project is located in the Maule Region, specifically in the upper basin of the Maule River. It is a pass through hydroelectric power plant with nearly 55 MW installed capacity. The energy it produces is to be supplied to the interconnected electricity system using the line that is currently in construction to evacuate electricity from the Los Cóndores hydroelectric power plant.

Since 2015, Vallecito has been developed based on sustainable criteria, which consists of defining the technical, economic, environmental and social aspects of the project considering high sustainability standards. This project has included community collaboration processes that have contributed to a shared vision of the territory, agreeing on activities to be executed in each of nine communities of the Pehuenche Route.

The basic engineering studies were carried out in 2017, the environmental campaigns concluded and the implementation of the sustainable development plan began by supporting the activities defined as a shared vision for the territory.

Based on the commercial opportunities envisioned for Vallecito, the next step will be the preparation of the environmental studies to present to the respective authority, once the design of the project, being defined along with the community, has concluded.

## Quintero combined cycle project

The project is in the Valparaiso Region. It is an energy efficiency project that involves using the heat generated by the existing gas turbines to produce steam. This is done by installing a steam turbine and its generator, which allow converting the existing open cycle Quintero plant into a gas-fired combined cycle.

During 2017, the company continued working on the environmental impact study and the implementation of the sustainability plan.

The final investment decision regarding this project will depend, among other things, on the commercial opportunities foreseen for the following years, such as, the prices of future tenders to supply the electricity required by the regulated market and/or existing or new nonregulated customers.

## Ttanti combined cycle project

The Ttanti project is in the Antofagasta Region, on land adjacent to the existing Atacama power plant located in the industrial zone of the city of Mejillones. The project involves the construction of a natural gas combined-cycle power plant with an installed capacity of 1,290 MW (three units with 430 MW each).

On December 28, 2017, the Environmental Evaluation Commission of the Antofagasta Region voted in favor of the power plant's environmental approval.

Any decision related to the construction of the project will depend, among others, on the commercial opportunities foreseen in the upcoming years, e.g., prices in future tenders for supplying the energy requirements of the regulated market and/or negotiations with existing or new unregulated customers.



## Tarapacá battery energy storage system

Enel Generación Chile is analyzing the installation of a battery energy storage system (BESS) in the Tarapacá thermal power plant to provide the ancillary services that the National Electricity System (SEN) could require in upcoming years.

The project involves the installation of a BESS with about 14 MW of installed capacity and 7 MWh of energy storage capacity, connected to the 11.5 kV bar of the existing 23 MW turbine installed in the Tarapacá thermal power plant.

In December 2017, the Environmental Evaluation Service (SEA in its Spanish acronym) of the Tarapacá Region issued a resolution waiving the obligation to submit the project

to environmental assessment before its construction. Despite this fact, any decision related to the construction of the project will depend, among others, on the commercial opportunities foreseen in the upcoming years and, particularly, on the evolution of the regulatory framework for the provision and remuneration of the ancillary services.

## Land reserved for future projects

As of December 2017, Enel Generación Chile has approximately 48.3 hectares of land for future natural gas fired thermal plants and hydroelectric plants. These assets are in the Antofagasta Region (6.3 hectares) and the Los Lagos Region (42 hectares).

# 17

## Environmental management highlights





During 2017, the San Isidro power plant, located in the Valparaíso Region, continues working on adding flexibility to the water supply for cooling purposes due to the deteriorated quality of its well water. In March 2017, the DIA of the project "Optimization of water supply and waste system of San Isidro Power Plant" was presented to the Environmental Impact Evaluation System (SEIA). This plan involves optimizing the use of San Isidro's water by installing a system to recover the water from the refrigeration tower of each of the two units to improve its quality and reuse it in the cooling process. This will be achieved by a Zero Liquid Discharge, ZLD, facility with two treatment modules. The Company also considers diversifying water sources by adding other sources to the water from their own wells, increase the water discharged into the river, among other aspects. The approval of this project is expected to be received in 2018.

During 2017, a new flow rate available for dilution to discharge into the river was obtained and new alternative wells to supply water to San Isidro were identified. On December 20, 2017, the General Water Authority (DGA) authorized changing the location of the underground water intake, providing the power plant with flexibility regarding fresh water supply. On that same day, the DGA approved

the request presented by Enel Generación Chile to increase the months available for dilution, which also adds flexibility to comply with the discharge limits of waste to the Aconcagua River.

Regarding progress in environmental management of thermal plant Bocamina, on June 5, 2017, the construction of the roof on the north coal field was approved and the construction of the roof on the south coal field began. Worth mentioning is also the pilot project of Bocamina's real time data transmission to the Superintendencia of the Environment. Bocamina is the first power plant to make this connection in the country.

In 2017, the environmental authority also resolved in favor of the questions we submitted to the SEIA relative to new locations for Bocamina to dispose of coal ashes. This provide flexibility in managing coal ashes avoiding the need to build a new landfill.

As part of the Environmental and Social Recovery Program of Coronel (CRAS Coronel), the company, with the community, regional authorities and other companies concluded the definition of a plan of environmental and social measures to be permanently developed in the district.

With regard to the environmental management activities of the hydroelectric power plant's Action Plan, the construction of the new storage room to store hazardous substances at the Laja power plants concluded, which allows satisfying the requirements of D.S. 43/2016 issued by the Ministry of Health. The new Hazardous Waste Management Plan for the Maule power plants was approved by Health authority, which allows satisfying the requirements of D.S. 148 "Health Regulation on Hazardous Waste Management" (Res 0764 of the health authority).

Regarding the commitments related to the Environmental Qualification Resolution of the Ralco hydroelectric power plant, 2017 highlights are the following:

- > In January, Enel Generación Chile and Universidad de Concepcion implemented the reforestation plan to plant a total 700 hectares with native trees as part of the Ralco power plant construction mitigation program. Several members of the indigenous community of the Bio Bio and Araucania Region were trained to collect the seeds of the native trees.
- > The activities to recuperate the lots used as dumps and deposits during the construction of the Ralco power plant began in January. The goal is to recuperate the land by planting native trees.
- > In March, Enel Generación Chile officially handed over the cemetery to the El Barco community. The Bio Bio regional director of the National Indigenous Development Corporation, (Conadi in its Spanish acronym) performed the honor. Building this cemetery was a commitment of Enel Generación Chile related to the construction of the Ralco Power plant.
- > In March, a thematic map identifying the location of heritage sites in the district was presented to the mayor of the Alto Bio Bio district, Nivaldo Piñaleo, to be exhibited in the local museum. Three thousand brochures written in three languages (English, Spanish and Chedungun) were also donated to promote these sites. This activity is part of the project "Identifying and Protecting Heritage Sites," which is one of the five compensatory measures defined by the environmental authority in 2006.
- > The construction of the Lonquimay Bridge, one of the compensatory measures related to the construction of the Ralco Power plant, concluded in April. It is the access to the New Barrio community in Lonquimay.
- > Within the context of Ralco's RCA, the implementation proposal of the Long-Term Development Plan for the Ayin Mapu and El Barco communities that were relocated was prepared in 2016. The proposal was defined by the members of the communities, and their leaders through workshops in which they identified their interests, and opportunities for improvement, by defining the activities and projects they expect to begin developing in 2017.



## Thermoelectric power plant emission standard compliance

The thermoelectric park of Enel Generación Chile and its subsidiary GasAtacama continue working to comply with the latest versions of protocols and guidelines defined by D.S. 13/11 issued by the Superintendencia of the Environment.

In July 2017, the SMA published the reports verifying compliance with the limits established by D.S. 13/11 based on the quarterly reports uploaded by each power plant to the SMA's "Thermal Power Plant" website. The SMA verified that all Electricity Generation Units (UGE in its Spanish acronym) of the company complied with the emissions limits.

## Green taxes

The SMA approved the proposed methodology to quantify emissions of the entire thermal park of Enel Generación and its subsidiary GasAtacama, as defined by resolutions of the Superintendencia. During 2017, the power plants reported their emissions based on such methodology and taxes for 2017 will be paid in 2018 based on such report.



## New projects

During 2017, the company began the tender to carry out the environmental characterization of the Huenehue River seeking to define an environmental baseline of the stretch affected by the reduced waterflow as a result of the construction and operation of the Pullinque power plant. This study was a commitment of the company with the indigenous communities living along the Tralcalpulli and Llongahue riverside, determined as part of an effort carried out by the sustainability department with the communities.

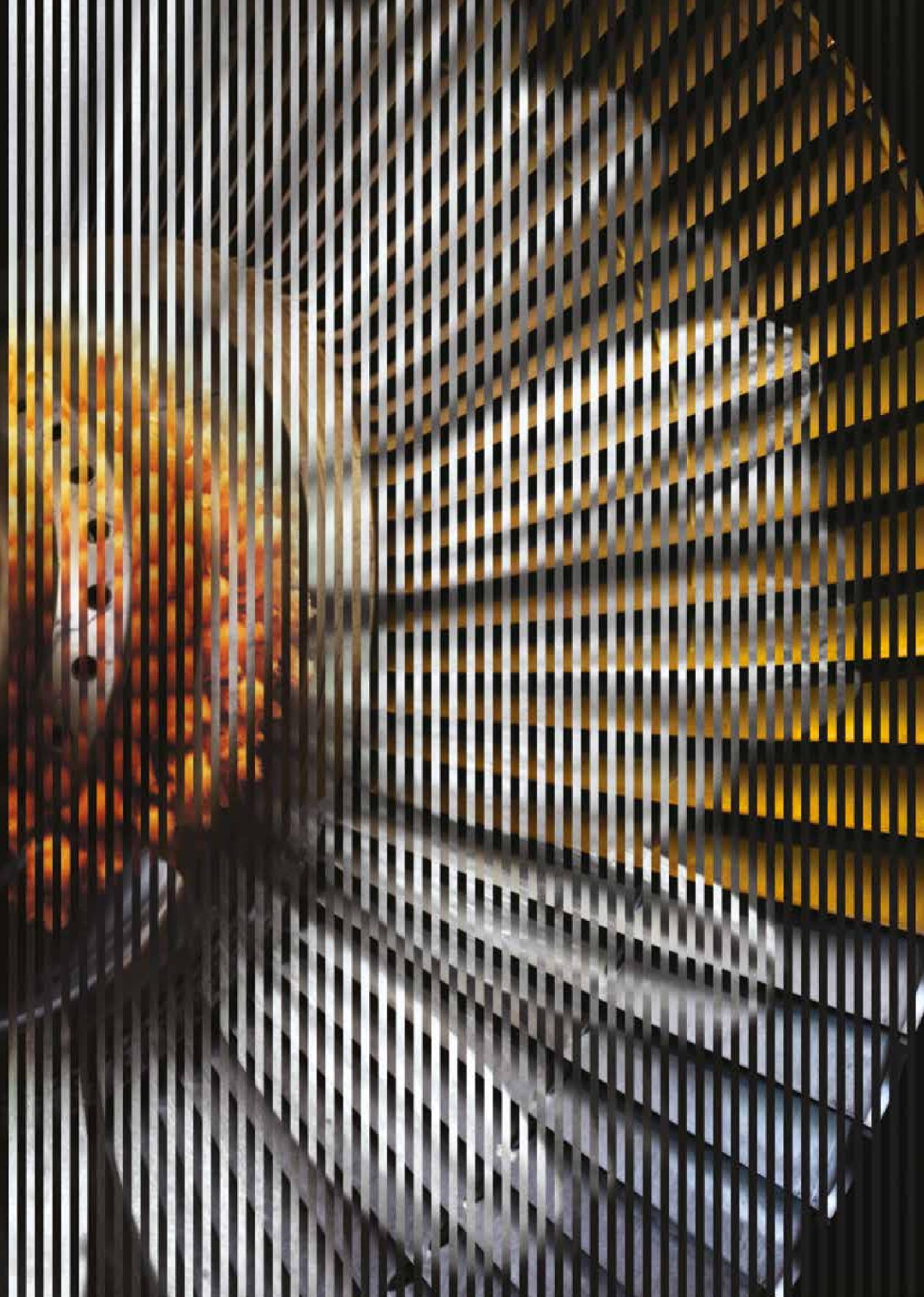
The hydroelectric power plant Pehuenche was chosen as the "Sustainable Pilot Power Plant". This initiative seeks to develop projects with shared value that additionally contribute to the operational efficiency of the facility.

On January 17, 2017, the Evaluation Commission of the Antofagasta Region approved the DIA of the Optimization Project to close the TalTal power plant combined cycle that began in December 2013. The RCA was Res. Ex. 24/2017. On December 28, 2017, the Evaluation Commission of Antofagasta approved the environmental Impact Study of the Ttanti Thermal power plant 1,290 MW combined cycle located in Mejillones). The RCA 13/2018 was issued on January 11, 2018.

On December 27, 2017, the SEA of the Tarapacá Region issued Resolution 90 stating that the project to install a Bess Energy Storage System to the Tarapacá power plant is not obliged to file with the SEIA to be implemented. During 2018, a similar project for the Tal Tal power plant is expected to be submitted to the opinion of the authority.

# 18

Sustainability





# Stakeholders and materiality matrix

Sustainability is considered an essential principle of Enel Generación Chile's business and is part of the Company's value chain.

The 2017 sustainability plan has focused on five pillars that represent the grounds of sustainable development: health and workforce safety, solid governance, environmental sustainability, sustainable supply chain and creation of financial and economic value. The goals for 2017 are geared towards building a strong relationship with the community, implementing plans that consider workforce diversity and inclusion, seeking operational efficiency and innovation, and building an energy matrix that includes environmentally sustainable technologies.

The investment in digitalization is critical to the sustainability of the business, particularly in terms of power plant operational efficiency and improving products and services for our customers.

The Company has focused its sustainability management on inclusion and transparent collaboration with its stakeholders. Enel Generación Chile work is based on criteria and principles to achieve a fair relationship with all stakeholders from the design stage of a project, assuring equal conditions and equal access to information required for decision making. This is performed by identifying the most relevant groups of interest involved in each operation and evaluating potential areas of impact and opportunity.

Local needs are directly related to the company's goals in a materiality matrix that is prepared for each territory to develop the projects that are adequate to reach shares goals.

The significant presence of the company in the territory allows having a constant view of the opportunities and instances available to align solutions and add value to all stakeholders. These opportunities have fostered the development of circular economy solutions, i.e., the transformation of waste, such as, pallets into community eco construction material.

The business culture of Enel Generación Chile is guided by the Open Power Vision, committed to the United Nations Sustainable Development Objectives, the Creation of Shared Value and complying with the company's Human Rights Policy.

# Open Power Vision

Enel Generación Chile has identified the central aspect of its business to be the “Open” concept, a cornerstone of its strategy and operations: Open energy to more people; Open energy to new technologies; offer people new ways to manage energy; add new uses to energy; add more alliances to energy.

## Objectives of Sustainable Development

In 2015, the United Nations adopted the new Sustainable Development Objectives (ODS in its Spanish acronym). This initiative invites companies to use creativity and innovation to face sustainable development challenges, such as poverty, gender equality, access to clean water and energy, and climate change among others.

At the time, Enel SpA (“Enel”) announced the Group’s intention to contribute to achieving four of those objectives. Particularly, Enel and its companies worldwide have focused on the following objectives:

1. Quality education (ODS 4): Support educational activities for 400,000 people by 2020, similar to those already underway, such as the scholarship program in Latin America. In Chile, the goal is to reach 50,000 people within the same period. In 2017, the Group has already reached the 400,000 goal worldwide, and therefore the goal has doubled by 2020.

2. Affordable and clean energy (ODS 7): Commit to promoting affordable, sustainable, and modern energy through the initiative “Enabling Electricity” to benefit 3 million people, mainly in Africa, Asia and Latin America.
3. Decent work and economic growth (ODS 8): Promote sustainable, inclusive job opportunities and economic growth for 500,000 people.
4. Climate action (ODS 13): Adopt initiatives to fight climate change to reach the carbon neutral goal by 2050.

## Human Rights Policy

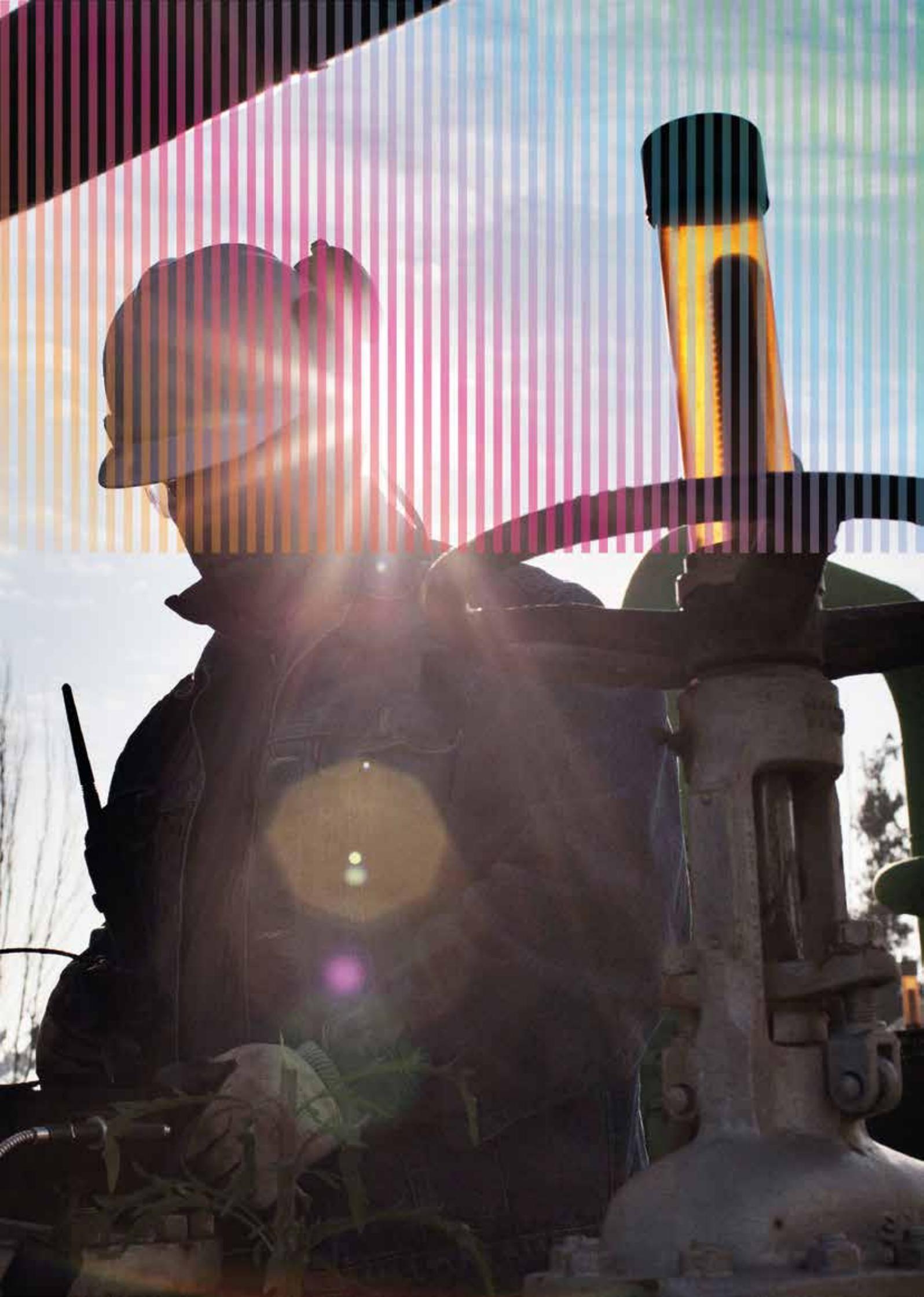
The Company approved its Human Rights Policy in 2013. It represents Enel Chile’s commitment and responsibility towards this critical aspect of social and corporate sustainability. The document sets out the Company’s commitment to all human rights, particularly those that affect corporations and the activities carried out by all Company employees in Chile.

Within this framework, the company performed a Human Rights diagnosis (Due Diligence) in Chile to identify situations at risk and prevent them. The results of the diagnosis were disclosed to the stakeholders. The due diligence was carried out within the areas influenced by the following power plants or basins of Enel Generación Chile: Laja, Ralco, Bocamina and Maule. This process continues to be constantly monitored and specific plans are implemented to minimize related risks.



# 19

## Innovation Culture in the Company



For Enel Generación Chile, innovation is a differentiating factor that provides a competitive advantage in the electricity generation market. Therefore, the company aspires to maintain and improve its leadership position in this area, working in a systematic, organized, and cross-disciplinary way, aligned with the company's strategic plan.

During 2017, the company continued promoting culture, climate and innovation practices and working on materializing such culture in developing projects that add value to the Company. In doing so, the internal climate of the company must foster innovation and materialize such innovation in greater competitiveness and efficient processes. The following activities were carried out during the year to strengthen the innovation culture and promote employees' creativity.

## Capturing Ideas

This program is about finding solutions to real challenges through the collaborative participation method. During 2017, the second capturing ideas program named Gxellence was developed with the Operational Performance Optimization (OPO) Unit of Enel Generación Chile. This program is implemented simultaneously in all thermal generation departments of Enel. The winning ideas on a country level then compete on a worldwide level.

The employees of all generation power plants in the country were invited and encouraged to participate in the program by submitting their ideas within the categories of innovation and continuous improvement.

The following segmentation was performed within each category:

Continuous improvement:

- > Operational performance (combined cycles and coal)

Innovation:

- Environment (combined cycles and coal)
- Safety (combined cycles and coal)
- Operational performance (combined cycles and coal)
- Safety and environment
- New business models

The winners and their ideas are the following:

Continuous improvement:

- > Ivan Vega Orihuela, winner of the Operational Performance of Combined Cycles category proposing as an improvement "Infrared cameras in the TG-San Isidro"
- > César Soto Segura, winner of the Operational Performance with Coal category proposing as an improvement "Unified Desk to Optimize Operational Space – Bocamina"
- > Ricardo Salinas Lillo, winner of the Coal Safety category proposing as an improvement "Vending type Machines with Employee Protection Elements-Tarapacá"
- > Mauricio Tapia Araya, winner of the Environment and Coal category proposing as an improvement "Treatment of Water with Mud -Bocamina"
- > Cristián Mendoza Fajardo, winner of the Combined Cycle Environment category proposing as an improvement "Lamp replacement from the Atacama power plant to the Tarapacá power plant"

Innovation:

- > Mauricio Zamora Morales, winner of the Operational Performance category with the innovation idea "Virtual Operator- Quintero"
- > Giovanni Manriquez Castro, winner of the Operational Performance category with the innovation idea "Mobile Application for Incidents"
- > Jorge Garrido Sepúlveda, winner of the Sustainability category with the innovation idea "Quintero Measures"
- > Herman Godoy Valderrama, winner of the Security and Environment category with the innovation idea "Alarms in Loudspeaker Systems"

The winners were awarded during a breakfast in which corporate and thermal generation business line executives expressed their satisfaction with the level of participation, and the number and quality of the ideas that participated in the program.

Chile was very successful in the 2017 version of this program, being awarded in three categories.



## Innovation Week

The slogan of the traditional Innovation Week this year was “Dare and Amaze”. Once again, the employees of the generation business participated actively in organized recreational activities, workshops and talks.

## Showroom

Within the context of the Global Thermal Generation Exhibition, innovation played an important role presenting all technological advances applicable to electricity generation power plants and in general to all businesses: robots, virtual reality elements, augmented reality, and others. This initiative was received with enthusiasm by the crowd, surpassing the generation spectrum.

## Open innovation

Innovation carried out a series of Open Innovation talks at the Universidad Técnica Federico Santa María (UTFSM) as part of Enel’s commitments with the community. The company also supported a program to identify innovation projects that resulted in an interesting underwater lighting system developed by the students participating in the program.



## Innovation projects

### ALAS: A drone for every power plant

During 2017, a total 17 employees were trained as drone pilots, and certified by the civil aviation authority, Dirección General de Aeronáutica Civil (DGAC). This places Enel Generación as the only company in Chile to have certified pilots.

### Wireless Sensor for Hydro Monitoring

During 2017, Enel installed eleven mini hydrometeorology monitoring stations in several minor water intakes of the

Maule and Laja basins as part of a global innovation project. It has been primarily financed by Innova Chile CORFO, through its Technological Innovation Contract that seeks to promote the relationship and collaboration between companies and educational entities. The mini monitoring stations have been developed by the Wireless Technologies Laboratory of the Electric Engineering Department of the Pontificia Universidad Católica de Chile. The Enel Group has a global project to install these mini monitoring stations in other countries in which the Group has operations.

### Aerial photogrammetry (topography) GasAtacama

During 2016, the GasAtacama gas pipeline was selected to perform the pilot trial of autonomous flight equipment can perform aerial photogrammetric modelling at great altitude. This trial flight was performed by one of the Company's accredited pilots during the ALAS program. This equipment allows improving the control of variables that are not easy to see.



## Compressed Air Injection System Antuco Hydro Plant

Tests were performed, with the assistance of the Mechanical Engineering Department of the Universidad de Concepcion, to allow the generation units of the Antuco Power Plant to generate at below the technical minimum, using a controlled air injection system placed at the impeller outlet, specifically in the upper middle tube of the unit. This air injection system allows reducing or avoiding the cavitation phenomena when the unit operates below the minimum technical level established.



## PIX4D training program

For the first time in Chile, the PIX4D company organized a three-day training program adapted to the electricity market. PIX4D is the leading 3D modelling program in its field that allows obtaining very high-resolution images.



## Kaplan Online Optimization System – Sauzalito

During 2017, the Online Optimization Project, adjusting blades and the distributor of the Kaplan turbine at the Sauzalito hydroelectric plant, was installed and started up successfully. This global project, entitled KOOS (Kaplan Online Optimization System) seeks to increase the operational efficiency of a generation unit by controlling the interaction between the blades and the distributor to determine the higher level of efficiency in a certain operation level. .



## Real Time risk map (4D) Quintero power plant test

During 2017, a pilot project was implemented to prepare a 4D risk map (that is, in real time) to detect interference when different activities are taking place at the power plant simultaneously. It had not possible to work with this until now, and thanks to the development and implementation of an application specially designed to this effect, it is now possible to solve. We expect to implement this project at all levels of the Company.



## Site-Remediation

A study was carried out to evaluate the feasibility of identifying asbestos in household roofs by using a remotely driven system with a built-in multispectral camera. To do so, images were captured of specific locations in the Coronel district of the Bio Bio Region.

The outcome of this study was negative, and therefore another methodology was decided to be tested during 2018.



## International Fairs

During 2017, the innovation team participated in several international fairs and seminars to keep them updated on what is occurring outside our borders (physical and ideological) and also as a means to internally promote this new knowledge through talks and specific meetings.



# 20

## Shareholding Chart



Pehuenche power plant, El Maule region

# Direct and indirect economic interests

Subsidiaries	Economic Interest	
	2016	2017
<b>Chile</b>		
Central Eólica Canela S.A. <sup>(4)</sup>	73.03%	-
Compañía Eléctrica Tarapacá S.A (Celta S.A.) <sup>(3)</sup>	-	-
Empresa Eléctrica Pehuenche S.A. (Pehuenche S.A.)	92.65%	92.65%
GasAtacama Chile S.A.	97.37%	97.37%
GasAtacama S.A. <sup>(2)</sup>	-	-
Gasoducto Atacama Argentina S.A	97.37%	97.37%
Gasoducto Taltal S.A. <sup>(2)</sup>	-	-
Inversiones GasAtacama Holding Limitada <sup>(2)</sup>	-	-
Progas S.A. <sup>(2)</sup>	-	-

(1) On June 30, 2016, the Board of Directors of Enel Generación Chile agreed to merge Gasoducto Tal Tal S.A into GasAtacama Chile S.A., and Progas S.A into GasAtacama Chile S.A.

(2) On June 30, 2016 the Board of Directors of Enel Generación Chile agreed that Compañía Eléctrica Tarapacá S.A would absorb GasAtacama S.A and Inversiones GasAtacama Holding Ltda.

(3) On June 30, 2016 the Board of Directors of Enel Generación Chile agreed the merger of Compañía Eléctrica Tarapacá S.A and GasAtacama Chile S.A., the latter the surviving entity.

(4) On November 30, 2017, the Extraordinary Shareholders' Meeting agreed the dissolution of Central Eólica Canela S.A.

Associates and jointly-controlled <sup>(1)</sup>	Economic Interest	
	2016	2017
<b>Chile</b>		
Electrogas S.A. <sup>(2)</sup>	-	-
GNL Chile S.A.	33.33%	33.33%
GNL Quintero S.A. <sup>(3)</sup>	-	-
Aysén Energía S.A.	51.00%	51.00%
Aysén Transmisión S.A.	51.00%	51.00%
Centrales Hidroeléctricas de Aysén S.A. (HidroAysén)	51.00%	51.00%
Transmisora Eléctrica de Quillota Ltda.	48.69%	48.69%

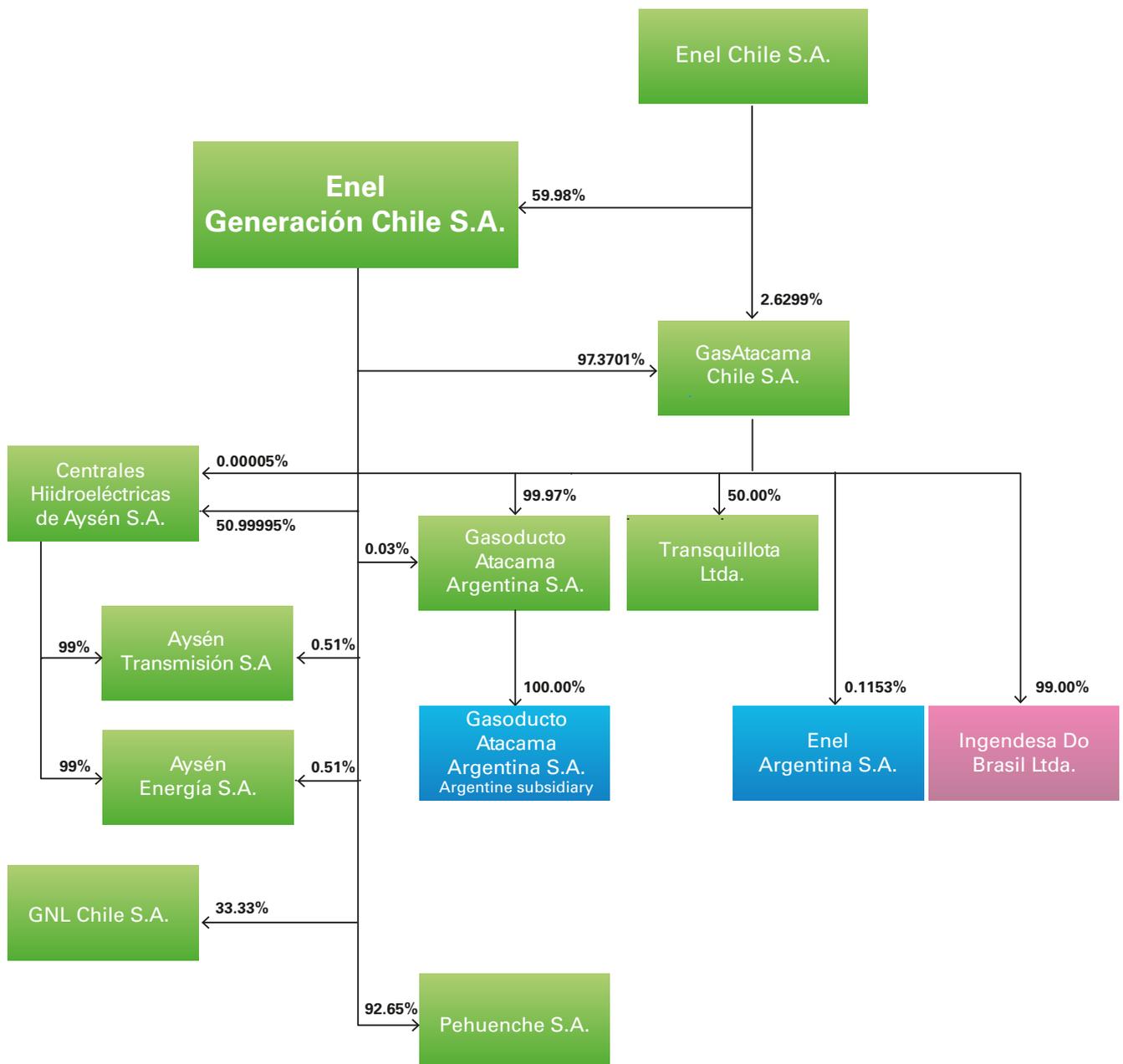
(1) Jointly-controlled companies are those in which the parent company controls the majority of the voting rights, or, should this not be the case, where it has the capacity to govern their financial and operating policies by virtue of an agreement with other shareholders or jointly with them. The jointly-controlled companies are consolidated by the proportional integration method, i.e. in the same proportion as Enel Generación Chile participates in their equity.

(2) On December 16, 2016, Enel Generación Chile signed an agreement to sell its entire 42.5% shareholding in Electrogas S.A. to Aerio Chile, and transferring such shares on February 7, 2017.

(3) On June 9, 2016, Enel Generación Chile signed an agreement to sell its entire 20% shareholding in GNL Quintero S.A to Enagas Chile SpA, and transferring such shares on September 14, 2016.

Financial Cost Investment	ThCh\$	Investment as a % of Parents Assets
GasAtacama Chile S.A.	407,727,348	12.77%
Empresa Eléctrica Pehuenche S.A.	139,415,842	4.37%
GNL Chile S.A.	527,490	0.02%
GasAtacama Argentina S.A.	24,658	0.00%

# Enel Generación Chile Equity Interests





# 21

Significant Events



Cipreses power plant, El Maule region

# Consolidated Significant Events as of December 31, 2017

## Enel Generación Chile S.A.

- On February 7, 2017, in accordance with articles 9 and 10, paragraph 2, under the Securities Market Law 18,045, and as established under General Norm No. 30 of the Superintendence, the following was informed as a significant event:

In relation to the purchase agreement of the shares of Electrogas S.A., signed by Enel Generación Chile S.A. ("Enel Generación") and Aerio Chile S.p.A. ("Aerio Chile"), a fully-owned company (indirectly) by REN - Redes Energeticas Nacionais, S.G.P.S., S.A., and reported to this Superintendence through significant events dated December 16 and 20, 2016, informed that the definitive closure and transfer of the shares that Enel Generación held in Electrogas S.A. to Aerio Chile, representing 42.5% of said company's capital, have taken place on this date. The price of the sale pursuant to the terms and conditions of the purchase agreement totaled US\$ 180,000,000 and was paid on the same date.

The financial effect of the operation, adjusted to the exchange rate of this date, is approximately US\$ 121 million in net income for Enel Generación Chile.

- The Ordinary Shareholders Meeting held on April 25, 2017 agreed to distribute a minimum mandatory dividend (from which the interim dividend paid in January 2017 is deducted) and an additional dividend for a total Ch\$ 236,279,214,305 which equals Ch\$ 28.80837 per share.

Given that the above-mentioned interim dividend has already been paid, the distribution and payment of the remaining portion of the final dividend No. 62 shall be for a total of Ch\$ 176,833,963,337, or Ch\$ 21.56050 per share.

- The Chairman of the Board of Directors of Enel Generación Chile S.A. (hereafter "Enel Generación" or the "Company"), received a communication from the Chairman of Enel Chile S.A. dated August 25, 2017, which has attached Enel Chile's significant event dated on the same day. The Enel Chile significant event contains the letter sent to Enel Chile S.A. by its controlling shareholder, Enel SpA, (the "Enel SpA letter") in which Enel SpA favorably viewed the non-binding proposal sent by Enel Chile S.A. to Enel SpA on July 3 (the "Enel Chile Letter").

The proposal contained in the Enel Chile Letter consists of a corporate reorganization within the Enel Group, through which Enel Chile S.A. would incorporate, through a merger with Enel Green Power Latin America Limitada, the latter's non-conventional renewable energy generation assets in Chile. As indicated in the Enel Chile Letter, the proposal also implies that the merger is contingent on the success of a Public Tender Offer ("PTO"), to be carried out by Enel Chile S.A. to acquire up to 100% of the common shares issued by its subsidiary, Enel Generación Chile, owned by minority shareholders. The PTO would be payable in cash and in common shares issued by Enel Chile S.A., and subject to the condition precedent that after the PTO, Enel Chile S.A. must own at least 75% of Enel Generación Chile's issued capital.

To carry out this PTO, Enel Chile S.A. must carry out a capital increase so as to add Enel Generación Chile

S.A. shareholders who tender their shares. Likewise, the success of the PTO will be subject to the execution of an amendment to Enel Generación Chile's bylaws, aimed at the company ceasing to be bound by Title XII of Decree No. 3,500 of 1980, with its limitations to stock concentration and the elimination of other restrictions in Title XII.

The Board of Directors of the Company has unanimously resolved to begin all work and steps leading to analyze the corporate reorganization proposal regarding Enel Generación Chile S.A., under the terms described in the Enel SpA Letter, to be carried out according to the procedures and requirements of Title XVI under The Chilean Corporations Act, regulating related party transactions ("OPR" in Spanish acronyms).

- The Board of Directors of Enel Generación Chile S.A., in its extraordinary session held September 1, 2017, unanimously agreed to appoint Banchile Asesoría Financiera S.A. as independent appraiser of the corporate reorganization described in the Significant Event dated August 28, 2017.

Also, the Directors' Committee, in its extraordinary session held September 1, 2017, within its legal authority unanimously agreed to appoint Asset Chile as an additional independent appraiser.

Such independent appraisers will evaluate the integrity of the operation described in the aforementioned Significant Event.

- The Board of Directors of Enel Generación in its ordinary session held October 26, 2017, has examined the Official Letter N° 27,562 of the Superintendence of Securities and Insurance and the Official Letter N° 24,211 of the Superintendence of Pension Funds, through which each of these government authorities have issued their respective responses to the inquiries of Enel Chile S.A. ("Enel Chile") regarding certain matters of the corporate reorganization informed to the market through a Significant Event dated August 28, 2017.

Copies of the aforementioned responses were made available to the market through the Significant Events of Enel Chile dated October 13 and October 24, 2017

respectively. In the responses, it was confirmed that Enel Chile may include in the terms and conditions of the Public Tender Offer on the shares of Enel Generación (the "PTO"), an objective condition for the success of the PTO, stating that all shareholders that agree to tender their Enel Generation shares, must apply part of the cash consideration that they receive for each Enel Generación share tendered to subscribe for Enel Chile's first issue shares, thus the subscription price of those shares will be paid with part of the cash consideration of the PTO.

The Board of Directors of Enel Generación Chile has unanimously taken notice of the new structure of the reorganization in progress described through the Significant Event dated August 28, 2017. As result of the responses to the inquiries to the Superintendence of Securities and Insurance and the Superintendence of Pension Funds, the PTO for Enel Generación shares shall be payable exclusively in cash. However, the PTO will include in its terms and conditions an objective condition to validly tender the Enel Generación shares regarding that states that the shareholders that agree to tender their shares, must apply part of the cash consideration they receive to subscribe for Enel Chile's first issue share, thus the subscription price of those shares will be paid for with part of the cash consideration of the PTO.

Finally, at the aforementioned session the Board has examined the progress and the preliminary report issued by the independent evaluator appointed by the Board, Banchile Asesoría Financiera S.A. Likewise, the Board received the preliminary report issued by the independent evaluator appointed by the Directors' Committee of the Company, Asset Chile. The Board decided to release the above-mentioned preliminary reports, warning that they are not the final reports, and thus, may change and have not been approved by the Board, and are not the final reports of the independent evaluators to be made available to shareholders in accordance with article 147 of Law 18,046. Therefore, this significant event informs that copies of the aforementioned preliminary reports will be available to the Superintendence of Securities and Insurance and to the market in general, on the Company's web site, [www.enelgeneracion.cl](http://www.enelgeneracion.cl).

- With regard to the corporate reorganization informed to the market through a Significant Event of Enel Generación Chile S.A. (“Enel Generación” or the “Company”) dated August 28 and October 26, of 2017, the Board of Directors at its extraordinary session held November 3, 2017 has:

- (a) Taken notice of the Final Report issued by the independent evaluator appointed by the Board, Banchile Asesoría Financiera S.A.;
- (b) Taken notice of having received the Final Report issued by the independent evaluator appointed by the Director’s Committee, Asset Chile; and
- (c) Agreed to make public the reports above-mentioned on letters (a) and (b), to the Superintendence of Securities and Insurance (currently the Financial Market Commission, “CMF” in its Spanish acronym) and to the market in general, through its publication in the company’s website. Thus, by the present Significant Event, its duly informed that a copy of these reports are available to the SVS and to the Market in our company website, [www.enelgeneracion.cl](http://www.enelgeneracion.cl). In addition, copies of the reports can be obtained by the shareholders of the company at its headquarters office, located at 76 Santa Rosa St., 15 floor (Investor Relations Department), Santiago de Chile, as of this date.

- In accordance with articles 9 and 10, paragraph 2, under the Securities Market Law N° 18,045, and as established under General Norm N°30 of the Superintendence, duly authorized on behalf of Enel Generación S.A. (“Enel Generación” or the “Company”), I hereby inform as a significant event that the Director’s Committee of Enel Generación Chile issued a report in accordance with article 50 bis of Law 18,046, the Chilean Corporations Act, regarding the corporate reorganization informed to the market through significant events dated August 28, 2017 and October 26, 2017.

The aforementioned report will be available to shareholders on the Company’s website, [www.enelgeneracion.cl](http://www.enelgeneracion.cl) as of today. Likewise, shareholders of the Company may obtain a copy of these documents at the headquarters office, located at 76 Santa Rosa St, Floor 1, Santiago, Chile, as of this date.

- In the extraordinary session of the Board of Directors of Enel Generación Chile S.A. held on November 14, 2017:

1. The Board of Directors of the Company has received and analyzed: (i) the report of the Directors Committee of the Company issued on November 14, 2017; and (ii) the individual opinions issued by the directors Mr. Giuseppe Conti, Chairman of the Board of Directors, and the directors Mr. Francesco Giorgianni, Mr. Mauro Di Carlo, Mr. Luca Noviello, Mr. Umberto Magrini, Mr. Fabrizio Barderi, Mr. Enrique Cibié Bluth, Jorge Atton Palma and Julio Pellegrini Vial; all of them referred to the Reorganization, as it is defined below, which was informed to the market through significant events dated August 28 and October 26, 2017.
2. The Board of Directors of the Company has unanimously issued a collective declaration in favor of the Reorganization, in accordance with the corporate bylaws and the United States of America legislation.
3. As established by Title XVI of the Chilean Corporations Act, Law 18,046, the independent directors, Mr. Enrique Cibié Bluth and Jorge Atton Palma approved the Reorganization as a related party transaction.
4. The Board of Directors of the Company unanimously agreed to summon an Extraordinary Shareholders’ Meeting to take place at the Enel Chile’s Stadium, located at 858 Carlos Medina Ave., Independencia, Santiago, on December 20, 2017 at 3:00 p.m.

The topics to be submitted to the extraordinary shareholders meeting are the following:

1. Information regarding the Related Party Transaction. Inform shareholders about the agreement reached by the Board of Directors during its extraordinary session held on November 14, 2017, in which, in accordance to the Rules of Title XVI of the Chilean Companies Act, Law 18,046, the independent directors, Mr. Enrique Cibié Bluth and Mr. Jorge Atton Palma, approved as a relat-

ed party transaction the reorganization (the "Reorganization"). Such Reorganization involves (i) the merger by incorporation of Enel Green Power Latin America S.A. ("Enel Green Power") by Enel Chile S.A. ("Enel Chile") (hereafter the "Merger") that will require a capital increase in Enel Chile to pay the shareholders of Enel Green Power for the shares to which they are entitled under the exchange ratio agreed for the Merger, and which will be conditioned, among others, to the success of the Enel Generación PTO mentioned in number (ii); (ii) a Public Tender Offer for the acquisition of Shares and a Tender Offer to be made by Enel Chile, to acquire up to 100% of the shares and of the American Depositary Shares ("ADS") issued by Enel Generación that are owned by the minority shareholders of the latter (hereinafter, the "Enel Generación PTO"), which will have among other objective requirements, the condition that a sufficient number of Enel Generación' shareholders accept the Enel Generación PTO allowing Enel Chile to reach an ownership of more than 75% of the shares issued by Enel Generación, such acceptances must contemplate the commitment of the shareholders of Enel Generación that agree to sell their shares and ADS, to subscribe shares and ADS issued by Enel Chile in the capital increase mentioned in (iii). These shares and ADS will be paid by the shareholders of Enel Generación with part of the price of their respective securities that they agree to sell in the Enel Generación PTO; (iii) a capital increase of Enel Chile destined to have sufficient shares and ADSs to be delivered to the shareholders of Enel Generación that agree to sell their shares in the Enel Generación PTO, which will be payable in cash (the "Enel Chile Capital Increase"), and that will be conditioned to the declaration of success of the Enel Generación PTO; and (iv) as a condition of success of the Enel Generación PTO, the shareholders of the latter agree a statutory amendment, by virtue of which the Company ceases to be subject to the provisions contained in Title XII of the D.L. 3,500, eliminating all limitations and restrictions, including, but not limited to, the fact that a shareholder cannot concentrate more than 65% of the voting capital of Enel Generación (the "Modification of Enel Generación' Bylaws"), and whose effectiveness

will be conditioned to the declaration of success of the Enel Generación PTO.

The Reorganization includes all the aforementioned stages, which are bundled together, so that if all of them are approved, the Reorganization will be deemed approved.

Likewise, and in relation to this point, the shareholders will be informed about the conclusions contained in the reports of the independent evaluators requested by the Board of Directors and the Directors' Committee of Enel Generación, which were made available to the public on November 3, 2017.

The detail of the bases, terms and conditions of the Reorganization are described in the document entitled "General Bases of the Reorganization," which has been made available to the shareholders. Likewise, the reports of the independent evaluators and experts appointed for these purposes by the involved companies, the report of the Directors' Committee of Enel Generación issued on November 14, 2017, as well as the individual opinions of the directors, Messrs. Giuseppe Conti, Francesco Giorgianni, Mauro Di Carlo, Luca Noviello, Umberto Magrini, Fabrizio Barderi, Enrique Cibie Bluth, Jorge Atton Palma and Julio Pellegrini Vial, constitute background information of the Reorganization. Shareholders can obtain a copy of the aforementioned information, as of the same date, on the Company's website: [www.enelgeneracion.cl](http://www.enelgeneracion.cl) or at the headquarters office, located at 76 Santa Rosa St., floor 15 (Investor Relations Department), Santiago, Chile, as of this date.

2. Enel Generación Bylaws' Amendment and rewritten text. Amend the Enel Generación' bylaws to eliminate the limitations and restrictions established by Title XII of Decree Law 3,500. To do so, Articles 1 bis, 5 bis, 16 bis, 20 bis, 35 bis, 36 bis, 40 bis, 42 bis and 44 bis will be eliminated from the Company's bylaws. The text of Enel Generación's bylaws will be rewritten to include these amendments. As stated by the document entitled "General Terms of the Reorganization" referred to

below, declaring the Reorganization a success is a condition precedent to the agreements of the Extraordinary Shareholders Meeting related to the Bylaw amendment. In accordance with the Company's bylaws, to approve the proposed amendments, a vote of 75% of the issued shares with the right to vote is required.

3. Information regarding other related party transactions. Inform shareholders about the agreements the Board of Directors has adopted since the last Enel Generación shareholders' meeting, which are necessary to approve the related party transactions referred to by Title XVI of the Chilean Corporations Act, Law 18,046, other than the Reorganization, and identify the board members that approved them.
  4. Other necessary agreements. Adopt all other agreements necessary to legalize, implement and put the agreements regarding the subjects previously mentioned into effect.
- As a consequence of the decision of the Board of Directors of Centrales Hidroeléctrica Aysén S.A. to suspend the HidroAysén Project and return the related water rights, the management of Enel Generación Chile, empowered by its Board of Directors, informed the decision to relinquish such project's water rights owned by Enel Generación.

As of November 17, 2017, the book value of the investment of Enel Generación in Centrales Hidroeléctrica Aysén S.A. amounted to Ch\$ 5,184 million (approximately US\$ 8 million), which is expected to be recovered in the liquidation process.

As of year-end 2014, the impairment provision of our interest in Centrales Hidroeléctrica Aysén S.A. was Ch\$ 69,066 million.

- The Board of Directors of Enel Generación Chile S.A., in its session held on November 30, 2017, unanimously (by the members present) agreed to distribute an interim dividend of Ch\$ 4.93614 per share on January 26, 2018, attributable to the 2017 fiscal period, corresponding to 15% of net income as of September 30,

2017, in accordance with the Company's dividend policy.

- This Extraordinary Shareholders' Meeting took note of the approval by Mr. Enrique Cibié Bluth and Mr. Jorge Atton Palma, the unaffiliated board members, of the corporate reorganization (the "Reorganization"), which involves the following stages: (I) the merger by incorporation of Enel Green Power Latin America S.A. ("Enel Green Power") by Enel Chile S.A. ("Enel Chile"), (the "Merger"), which requires a capital increase in Enel Chile to pay, according to the Merger's exchange ratio, for the shares of Enel Green Power shareholders, and that is subject, among others, to the success of the Enel Generación PTO as a condition precedent, as mentioned in the following numeral; (II) a Public Tender Offer by Enel Chile in Chile and in the United States of America to purchase up to 100% of the shares and the American Depository Shares ("ADS") issued by Enel Generación Chile S.A. and held by the minority shareholders of the latter (the "PTO"). This tender offer will be subject to a series of conditions, including that Enel Chile reach an ownership share of more than 75% of Enel Generación's common stock as a result of the Enel Generación PTO and that the shareholders that accept to sell their shares in the PTO also accept to subscribe Enel Chile shares and ADS, as the case may be, issued as part of the capital increase process, as mentioned in numeral (III) below. Such shares and ADS will be paid for by Enel Generación shareholders with part of the price they receive for selling their shares in the PTO; (III) a capital increase in Enel Chile so as to have sufficient shares and ADS to deliver to the shareholders of Enel Generación that accept to sell their shares in the PTO, and that is payable in cash and is subject to the success of the PTO; and (IV) as a condition to the success of the PTO, that the shareholders of Enel Generación agree to amend the Company's bylaws to eliminate all limitations and restrictions imposed by the provisions of Title XII of Decree Law 3,500/1980, as proposed by the Board of Directors of Enel Generación, including but not limited to, that no shareholder may concentrate more than 65% of Enel Generación's equity with voting rights.

Afterwards, to comply with one of the conditions established for the success of the PTO, the Extraordinary

Shareholders' Meeting, with 83.99% of the shares issued with voting rights, approved the amendment to Enel Generación Bylaws eliminating the limitations and restrictions imposed by Title XII of Decree Law 3,500. To implement such objective, the Meeting agreed to eliminate Articles 1 bis, 5 bis, 16 bis, 20 bis, 35 bis, 36 bis, 40 bis, 42 bis, 43 bis, and 44 bis. The Shareholders' Meeting also agreed to the preparation of a new revised version of the Enel Generación Bylaws that includes the modifications mentioned above. The Extraordinary Shareholders' Meeting agreed that the amendment to the bylaws be subject to the success of the PTO as a condition precedent and to take effect on the date in which Enel Chile publishes the outcome of the PTO declaring it a success, as stated by the document entitled "General Terms of the Reorganization" that is disclosed on the Company's website.

## Pehuenche

### - Final Dividend

The Ordinary Shareholders' Meeting of the Company held on April 18, 2017, approved the distribution of the balance of the final dividend amounting to Ch\$ 50.241 per share attributable to the fiscal period ended December 31, 2016. This dividend will be paid on April 26 to the company's shareholders registered in the Shareholder Register up to 5 days before the dividend payment date.

The notice was published on April 19, 2017, in the El Mercurio de Santiago newspaper.

### - Appointment of the Board of Directors

The members of the new Board of Directors were appointed during the Board Meeting held Tuesday, April 18, 2017 for a three-year period beginning that same day.

The board members appointed are:

1. Raúl Arteaga Errázuriz
2. Claudio Helfmann Soto
3. Luis Ignacio Quiñones Sotomayor
4. Fernando Vallejos Reyes
5. Juan Candia Narváez

### - Policy Governing Recurrent transactions with Related Parties

The Board of Directors, in its meeting held on Tuesday, June 28, 2017 unanimously, by the members present at the meeting, approved updating the "Empresa Eléctrica Pehuenche S.A Recurrent Operations with Related Parties Policy" as established in the last paragraph of Article 147, of Law 18,046 as amended by Law 20,382 that introduced changes to the norms that regulate Corporate Governance.

According to the Board's agreement, Pehuenche's new policy governing recurrent transactions with related parties, effective June 28, 2017 is the following:

1. The financial operations among related parties, such as, Trade Accounts and/or Financial Loans or other equivalent operations are recurrent operations.
2. Services among related parties associated to the operations and maintenance of the company's generation facilities as well as financial management, professional services, representation, technical, and other similar services that include, among others, accounting, financial reporting, PP&E, sales and purchase ledger, cash management, treasury, tax advisory, insurance, procurement, internal audit and comptrolling, infrastructure, O&M, trading, commercialization, and operational efficiency and other similar services.
3. Recurrent electricity supply contracts among related parties at regulated prices or that are the outcome of electricity supply tender processes.



## First Interim Dividend

The Board of Directors' Meeting held on Tuesday, June 28, 2017, agreed to distribute a first interim dividend for fiscal year 2017 amounting to Ch\$ 16.42 per share. This dividend will be paid on July 26, 2017 to the shareholders registered in the Shareholders' Register by midnight 5 working days before the payment date.

The notice was published on July 10, 2017, in the El Mercurio de Santiago newspaper.



## Second Interim Dividend

The Board of Directors' Meeting held on Tuesday, June 28, 2017, agreed to distribute a first interim dividend for fiscal year 2017 amounting to Ch\$ 16.42 per share. This dividend will be paid on July 26, 2017 to the shareholders registered in the Shareholders' Register by midnight 5 working days before the payment date.

The notice was published on July 10, 2017, in the El Mercurio de Santiago newspaper.



## Third Interim Dividend

The Board of Directors' Meeting held on Friday, December 15, 2017 agreed to distribute a third interim dividend for 2017 amounting to Ch\$ 31.72 per share. This dividend was paid on January 24, 2018 to the shareholders registered in the Shareholders' Registry by midnight 5 working days before the payment date.

The notice was published on January 8, 2018, in the El Mercurio de Santiago newspaper.



Loma Alta power plant, El Maule region

# 22

## Identification of Subsidiaries



Canela I power plant, Coquimbo region

## AYSÉN ENERGÍA \*

### Name

Aysén Energía S.A.

### Type of company

Privately held corporation.

### Taxpayer ID No

76,091,595-5

### Address

383 Miraflores, office 1302,  
Santiago, Chile.

### Telephone number

(562) 2713 5000

### Corporate Purpose

Comply with the ruling of the Chilean antitrust authority (Tribunal de Defensa de la Libre Competencia), in the first article of Resolution No 30 dated May 26, 2009; to fulfill the commitment made by HidroAysén S.A. with the community of the XI Region of Aysén, within the framework of the development of the Aysén Hydroelectric Project, to provide the region with an electricity supply at a cost below the current value, through the development, funding, ownership and operation of projects that generate and transmit electricity in that region. In order to comply with the above, the company may develop the following activities, among others: a) produce, provide and commercialize electricity, by any means of generation; b) electricity transportation; c) provide services related to its Corporate Purpose; d) obtain, acquire or apply for benefit from concessions, rights and permits that could be required.

\*The Extraordinary Shareholders' Meeting of Aysén Energía held on December 22, 2017 agreed to dissolve the company.

## AYSÉN TRANSMISIÓN\*

### Name

Aysén Transmisión S.A.

### Type of company

Privately held corporation, registered in the Securities Register of the SVS (currently the Financial Market Commission, "CMF" in its Spanish acronym)

### Taxpayer ID No

76,041,891-9

### Address

383 Miraflores, office 1302,  
Santiago, Chile.

### Corporate Purpose

Develop and alternatively or additionally manage electricity transmission systems required in the hydroelectric generation project that HydroAysén plans to build in the Aysén Region. To fulfill its purpose, its business activities include the following: a) the design, development, construction, production, ownership, maintenance and operation of electricity transmission systems, b) electricity transportation, and c) providing services related to its Corporate Purpose

\*The Extraordinary Shareholders' Meeting of Aysén Transmisión held on December 22, 2017 agreed to dissolve the company.

## ELECTROGAS \*

### Name

Electrogas S.A.

### Type of company

Privately held corporation.

### Taxpayer ID No

96,806,130-5

### Corporate Purpose

Provide transportation services for natural gas and other fuels, personally or for a third party, for which it can build, operate and maintain gas pipelines, oil pipelines, multipurpose pipelines and complementary facilities.

\* On December 16, 2016, Enel Generación Chile S.A. sold its entire shareholding in Electrogas S.A. to a third party, Aerio Chile S.p.A. The transfer of the shares held by Enel Generación Chile S.A. of Electrogas took place on February 7, 2017, ceasing to be a subsidiary of Enel Generación Chile S.A.

## EÓLICA CANELA \*

### Name

Central Eólica Canela S.A.

### Type of company

Privately held corporation.

### Taxpayer ID No

76,003,204-2

### Address

76 Santa Rosa, Santiago, Chile

### Corporate Purpose

Promote and develop renewable energy projects, mainly in wind-powered energy, identify and develop Clean Development Mechanism (MDL in its Spanish acronym) projects and act as a depositary and trader of Emission Reduction Certificates resulting from such projects. It may also generate, transport, distribute, supply and commercialize electricity, with the ability to acquire and benefit from the corresponding concessions.

### Business Activities

Electricity Generation

### Subscribed and paid capital (ThCh\$)

12,284,743

\*The Extraordinary Shareholders' Meeting of Central Eólica Canela S.A. held on November 20, 2017 agreed to dissolve the company.

## GASATACAMA CHILE

### Name

GasAtacama Chile S.A.

### Type of company

Privately held corporation.

### Taxpayer ID No

78,932,860-9

### Address

76 Santa Rosa, Santiago, Chile

### Corporate Purpose

The company has the following purposes:

a) Develop the generation, transmission, purchase, distribution and commercialization of electricity or energy of any other source; b) purchase, extract, operate, process, distribute, commercialize and sell solid, liquid and gaseous fuels; c) sell and provide engineering services; d) acquire, purchase, transfer, lease, charge and develop, in any form, the concessions referred to in the General Law on Electricity Services, maritime concessions and water usage rights of any nature; e) transport natural gas, through its own means or jointly with third parties within the territory of Chile or abroad, including the construction, siting and operation of gas pipelines and other activities directly or indirectly related to such operations; f) the capture, extraction, treatment, desalination, transportation, distribution, commercialization, delivery and supply of seawater, in all its forms, including natural, drinkable, desalinated or with any other treatment, either personally or through a third party; g) invest in all types of assets, tangible or intangible, movable or fixed; h) organize and incorporate all kinds of companies whose objectives are related or linked to the energy industry in any form or that use electricity as their main input, or that relate to any of the aforementioned activities. To achieve its purpose, the company may carry out all acts and enter into all contracts contributing to its business activities, including the purchase, sale, acquisition or disposal, on any account, of all kinds of assets, tangible or intangible, movable or fixed, and may enter existing companies or join in their formation, whatever their kind.

### Business Activities

Electricity generation and gas transportation.

### Subscribed and paid capital (ThCh\$)

589,318,016

### Directors

Raúl Arteaga Errázuriz  
Chairman  
Sergio Ávila Arancibia  
Pablo Arnés Poggi  
Humberto Espejo Paluz

### Senior Executives

Valter Moro  
Chief Executive Officer

## Commercial Relationships with Enel Generación Chile

The company currently has two natural gas transportation contracts for its Taltal power plant in the Second Region of Chile.

## GASODUCTO ATACAMA ARGENTINA

### Name:

Gasoducto Atacama Argentina S.A.

### Type of company

Privately held corporation.

### Taxpayer ID No :

78,952,420-3

### Address:

76 Santa Rosa, Santiago, Chile

### Corporate Purpose

The transportation of natural gas, either personally, through or jointly with a third party, within the Chilean territory or abroad, including the construction, siting and operation of gas pipelines and other operations directly or indirectly related to this objective. The company has incorporated an agency in Argentina named "Gasoducto Cuenca Noroeste Limitada Sucursal Argentina", whose purpose is the construction of a gas pipeline between the locality of Cornejo, province of Salta and the Argentina-Chile border in the vicinity of Paso de Jama, in Chile's Second Region.

### Business Activities

Gas transportation.

### Subscribed and paid capital (ThCh\$)

126,309,044

### Directors

Raúl Arteaga Errázuriz  
Pablo Arnés Poggi  
Alex Díaz Sanzana

### Senior Executives

Valter Moro  
Chief Executive Officer

## Commercial Relationships with Enel Generación Chile

The company has no business relationships with Enel Generación Chile.

## GNL CHILE

### Name

GNL Chile S.A.

### Type of company

Privately held corporation.

### Taxpayer ID No

76,418,940-K

### Address

532 Rosario Norte, office 1303, Las Condes, Santiago.

### Telephone number

(562) 2892 8000

### Subscribed and paid capital (ThCh\$)

2,147,839

### Corporate Purpose

The Company's purpose is to a) hire the liquified natural gas ("LNG") regasification services of GNL Quintero S.A., and utilize all its storage, processing, regasification, and delivery capacity of natural gas and LNG available at its regasification terminal, including its expansions, if any, and any other matter stipulated in the contracts the company might sign for the use of the regasification terminal; b) import LNG from suppliers, complying with LNG sales contracts; c) sell and deliver natural gas and LNG, complying with the natural gas and LNG sales contracts signed by the company with its customers; d) manage and coordinate the schedules and nominations of LNG cargoes, as well as the delivery of natural gas and LNG among various customers; and e) fulfill all its obligations and demand the enforcement of all its rights under the previously identified contracts, coordinate all operations under these contracts and, in general, carry out any type of act or enter into any contract that might be necessary, useful or convenient in order to accomplish its purpose.

### Business Activities

Importing and commercializing natural gas.

### Directors

Juan Oliva Vásquez  
Yasna Ross Romero  
Luis Arancibia Yametti

### Senior Executives

Alejandro Palma Rioseco  
Chief Executive Officer

## Commercial Relationships with Enel Generación Chile

The company offers Enel Generación Chile the services described in its corporate purpose.

## HIDROAYSÉN \*

### Name

Centrales Hidroeléctricas de Aysén S.A.

### Type of company

Privately held corporation, incorporated in Santiago, Chile, registered in the Securities Register of the SVS (currently the CMF) under number 969.

### Taxpayer ID No

76,652,400-1.

### Corporate Purpose

The development, finance, property and exploitation of a hydroelectric project in the XI Region of Aysén, of an estimated 2,750 MW installed capacity through five hydroelectric power plants, named "Aysén Project". To fulfill its purpose, the company may engage in the following activities: a) generate and transport electricity; b) the supply and commercialization of electricity to its shareholders; c) the management, operation and maintenance of hydraulic infrastructure, electricity systems and hydroelectric power generating plants.

\*The Extraordinary Shareholders' Meeting held December 7, 2017 agreed to dissolve the company.

## PEHUENCHE

### Name

Empresa Eléctrica Pehuenche S.A.

### Type of company

Publicly held corporation registered in the Securities Register of the SVS (currently CMF) under number 293.

### Taxpayer ID No

96,504,980-0

### Address

76 Santa Rosa, Santiago, Chile.

### Corporate Purpose

Generate, transport, distribute and supply electricity, for which the company may acquire and benefit from the respective concessions.

### Business Activities

Electricity generation

### Subscribed and paid capital (ThCh\$)

175,774,920

### Board of Directors

Raúl Arteaga Errázuriz  
Ignacio Quiñones Sotomayor  
Claudio Helfmann Soto  
Fernando Vallejos Reyes  
Juan Candia Narvaez

### Senior Executives

Carlo Carvallo Artigas  
Chief Executive Officer

### Commercial Relationships with Enel Generación Chile

Pehuenche has a valid contract with Enel Generación Chile for the operation and maintenance of its power plants, and commercial and financial management of the business. Furthermore, the company, has signed energy and power sales contracts with Enel Generación Chile.

## TRANSQUILLOTA

### Name

Transmisora Eléctrica de Quillota Ltda.

### Type of company

Limited liability Company.

### Taxpayer ID No

77,017,930-0

### Address

Route 60, km 25, Lo Venecia, Quillota, V Region of Valparaíso, Chile.

### Corporate Purpose

Transportation, distribution, and supply of electricity, either personally or through a third party.

### Business Activities

Electricity transmission

### Subscribed and paid capital (ThCh\$)

4,404,446

### Representatives

Santiago Bradford Vicuña  
Goran Nekik  
Gastón Zepeda Carrasco  
Sergio Ávila Arancibia  
Pedro de la Sotta Sánchez

### Commercial Relationships with Enel Generación Chile

The company has contracts with Enel Generación Chile and San Isidro covering the use of transmissions systems, which allows them to transmit energy to Central Interconnected System.



Rapel power plant, region of El Libertador Bernardo O'Higgins

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## Declaration of Responsibility





# Declaration of Responsibility

The Directors of Enel Generación Chile S.A. and its Chief Executive Officer, signatories to this declaration, are responsible under oath for the veracity of all the information provided in this Annual Report, in accordance with General Rule N° 30 issued by the Superintendence of Securities and Insurance.



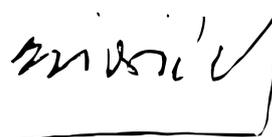
Chairman  
Giuseppe Conti  
Passport : YA3320684



DIRECTOR  
Francesco Giorgianni  
Passport: YA6516640



DIRECTOR  
Julio Pellegrini Vial  
Taxpayer ID: 12,241,361-6



DIRECTOR  
Enrique Cibié Bluth  
Taxpayer ID: 6,027,149-6



DIRECTOR  
Umberto Magrini  
Passport: YA5001646



DIRECTOR  
Jorge Atton Palma  
Taxpayer ID: 7,038,511-2



DIRECTOR  
Fabrizio Barderi  
Passport: YA7104825



DIRECTOR  
Mauro Di Carlo  
Passport: YA4657363



DIRECTOR  
Luca Noviello  
Passport: YA6877260



CHIEF EXECUTIVE OFFICER  
Valter Moro  
Taxpayer ID: 24,789,923-K

