



**Annual Report**  
Enel Generación Chile  
**2018**

enel

Santiago Stock Exchange

**ENELGXCH**

New York Stock Exchange

**EOCC \***

**EOCCY \***

Enel Generación Chile S.A. was incorporated as Empresa Nacional de Electricidad S.A. in 1943. In 1994 the by-laws 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, 2018, 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 Over-the-Counter market (OTC) in the United States of America. Enel Generación Chile's ADR stopped trading in the New York Stock Exchange (NYSE) since December 31, 2018. 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. It's total assets amounted to Ch\$ 3,669,228 million as of December 31, 2018.

The Company's revenues reached Ch\$ 1,521,054 million, operating income amounted to Ch\$ 464,383 million, and net income reached Ch\$ 309,029 million after taxes. By year-end 2018, the Company had a total 767 employees.

( \* ) : ADR's of Enel Generación Chile stopped trading in the NYSE since December 31, 2018. Since that date, they trade only in the Over-The-Counter (OTC) market in the United States, with the new EOCCY ticker.

# Annual Report

# Enel Generación Chile

# 2018





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# 1. Letter from the Chairman

Dear shareholders, I hereby present you Enel Generación Chile's 2018 Annual Report and Financial Statements. Before I tell you about the main milestones of the year, I want to sincerely thank every person who is part of this company, the executives for their high level of commitment to the Company's objectives, and the members of the Board, for their work and for the trust they have placed in me.

In the following pages, you will find a description of our work and the challenges we have faced within the generation market, as well as several actions and initiatives that have allowed us to maintain our position as leaders in electricity generation.

In Enel Generación Chile we live the Open Power concept, which has introduced us to technology and innovation in electricity generation, moving forward, hand-in-hand with the environment. We live the Open Power culture on a daily basis, present in the company's every move, so we can transmit it to our clients, suppliers, and intermediaries.

## 2018 Results

During 2018, the company's net electricity generation reached 17,373 GWh, 2% higher than in 2017. This is primarily explained by the 14% increase in hydroelectric generation due to greater water availability, which was partially offset by lower thermoelectric dispatch.

On another note, our installed capacity, including our 111 generation units, amounted to 6,274 MW.

Operational income for this period reached \$1,521,054 million, representing a 7% decrease compared to 2017. This is mainly due to a change in our customer mix in terms of regulated and nonregulated customers, and to a lower sales price, expressed in Chilean pesos, due to a lower exchange rate.

This reduction was compensated by greater revenues from the sale of fuel, reaching \$9,293 million, and by an increase in other operating revenue amounting to \$3,595 million, explained mainly by revenues received from insurance policies compensation.

Procurement and service costs reached \$809,974 million, 10% or \$90,004 million less than in 2017, mainly due to a more efficient generation mix, with greater hydroelectric dispatch and lower fuel and energy purchase expenses.

Our fixed operating expenses decreased 14% or \$20,342 million when compared to 2017, mainly due to write offs related to the Neltume and Choshuenco projects, since they were considered economically not viable. This, however, is partially compensated by greater technical services and administration costs amounting to \$8,303 million.

At December 31, 2018, Enel Generación Chile's EBITDA was \$582,250 million, representing an \$1,108 million increase compared to 2017. The Company's operating margin followed a similar trend and reached \$464,383 million, slightly higher the previous period.

In sum, the net profit attributable to Enel Generación Chile's shareholders was \$309,029 million, 26% below the profit booked in 2017, which included extraordinary income from the sale of Electrogas. If this extraordinary effect is not considered, net profit decreased 9% or \$31,788 million, as of December 2018.

## 2018 Milestones

I would like to highlight that during 2018, we carried out several initiatives that have allowed us to adapt to market conditions, focusing on achieving attractive returns and low risk exposure in an energy market that is more competitive every year, and demands high standards of quality, energy efficiency and environmental protection.

From a financial standpoint, the company has been qualified as stable and solid by several risk rating agencies that highlight Enel Generación Chile within the electricity generation market due to its diversified and efficient generation matrix.

We are proud to announce that, taking advantage of the opportunities presented by the Electricity Law, Enel Generación Chile signed contracts to supply energy to new non-regulated customers, such as, the emblematic agreement signed with RES Chile for 20 office buildings amounting to an annual supply of 40 GWh.

During the year, we made significant progress in improving Enel Generación Chile's electricity generation standards, such as the continuous emissions monitoring system carried out with the Environmental Superintendence. This system delivers real time information regarding the emissions produced by the generation units of our Bocamina thermoelectric power plant and made us the first generator in the country to voluntarily implement a system of this sort, going beyond those required by law.

Bocamina also measures the level of mercury in its chimneys every six months and the results of these measurements determined that our thermoelectric plant has one of the lowest mercury emissions in the world, mainly due to the high efficiency coal it uses to generate electricity. The measurements are 0.016 mg/ Nm<sup>3</sup>, 100 times below the internationally established level for this type of power plants, corresponding to 0.1 mg/ Nm<sup>3</sup>.

We continued improving coal management at Bocamina by adding a second dome to the coal storage system, in addition to the north dome built in 2017, that can hold up





to 140,00 tons of coal and has reached the highest standard for thermoelectric power plants in the country. It became a milestone for regional and national engineering and construction because it was built without accidents and in record-breaking time.

In terms of the natural gas industry, we participated in a new natural gas export agreement between Chile and Argentina, to supply gas to Argentina during the winter. Gas was exported to the neighboring country for a third consecutive year by Enap, Enel Generación Chile and Aprovisionadora Global de Energía, and will continue for the next three years, using the pipelines of Electrogas and GasAndes crossing the Andes Mountains from the Metropolitan Region in Chile to Mendoza in Argentina.

## Sustainability

Not only are we content with the progress we have already made and with the strong position management has placed us facing the future; we are also content with what we have accomplished with the communities that neighbor our facilities. The integration of sustainability in the company's value chain is essential to Enel Generación Chile.

Enel determined that investing in the sustainable economic development of neighboring communities and contributing to the territory's development is one of its strategic guidelines. An example of this is taking place in Alto Biobío, where 17 people from El Avellano community, with the support of our company, created the El Avellano Agricultural Cooperative to manage a community project that involves processing products derived from the Chilean hazelnut.

In terms of community development, during 2018, four women of the Cerro Obligado sector, in Coronel, travelled to Italy to present their experience in eco-construction. These artisans participated in a program offered by Enel Generación Chile that fosters sustainable start-ups within communities. These ladies have already built their headquarters and furniture with left-over materials from surrounding industries.

We were also involved with the Coronel community within the context of its Environmental Recovery Plan. We delivered materials and opened the doors of the Bocamina power plant to be part of this initiative that seeks to find solutions to this communities' environmental challenges.

In the Maule Region, we began the second phase of a program to deal with the effects of climate change in the farming area of San Clemente and San Rafael, by improving water management and seeking for innovative ways to face the diminishing water supply for irrigation. The plan benefits 250 farmers, as well as agriculture related professionals and agriculture students.

We lead initiatives that seek to contribute to biodiversity, such as the reforestation of native species in Hornopirén carried out by the Huinay Foundation. Additionally, through a public-private alliance, we are part of the project "Quillota Breathes Facing Climate Change", which will plant 90,000 trees in this city, located in the Valparaíso Region.

Dear shareholders, we are committed to continue to contribute to the country with the energy it needs to grow and develop, always looking for new ideas and opportunities to

maintain our leadership position in electricity generation, prioritizing our respect for communities and the environment every step of the way.

Thank you very much,



Giuseppe Conti  
Chairman Enel Generación Chile S.A.



## 2. Enel Generación Chile is Open Power

Responsibility  
Integrity  
Cohesion

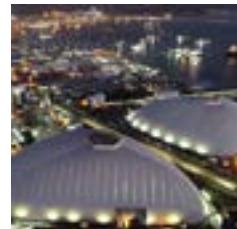
### BEHAVIOR

- Make decisions on every day tasks and be accountable for them
- Make decisions on every day tasks and be accountable for them
- Share information collaborating with others and be open to the collaboration of others
- Achieve results focusing on excellence
- Keep your commitments, and work with determination and passion
- Quickly change priorities if conditions change
- Behave safely, promote safety and be proactive to improve health, safety and wellbeing
- Commit to integration, acknowledge and improve individual differences (culture, age, disability and rapidly)
- Be keen to guarantee customer and/or coworker satisfaction, behaving efficiently and rapidly
- Propose new solutions and don't give up when facing obstacles or faults
- Acknowledge the success of peers and offer suggestions





# 3. 2018 Milestones



## JANUARY

SMA and Enel Generación Chile start up continuous emissions monitoring system

The Superintendence of the Environment (SMA in its Spanish acronym) implemented a pilot project to obtain real time data of thermal electric power plant emissions, a significant advancement in the subject. It began operations in Bocamina. Enel Generación Chile took on the challenge to be the first power plant in the country to participate.

## FEBRUARY

Women from Coronel travel to Italy to share their bioconstruction experience

Four women from the Cerro Obligado area were invited to Italy to participate in an Enel Group international event to share their experience in bioconstruction. These four artisans participated in Enel Generation Chile's program to promote sustainable entrepreneurship within the communities. Letty Nuñez, Claudia and Lorena Sandoval and Elba Gutierrez work in Coronel eco carpentry since 2017. They told their stories to nearly four hundred people and described how their motivation to work for their community, in addition to being sustainable and profitable, also benefitted their neighbors in Coronel. The goal of this initiative is to contribute to the organization of the community council for them to develop other activities together.

Fitch Ratings affirmed the local rating of Enel Chile S.A.

Fitch Ratings affirmed the "BBB+" stable outlook international rating of Enel Generación Chile because of the Company's solid position in the business, its commercial strategy, asset diversification and financial metrics. The rating was reviewed in February 2019, maintaining the "BBB+" but improving the outlook from stable to positive.

## MARCH

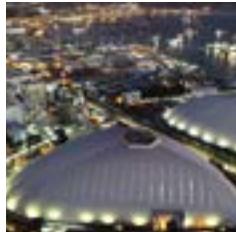
Young students from Calama and the innovation formula

Three students from the Kamar Mayu elementary school in Calama won the Play Energy Chile 2017 program carried out by Enel Chile to encourage learning about energy. Within this context, the three students were invited to the Formula E electric car race in Punta del Este.

## ABRIL

Bocamina's mercury index is one of the lowest in the World

The coal-fired plant Bocamina located in Coronel uses a very efficient type of coal that does not contain significant levels of mercury. Enel Generación Chile tests the level of mercury in the chimneys of both units every six months, and the results are 100 times lower than the international standard for coal fueled power plants.



## MAY

Enel Generación Chile and RES Chile sign contract to supply electricity to a group of buildings

Enel Generación Chile and RES Chile (Real Estate Services), commercial real estate brokers and experts in building management, signed an agreement to supply electricity to twenty office buildings in the Metropolitan Region. The agreement supplies a block of 40 GWh a year. These buildings became non-regulated customers in April 2018, to take advantage of the new options offered by the Electricity Law to negotiate their electricity supply directly with generation companies.

Organizations in Coronel present environmental recovery plan

The Coronel Recovery Council, conformed by more than 40 organizations and also government authorities, community representatives and the business sector, presented the "Coronel Environmental Recovery Plan" to the community, a program with specific proposals and a clear direction that took three years to prepare in which Enel Generación had an active participation. The Company opened the doors of Bocamina and offered material and documentation on the productive process of the power plant's two generation units., environmental improvements proposed and implemented and also the work carried out with neighboring communities.

San Rafael and San Clemente Water Management Program begins second phase

A collaborative effort to face climate change defining a project to conserve and protect resources, which is essential to Enel Generación Chile. Therefore, along with the Irrigation and Agro Climatology Research and Transfer Center, CITRA of the Universidad de Talca, the agricultural school Liceo Agrario Entre Ríos, the San Rafael and San Clemente districts and also the community irrigation organizations we began a collaborative process to conserve water. Together, we reached a new phase in the water management plan that benefits 250 farmers, young farmers, farm related professionals, and San Clemente farming students by making a more efficient use of water.

Standard & Poor's affirmed Enel Generación Chile's "BBB+" risk rating

The agency affirmed Enel Generación Chile's international "BBB+" rating with a stable outlook.

## JUNE

Ivan Zamorano kicks off Copa Enel 2018

The famous former captain of Chile's soccer team, Ivan Zamorano kicked off the 2018 Copa Enel that took place in the San Clemente, Colbún, Concepcion and Lota districts. A total 48 teams participated from outside the capital city of Santiago. One from each region played in the final games that resulted in a winner of the Cup.

Gas is exported to Argentina for the third consecutive year

Natural gas was exported from Chile to Argentina once again after both countries signed an agreement establishing the general terms of the fuel supply transaction to take place during the winter for the following three years. ENAP, Enel Generación Chile and Aprovisionadora Global de Energia S.A. (AGESA) would supply the natural gas using the pipelines of Electrogas and GasAndes. GasAndes has a 450 km pipeline that crosses the Andes Mountains from Chile's Metropolitan Region Chile to the Mendoza Region in Argentina.

The construction of Bocamina's second dome concludes

The south dome of the Bocamina power plant may store up to 140 tons of coal. This south dome is additional to the north dome that was built in 2017. The roof on the south coal field is additional to the one in the north field built in 2017. It is a milestone for domestic engineering because it was built in record time and with no injuries.

Moody's upgraded Enel Generación Chile rating to "Baa1"

The risk rating agency Moody's improved the international rating of Enel Generación Chile to "Baa1" with a stable outlook. The agency highlighted the Company's financial strength, its leadership position in the generation business in Chile and its diversified and efficient generation matrix.

Feller Rate confirms rating of Enel Generación Chile  
Feller Rate Feller Rate affirmed Enel Generación Chile's local "AA" rating with a stable outlook.





## JULY

Actions executed by Enel that transform the Alto Bio Bio

In July, seventeen persons from the El Avellano community in the center of Alto Bio Bio became the first members of the Cooperativa Agrícola El Avellano, a milestone in the social and economic development of the community. This organization was created to manage a community project to process and prepare products derived from the Chilean hazelnut and decide on how the profits of the business will be used. This joint effort with ten communities located in the Santa Bárbara, Alto Bio Bio and Lonquimay districts with a population of nearly 3,200, has been carried out since 2015.

## AUGUST

Fundación Huinay performs a reforestation day of native species at a school in Hornopirén

This foundation created by Enel Generación Chile and the Pontificia Universidad Católica de Chile donated and planted native trees at the Sagrada Familia School to deepen the relationship with the community and raise awareness on the importance of biodiversity conservation.

## SEPTEMBER

Coronel entrepreneurs receive funding

Certain activities that represent the cultural heritage of Coronel, such as, collecting and processing seaweed, preparing miners bread, dry and smoked fish, traditional fishing, local tourism, are some of the projects that were awarded the funds of the contest "Energy and Innovation for your Entrepreneurship". This initiative, developed by the Company jointly with Community Sustainable Self Development Association, Sembra, made two calls in 2018. The first call focused on promoting projects related to new technology, innovation, environment and heritage; the second call concentrated on supporting initiatives to recuperate and promote Coronel's traditions and strengthen its culture and history. A total 32 projects were awarded with more than Ch\$ 200 million.

Copa Enel 2018 ends with the outstanding participation of teams from outside Santiago

This year, more than 150 teams from three regions in the country participated in this event that is becoming the most important scholastic championship in Chile. The famous, former captain of Chile's soccer team, Iván Zamorano has been the ambassador of this event since its beginning. Worth highlighted is the participation and second place of the women's team of the Universidad Católica de Concepción. For the first time in the 17 years of existence of Copa Enel, a team from outside the Metropolitan Region comes in second and wins a trip to Brazil.

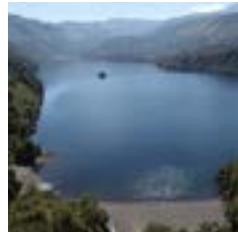
## OCTOBER

Enel Generación Chile receives the 2018 National Environment Award "Recyclapolis"

The Recyclapolis Foundation gave Enel Generación Chile the 2018 National Environment Award in the water category of large companies for implementing their Water Management for Farmers Program in the Maule Region. This fifth edition of the Recyclapolis Award focused on highlighting the best projects that foster and promote new sustainable trends, acknowledging companies, institutions or individuals that show their commitment to environmental innovation and improving efficiency.

## 5th Gran Fondo Fin del Mundo in the Maule Region

The fifth biking event "Gran Fondo Fin del Mundo" took place on October 20, 2018, from Colbún to San Clemente district. More than 450 cyclers from Chile and around the world participated in the competition, with 2 finish lines, one located at 115 kms and the other at 153 km. This year's event involved reaching 2,130 meters above sea level in the mountains to the Maule reservoir.



## NOVEMBER

Liter of Light program illuminates areas of Paposo Community  
Since November, new light poles began to illuminate Caleta Paposo, located in the Antofagasta Region. These were not just any poles, they were the first sustainable poles built by the community itself as part of a project carried out jointly with Enel Generación Chile to take lighting to a community that was in the dark until just a few days before. The original idea came from the Liter of Light program that inspired the Company to promote this initiative with the families from Paposo and carry out several projects, such as, a solar light tree in a preschool, and cell phone chargers for the community elementary school.

Pehuenche culture tourism in Alto Bio Bio  
Nearly six thousand tourists come to Camping Laguna El Barco located 70 km from Villa Ralco, in the upper Bio Bio river basin to enjoy the scenery, culture and history of the region. This place has existed for more than 15 years and allows its visitors to enjoy nature and the dam of the Ralco hydroelectric power plant. The El Barco community manages the place with the ongoing support of Enel Generación Chile. They have developed a plan to improve the camping's facilities and offer a better service.

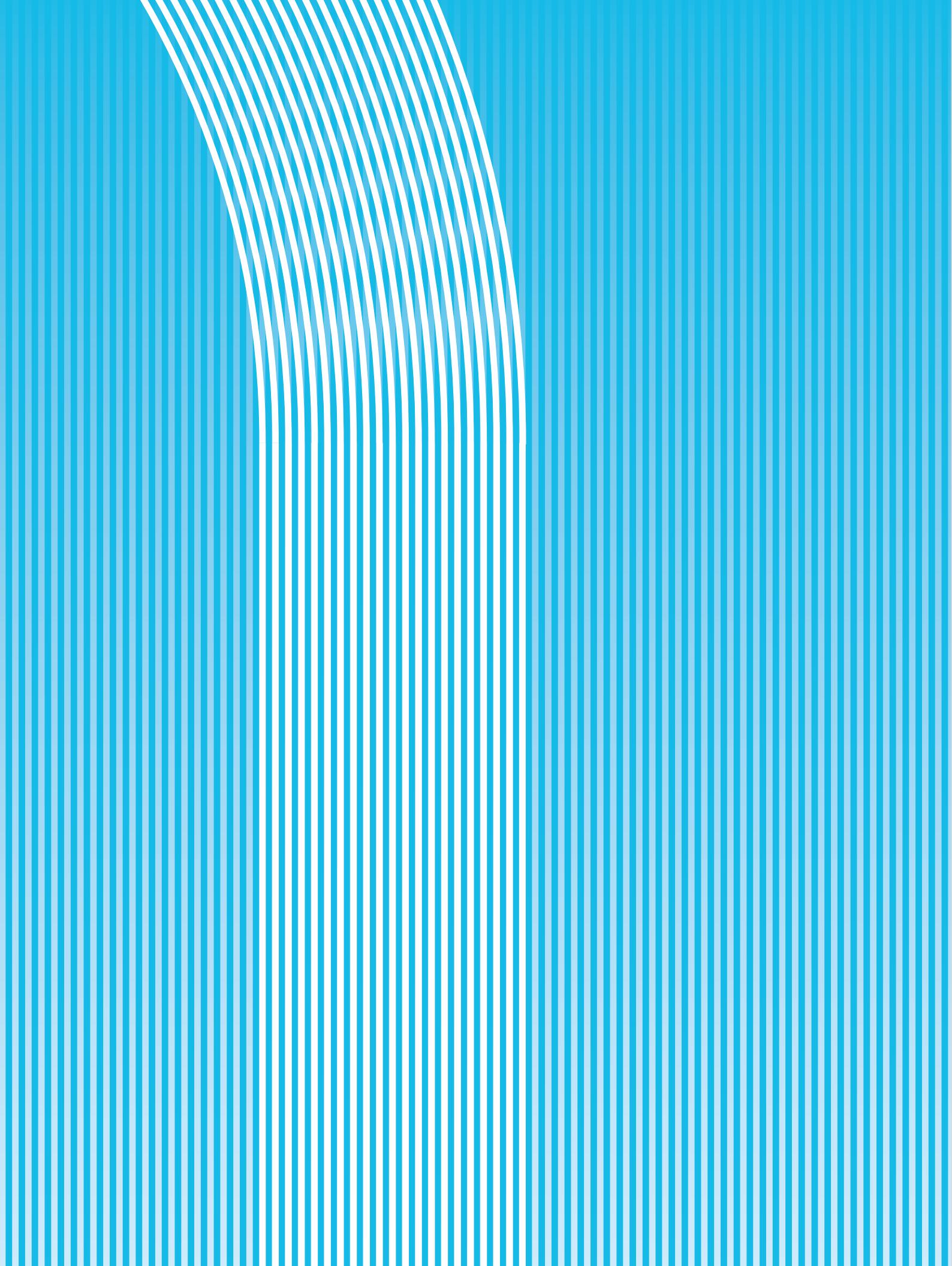
## DECEMBER

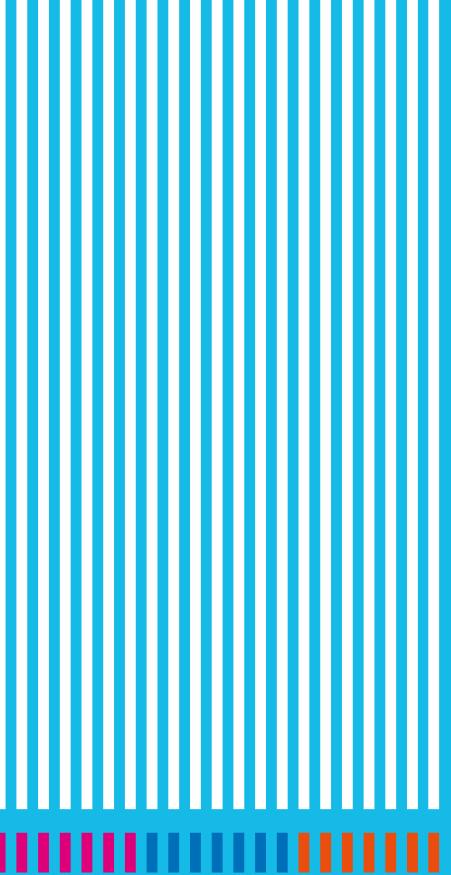
SMA and Enel Generación Chile start up the second phase of the continuous emissions monitoring system  
Enel Generación Chile successfully connected the continuous emissions monitoring system of the second unit of Bocamina located in Coronel to the Superintendence of the Environment as a voluntary act of transparency to transmit the raw data registered by the system in real time. Bocamina is the first electricity generation company to successfully implement this type of model. It exceeds the requirements of the law and was inaugurated with the SMA in January 2018.

Private Public alliance to plant more than 90 thousand trees in Quillota  
"Quillota breathes facing Climate Change" is the name of the project that united the Quillota municipality, Enel Generación Chile and Duoc UC to plant 93 thousand native and exotic trees in the urban and semi urban areas of the district.

Young people from Coronel paint the largest murals in Chile on the facade of Bocamina  
The neighbors in Coronel chose a palette of colors including blues, greens, oranges, and reds to paint the façade of the Bocamina power plant. A total 2,800 square meters of grey cement that are now beginning to change color to relate to the history and culture of the mining community is the Company's commitment with the communities. Enel Generación Chile performed 12 focus groups with people from ages 7 to 80 to determine the themes of the murals.

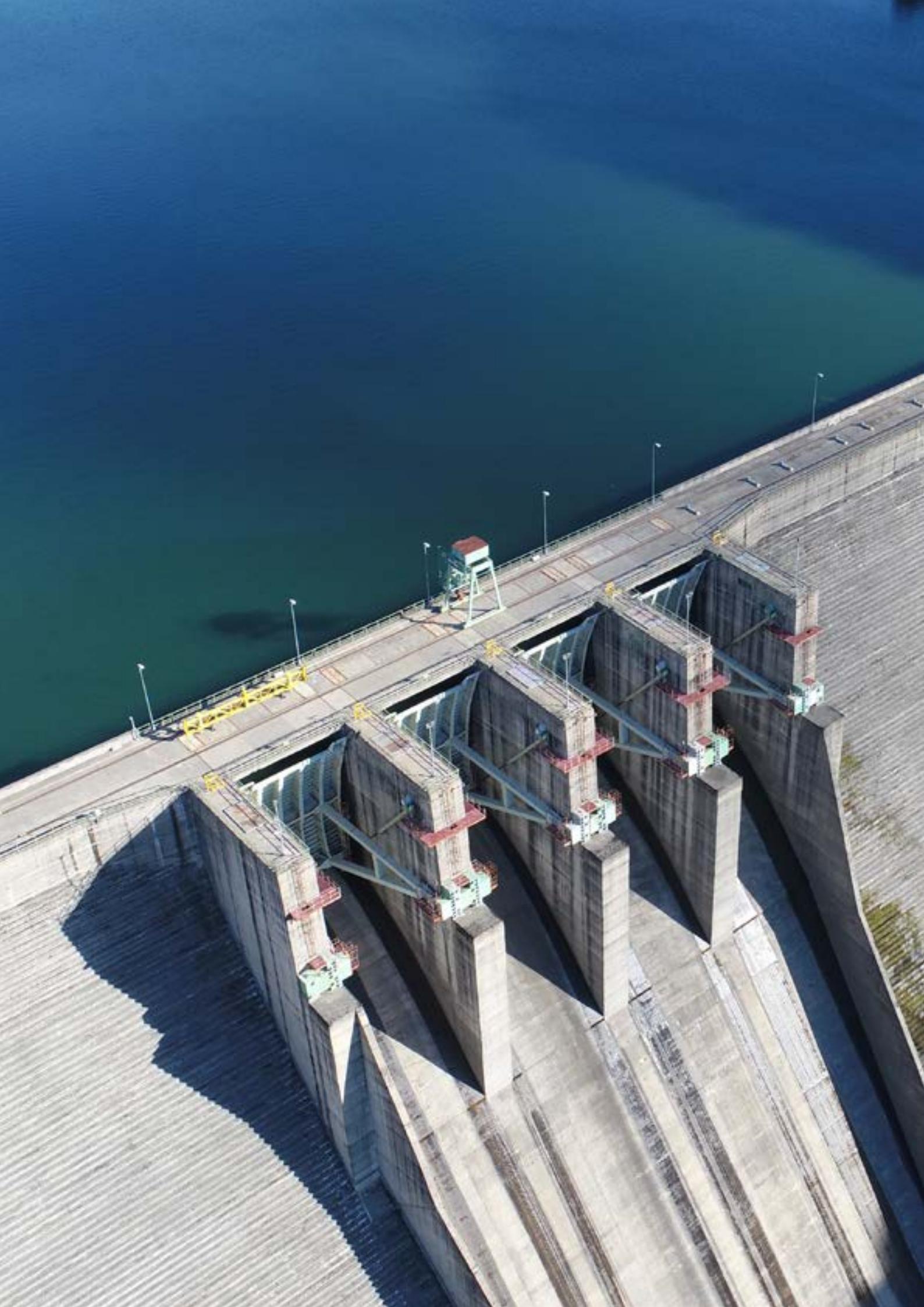






# 04

## Main financial and operating data



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

	2014 (1)(4)	2015 (5)	2016	2017	2018
<b>Total Assets</b>	<b>7,237,672</b>	<b>7,278,770</b>	<b>3,399,682</b>	<b>3,554,462</b>	<b>3,669,228</b>
<b>Total Liabilities</b>	<b>3,713,785</b>	<b>3,733,076</b>	<b>1,669,922</b>	<b>1,565,448</b>	<b>1,671,737</b>
Operating Revenue	2,446,534	2,846,926	1,659,727	1,634,937	1,521,054
<b>EBITDA</b>	<b>1,094,981</b>	<b>1,191,661</b>	<b>594,772</b>	<b>581,142</b>	<b>582,250</b>
Net Income (2)	334,557	392,868	472,558	418,454	309,029
Current Ratio	0.75	0.68	0.98	1.22	1.13
Debt Ratio (3)	1.05	1.05	0.96	0.79	0.84

(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.

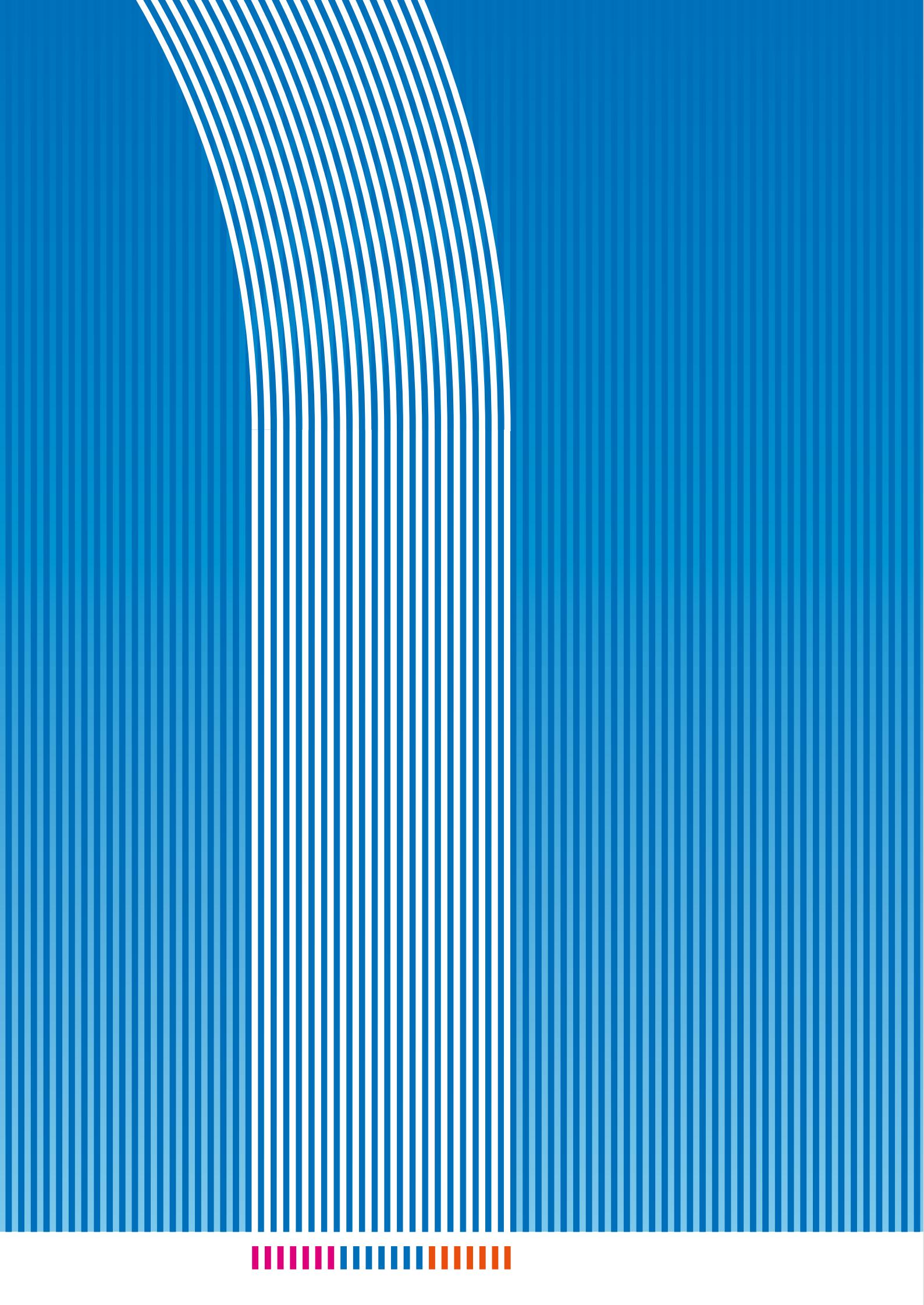
(5) Figures include discontinued activities due to the division of Enel Generación Chile (former Endesa Chile) approved by the Extraordinary Shareholders Meeting held on December 18, 2015.

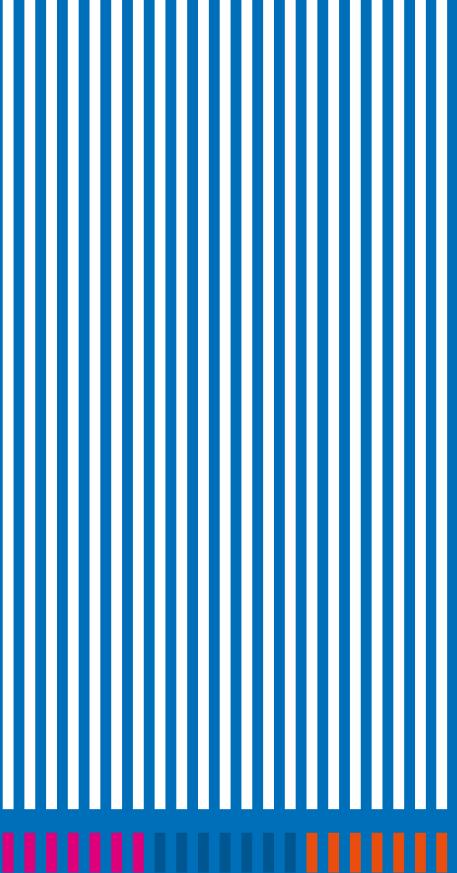
As of December 31, of each year

	2014(1)	2015	2016	2017	2018
<b>CHILE</b>					
Number of employees	1,261	1,001	883	848	767
Number of Generation units	111	111	111	111	111
Installed capacity (MW)	6,351	6,351	6,351	6,351	6,274
Electricity generation (GWh)	18,063	18,294	17,564	17,073	17,373
Electricity Sales (GWh)	21,157	23,558	23,689	23,356	23,343

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

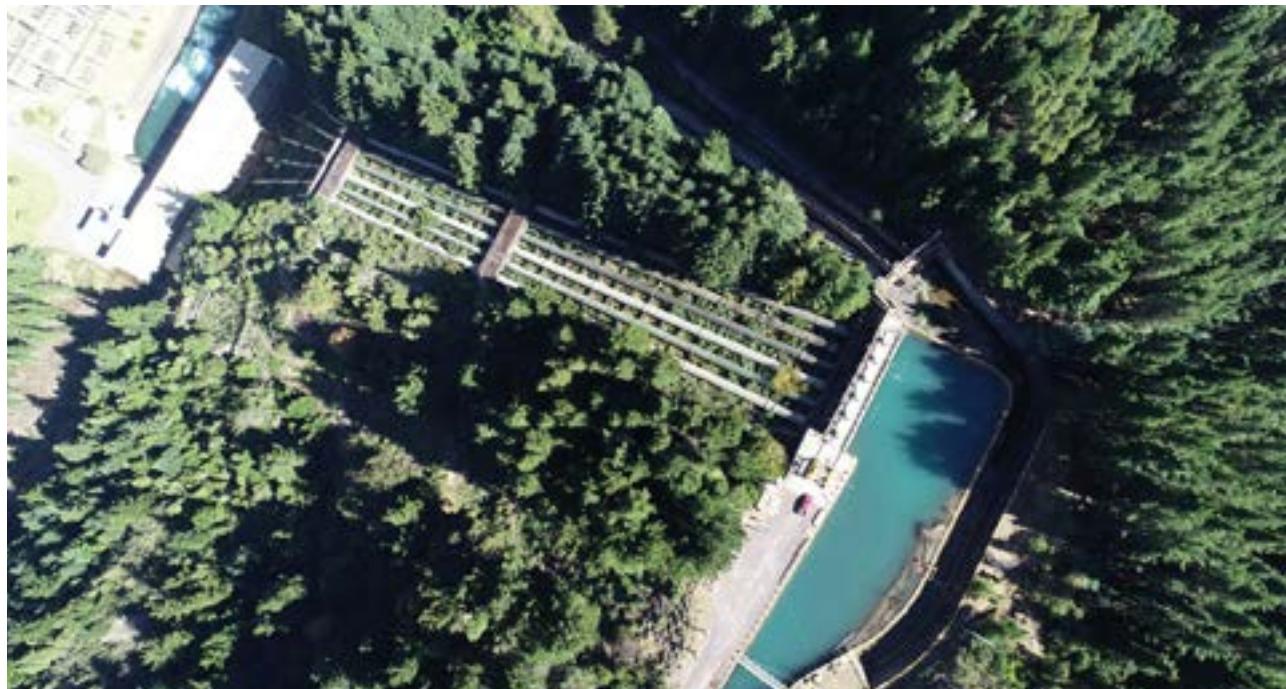






# 05

## Identification of the Company



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	Nº 114
External Auditors	KPMG Auditores Consultores Ltda.
Subscribed and paid-in capital (ThCh\$)	\$552.777.321
Website	<a href="http://www.enel.cl">www.enel.cl</a> , <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, Fitch Chile Clasificadora de Riesgo Limitada
International Risk Rating Agency	Fitch Ratings, Moody's y Standard & Poor's

(\*) The Board of Directors meeting of Enel Generación Chile held December 19, 2018, unanimously approved to request delisting from the New York Stock Exchange ("NYSE") of the United States of America. On December 28, 2018, the ADS traded on the NYSE for the last time. As of December 31, 2018, they only trade in the Over-The-Counter (OTC) market in the United States of America with the new ticker EOCCY.

# 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 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 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 1,226, on February 23, 1945, published in the Official Gazette 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 (CNE in its Spanish acronym). The bylaw's amendment in 1982, which adjusted them to Law 18,046, standards of Decree Law 3,500 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 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 state-





ments 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 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 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 all assets and liabilities of Endesa Chile outside Chile to this new company and maintain 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 be duly registered as public deeds, and their corresponding extracts be duly and timely registered and published as determined by law. Also, as stated by Article 5 with regard to Article 148, both from the Rules and Regulations of the Chilean Corporations Act 18,046, the agreement stipulated that the Division must 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 (PTO) by Enel Chile to purchase the shares of Enel Generación Chile S.A. as a suspensive condition.

Finally, the following amendments to the Company's bylaws were approved in the Ordinary Shareholders' Meeting held April 24, 2018: approve the amendment to article 4 of the bylaws eliminating the last paragraph "in Chile or abroad"; approve the amendment to article 7 of the bylaws reducing the number of directors from 9 to 5. This amendment to article 7 will become effective when the Ordinary Shareholders' Meeting of Enel Generación Chile during the first 4 months of 2019 takes place. Article 24 of the bylaws was repealed. The repeal of article 24 will become effective when the Ordinary Shareholders' Meeting of Enel Generación Chile to be held during the first 4 months of 2019 takes place.

# Corporate object

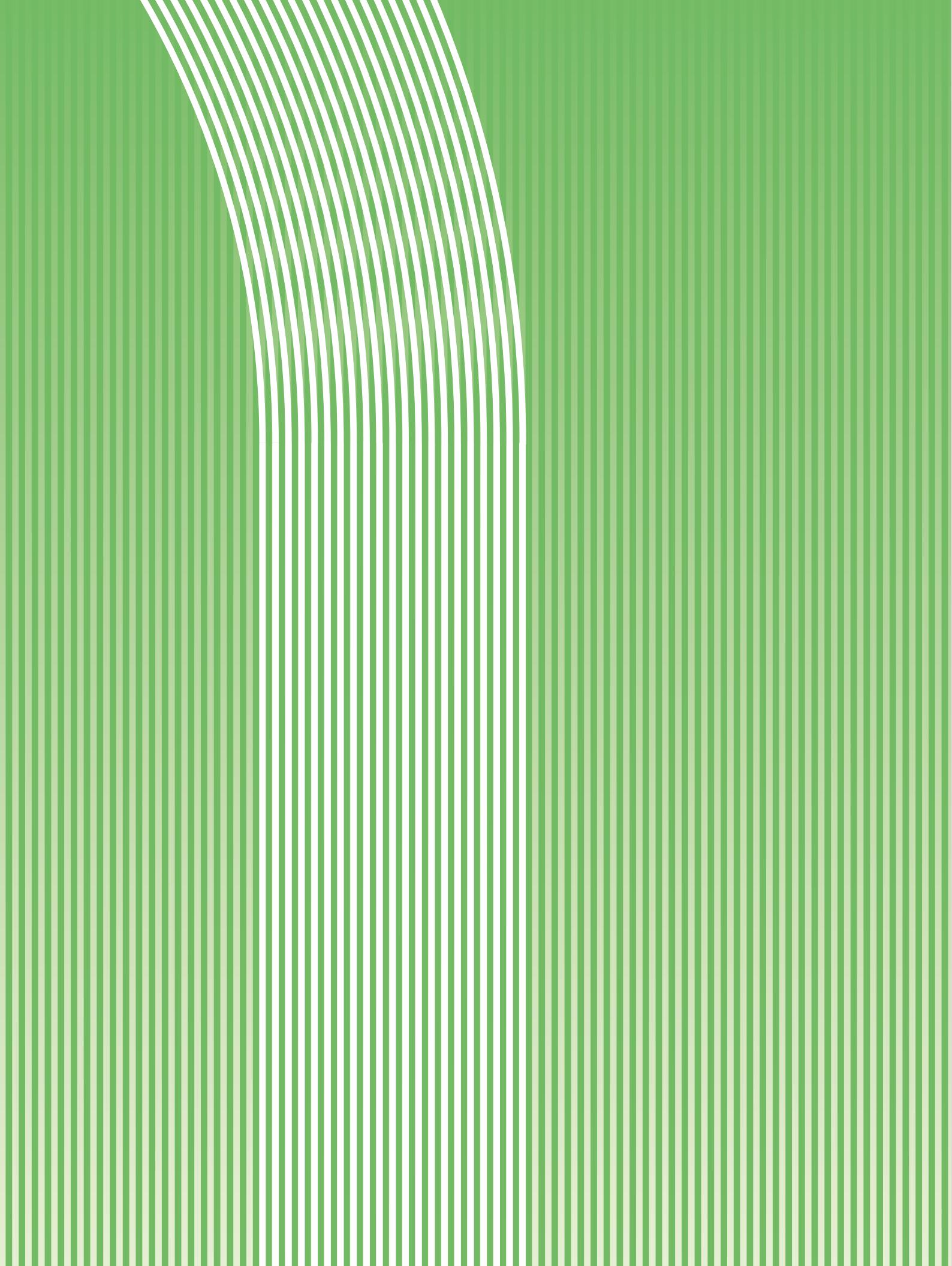
The company's main purpose is to exploit the production, transportation, distribution and supply of electricity, for which it may obtain, acquire, and make use of the respective concessions and rights.

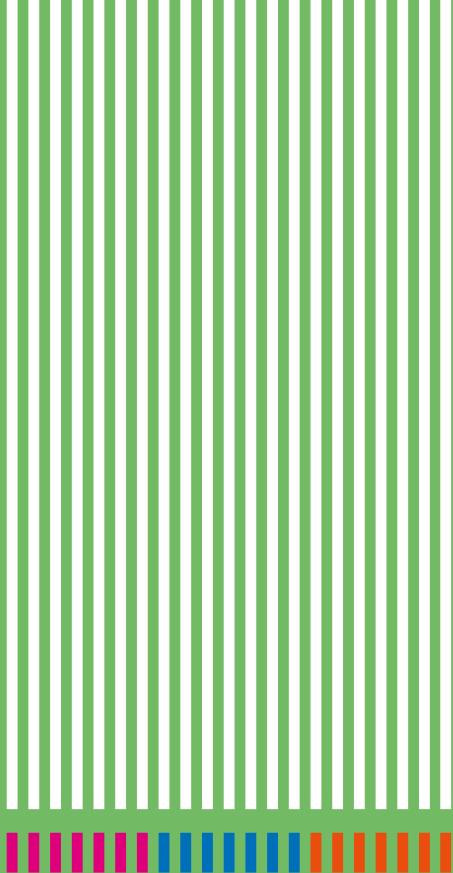
The company also provides consulting services in all areas and fields related to engineering and company management; acquire, design, build, maintain and develop civil or hydraulic infrastructure works, related directly to public works concessions; exploit the goods that comprise its assets; invest,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



# Ownership structure

As of December 31, 2018, the total share capital of the Company was 8,201,754,580 shares, subscribed and paid, and held by 13,956 shareholders.

Shareholders	Number of shares	Shareholding
Enel Chile S.A.	7,672,584,961	93.55%
Pension Funds	34,121,294	0.42%
Stockbrokers, insurance companies & mutual funds	188,850,826	2.30%
ADRs (Citibank N.A. per SVS Letter 1,375) (*)	48,627,660	0.59%
Others	257,569,839	3.14%
<b>TOTAL</b>	<b>8,201,754,580</b>	<b>100.00%</b>

(\*) SVS, Superintendence 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 93.55% direct shareholding and does not have an agreement with other shareholders.

During 2018, Enel Chile S.A subscribed 2,753,574,961 of the Company's shares as a consequence of the Public Tender Offer (PTO) launched by Enel Chile S.A, which was declared a success on March 25, 2018.

## Enel Chile Shareholders at December 31, 2018

Name	Taxpayer ID	Number of Shares	% Shares
Enel SpA	59,243,980-8	42,832,058,392	61.93%
Banco de Chile on behalf of non-residents	97,004,000-5	2,938,360,307	4.25%
Citibank N.A. per C.M.F. letter 1,375	59,135,290-3	2,707,448,873	3.91%
Banco Itaú Corpbanca on behalf of foreign investors	97,023,000-9	2,412,256,213	3.49%
Banco Santander on behalf of foreign investors	97,036,000-K	2,036,665,979	2.94%
AFP Habitat S.A. Pension Fund C	98,000,100-8	1,422,453,411	2.06%
AFP Provida S.A. Pension Fund C	76,265,736-8	1,387,032,334	2.01%
AFP Cuprum S.A. Pension Fund C	76,240,079-0	946,846,342	1.37%
AFP Capital S.A. Pension Fund C	98,000,000-1	929,478,209	1.34%
Banchile Corredores de Bolsa S.A.	96,571,220-8	785,741,357	1.14%
AFP Habitat S.A. Pension Fund A	98,000,100-8	599,585,771	0.87%
AFP Habitat S.A. Pension Fund B	98,000,100-8	560,370,600	0.81%
<b>Subtotal 12 shareholders</b>		<b>59,558,297,788</b>	<b>86.11%</b>
Other 6,290 shareholders		9,608,259,431	13.89%
<b>TOTAL 6,302 SHAREHOLDERS</b>		<b>69,166,557,219</b>	<b>100.00%</b>

## The Company's twelve largest shareholders

Name	Taxpayer ID	Number of Shares	% Shares
Enel Chile S.A.(1)	76,536,353-5	7,672,584,961	93.55%
Larraín Vial Corredores De Bolsa S.A.	80,537,000-9	79,498,882	0.97%
Citibank N.A. per C.M.F. letter 1,375	59,135,290-3	48,627,660	0.59%
Banco de Chile Corredores de Bolsa S.A.	96,571,220-8	24,387,098	0.30%
Banco de Chile on behalf of non-residents	97,004,000-5	20,494,229	0.25%
MBI Corredores de Bolsa S.A.	96,921,130-0	11,682,705	0.14%
Santander Corredores de Bolsa Limitada	96,683,200-2	10,296,917	0.13%
Fondo de Inversión Privado MBI Renta Fija Plus	76,052,365-8	9,999,620	0.12%
Banco Itaú Corpbanca on behalf of foreign investors	97,023,000-9	9,618,669	0.12%
BCI Corredores de Bolsa S.A.	96,519,800-8	9,520,862	0.12%
EMF Retorno Absoluto FIP	76,048,255-2	9,343,051	0.11%
Inversiones Orenco S.A.	90,170,000-1	9,286,405	0.11%
<b>Subtotal 12 shareholders</b>		<b>7,915,341,059</b>	
Others		286,413,521	3.49%
<b>Total</b>		<b>8,201,754,580</b>	<b>100%</b>

(1) Enel Chile S.A. is controlled by Enel SpA., holding 61.93% of ownership, excluding own shares issued.

## Most important changes in ownership share

The most important changes in the ownership of Enel Generación Chile between 2017 and 2018 are the following:

Name	Taxpayer ID	Number of Shares 12/31/2017	Number of Shares 12/31/2018	Variation
Enel Chile S.A.	76,536,353-5	4,919,488,794	7,672,584,961	33.5672
Larraín Vial S.A. Corredora de Bolsa	80,537,000-9	340,293,240	20,494,229	-3.8992
MBI Corredores de Bolsa S.A.	96,921,130-0	302,348,805	9,618,669	-3.5691
Moneda Corredores de Bolsa Limitada	76,615,490-5	279,576,480	48,627,660	-2.8158
Santiago Stock Exchange	90,249,000-0	171,209,242	3,630,696	-2.0432
Dupol Corredores de Bolsa S.A.	96,541,320-0	85,508,422	24,387,098	-0.7452
Vector Capital Corredores de Bolsa S.A.	76,513,680-6	42,549,287	79,498,882	0.4505
Etchegaray Corredores de Bolsa S.A.	96,535,530-8	25,351,520	4,693,922	-0.2519
Scotia Azul Corredores de Bolsa Limitada	96,535,720-3	20,825,141	10,296,917	-0.1284
Corredores de Bolsa Sura S.A.	76,011,193-7	18,641,537	3,021,759	-0.1904
Chile Market Corredores de Bolsa SpA	96,502,820-K	18,314,449	9,520,862	-0.1072
Jaime Larraín y Cia. Corredores de Bolsa Ltda.	84,360,700-4	12,665,348	377,700	-0.1498

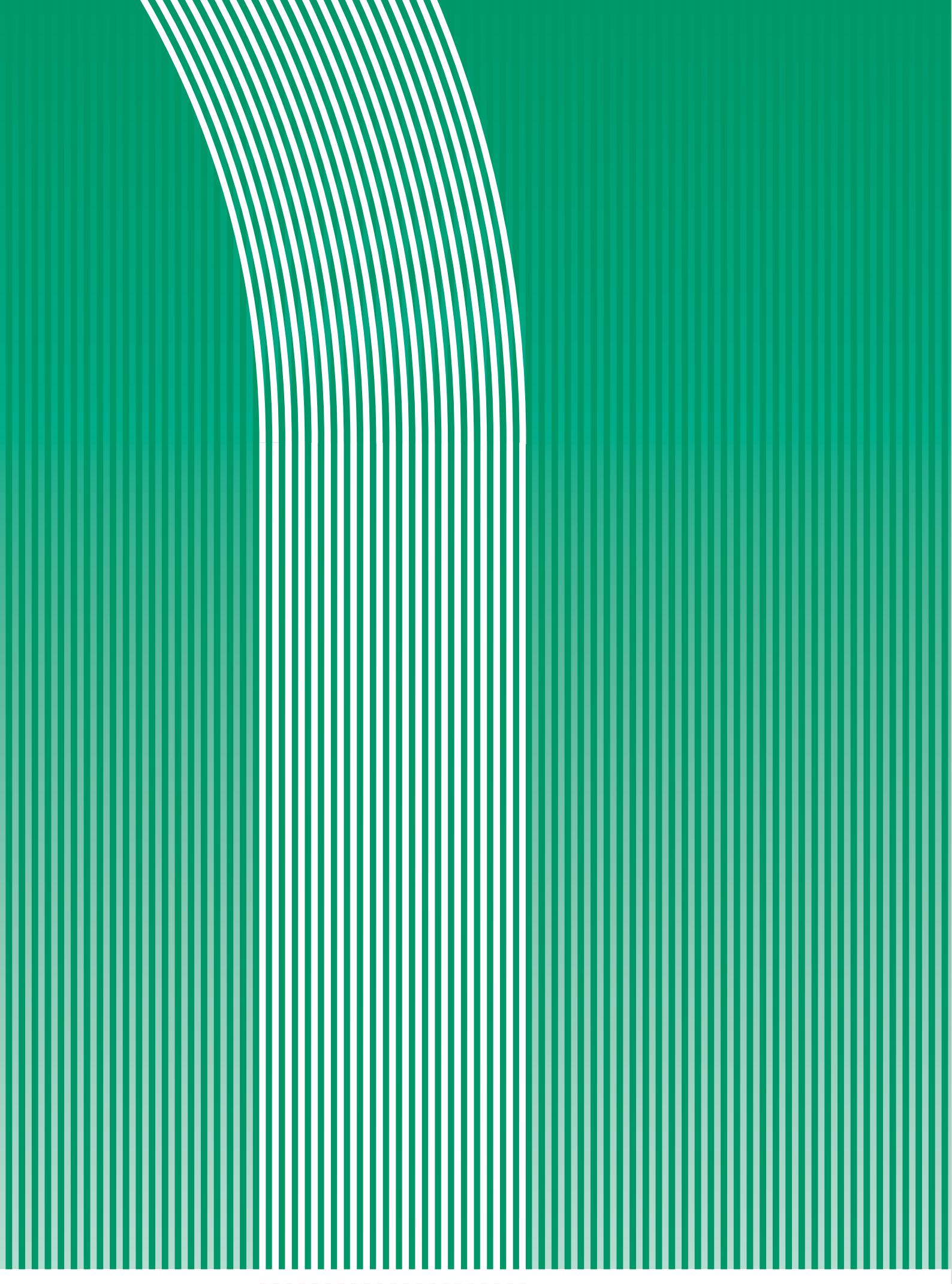
## Stock transactions among related parties during 2018

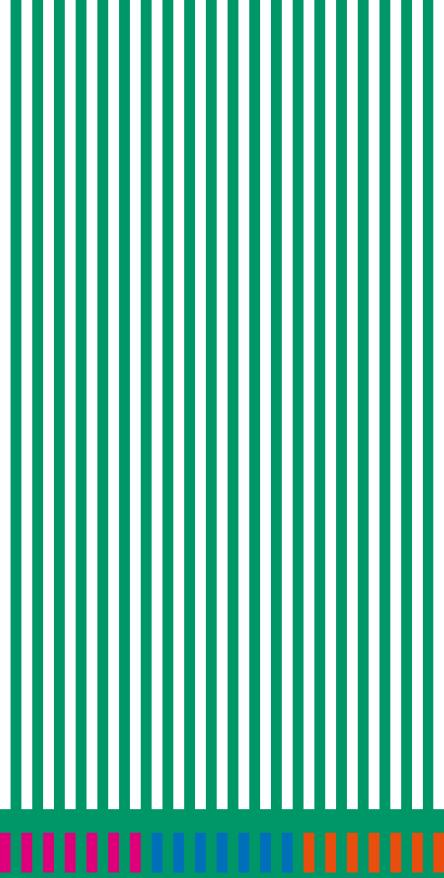
There were no transactions of shares involving directors or senior executives during 2018.

## 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, 2018, 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 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



# 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

## DIRECTOR

**Enrique Cibié Bluth**  
Commercial Engineer, Public Accountant & Auditor  
Pontificia Universidad Católica de Chile  
Master's in Business & Administration  
Stanford University  
Tax I.D.: 6,027,149-6  
Since 04.26.2012 until 04.24.2018

## 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 until 11.29.2018

## 3. DIRECTOR

**Julio Pellegrini Vial**  
Lawyer  
Universidad Católica de Chile  
Master's in Law  
University of Chicago, United States  
Tax ID.: 12,241,361-6  
Since 04.27.2016

## 4. DIRECTOR

**Maria Soledad Arellano Schmidt**  
Commercial Engineer major in Economics  
Pontificia Universidad Católica de Chile  
Master's in Economics  
Pontificia Universidad Católica de Chile  
Doctorate in Economics, MIT  
Tax ID.: 10,745,775-5  
Since 01.25.2019

## 5. DIRECTOR

**Hernán Cheyre**  
Commercial Engineer  
Pontificia Universidad Católica de Chile  
Master's in Economics  
University of Chicago  
Specialization in Finance and Economic Development  
Tax ID.: 6,375,408-0  
Since 04.24.2018

## 6. DIRECTOR

**Fabrizio Barderi**  
Electronic Engineer  
Università Di Pisa  
Master's in Economics and Energy & Environment Management  
Scuola Superior Enrico Mattei  
Passport: YA7104825  
Since 08.28.2017

## DIRECTOR

**Mauro Di Carlo**  
Electrical Engineer  
Università degli Studi di Cassino – Engineering School  
Passport: YA4657363  
Since 04.27.2016 until 04.24.2018

## DIRECTOR

**Umberto Magrini**  
Mechanical Engineer  
Università di Genova  
Executive MBA in European Profit Management  
Jacobs University of Bremen  
Passport: YA5001646  
Since 04.27.2016 until 04.24.2018

## 7. DIRECTOR

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

## 8. DIRECTOR

**Cristiano Bussi**  
Chemical Engineer  
Universidad de Pisa, Italia  
Passport: YA2326668  
Since 11.29.2018

## 9. DIRECTOR

**Antonio Scala**  
Business Administration  
Rome-Italy  
Passport: YA8230634  
Since 04.27.2018

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 of the following gentlemen:

Giuseppe Conti  
Maria Soledad Arellano Schimdt  
Cristiano Bussi  
Hernán Cheyre  
Francesco Giorgianni  
Luca Noviello  
Julio Pellegrini Vial  
Fabrizio Barderi  
Antonio Scala

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 Bolonia  
Passport: YA610409  
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  
Masters in Energy and Environment  
Universidad Politécnica de Madrid  
Master's in Business Administration, IESE  
Passport: 508307060Q  
From 11.04.2014 to 04.26.2016

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

**Francesca Gostinelli**  
Environmental Engineer  
Master's in Energy & Environment Management and Economics  
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's in Economics  
Pontificia Universidad Católica de Chile  
Master's 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

## Board of Directors and Directors' Committee compensation

According to 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 2018 amounted to Ch\$ 343 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 2018 (thousands of pesos)

The total compensation expense during 2018 amounted to Ch\$ 343 million, and it is detailed in the following table.

Board Member Name	Position	Fixed Compensation	Ordinary and Extraordinary Sessions	Committee's Fixed Compensation	Directors Committee	Total
Giuseppe Conti (1)	Chairman	-	-	-	-	-
Francesco Giorgianni (1)	Director	-	-	-	-	-
Francesco Buresti (1)	Director	-	-	-	-	-
Mauro Di Carlo (1)	Director	-	-	-	-	-
Umberto Magrini (1)	Director	-	-	-	-	-
Luca Noviello (1)	Director	-	-	-	-	-
Enrique Cibié Bluth	Director	\$ 14,043	\$ 9,038	\$ 4,681	\$ 2,259	\$ 30,021
Hernán Cheyre	Director	\$42,724	\$25,189	\$14,241	\$8,396	\$90,550
Jorge Atton Palma	Director	\$ 47,181	\$ 29,600	\$ 15,727	\$ 9,113	\$ 101,621
Julio Pellegrini Vial	Director	\$ 56,767	\$ 34,228	\$ 18,922	\$ 10,656	\$ 120,573
<b>Total</b>		<b>\$ 160,715</b>	<b>\$ 98,065</b>	<b>\$ 53,571</b>	<b>\$ 30,424</b>	<b>\$ 342,765</b>

(1) Giuseppe Conti, Francesco Giorgianni, Francesco Buresti, Mauro Di Carlo, Umberto Magrini, Luca Noviello, Cristiano Bussi and Antonio Scala waived their fees and allowances as Directors of the Company

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

The total compensation expense during 2017 amounted to Ch\$ 385 million and is detailed in the following table.

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

Board Member Name	Position	Fixed Compensation	Ordinary and Extraordinary Sessions	Committee's Fixed Compensation	Directors Committee	Total
Guiseppe Conti (1)	Chairman	-	-	-	-	-
Francesco Giorgianni (1)	Director	-	-	-	-	-
Francesco Buresti (1)	Director	-	-	-	-	-
Mauro Di Carlo (1)	Director	-	-	-	-	-
Umberto Magrini (1)	Director	-	-	-	-	-
Luca Noviello (1)	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) Giuseppe Conti, Francesco Giorgianni, Francesco Buresti, Mauro Di Carlo, Umberto Magrini, and Luca Noviello, waived their fees and allowances 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 did not spend on consulting services in 2018.

## Diversity in the Board of Directors

### Number of people by gender

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

### Number of people by nationality

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

### Number of people 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 people 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, 2018, 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 Enel Generación Chile held on April 24, 2018, Julio Pellegrini Vial, Jorge Atton Palma and Hernán Cheyre Valenzuela were elected members of the Directors' Committee. Mr. Hernán Cheyre Valenzuela was elected financial expert, as determined by the Sarbanes-Oxley Act of the United States of America.

On November 21, 2018, Mr. Jorge Atton Palma resigned to the Board and Directors' Committee. On January 25, 2019 the Board of Directors elected María Soledad Arellano Schmidt in his replacement.

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





# Directors' Committee Annual Report

In accordance with Article 50 bis of the Chilean Corporations Act, amended by Law 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 2018, up to December 19, 2018.

**Formation of the Committee.** At the Ordinary Board of Directors' meeting of Enel Generación Chile S.A held on April 24, 2018, Jorge Atton Palma, Hernán Cheyre Valenzuela, and Julio Pellegrini Vial were appointed as members of the Directors' Committee of the Company . Jorge Atton Palma was elected Chairman of the Committee and Hernán Cheyre Valenzuela was elected financial expert under the Sarbanes-Oxley Act of the United States of America. On November 21, 2018, Mr. Jorge Atton Palma resigned as director and Chairman of the Company's Directors' Committee. In the Directors' Committee meeting held November 29, 2018, Mr. Hernán Cheyre Valenzuela was appointed to replace Mr. Jorge Atton Palma as Chairman. On January 25, 2019, the Board of Directors appointed María Soledad Arellano Schmidt as independent member of the Directors' Committee of Enel Generación Chile S.A.

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

The Directors' Committee met on 13 occasions during 2018, 12 occasions were ordinary sessions and one was an extraordinary session. The Company's operations and contracts with related companies were reviewed and members pronounced on those matters referred to in Article 50 bis of the Chilean Corporations Law and decisions were reported 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 on the complaints originated from the company's Ethics Channel.

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 March 26, 2018, the Committee pronounced on the 20-F document and authorized its submission to the United States Securities and Exchange Commission.

In 2018, specifically until December 19, 2018, the Directors' Committee analyzed and informed the Board that the following related party transactions had been performed at arm's length:

1. CESI contract Explosion Risk Area Map
2. Business, Management and Technical services contract with Enel SpA
3. Renewal of services contract with Enel Green Power.
4. Expiration of contract between Enel Generación Chile and subsidiaries and update of representation and energy trade contract between Enel Generación Chile and GasAtacama Chile S.A.
5. Approval of Enel Generación Chile Intercompany Business, Management and Technical services contract
6. Climatology coverage contract
7. Amendment to trade account contract between Enel Generación Chile and Enel Chile S.A.
8. Contract with EGP for energy commercialization services
9. Donation to San Ignacio de Huinay Foundation.
10. Renewal of Services Contract with Enel Green Power
11. LNG shipment sales contract with Enel Global Trading or Endesa Energía

- 12. Electricity supply contract with Enel Distribución Chile
- 13. LNG shipment sales contract with Enel Global Trading or Endesa Energía
- 14. Amendment to expiration date of Engineering services contracts with EGP SPA; EGP Brazil y EGP Chile Limitada
- 15. Central Huasco Solar lighting contract with Enel Distribución Chile
- 16. Transfer of Take or Pay Natural Gas Transportation Contract with Electrogas
- 17. Natural gas generation unit rental contract with GasAtacama Chile S.A.
- 18. Engineering and Construction Services Contract and addendums with Portuaria Central Cartagena; Enel Generación Costanera; Enel Brasil, GasAtacama and Enel Produzione
- 19. Amendment to Rental Contract with GasAtacama Chile regarding the 23.75 MW Hitachi GE Turbo Diesel
- 20. Energy purchase contract with EGP
- 21. Extension of the term of contract with CESI
- 22. Contract with Enel Italia Proyectos Digitalización

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 24, 2018, 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 of 6,000 Unidades de Fomento (UF in its Spanish acronym) Chilean inflation-indexed, Chilean peso-denominated operations expense budget for the committee and its advisors for 2018.

The Directors' Committee did not spend on consulting services in 2018.

# 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: 24.789.926-K  
Since 11.01.2014

**5. HYDRO ENGINEERING AND CONSTRUCTION OFFICER**  
**Bernardo Canales Fuenzalida**  
Mechanical Engineer  
Universidad de Chile  
Diploma in Economics  
Pontificia Universidad Católica de Chile  
Tax ID: 11,565,097-1  
Since 02.26.2015

**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: 8,803,928-9  
Since 12.15.2016

**2. PEOPLE AND  
ORGANIZATION OFFICER**  
**Luis Vergara Adamides**  
Electronic Engineer  
Universidad Técnica Federico  
Santa María  
MBA Pontificia Universidad  
Católica de Chile  
Tax ID: 8,586,744-k  
Since 04.01.2016

## **6. BUSINESS DEVELOPMENT OFFICER**

**Valter Moro (acting officer)**

## **10. THERMAL GENERATION CHILE OFFICER**

**Michele Siciliano**  
Mechanical Engineer  
Universidad de Calabria  
Tax ID: 25,467,930-5  
09-000000000000000000

**3. GENERAL COUNSEL**  
**Ignacio Quiñones Sotomayor**  
Lawyer  
Universidad Diego Portales  
Tax ID: 7.776.718-5  
Since 11.01.2013

**7. TRADING & COMMERCIALIZATION OFFICER**  
**Humberto Espejo Paluz**  
Civil Engineer  
Pontificia Universidad Católica de Chile  
Master's in Engineering Sciences  
Pontificia Universidad Católica de Chile  
Tax ID: 11.629.179-7  
Since: 02/26/2015

**11. PLANNING AND CONTROL  
OFFICER**  
**Juan Candia Narváez**  
Electrical Engineer  
Universidad Católica de  
Valparaíso  
Electronic Civil Engineer  
Universidad Técnica Federico  
Santa María  
MBA - Universidad Católica de  
Chile  
Tax ID: 13,226,963-7  
Since 04.01.2017

**4. CHIEF FINANCIAL OFFICER**  
**Raúl Arteaga Errázuriz**  
Civil Engineer  
Universidad de Chile  
Tax ID: 7.012.475-0  
Since 05.01.2016

**8. THERMAL ENGINEERING  
AND CONSTRUCTION  
OFFICER**  
**Claudio Órdenes Tirado**  
Mechanical Engineer  
Universidad de Santiago de Chile  
Diploma in Business  
Management  
Universidad de Chile  
Tax ID: 10,939,381-9  
Since 12.15.2016

**12. REGULATION OFFICER**  
**Valter More (acting officer)**



## **Senior executives' and managers' compensation**

During 2018, the compensation and benefits received by the Chief Executive Officer and senior executives of the company amounted to Ch\$ 2,614 million in fixed compensation and Ch\$ 476 million in variable compensation and benefits.

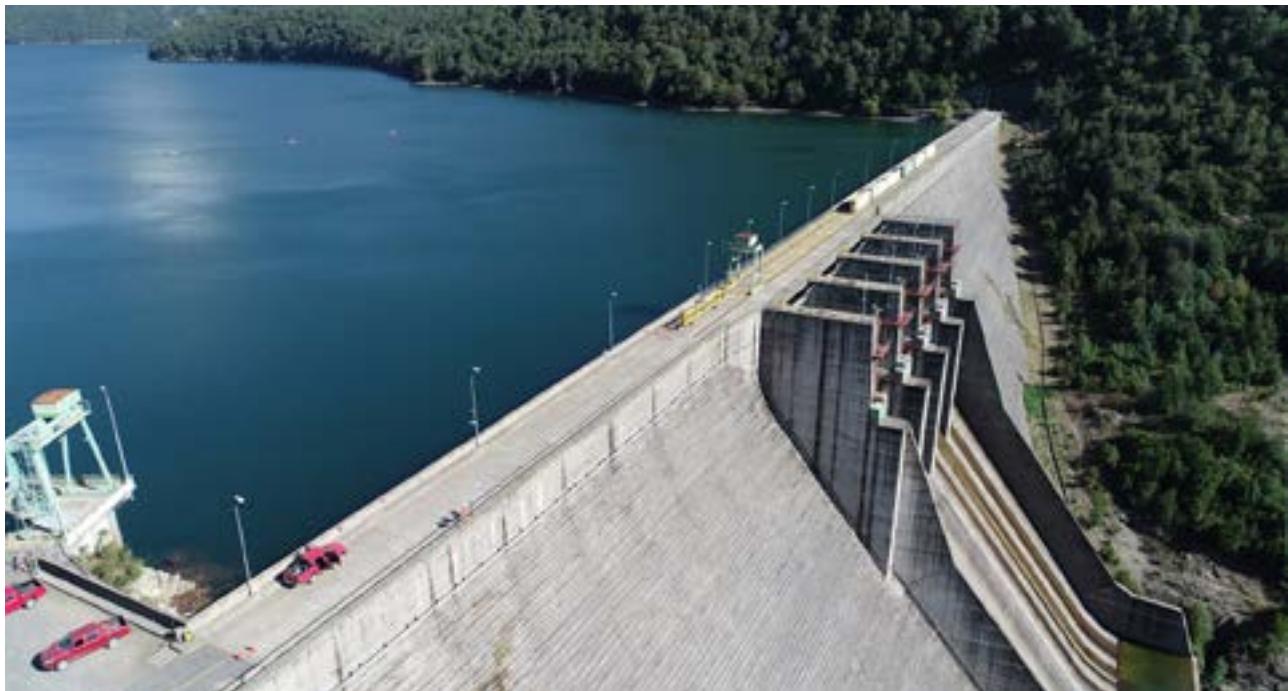
During 2017, the compensation and benefits received by the Chief Executive Officer and senior executives of the Company amounted to Ch\$ 2,058 million in fixed compensation and Ch\$ 468 million in variable compensation and benefits.

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 offers 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 2018, the amount spent on these benefits was Ch\$ 57 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. It 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 no severance payments to senior executives in 2018.

## Shareholdings in Enel Generación Chile

Based on the shareholder's register, as of December 31, 2018, none of the Company's executives owned shares of the Company.

## Management of main subsidiaries

### Pehuenche

#### **Carlo Carvallo Artigas**

Civil Engineer

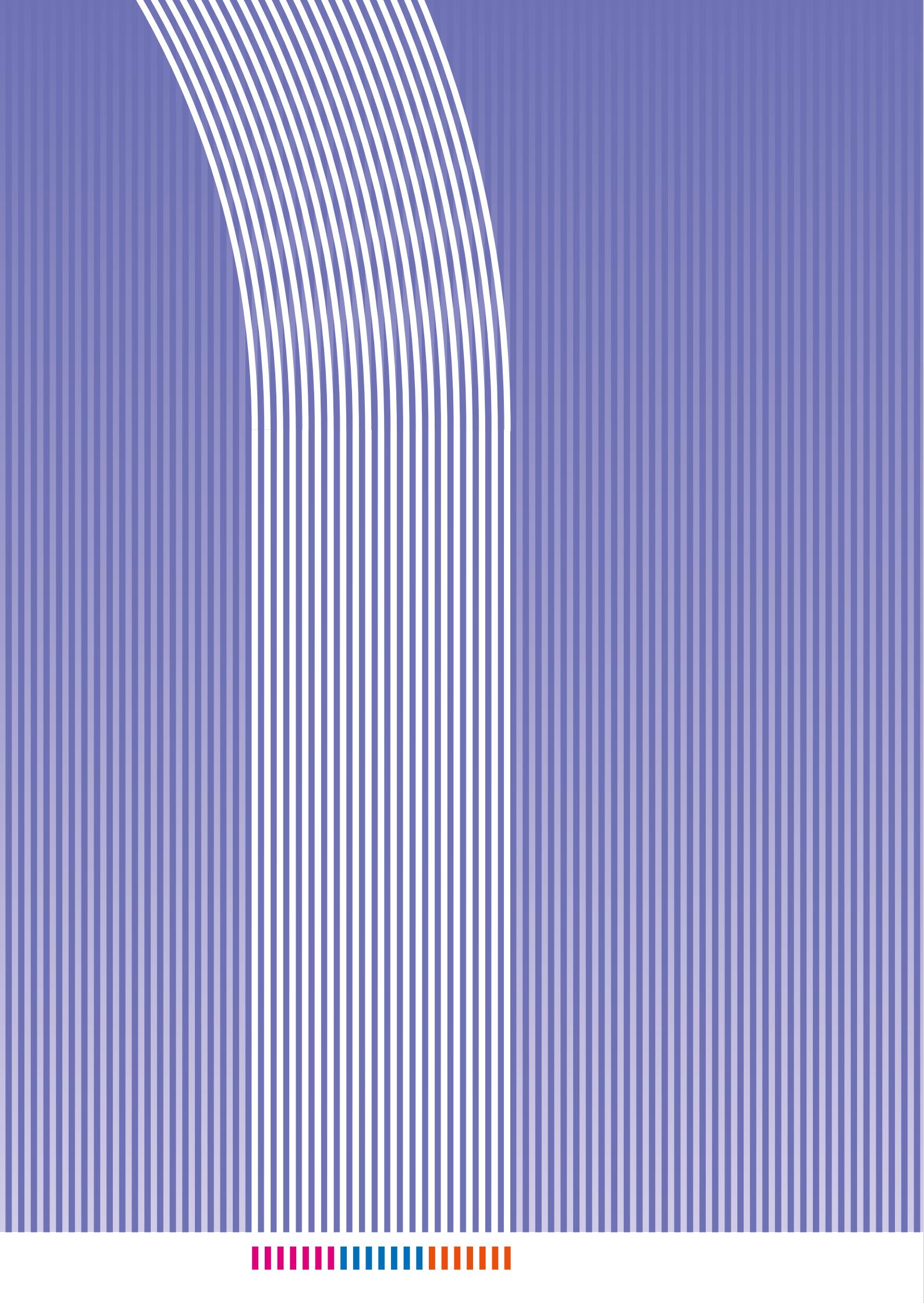
Universidad de Chile

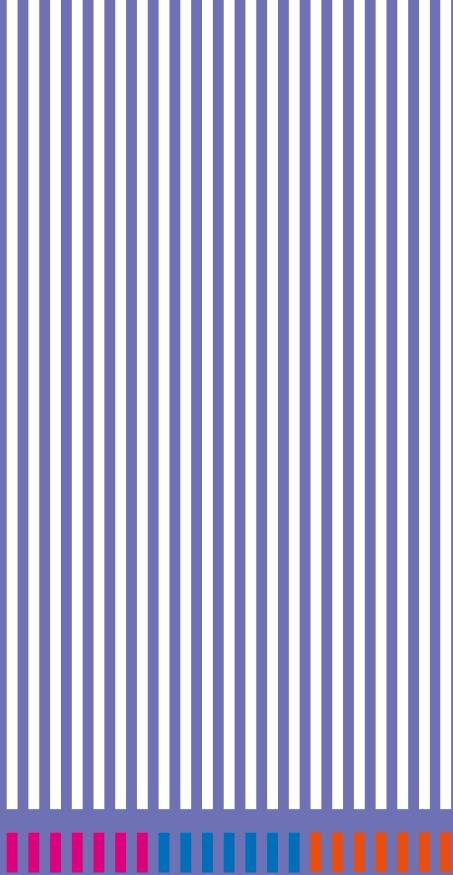
### GasAtacama Chile

#### **Valter Moro**

Mechanical Engineer

Universidad Politécnica de Marche Italia





# 08

## People and organization



# Workforce

The following table includes total active employees of Enel Generación Chile and its subsidiaries as of December 31, 2018:

Companies	Managers			Total
	& Senior Executives	Professionals & Technicians	Other Employees	
Enel Generación Chile	18	599	61	678
Pehuenche	2	-	-	2
GasAtacama	-	61	26	87
<b>Total</b>	<b>20</b>	<b>660</b>	<b>87</b>	<b>767</b>

## Diversity of chief executive office and other departments that report to CEO or Board of Directors

## Number of employees by gender

Gender	Enel Generación Chile	Pehuenche
Female	-	-
Male	18	2
<b>Total</b>	<b>18</b>	<b>2</b>

## Number of employees by nationality

Nationality	Enel Generación Chile	Pehuenche
Chilean	15	2
Italian	3	-
<b>Total</b>	<b>18</b>	<b>2</b>

## Number of employees by age group

Age	Enel Generación Chile	Pehuenche
Less than 30 years	-	-
Between 30 and 40 years	2	-
Between 41 and 50 years	9	-
Between 51 and 60 years	5	.1
Between 61 and 70 years	2	1
More than 70 years	-	-
<b>Total</b>	<b>18</b>	<b>2</b>

## Number of employees by years of service

Years of service	Enel Generación Chile	Pehuenche
Less than 3 years	2	-
Between 3 and 6 years	3	-
More than 6 and less than 9 years	-	-
Between 9 and 12 years	2	-
More than 12 years	11	2
<b>Total</b>	<b>18</b>	<b>2</b>

## Diversity in the organization

## Number of employees by gender

Gender	Enel Generación Chile	GasAtacama	Pehuenche
Female	84	10	-
Male	594	77	2
<b>Total</b>	<b>678</b>	<b>87</b>	<b>2</b>



## Number of employees by nationality

Nationality	Enel Generación Chile	GasAtacama	Pehuenche
Argentine	1	26	-
Chilean	662	61	2
Colombian	3	-	-
Spanish	4	-	-
French	1	-	-
Italian	5	-	-
Mexican	1	-	-
Peruvian	-	-	-
<b>Total</b>	<b>678</b>	<b>87</b>	<b>2</b>

## Number of employees by age group

Age	Enel Generación Chile	GasAtacama	Pehuenche
Less than 30 years	26	4	-
Between 30 and 40 years	233	19	-
Between 41 and 50 years	245	37	1
Between 51 and 60 years	131	24	-
Between 61 and 70 years	39	3	1
More than 70	4	-	-
<b>Total</b>	<b>678</b>	<b>87</b>	<b>2</b>

## Number of employees by years of service

Years of service	Enel Generación Chile	GasAtacama	Pehuenche
Less than 3 years	85	13	-
Between 3 and 6 years	67	5	-
More than 6 and less than 9 years	125	5	-
Between 9 and 12 years	119	16	-
More than 12 years	282	48	2
<b>Total</b>	<b>678</b>	<b>87</b>	<b>2</b>

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

Category	
Senior Management	0%
Professionals - Level 1	
Professionals - Level 2	
Professionals - Level 3	
Administrative - Level 1	90%
Administrative - Level 2	93%
Administrative - Level 3	99%
Average	91%





# Human Resources Activities

## Labor relations

The Company continued having meetings with unions, strengthening communication with representatives and fostering a positive work environment.

## Training

Enel Generación Chile's 2018 training program was constructed and executed based on two fundamental management principles:

1.- Reach 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.- Build 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 future opportunities of development. The mechanism of identification of needs is known as Professional Development Itinerary (IDP in its Spanish acronym), with a two year implementation period.

The training activities in Enel Generación Chile during 2018 reached a training coverage ratio of 80%, which implies that 539 workers attended at least one training activity during the year. The total number of training hours was 27,115 hours.

Technical training is the company's 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 53% of total hours dedicated to training. Worth highlighting are in-house certification programs developed exclusively for Enel with the support of prestigious Chilean universities, such as, the Electricity Market Certification program developed with Universidad de Chile and the Photovoltaic Electricity Generation Certification program developed with Universidad Técnica Federico Santa María.

Regarding the development of new skills, several programs were implemented to contribute to the Company's

digital transformation in 2018, such as, training in Agile to disseminate its use throughout the Company.

Risk prevention, health, and the overall safety of our employees, in all levels and categories of personnel within the organization are particularly relevant to the Company's and have our permanent attention.

## People management

### Work climate management

Work climate and commitment are fundamental pillars of Enel Generación Chile's strategy. The Company performed a Work Climate and Safety Survey in 2018 that reached a 93% participation rate nationally. Work climate is a priority due to its close relationship with the people that conform the Company's human resource. Therefore, the initiatives related to leadership, communication, meritocracy and development, conflict resolution measures, and good work practices, which maintain workers' motivation, satisfaction and commitment, continued during the year. Worth highlighting is the Team Building program, a collaborative work experience focused on developing relational and collaborative competencies to strengthen trust and align objectives to reach common goals.

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. "Leader to Coach" is a program designed to strengthen leadership and the manager's role in the "Open Power" culture. It has an active and strategic view that focuses on team motivation and learning. It is a comprehensive training program to develop skills based on an individual plan for each manager, including 360° evaluation, skill training workshops and building a network of good practices in human resource management.

Enel Generación Chile has implemented a set of communication initiatives entitled "People & Organization" to communicate with workers on a daily basis to inform and explain matters particularly related to human resource management. Initiatives include maintaining the web-

site and manuals on best practices updated and posting monthly bulletins, among others.

In terms of meritocracy and professional development programs, promotions are based on merit, offering job opportunities both locally and abroad, in countries where the Group has operations.

During 2018 the programs "Recognizing Ourselves" and "Hall of Energies" continued seeking to encourage a culture of recognition within the Company. On the one hand, the "Recognizing People" program offers formal instances for workers to recognize their teammates, and on the other hand, the "Recognizing Contributions Program" offers the organization a chance to identify initiatives that have added great value to the company. The "Hall of Energies" program recognizes attitude, cooperation and the teams that are voted as outstanding by their fellow employees. A total 28 employees were acknowledged by their fellow employees in 2018.

The Company also continued the program "Agent of Change" in 2018, with the participation of a team of more than 50 employees from all Group companies. This team developed cultural change initiatives that facilitate the implementation of projects by promoting collaboration and innovation. Each team had a company manager as a sponsor to support and direct their initiatives, linking the technical project to the cultural change initiatives required to implement projects.

## Work-life integration measures and flexibility

Regarding conciliation and flexibility, in 2018, the remote working program "Smart Working" has grown to become one of the most appreciated conciliation measures in the company, providing employees with greater flexibility when it comes to the execution of their work. Today, there are 360 workers participating in Enel Chile's program, 134 of them from Enel Generación Chile that choose to work from home, or wherever they please, one day a week (from Tuesday to Thursday), but must comply with the safety and health measures established by current legislation. This initiative contributes to the balance between work and family life and improves quality of life.





Additionally, several other initiatives were carried out to improve worker's quality of life, such as:

Sports and Culture Extension Program: A sports program that takes place within the Company's facilities, offering workshops and practicing several sports, such as soccer, baby soccer, basketball, volleyball, and other sports. Other extension activities designed for employees and their families include artistic workshops, expositions, family excursions and trips, among others.

There are several activities for employees' children, both recreational and educational. These include the summer and winter camps for youngsters between 6 and 15 years of age that are offered in January and during winter holidays. There are also training workshops held during the summer for employee family members. Several events were held to foster the balance between work and family life. The Christmas Party is among the most relevant of these events for workers with children and also the "Come to my birthday party" that is celebrated at the corporate stadium for kids ages 12 and under.

Other important events include the End of the Year party, a corporate event for all employees consisting of a dinner with contests and dancing, and the "Career Trajectory Award", an annual corporate celebration that recognizes workers who have been with the Company for at least 20 years.

## Safety measures and occupational health

In Enel Generation Chile, safety and occupational health are goals closely linked to the business. Leadership in the integration of safety and occupational health is a particularly relevant component of the continuous improvement process given its strategic importance. In terms of leadership, we highlight the active participation of the different tiers of the company in risk control of worker's activities, by implementing health and safety programs such as Safety Walks, ECoS (Extra Checking on Site, and ISI (Intrinsic Safety Index), among others.



## Outstanding programs

### 2018 Health dissemination and promotion

This program aims to educate and train workers by promoting quality of life through massive dissemination efforts, such as posters, graphic material and emailed information. Among each month's topics are:

- > **March:** Anti-stress campaign: recommendations to eliminate its causes.
- > **April:** Immunization campaign: widespread invitation to get the flu shot to prevent the seasonal flu.
- > **May:** Anti-tobacco campaign: advice to prevent tobacco consumption.
- > **June:** Colon and gastric cancer campaign: encouragement of preventive exam to detect these illnesses opportunely.
- > **July:** Respiratory disease and viral infections: recommendations on preventing contagion.
- > **August:** Heart care campaign: advice regarding heart care.
- > **September:** Prostate and cervical cancer campaign: advice regarding annual exams for detection.
- > **October:** Breast cancer prevention campaign: promotion of early detection and self-examination.
- > **November:** Healthy Diet campaign: practical recommendations on nutrition habits to improve the quality of life.
- > **December:** Skin Cancer campaign: advice regarding ultraviolet radiation and other harmful agents.

## Immunization program

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

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



## Cardiovascular risk program

This program focuses on workers with cardiovascular risk according to the results of their preventive exams. The objective is to provide health care through physical fitness with specific exercises and nutrition evaluations.

## Preventive exams program

The purpose of this program is to perform periodical medical evaluations of all workers for the early detection of pathologies or disorders that could be hazardous to health. This initiative applies to all Company workers and following a protocol defined according to age and gender.

## Workplace gymnastics program

The workplace gymnastics program is an exercise program that contributes to preventing workplace illnesses, such as, stress, tendinitis, lumbago, carpal tunnel syndrome, neck and extremity pain, among others.

## Recruitment and selection

Enel Generación Chile's main goal is to incorporate the best professionals that also have the competences needed to face the cultural changes that arise as a consequence of the Company's digital transformation and Open Power.

## Filling vacant positions

During 2018, a total of 52 positions were vacant in Enel Generación Chile, of which 44% were filled by internal candidates and 42% of these were women. Additionally, 26% of the external workers that entered the company in 2018 (42% of the total available positions in Enel Generación Chile), were women.

## Internships and young talent program

This project is worth highlighting because it is a new recruitment method to hire young professionals from the best universities in the country. They are offered the opportunity to consolidate their academic knowledge of Enel Generación Chile's business as interns and become trained professionals who are familiar with the Group's reality and challenges.

This internship program is carried out permanently throughout the year. During 2018, there were 50 student interns of which 26% were women.



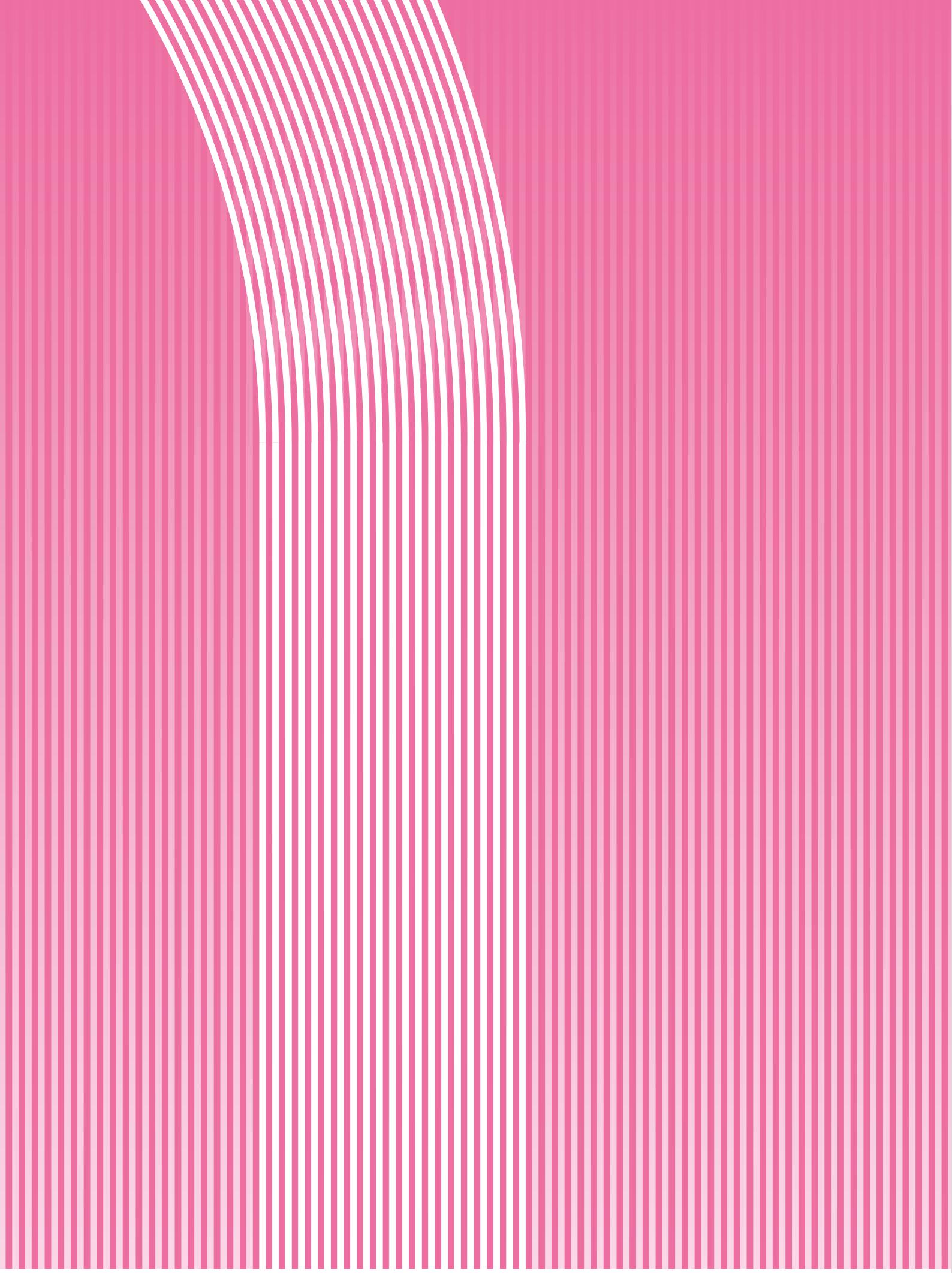
## Diversity and inclusion

For Enel Generación Chile, cultivating an inclusive work environment is essential to achieve a culture of innovation and respect for diversity. This culture grants the possibility to appreciate different opinions and points of view, enriches the work environment, adds value to the business, allows visualizing new opportunities and facilitates team collaboration and integration.

Enel appreciates differences and turns them into a competitive advantage. This is how it improves processes,

products and services - by stimulating creativity, learning, flexibility and respect. This also strengthens its brand and makes it more attractive to talented people.

The On-Boarding program seeks to offer guidance to new employees. It involves talks on the company and its strategy and appoints a tutor that transmits the Open Power culture and contributes to the adaptation of each new employee. This program was initially designed and developed using the Agile platform aiming to provide a better experience to new employees, connecting them to this platform and welcoming them to the Company in advance.





# 09

## Stock market transactions



# Stock market transactions

During 2018, the Santiago Stock Exchange traded 3,228.6 million shares amounting to Ch\$ 1,852,206 million. Also, 46.2 million shares were traded on the Chilean Electronic Stock Exchange amounting to a total Ch\$ 22,700.2 million. The Valparaíso Stock Exchange traded 765,068 shares, amounting to Ch\$ 410.6 million.

The price of the Enel Generación Chile share closed at Ch\$ 417.78 on the Santiago Stock Exchange, at Ch\$ 415.00 on the Electronic Stock Exchange and Ch\$ 438.95 on the Valparaíso Stock Exchange in 2018.

## Santiago Stock Exchange

Quarter	Volume traded	Amount traded (Ch\$)	Average price (Ch\$)
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
1st quarter 2018	2,918,826,989	1,709,295,504,329	585.61
2nd quarter 2018	201,785,093	95,940,343,427	475.46
3rd quarter 2018	54,619,604	24,302,072,876	444.93
4th quarter 2018	53,408,717	22,668,355,737	424.43

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

## Chilean Electronic Stock Exchange

Quarter	Volume traded	Amount traded (Ch\$)	Average price (Ch\$)
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
1st quarter 2018	11,639,975	6,552,412,877	562.92
2nd quarter 2018	21,911,958	10,570,340,942	482.40
3rd quarter 2018	9,125,013	4,045,044,376	443.29
4th quarter 2018	3,537,368	1,532,419,260	433.21

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

## Valparaiso Stock Exchange

Quarter	Volume traded	Amount traded (Ch\$)	Average price (Ch\$)
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	424.20
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
1st quarter 2018	454,688	263,257,476	578.98
2nd quarter 2018	306,280	145,544,010	475.20
3rd quarter 2018	4,100	1,799,695	438.95
4th quarter 2018 (***)	No movements	No movements	No movements

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

(\*\*\*) On October 5, 2018 the CMF revoked the Valparaiso Stock Exchange's trading license and therefore since October 8, 2018, transactions on this exchange have been suspended.

In 2018, a total 18.1 million ADS amounting to US\$ 451.1 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\$16.51 on December 28.

## New York Stock Exchange (NYSE)

Quarter	Volume traded	Amount traded (Ch\$)	Average price (Ch\$)
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
1st quarter 2018	10,033,464	275,949,283	27.92
2nd quarter 2018	4,827,666	112,582,798	22.67
3rd quarter 2018	2,040,061	40,383,714	20.15
4th quarter 2018 (***)	1,200,721	22,179,690	18.77

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

(\*\*\*) The Company voluntarily requested delisting from the NYSE and therefore the ADS was traded for the last time on December 28, 2018.





# Market information

The level of risk appetite this year was lower than 2017 and investors fled from emerging markets. In general, uncertainty increased globally due to the possibility that central banks would reduce liquidity and that the United States would increase the interest rate. Market volatility in 2018 was significant as a consequence of the economic conflict between China and the United States, which resulted from imposing reciprocal trade tariffs on imports. The global repercussions of this conflict have been difficult for emerging markets to overcome.

In Chile, the Selective Stock Price Index (IPSA in its Spanish acronym) changed its name and its methodology. In order to align the index to international standards, the Santiago Stock Exchange signed an alliance with S&P Dow Jones. As of September 24, 2018, S&P Dow Jones performs the calculations of the relevant Chilean stock market indexes. The IPSA changed its name to SPCLXIPSA as of the same date and it is comprised of the 30 shares with the highest trade volume in Chile. This change in methodology did not affect its score, so that, it is comparable to the score of other periods, both before and after the change in methodology. The index SPCLXIPSA closed in 2018 at 104.43 points, dropping 8.3% when compared to the previous year.

During 2018, the price of Enel Generación Chile stock dropped 24.9%, partially explained by the trend towards lower prices of electricity in the Chilean market over the past few years in addition to dry hydrology during most of the year.

The accumulated stock price variation during the 2017 – 2018, 2-year period was a negative 5.5%. The IPSA, measured the same way, increased 22.98% during the same period. This is primarily due to the negative perspectives for the generation industry as a consequence of the dry hydrology, the lower electricity prices of the latest electricity tenders.

The price of the ADR's of Enel Generación Chile fell 36.8% on the New York Stock Exchange during 2018. The Company voluntarily requested delisting from the NYSE and therefore the ADS was traded for the last time on December 28, 2018. As of December 31, 2018, they only trade in the Over-The-Counter (OTC) market in the United States of America.

## 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	2017	2018	Accumulated 2017 - 2018
ENELEXCH	26.0%	-24.9%	-5.5%
IPSA	34.0%	-8.3%	22.9%



# New York Stock Exchange (NYSE)

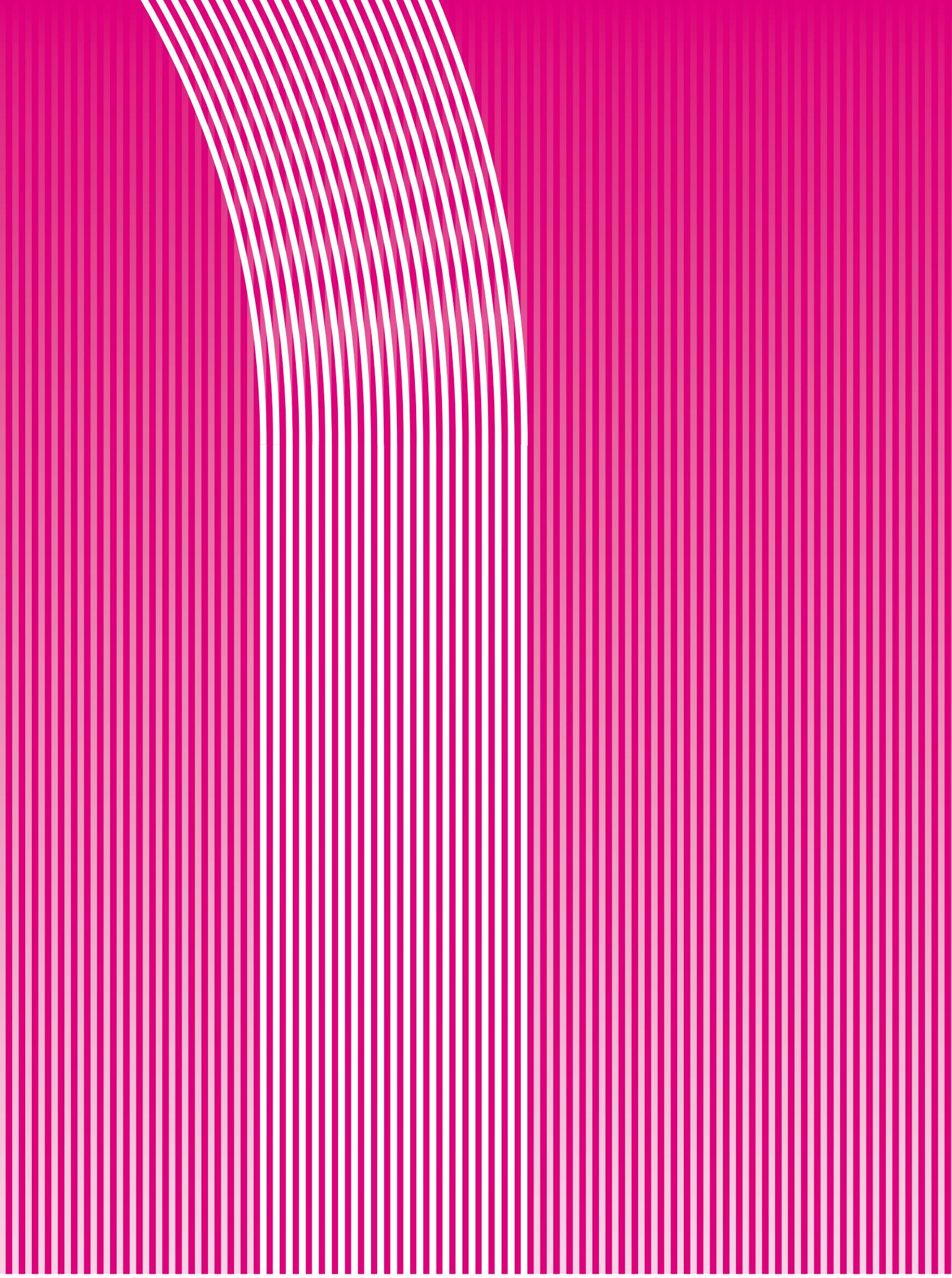
The following table shows the behavior of Enel Generación Chile's ADRs listed on the NYSE (EOCC), the Dow Jones Industrial Index and the Dow Jones Utilities Index over the last two years:

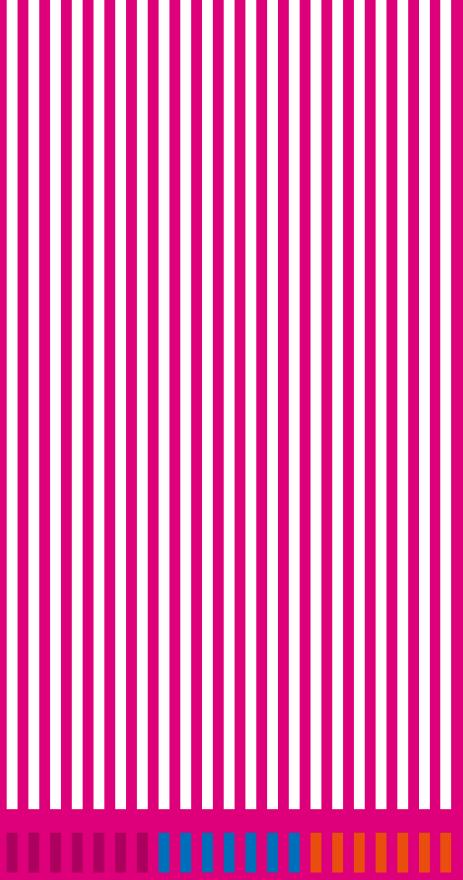
Variation	2017	<b>2018</b>	Accumulated 2017 - 2018
EOCC*	38.4%	-36.8%	-12.55%
Dow Jones Industrial	25.1%	-5.6%	18.04%
Dow Jones Utilities	9.7%	-1.4%	8.1%

(\*) On December 28, 2018, the ADS traded on the NYSE for the last time. As of December 31, 2018, they only trade in the Over-The-Counter (OTC) market in the United States of America with the new ticker EOCCY.

After the reorganization carried out in 2018, Enel Chile's shareholding in Enel Generación Chile reached 93.55%. As of November 30, 2018, ADSs only represent 0.64% of the Company's common shares. The costs for the Company of being listed on the New York Stock Exchange (NYSE) exceed the benefits. Therefore, the Company presented a voluntary request to delist. On December 28, 2018, the ADS of Enel Generación Chile traded for the last time on the NYSE and since December 31, 2018 the ADS is traded in the United States on the Over-The-Counter (OTC) market.







# 10

## Dividends



# Dividend policy 2019

## General

By the provisions of Circular letter 687 dated February 13, 1987 issued by the Financial Market Commission, 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 2019 to the Ordinary Shareholders Meeting. The proposal is to distribute an interim dividend equal to 15% of the earnings as of September 30, 2019, as determined by the financial statements at that date, and payable in January 2020. The final dividend will be defined by the Ordinary Shareholders Meeting to be held during the first four months of 2020.

The Board of Directors will propose to the Ordinary Shareholders' Meeting, to be held during the first four months of 2019, to distribute a final dividend equal to 65% of net profit for 2019. 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 be 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 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 2018

## General

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

## Dividend policy

The Board of Directors, in its meeting held February 27, 2018, unanimously agreed to 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 subject to the existence of certain conditions, as applicable.





The Board of Directors unanimously agreed to propose a Dividend Policy for 2018 to the ordinary shareholders' meeting that includes an interim dividend equal to 15% of earnings as of September 30, 2018, according to the financial statements at that date, and payable in January 2019. 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 2019.

## Dividend payment procedure of Enel Generación Chile for 2018

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 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 be 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 4 indicated in 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.

## Distributable net income 2018

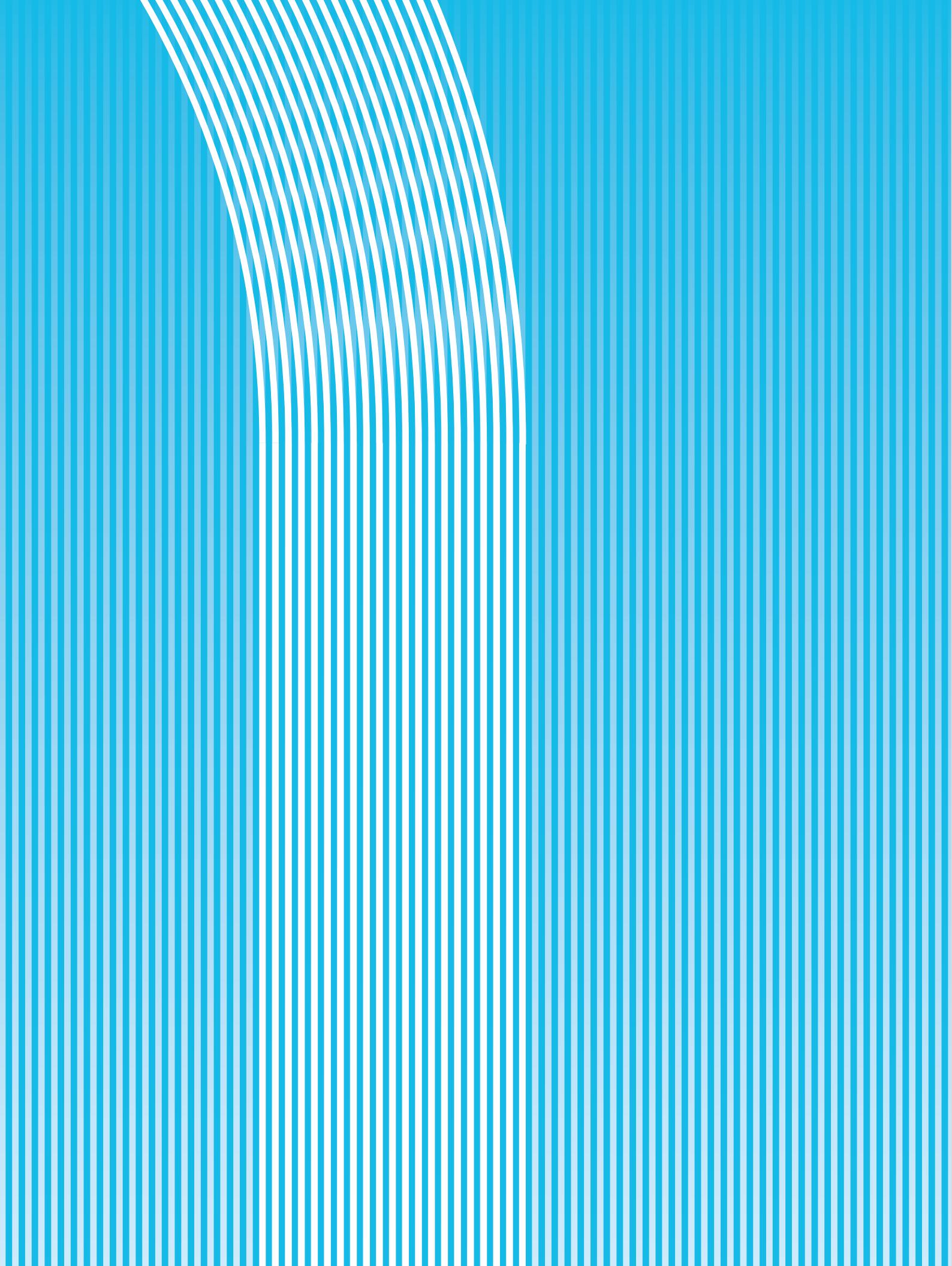
Millions of Chilean pesos	2018
Net Income for the year attributable to the dominant company	\$ 309,029
Distributable Net Income	\$ 309,029

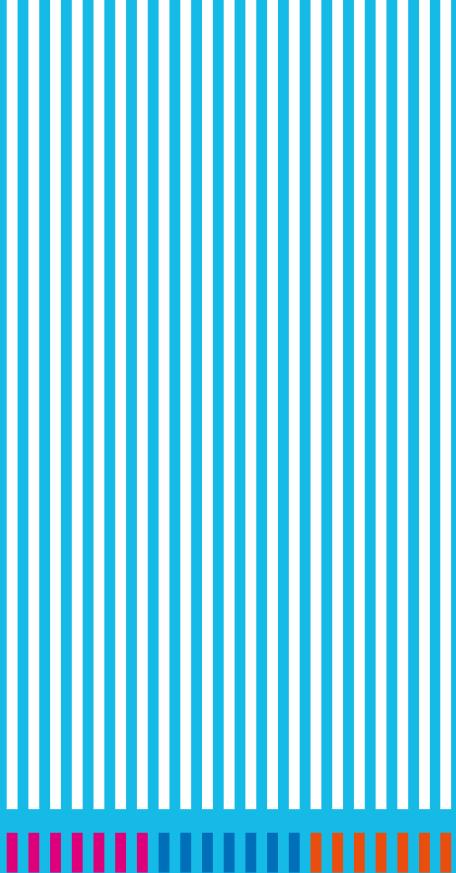


## Dividends distributed

Nº	Dividend Type	Closing date	Payment date	Pesos per share	Input to year	Annual Dividend	% of profit
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		
64	Final	05/11/18	08/18/18	23.12488	2017	28.06102	55%
65	Interim	01/05/19	01/11/19	11.19557	2018		







# 11

## Investment and financing policy 2018



# Investment policy 2018

During 2018, the Company invested, directly and through its subsidiaries and associates, in projects conforming to its bylaws. 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 Enel Generación Chile to meet its main object (the production, transportation, and supply of electricity), that does not exceed 50% of the Company's net equity defined as the respective amount in the balance sheet as of December 31, 2017.

## 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 2018 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, 2017.

## 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 its bylaws, 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 amount 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, 2017.

## 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.

As determined by 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 2018

The Company's financing policy defines the level of indebtedness as Total Consolidated Liabilities (measured as Other current financial liabilities plus Other non-current financial liabilities) to not exceed 2.2 times the Company's Total Equity according to figures in the consolidated balance sheet at December 31,2017.

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.

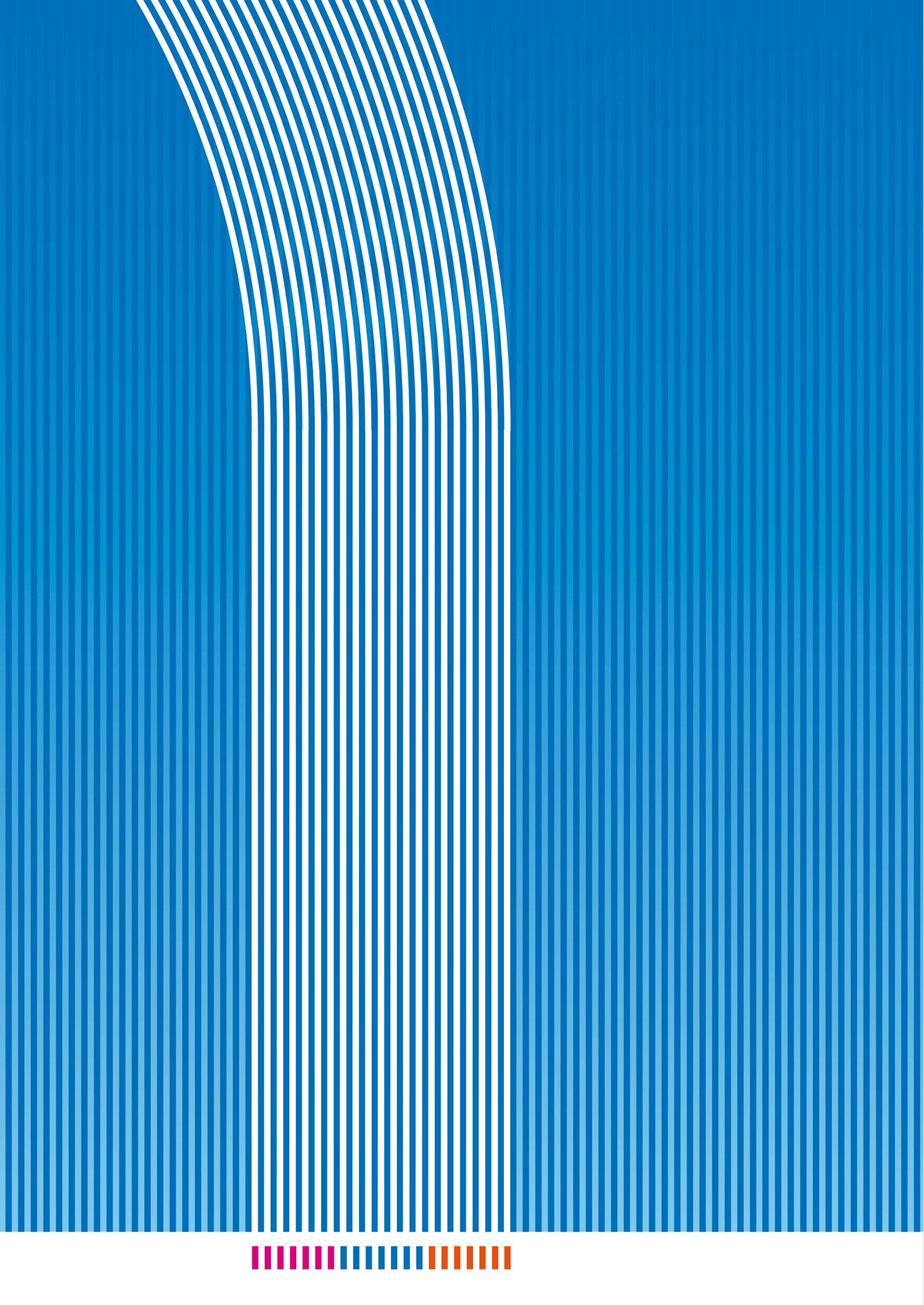
## Other topics:

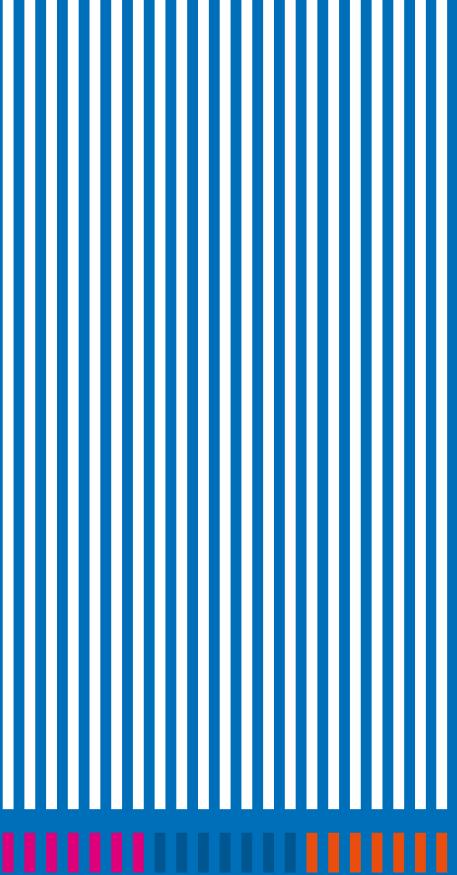
As established by Article 120 of Decree Law 3,500, the sale or constitution of liens on goods or rights declared in these policies as essential for the Company's business, must be approved by an Extraordinary Shareholder Meeting. Consequently, and in compliance with Article 119 of the same Decree, the 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 S.A. 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 S.A. was owned by the Chilean state for 44 years, 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, 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 Chile), through a public tender offer (PTO), became the company's controlling shareholder, with 60% of the shares of Endesa Chile (Enel Generación Chile today).

In 2009, the Quintero plant 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 operations 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 S.A. 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, of the Mejillones-Taltal gas pipeline and the Atacama gas pipeline between Chile and Argentina. The construction of the Los Cóndores hydroelectric plant also began that same year in Chile, which will have an installed capacity of approximately 150 MW.

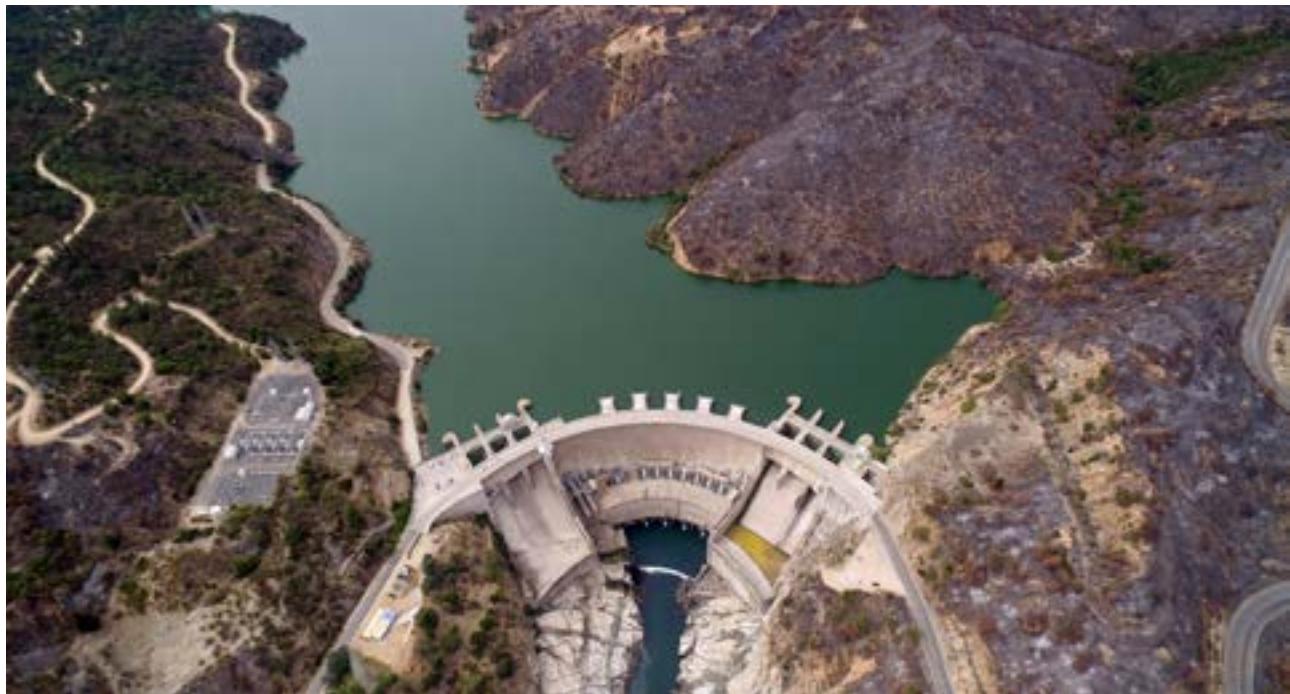
On April 28, 2015, the Board of Directors of Enel Generación Chile S.A. approved beginning the analysis of a possible corporate reorganization to divide the existing Endesa Chile by separating the businesses within Chile from the business outside Chile and merging the latter into a sole company.

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

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 September 2016, Enel Generación Chile signed a sales contract to sell its entire 20% stake in GNL Quintero to Enagás 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. replacing the brand Endesa Chile and the name Empresa Nacional de Electricidad.



In December 2016, Enel Generación Chile signed a sales contract to sell its 42.5% share of Electrogas to Aero Chile, wholly owned by Redes Energeticas Nacionais, 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 S.A. and a Public Tener 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, which became effective on April 2, 2018.

Towards the end of 2017, the Board of Directors of Enel Generación Chile S.A. decided to return the Company's 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.

On December 19, 2018 the Board of Directors of Enel Generación Chile S.A. unanimously approved to request delisting from the New York Stock Exchange (NYSE) of the United States of America. It was requesting by submitting Form 25 to the Securities and Exchange Commission (SEC) of the United States of America on December 31, 2018 and became effective 10 days later. The ADSs of the Company continue trading in the United States of America on the Over-the-Counter market.

Enel Generación Chile S.A. 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 35 countries and 5 continents, generates electricity through 89 GW of installed capacity to supply over 73 million consumers.



# Description of the Company's businesses

The main activities of Enel Generación Chile S.A., its subsidiaries, and jointly-controlled companies are related to the generation and commercialization of electricity, and consultancy and engineering services in all areas. Enel Generación Chile and its subsidiaries operate 111 generation units throughout Chile with a total 6,274 MW of installed capacity.

Enel Generación Chile is the leading electricity generation company in Chile and one of the largest companies in the country. It operates of 6,274 MW of generation capacity, which represents 27% of the local market. Hydroelectricity represents 55% 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 1 percent.

## Relevant projects of the Company's investment plan

Enel Generación Chile S.A. coordinates the global financing strategy of its subsidiaries, including the terms and conditions of disbursements and credits between its subsidiaries' companies, 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 objectives 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, telecom-

munications, and information technology, these services are centralized and provided by a group company for Enel Generación Chile S.A. 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 plan 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 projects to ensure reliable levels of supply.

From 2019 to 2021, Ch\$ 367 billion is expected to be disbursed in subsidiaries on a consolidated basis, on investments currently underway, maintenance of existing installed capacity, and studies required for the development of other potential generation projects.

The following table shows the expected capital expenditure for the 2019 – 2021 period and the amount incurred by subsidiaries over the past three years:

Capital Expenditure (1) (millions of Ch\$)	2019- 2021	2018	2017	2016
Chile	367,252	222,327	206,776	194,880
<b>Total</b>	<b>367,252</b>	<b>222,327</b>	<b>206,776</b>	<b>194,880</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 project:** Funds generated by the company.
- > **Los Cóndores project:** Funds generated by the company.

## Projects currently under development

The most important projects currently under development are the following:

- **Los Cóndores Project:** hydroelectric power plant with approximately 150 MW installed capacity located in the Maule region of Chile. Its construction began in 2014.
- **Bocamina II Optimization Project:** environmental improvements (domes on the coal fields, biomass filters, among others) and sustainability projects (relocation programs, agreements with fishermen, shared value funds, among other).

Measured in terms of Net Financial Debt over Operating Income (EBITDA)

## Financial activities

### Liquidity

At year-end 2018, Enel Generación Chile S.A. relies on committed credit lines available for US\$ 324 million. Also, commercial paper credit lines for a maximum total amount of US\$313 million remain undisbursed. These were registered in the Securities Register of the Financial Market Commission in 2009 and expire in 2019.

In addition to the liquidity instruments mentioned above, the Company and its subsidiaries ended 2018 with available cash amounting to US\$ 219 million.

### Indebtedness

The consolidated financial debt of Enel Generación Chile S.A. reached US\$ 1,252 million. This debt is mainly international and local bonds with, on average, 10 years to maturity.

The net consolidated debt amounted to US\$ 1,033 million as of December 2018, and therefore the debt ratio<sup>1</sup> 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 level of assets and liabilities in said currency. The objective is to minimize the exposure of cash flows to exchange rate risk.

At year-end 2018, 93% 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 year-end 2018, the ratio of consolidated fixed debt to total financial debt was 93%.

### Credit rating

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

On May 23, 2018, Moody's upgraded Enel Generación Chile S.A. rating to Baa1 maintaining a stable outlook.

Subsequently, on May 30, 2018, Standard & Poor's affirmed the "BBB+" international rating for Enel Generación Chile S.A., with a stable outlook.

On June 14, 2018, Feller Rate affirmed the AA corporate rating of Enel Generación Chile S.A. with a "Positive" outlook.

Finally, on February 6, 2019, Fitch Rating ratified the local and international rating of Enel Generación Chile S.A. at "BBB+", and also the "AA (cl)" long term domestic scale rating. The outlook was upgraded from "Stable" to "Positive".

### Insurance

### Operational

All Enel Generación Chile S.A. subsidiaries 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, 2018 and expire on October 31, 2019.

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 transformation 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 has an indemnity limit of up to €1,000 million annually for hydroelectric plants with dams, 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. The subsidiaries of Enel Generación Chile 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

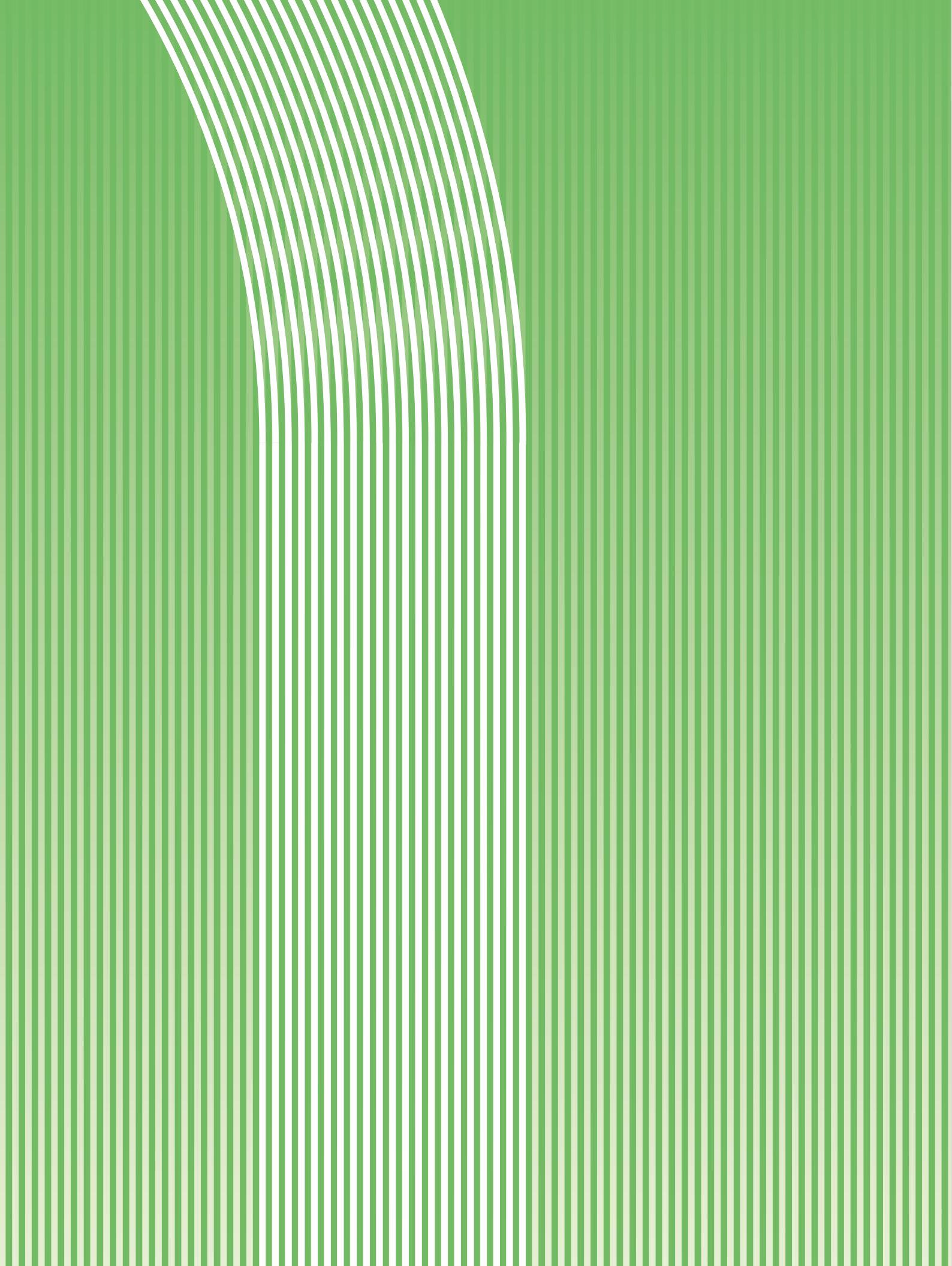
Enel S.p.A sent a letter to the Board of Directors of Enel Generación Chile S.A, dated August 2, 2016, informing that Enel Generación Chile was authorized to use the brand "Enel" free of charge and allowed the company to include it in its name, logo and otherwise. The trademark "Enel Generación Chile"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

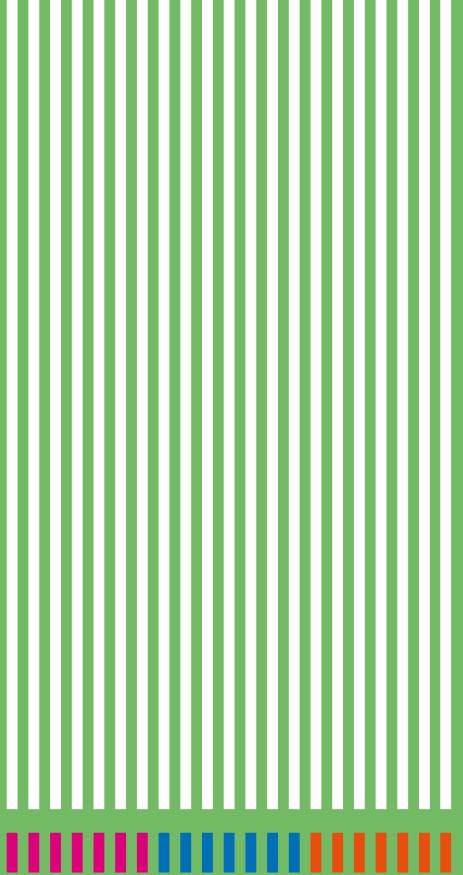
The company also has the "Endesa" and "Endesa Chile" trademark in services, products, and commercial and industrial establishments.

## Main customers and suppliers

CUSTOMERS (GWh)	Grupo CGE : 6,400 Enel Distribución: 6,000 SAESA: 2,050 CHILQUINTA: 2,800
SUPPLIERS	GNL Chile Transelec CMC Coal Marketing Company LTDA.
COMPETITORS (market share)	AES Gener: 25.2% Colbún: 16.9% Engie : 7.5%







# 13

Risk  
factors



# Risk management policy

Enel Generación Chile is 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 Company's policies, rules, and procedures.

## 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 Enel Generación Chile S.A. 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 Position	2018	2017
Fixed interest rate	93%	92%

## Exchange rate risk

Exchange rate risks are primarily related to the following transactions:

- Debt incurred by Enel Generación Chile in currencies different than the operational cash flow currency.
- Payments in currencies different than the operational cash flow currency, such as payments of project-related materials and corporate insurance policies, among others.
- Enel Generación Chile revenue that is directly linked to currencies different than the 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.

Currency swaps and exchange rate forwards are the instruments currently used to comply with this policy.

## Commodity 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, Enel Generación Chile has designed a commercial policy that defines levels of sales 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, 2018, the company held swaps for 432 kTon of Ap12 to be settled in 2019, 994 kBbi of Brent oil to be settled in 2019, 225 kTon of BC17 to be settled in 2019, and 0.2 TBtu of HH to be settled in 2019 (all net hedged position figures).

As of December 31, 2017, the company held swaps for 2.3 MMbtu to be settled in January 2018.

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

## Liquidity risk

Enel Generación Chile's liquidity policy establishes that the level of committed long-term credit facilities and liquid financial investments must be sufficient 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.

Projected needs consider net financial debt maturities, in other words, after including 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, 2018, the liquidity of Enel Generación Chile S.A. amounted to Ch\$ 151,990 million in cash and cash equivalents, and Ch\$ 138,954 million in unconditional committed long-term credit lines. As of December 31, 2017, the liquidity of Enel Generación Chile S.A. amounted to Ch\$ 211,027 million in cash and cash equivalents, and Ch\$ 199,271 million 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 accounts 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 include:

- 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 Ch\$ 36,993 million.

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 S.A. take place 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. Insufficient cash flows could result in the inability to meet debt obligations and the need to seek waivers to comply with restrictive debt covenants and increasing the cost for subsequent financings.

The Chilean government exercises 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, including how governments in the region respond to these circumstances, could also reduce profitability. 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. During 2018, the United States and China were involved in an economic conflict that involved protectionist measures. The uncertainty caused by this conflict increased global financial market volatility.

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

About 55% of Enel Generación Chile's installed generation capacity in 2018 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.

Operating expenses increase during periods of drought, as thermal plants are used more frequently. Additionally, depending on contractual obligations, the company may have to buy electricity at higher spot prices in order to comply with supply obligations. The cost of these electricity purchases may exceed the contracted electricity sales prices, thus potentially producing losses in those contracts.

Droughts also affect the performance of our thermal plants, including coal, diesel oil or natural gas fueled facilities, in the following ways:

Thermal power plants require water for cooling, and extreme droughts may reduce the availability of water and increase transportation costs. We have had to purchase water for the San Isidro thermal power plant from agricultural areas that are also experiencing water shortages. These water purchases may increase our operating costs and may require negotiation with local communities.

Thermal power plants that burn natural gas generate emissions of sulfur dioxide ( $\text{SO}_2$ ), nitric oxide (NO), carbon dioxide ( $\text{CO}_2$ ). Power plants that operate with diesel emit NO,  $\text{SO}_2$  and particulate matter into the atmosphere. Coal-fired plants generate  $\text{SO}_2$  and NO emissions. Therefore, thermal plants during periods of drought generally increase the risk of producing higher levels of pollutants, which also decrease our operating income due to the payment of taxes.

Recovering from the drought that has been affecting the regions where most of our hydroelectric plants are located may take an extended period of time, 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 of the Company.





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

The tariffs the Company charges its customers, among other aspects of the business, are subject to extensive regulation and these regulations may adversely affect profitability. For example, government 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.

Our subsidiaries are also subject to environmental regulation that requires, among other things, that future projects present environmental impact studies and obtain building permits and operation authorizations on a local and national level. Such approvals may be withheld by authorities and therefore may take longer than expected.

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

Environmental regulation applicable to future and existing generation capacity has become more restrictive and require higher capital investments. Any delay in complying with environmental standards is a violation to such regulation. The requirements of the emissions regulation currently in process and the lack of certification of the original monitoring system in place may lead to fines and penalties or legal proceedings for damages. More restrictive emission limits are expected to be established in the future. We are also subject to an annual green tax based on the emissions of the previous year. Such taxes may increase in the future and reduce thermal electricity generation incentives.

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.

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

The electricity companies 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\$ 5.8 billion using the UTA as of December 31, 2018. 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 that exceeds the standard time allowed. Compensation by generators is calculated as a proportion of the energy not supplied. Compensation ranges from a minimum of 20,000 UTA (Ch\$ 11.6 billion) to the previous year's energy sales revenue. Fines may also be imposed as a consequence of other regulatory breaches.

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

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.

Contractual constraints: distribution restrictions included in some credit agreements of our subsidiaries prevent dividend payments and other distributions to shareholders if the company is not in compliance with certain financial ratios. Generally, our credit agreements prohibit any type of distribution if there is an outstanding past due commitment.

Operating results of subsidiaries: the ability of subsidiaries to pay dividends, amortize loans, or make other distributions, is limited by their 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 of the Company.

### **Legal proceedings**

Enel Generación Chile S.A. 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 affected if positive results are not obtained in lawsuits and proceedings against the Company. For more information on litigation proceedings, see Note 35.3 of the Notes to the consolidated financial statements.

**Power plant projects may encounter significant opposition that may delay their development, increase costs, damage the reputation and potentially deteriorate stakeholders image of the Company.**

The construction of our power plants may encounter delays in obtaining permits or may face shortages and increases in the price of equipment, material or labor, and may be subject to construction delays, strikes, adverse weather conditions, natural disasters, civil unrest, accidents, and human error. Any of these events could have an adverse effect on our results and financial conditions.

Market conditions at the time projects are initially approved may differ significantly from those that prevail when projects are completed, which in some cases may make them unfeasible. This has been the case in many of our former projects, which were initially planned under completely different market conditions with higher energy prices prevailing in the market and less competition. Deviations from these assumptions, including timing estimations and expenditures related to these projects, may lead to cost over-runs and a completion time widely exceeding our estimates, which in turn may have negative effects on our business, results of operations and financial condition.

We are currently building the Los Cóndores project, which consists of a 150 MW pass-through hydroelectric power plant.

The locations where the Company may develop new projects are also sometimes highly challenging in terms of geographical topography, in some cases in mountain slopes with very limited access. These factors may also lead to significant delays and cost overruns.

**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 Chile's economy goes into a recession or the growth rate is lower than expected, electricity demand will possibly decline, and some customers may face difficulties in paying their electricity bill, possibly increasing the Company's uncollectible accounts. Either one of these situations could adversely affect results of operations and the financial condition of the Company.

Financial and political events in other parts of the world could adversely affect our business. For example, during 2018, the United States and China were involved in an economic conflict related to protectionism. The instability in the Middle East or in other oil producing regions could also lead to higher fuel prices worldwide increasing the operating costs of our thermal power plants and adversely affecting our results of operations and financial condition.

The federal government of the United States shut down three times in 2018. The last time, the longest one in its history, began on December 22 and continued for 35 days, and affected the Securities and Exchange Commission (SEC) among other federal agencies. On January 4, 2019, President Trump announced that the shutdown could continue for "months or even years" as a result of the controversy regarding the wall to be built at the border between Mexico and the United States, which was one of the most important commitments of his presidential campaign. A temporary shutdown or a threat to shut down the Govern-





ment of the United States affecting the operations of the SEC could have an adverse effect on the timing and costs of the transactions involved in the Company's reorganization process.

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 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 convenient acquisitions**

The Company permanently reviews acquisition prospects that may increase its market share or add value to existing businesses, although there can be no assurance that we will be able to identify and carry out convenient acquisitions in the future. The acquisition and integration of independent companies that the Company does not own is generally a complex, costly, and time-consuming process that requires significant effort and expenses. If the company seals an acquisition, it could result in the incurrence of substantial debt and adding 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 significant adverse effect on our 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, DGA in its Spanish acronym) 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 fee for unused water rights. New hydroelectric facilities are required to obtain water rights, which may impact design, timing, or profitability of a project.

In addition, Chilean Congress is analyzing amendments to the Water Code since 2014 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 exploitation rights. The restrictions imposed to preserve waterflows could reduce the water available to electricity generators.

Any limitation on the Company's current water rights, the need for additional water rights, or the current water concessions of unlimited duration could have an adverse effect on hydroelectric projects and profitability. To the date of this report, there have been no resolutions and therefore uncertainty persists.

#### **Foreign exchange risk 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 flow 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 adjust 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 cash generated by subsidiaries may decrease substantially due to the devaluation of the local currency 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 sales contracts are subject to fluctuations in the market prices of certain commodities, energy and other factors.**

In the generation business, the Company is financially exposed to fluctuations in the market price of certain commodities as a result of the long-term energy sales contracts the company has signed, and the fact that currently 97% of expected annual generation is sold under contracts with at least 5-years to maturity. As the selling party, the company has material obligations under long-term, fixed-price electricity sales contracts. Prices of these contracts are indexed according to different commodities prices, 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 of the Company.

**The Company's controlling shareholder may exert considerable influence and may have a different strategic view on 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 subjects that require shareholders' vote in accordance with Chilean Corporations Law, such as, the election of the majority of board members, and, subject to contractual and legal restrictions, the Company's dividend policy. Enel has a significant influence on the Company's business and operations strategy. Its interests may, in some cases, differ from those of minority shareholders. 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.

After the reorganization took place in 2018, the shareholding of minority shareholders decreased significantly from 40% to 6.4%. If the Company has minority shareholders, potential conflicts of interest may arise. An increase in the shareholding of the controlling shareholder may not necessarily eliminate the potential conflicts of interest among the Company and the businesses managed by EGLP that are now controlled by Enel Chile through EGP Chile.

**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, 2018, our consolidated interest-bearing debt totaled Ch\$ 870 billion.

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

- > Ch\$ 55 billion in 2019;
- > Ch\$ 33 billion from 2020 to 2021;
- > Ch\$ 33 billion from 2022 to 2023; and
- > Ch\$ 748 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.**

The Company depends on transmission systems, which are owned and operated by unaffiliated companies, to deliver the electricity it sells. 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, which 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 reach an agreement, which may increase costs beyond the budget amount.

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 ADSs.**

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 ADSs 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. The value of the Company's shares could decline after the completion of the reorganization carried out in 2018.

In addition, Chilean security 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 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 communication systems, or external attacks or breaches of these systems could have an adverse effect on operations and results.**

Digitalization and technological innovation increase the exposure to cyber-attacks, which have become more frequent and sophisticated. The speed of technological development presents more and more challenges to the traditional information technology industry, the operational technology closely related to the industrial sector and the internet network of intelligent "objects". The frequency and intensity of cyber-attacks is increasing as well as the focus on critical infrastructure of strategic industrial sectors, and in extreme cases, represents a risk to the normal operations of companies and organizations. The complexity of the Company's organization, its numerous environments (data, people and the industrial world) exposes its assets to cyber-attack risk. Cybernetic attacks and incidents are a serious threat, not only to data, and the operations of the business, but also to the basic services provided by the Company, and the adequate operations of generation plants and transmission networks.

The Company depends on information technology, communication and processing systems (IT Systems) to operate its business. IT system failures could adversely affect the business, results of operations and financial condition of the Company. These 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 significant adverse effect on the results of operations. Most of the Company's processes depend on IT systems. Complying with policies and procedures could not be enough to prevent or detect inappropriate practices, fraud, or illegal actions by employees, directors, managers, partners, agents, or suppliers. Any violation to anticorruption, anti-bribe, money laundering and anti-monopoly laws or regulations could adversely affect the business, its reputation, results of operations, and financial condition.





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. The Company is 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 customer service accessibility, as well as attacks that could affect domain name systems, preventing the use of certain useful web pages and applications.

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

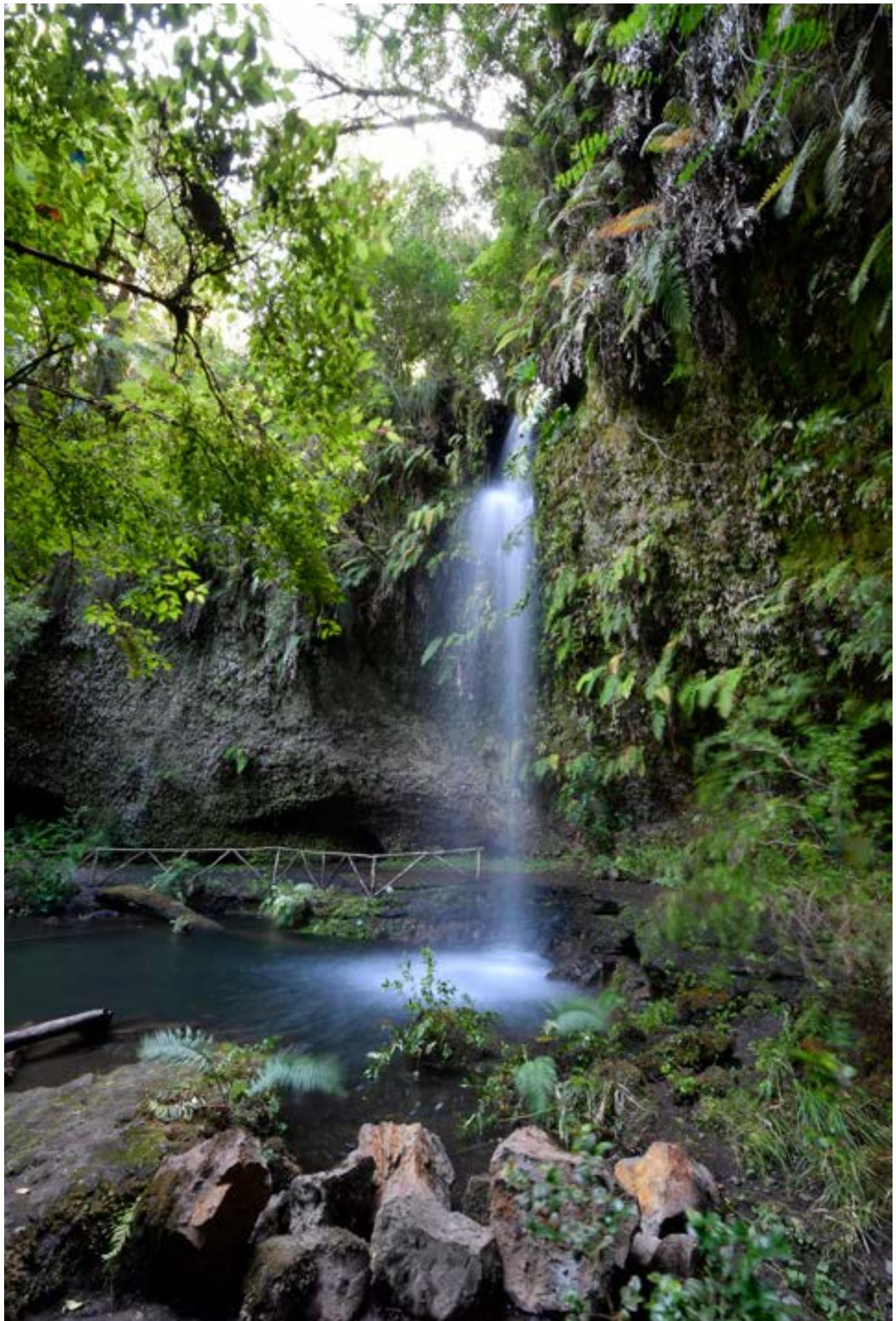
Following the completion of the 2018 reorganization, those holders who did not tender their securities of Enel Generación Chile will continue to be minority shareholders and ADS holders with a limited ability to influence the outcome of any matters that are or can be subject to shareholder approval,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

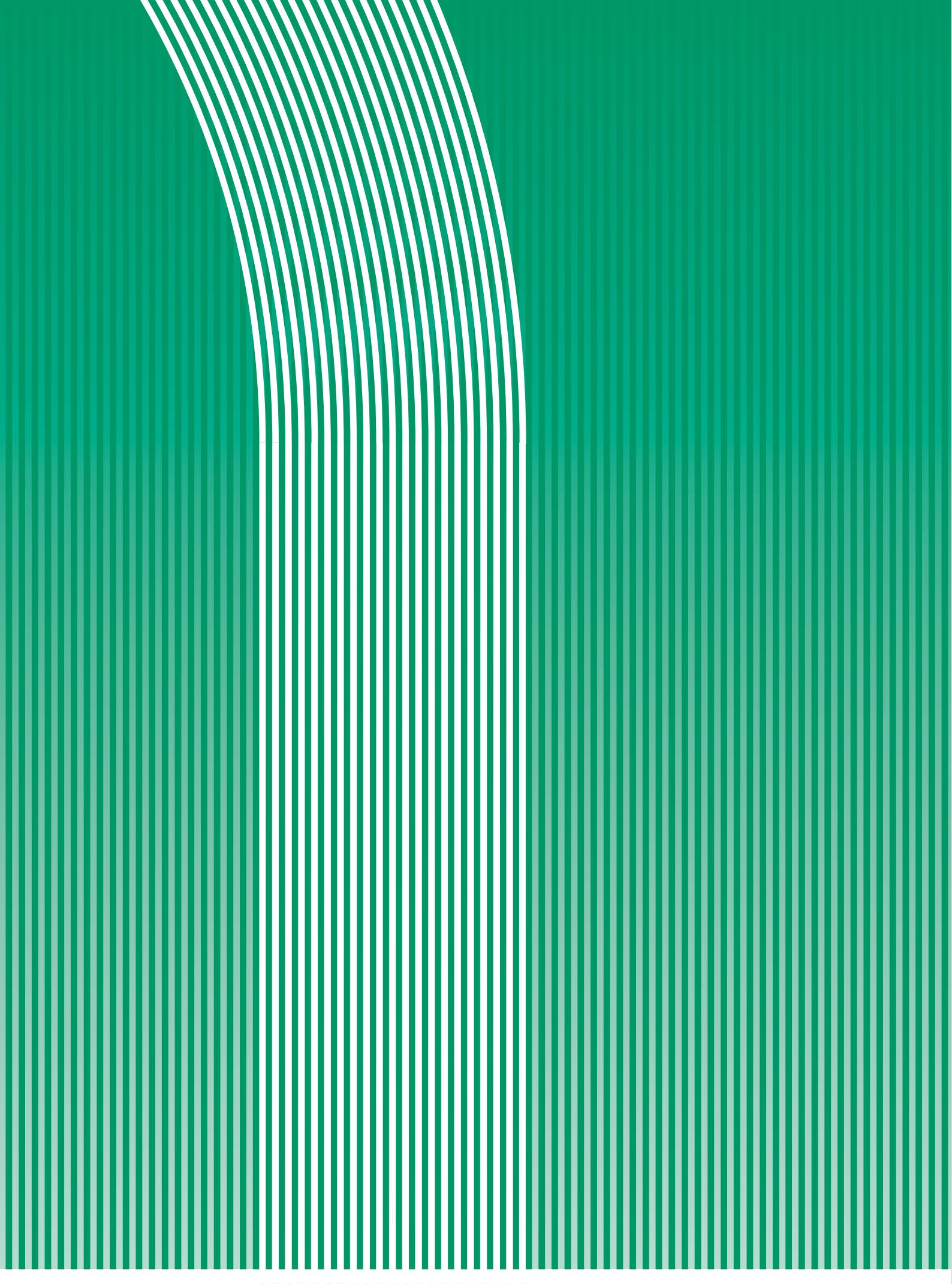
Furthermore, the securities market for securities of Enel Generación Chile may become completely illiquid.

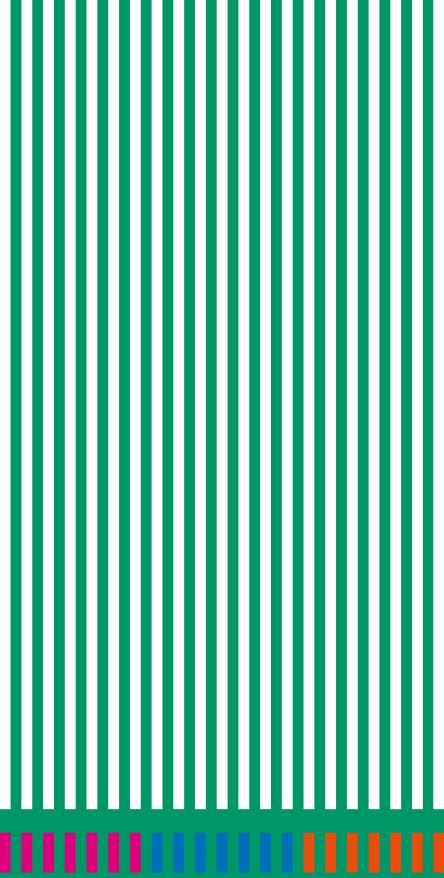
As a result, the price per share or ADS of any future sale of Enel Generación Chile securities could be significantly lower than the offer price in the public tender offer of the 2018 reorganization. Additionally, the potential lack of market liquidity could also increase the difficulty of selling Enel Generación Chile securities in large blocks without adversely affecting its price. Lastly, Enel Generación Chile 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, as established by Chilean law.

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

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







14

Corporate  
reorganization



# Corporate reorganization

On August 25, 2017, the Board of Directors proposed the shareholders a corporate reorganization (hereafter the 2018 Reorganization) to consolidate the conventional and nonconventional renewable energy businesses in Chile in one company, Enel Chile S.A., which would be the only investment vehicle of Enel in Chile. The 2018 Reorganization involved the following transactions:

- A public tender offer of shares, payable in cash, by Enel Chile to purchase all ordinary shares (including American Depository Shares or ADSs) of Enel Generación Chile, except those already held by Enel Chile (hereafter Public Tender Offer). The Public Tender Offer was subject to the condition that the shareholders offering their shares and ADSs accept to use Ch\$ 236 of the Ch\$ 590 offered for each Enel Generación Chile share and Ch\$ 7,080 of the Ch\$ 17,700 for each ADS of Enel Generación Chile S.A. to subscribe Enel Chile ordinary shares at an Ch\$ 82 subscription price per share (or Ch\$ 2,460 per ADS of Enel Chile) (hereafter Share subscription condition / Enel Chile ADS in U.S.A.);
- A capital increase (hereafter Capital Increase), to make enough ordinary shares available to be delivered to those shareholders and ADS holders of Enel Generación Chile S.A. selling their shares and ADS to satisfy the Share Subscription Condition /ADS of Enel Chile in U.S.A. and the Share Subscription Condition of Enel Chile S.A. in the Public Tender Offer; and
- A merger of Enel Green Power Latin America S.A. (EGPL) with and into Enel Chile S.A. (hereafter the Merger). GPL is a limited liability corporation incorporated in Chile. Before the 2018 Reorganization, GPL was a member of the Enel Green Power group. Enel Green Power is a multinational company dedicated to electricity generation with renewable sources controlled by Enel. GPL is a renewable energy generation holding dedicated to electricity generation in Chile through its wholly owned subsidiary Enel Green Power Chile Ltda. (hereafter EGP Chile).

According to Chilean law, the 2018 Reorganization was a related party transaction subject to the legal requirements established in Title XVI of Chile's Corporations Law. Therefore, the following additional requirements were satisfied:

- The board member and executives that had an interest in the related party transaction declared such interest;
- The board members of Enel Generación Chile that did not have an interest in the operation unanimous approved it ; and
- The board resolutions that established the related party transactions and the identity of the board members that approved such transactions were disclosed in the ESM held on December 20, 2017.

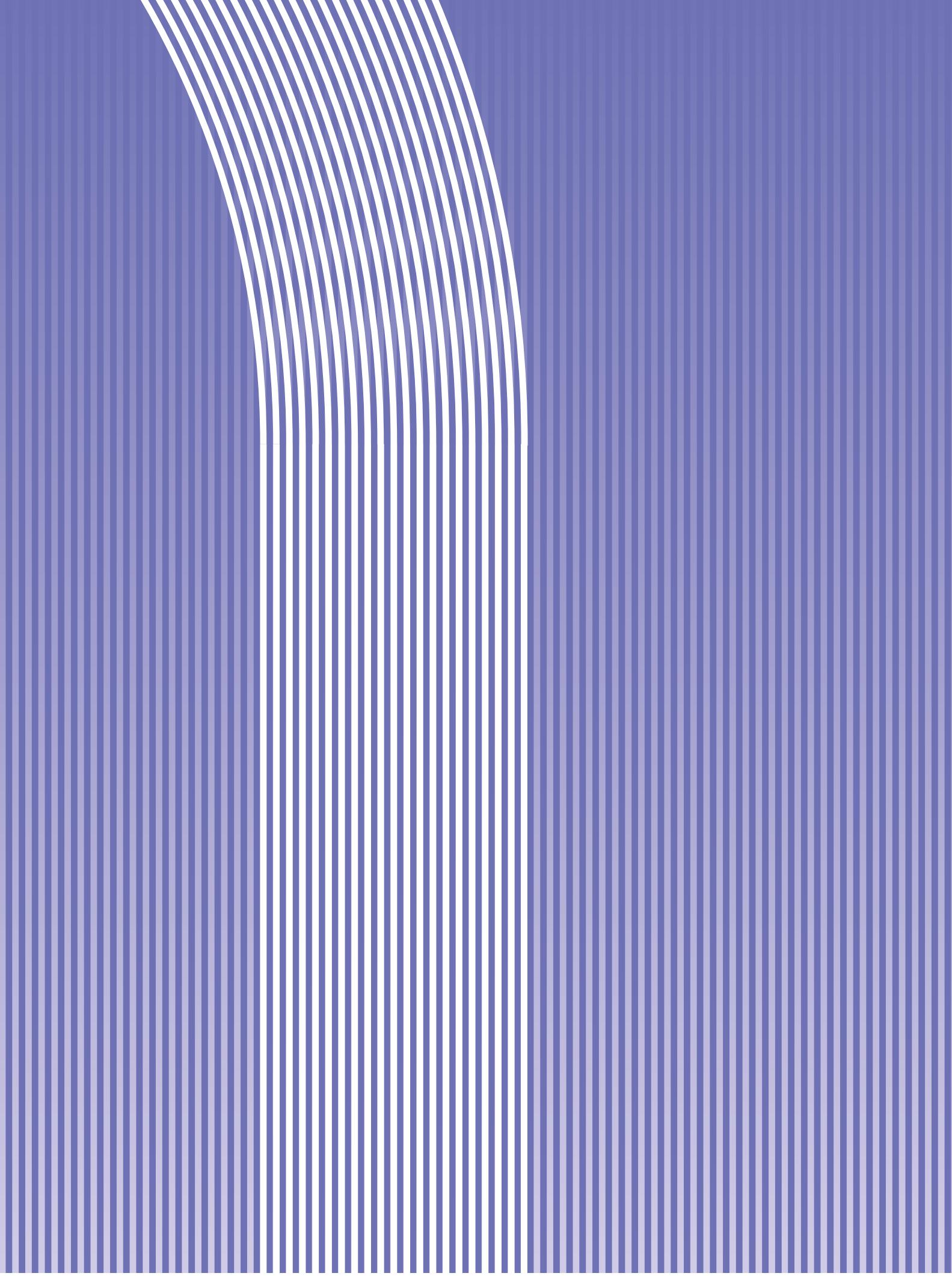
The following requirements were also satisfied:

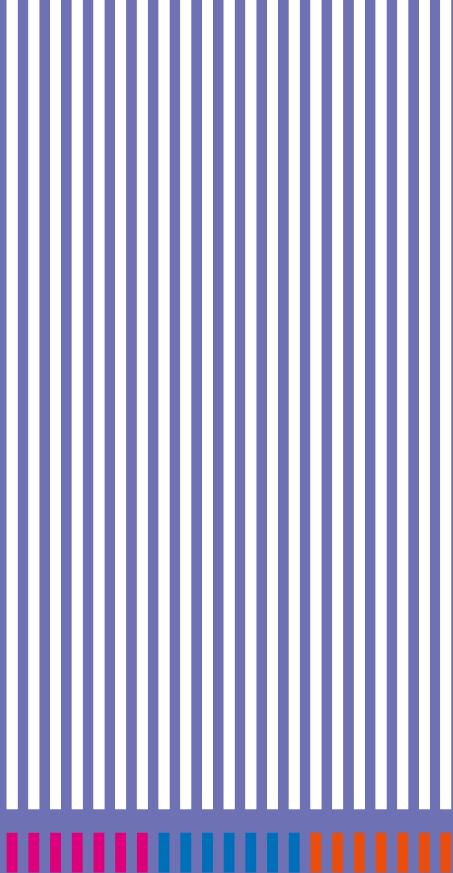
- The board of directors appointed an independent evaluator to inform shareholders on the conditions, effects, and potential impacts of the operation on the Company;
- The Directors' Committee appointed an additional independent evaluator;
- The opinions of independent evaluators were publicly disclosed; and
- Each board member publicly disclosed its opinion on whether the related party transaction was in the best interest of the company and disclosed any possible interest in the related party transaction.

Every phase of the 2018 Reorganization was approved by the shareholders of Enel Chile S.A., Enel Generación S.A., and EGPL in their respective extraordinary shareholders' meetings, all held on December 20, 2017. The Public Tender Offer took place from February 16, 2018, to March 22, 2018; the preemptive rights period related to the Capital Increase took place from February 15, 2018 to March 16, 2018 and the 2018 Reorganization, including all its phases, concluded and became effective on April 2, 2018.

After the completion of the 2018 Reorganization, Enel Chile S.A. continues to be our main shareholder. Enel Chile S.A. currently consolidates the electricity generation business in Chile through Enel Generación Chile S.A., the distribution business in Chile through Enel Distribución, Chile S.A. and the nonconventional renewable electricity generation business in Chile through EGP Chile. After the materialization of the 2018 Reorganization, Enel continues to be the controlling shareholder of Enel Chile S.A. with a 61.9% shareholding with voting rights (excluding Enel Chile's own shares that will be cancelled), and after the 2018 Reorganization, also continues to be the final parent company and controlling shareholder of Enel Generación Chile through its majority shareholding in Enel Chile S.A.







# 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), which regulates the electricity industry, and the Superintendence of Electricity and Fuel, ("Chilean SEC", in its Spanish acronym), the supervising body, both report to the Ministry of Energy. Other entities that report to this Ministry are the Chilean Nuclear Energy Commission ("CChEN", in its Spanish acronym), and the Chilean Sustainable Energy Agency.

The CNE is the entity in charge of proposing regulated tariffs, approving the annual transmission expansion plan, and 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, 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, an independent entity in charge of coordinating the operation of the electricity sys-

tem with the following objectives: i) Maintain service security, ii) Guarantee the efficient operation of the facilities connected to the system, and iii) Guarantee open access to all transmission networks. Its main activities include: coordination of electricity market operations, authorization of connections, supplementary services management, implementation of information systems available to the public, and monitoring 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 integration 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, 700 km from Arica to Coloso.

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 industry regulation.

Given the structural characteristics of the transmission and distribution segments, they are considered natural monopolies and 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 National Electricity Coordinator 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 CNE also determines the price of generation capacity.

Customers are classified according to their demand as regulated or nonregulated. 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 subject to either the regulated or nonregulated 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 of the national transmission segment that generation companies and distribution companies may have and prohibits transmission companies from participating in the generation and distribution segments.

## Generation segment

The operations of generation companies are determined by the system coordinator based on its operations plan, although generators may freely decide whether to sell their energy to 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**, those customers whose connected capacity is greater than 5,000 kW (mainly industrial and mining companies) or customers whose connected capacity ranges between 500 and 5,000 kW and chose to be non-regulated for a minimum of 4 years. These customers may freely negotiate their electricity supply prices with generators or distributors.
- **Distribution companies**, distinguishing between the energy they require to satisfy their regulated cus-





tomers from the energy they require to satisfy their nonregulated 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 non-regulated customers is freely negotiated through bilateral contracts.

- **Other Generation companies.** The relationship between generation companies may be formalized through bilateral contracts or on the Spot or short-term market: The latter refers to the transactions of energy and capacity between generation companies resulting from the efficient operation of the market by the National Electricity Coordinator. The surplus (deficit) of production after supplying contractual customer commitments are transferred by selling (buying) to (from) other generators connected to the system. Electricity transfers are priced at the marginal cost of the system. Capacity transfers are carried out at the corresponding node price, as set every semester by the authority.

In Chile, capacity payments to each generator depend on the calculation performed annually by the National Electricity Coordinator that determines the firm capacity of each power plant. Firm capacity mainly depends on availability of the facilities and availability of the source of generation.

# 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, 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. Both types of tenders are managed by the CEN.

The remuneration of the new facilities is determined by the outcome of the bid and represents the income for the first 20 years of operations. The remuneration of new facilities is determined by the investment amount resulting from the bid and the applicable operation and maintenance costs. In both cases , from year 21 on, the remuneration of such transmission facilities is determined as existing assets.

The regulation currently in force determines that transmission remuneration is the sum of tariff revenue and the billings of a fee for the use of transmission lines. Such fee is defined every six months by the CNE as an amount of Ch\$ per kWh.

## Distribution segment

The distribution segment is comprised of substations and electricity lines with a voltage under 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. 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".

To determine the VAD, the CNE classifies the companies with similar distribution costs into groups named "typical areas". For each typical area, the CNE and the distribution companies hire independent consultants to carry out studies to determine the costs of an efficient model company, considering fixed costs, average energy and capacity losses, and standard investment, maintenance, and operations costs related to electricity distribution. The annual investment costs are calculated based on the Net Replacement Cost (VNR in its Spanish acronym) of facilities adjusted to demand, expected life and a 10% real annual discount rate.

The VAD is then determined as a weighted average, one-third of the value estimated by the study of the companies and two-thirds by the CNE. The CNE then determines the basic tariffs and verifies that the aggregate return of the industry is within the 10% plus/minus 4% range.

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

## 2018 Regulatory Topics

### CNE 2018 Regulatory Plan

Pursuant to Exempt Resolution 20 dated January 12, 2018, and according to Article 72-19 of the Electricity Law, the CNE published its 2018 Annual technical regulation development plan. The document establishes the guidelines and priorities of the CNE's work relative to regulations during 2018 and the definition of the procedures applicable to 2017 rules that are pending and will continue to be developed during 2018.

## CNE 2019 Regulatory Plan

Pursuant to Exempt Resolution 790 dated December 10, 2018, and according to Article 72-19 of the Electricity Law, the CNE published its 2019 Annual technical regulation development plan. The document establishes the guidelines and priorities of the CNE's work on regulations during 2019 and the definition of the procedures applicable to 2018 rules that are pending and will continue to be developed during 2019.

## Rules published in 2018

**Expert Panel Rules and Regulations.** On January 5, 2018, the Ministry of Energy published the new Expert Panel Rules and Regulations in the Official Gazette. The purpose of the document is to establish the Expert Panel's competencies, operational procedures and financing.

**National Electricity Coordinator Rules and Regulations.** On April 3, 2018, the Ministry of Energy approved the Independent National Electricity Coordinator Rules and Regulations. This document establishes the organizational structure of the Coordinator, its composition, operations and procedures.

**Safety Rules and Regulations of Electricity Complementary Services, Storage and Distribution.** On June 12, 2018, the Ministry of Energy approved the Electricity Facility Safety Rules and Regulation applicable to electricity production, transportation, complementary services, storage and distribution.

## 2017 Transmission Expansion Plan

On December 29, 2017, the regulatory authority published Exempt Resolution CNE 770, issued the 2017 Transmission Expansion Plan Preliminary Technical Report. As established by Law, those who have an interest (duly registered in the citizen participation registry) in the subject submit their observations. Once the observations submitted were evaluated, the CNE approved the Final Technical Report of the 2017 Annual Transmission Expansion Plan. Those interested submitted their discrepancies with the Plan to the Expert Panel in a public hearing. As required by Law, following all stages of the process, on November 8, 2018, the Ministry of Energy published the 2017 Expansion Plan, identifying the expansion plan of the National and Zonal Transmission Systems to be tendered during the following twelve months.





# 2018 Transmission Expansion Plan

As part of the 2018 Annual Transmission Planning process, the CNE called on all interested parties to present their Transmission Expansion Project Proposals by April 30, 2018 as established by provisions of Article 91 of the Electricity Law. On November 14, 2018, the CNE issued the Preliminary Technical Report on the 2018 Transmission Expansion Plan.

# 2018-2022 Electricity Plan

On April 10, 2018, the Ministry of Energy published its approval of the Long Term 2018-2020 Electricity Plan in the Official Gazette. This is the first electricity planning process to be carried out according to the provisions introduced by Law 20,936. This non-binding plan must be prepared every five years as established by Article 83 of the Electricity Law.

## Law 21,076 - Obligations regarding removal and replacement of electrical connection and meter

On February 27, 2018, Law 21,076 is published in the Official Gazette. It modifies the Electricity Law by making the distribution company finance the removal and replacement of the electricity connection and meter when they are not being used due to force majeure. The only Article of this Law and its provisional articles states that connections and meters are part of the distribution network and the ownership of such equipment will change as they are replaced when required by the electricity network.



# Law 21,118 – Tenders

## Amendment to regulatory framework of residential generators

On November 17, 2018, Law 21,118 was published in the Official Gazette. It modifies the Electricity Law to create incentives for the development of residential generators. The most important change introduced worth highlighting is the increase in the maximum capacity of residential net-billing generation equipment from 100 kW to 300 kW.

Three tenders have been carried out under the new tender's law: Supply Tender 2015/01, Supply Tender 2015/02, and Supply Tender 2017/01.

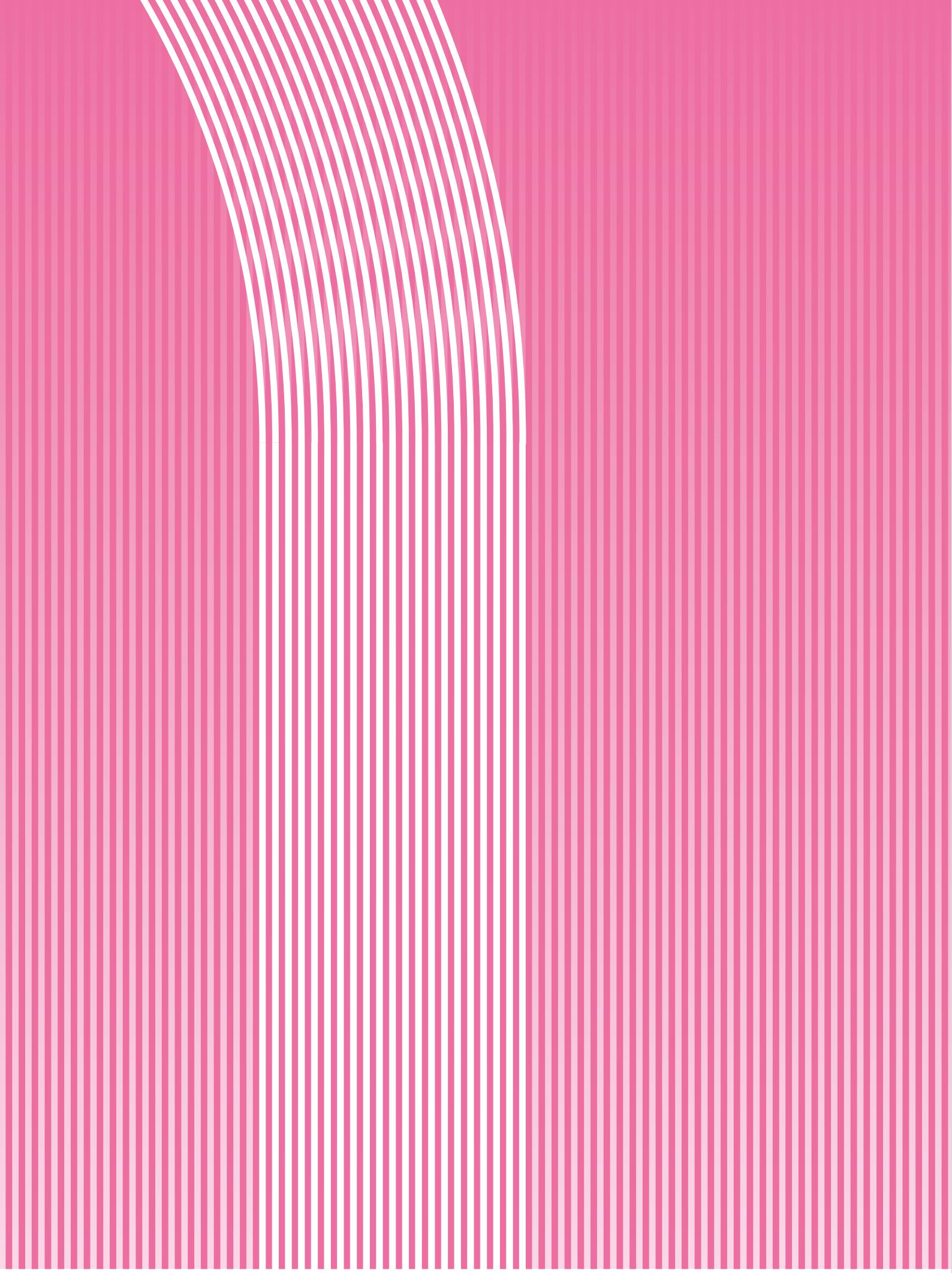
The 2015/02 tender began in June 2015 and concluded in October 2015. It awarded three blocks for a total 1.2 TWh/yr (100%) at an average 79.3 US\$/MWh.

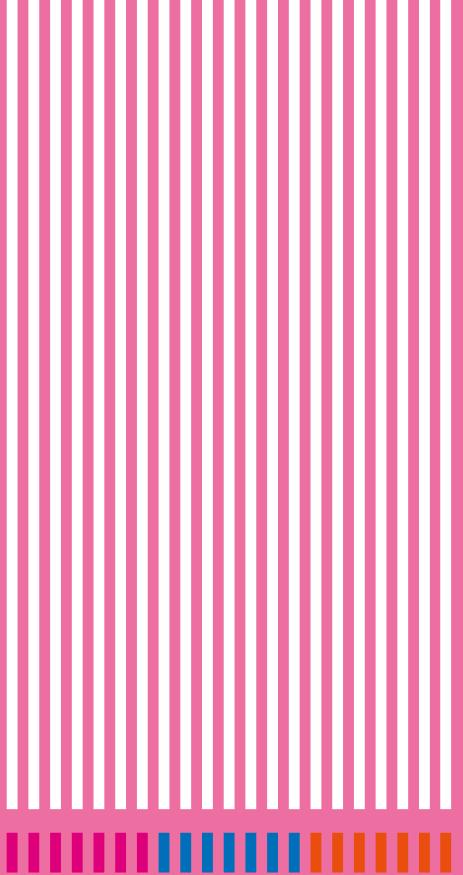
The 2015/01 tender began in May 2015 and concluded in July 2016. It awarded five blocks for a total 12.4 TWh/yr (100%) to 84 companies at a weighted average 47.6 US\$/MWh, adding new players to the market.

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

The supply tender 2017/01 began with the call 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.







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## Electricity generation



# Electricity generation

The total installed capacity of Enel Generación Chile was 6,274 MW at December 2018, consolidated net electricity generation amounted to 17,373 GWh, and electricity sales totaled 23,343 GWh.

The segmentation of the business into hydroelectric and thermal electric generation is natural because the variable costs 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 that the generation company establishes is relevant to manage the company correctly.

## Generation operations

Enel Generación Chile and its subsidiaries have an electricity generation park comprised of 103 units throughout the former Central Interconnected Electricity System (SIC) and 8 units throughout the former Northern Interconnected Electricity System (SING). In November 2017, both former systems were connected to form the National Electricity System (SEN) that includes all facilities, power plants, transmission lines, substations, and distribution lines from Arica to Chiloé.

## Enel Generación Chile power plants

Power plant	Company	Technology	2017	2018 (*)
Los Molles	Enel Generación Chile	Hydroelectric	18	18
Rapel	Enel Generación Chile	Hydroelectric	377	376
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	449
Antuco	Enel Generación Chile	Hydroelectric	320	319
Ralco	Enel Generación Chile	Hydroelectric	690	689
Palmucho	Enel Generación Chile	Hydroelectric	34	34
Taltal	Enel Generación Chile	Fuel/Natural Gas	245	240
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	388
Quintero	Enel Generación Chile	Fuel/Natural Gas	257	257
Ojos de Agua	GasAtacama Chile	Hydroelectric	9	9
Pehuenche	Pehuenche	Hydroelectric	570	568
Curillínque	Pehuenche	Hydroelectric	89	89
Loma Alta	Pehuenche	Hydroelectric	40	40
Pangue	GasAtacama Chile	Hydroelectric	467	466
Canela	GasAtacama Chile	Wind	18	18
Canela II	GasAtacama Chile	Wind	60	60
Tarapacá TG	GasAtacama Chile	Fuel/Natural Gas	24	20
Tarapacá carbón	GasAtacama Chile	Coal	158	158
Atacama	GasAtacama Chile	Diesel /Natural Gas	781	732
<b>Total</b>			<b>6,351</b>	<b>6,274</b>

(1) There have been several changes in installed capacity in 2018 compared to 2017. The new installed capacity figures resulted from the maximum capacity test of the Tarapacá TG, Atacama, Taltal and San Isidro 2 power plants, among others, performed as determined by Technical Regulation of the National Electricity System operator.

In 2018, electricity sales of Enel Generación Chile and its subsidiaries reached 23,343 GWh, which represents a 33% share of total sales on the National Electricity System, including sales to customers and net sales on the spot market.

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

	2017	2018
Installed Capacity (MW) (1)		
Enel Generación Chile	3,358	3,347
Pehuenche S.A.	699	697
GasAtacama	2,295	2,230
<b>Total</b>	<b>6,351</b>	<b>6,274</b>
Generation (2)	2017	2018
Enel Generación Chile	10,859	11,314
Pehuenche S.A.	2,443	2,794
GasAtacama	3,655	3,265
<b>Total</b>	<b>17,073</b>	<b>17,373</b>
Sales	2017	2018
<b>Sales to final customers</b>		
Enel Generación Chile	20,924	20,901
Pehuenche S.A.	344	311
GasAtacama	1,347	1,380
Spot market sales	742	752
<b>Total</b>	<b>23,356</b>	<b>23,343</b>

(1) These figures result from the maximum capacities determined by Enel Generación Chile's Operational Norm 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.





# Operational and commercial scenario

## General operational and commercial scenario

The National Electricity System began operations as the interconnection of the SIC and SING in November 2017 and therefore has been in operation for a full year for the first time. This interconnection enabled both markets to work as one, both operationally and commercially. The SIC, which is primarily hydroelectric installed capacity, represented 75% of the system's total electricity generation and the SING the remaining 25%. Hydroelectricity is therefore relevant to the SEN. In 2018, hydrology was similar to 2017, irregular rainfall during the fall and winter months and greater during the last few months of the year, which resulted in overall hydrology and hydroelectric generation to be slightly higher than in 2017. NCRE generation was also higher in the SEN during 2018, particularly solar, wind and biomass, allowing thermal generation, mainly oil fueled and to a lesser extent natural gas and coal, to decline. Consequently, the system's generation costs in 2018 were lower than 2017 despite the higher average fuel prices in 2018 when compared to 2017, mainly oil, followed by coal and natural gas that increased less.

Total electricity demand picked up when compared to previous years, increasing 4.2% in 2018 compared to 2.4% in 2017. Regulated customer demand decreased (nearly 7%) while non-regulated customer demand increased significantly (nearly 15%) because a relevant number of previously regulated customers chose to change to the nonregulated customer category and enter into electricity supply contracts with distributors, as allowed by current industry regulation. Enel Generación Chile is the leading company in this segment of customers and has the highest number of contracts with the customers that chose to become non-regulated.

The commercial and operational challenge related to the integration of the SIC and SING is worth mentioning. The role of the National Electricity Coordinator that programs and coordinates the efficient and reliable operation of the SEN system and the responsibility of the companies that participate in the electricity market to maintain their facilities in operation as instructed by the Coordinator, is a greater challenge considering the differences in terms of generation, transmission, and electricity consumption of both systems. Providing a continuous and stable supply in such an extensive system, from the Atacama region in northern Chile to the Chiloe island in the south is also a greater challenge.

The interconnection of the SIC and SING was accomplished with a 1,300 km. 500kV transmission line from the Changos substation located north of Antofagasta to the Polpaico substation located north of Santiago. By the end of 2018, the section that extends up to the Pan de Azucar substation, near Coquimbo was completed. The remaining section from Pan de Azucar to Polpaico is expected to be completed in 2019. Once the project is finalized, by 2020, the transmission capacity is expected to reach 1,500 MW. The advantages of the National Electricity System that have been pointed out are the following:

- i) Greater supply reliability and efficiency by allowing a bi-directional exchange of electricity between the SIC and the SING
- ii) Facilitate the incorporation of renewable generation projects, primarily solar and wind in the northern Chile regions where they have a competitive advantage.
- iii) Integration of two markets, the SIC and the SING, that are significant in terms of annual sales (roughly

70 TWh/yr. in 2018) but different in terms of typology, that is, large regulated customer consumption in the SIC and nonregulated and mining customers in the SING.

The interconnected system has provided Enel Generación Chile greater commercial flexibility allowing the Company to offer competitive electricity supply contracts to customers in both systems, using its entire installed capacity (in SIC and SING), which resulted in a favorable performance in 2018 that is expected to continue into the future.

Worth highlighting from a commercial perspective, is the business reorganization of Enel resulting from the success of the Elqui Plan that concluded on April 2, 2018, which was perceived as favorable by the market, and transferred Enel's ownership share in Enel Green Power Chile (EGP Chile) and Enel Generación Chile to Enel Chile. It offered Enel Chile additional growth opportunities in non-conventional renewable energy (NCRE) and also allowed coordinating operational and commercial activities among both subsidiaries, which has had positive effects on the commercial margin of both companies. The development of EGP Chile's NCRE projects will offer synergies and strengthen Enel Generación Chile's commercial standing and leadership position in the Chilean electricity industry by offering its supply contracts sustainable and competitive capacity back up. The integration of the SIC-SING also benefits Enel Generación Chile by making uploading the electricity produced by the NCRE power plants of EGP Chile in the northern region of the country easier, given the proportion of the company's electricity supply commitments. During 2018, nearly 63% of the roughly 3.5 TWh generated by EGP Chile was commercialized by Enel Generación Chile, which optimizes the portfolio the Company offers its clients.

Enel Generación Chile is a relevant player in electricity generation in the SIC and SING, representing a 23% and 31 % market share, respectively.

## Main events that affected operational and commercial performance

The Company reached high standards of commercial and operational performance in 2018, as in previous years, and maintained its solid leadership position in the Chilean electricity industry. The factors worth highlighting that substantiate this position are:

- i) Significant and technologically diversified, sustainable generation capacity, mainly comprised of efficient hydroelectric and thermal plants, which allow the company to be very competitive and generate at low average operating costs;
- ii) Production processes and maintenance and modernization policies fully comply with technical and environmental standards established by the applicable regulation allowing the Company's generation facilities to operate with high availability and reliability levels.;
- iii) The commercial policy is defined to be consistent with the production characteristics of the Company's power plants and is 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.;
- iv) Innovation is a priority for Enel and therefore it is able to adapt to new market challenges. For example, the reorganization of its generation business model previously mentioned (subsidiaries EGP Chile and Enel Generación Chile) allows sustaining future growth and competitiveness in the industry.





Regarding production and market risk, the most relevant factors are included below.

- i) Hydrology variability, a risk that is reduced by permanently analyzing and designing sales contracts that commit to an optimum level of energy sales.
- ii) Commodity variability risk, mainly the price of fuels that directly affect Enel's thermal production costs and the sales price indexation clause of some of our supply contracts.
- iii) Currency variability risk, mainly the price of the United States dollar that has an impact on the revenue of the Company.

Enel Generación Chile uses commodity (mainly coal, natural gas and oil) and currency risk hedging instruments, managed in coordination with the parent company in Italy, to manage these risks. They had a positive impact on the Company's margin in 2018.

## Hydrologic condition

Hydroelectricity represents a significant portion of Enel Chile's generation mix and has a significant direct impact on the Company's margin. Hydrology in 2018 was similar to 2017. Rainfall and water availability were irregular when compared to expectations. The first part of 2018 was quite dry, with rainfall below the normal level during the winter months until August. The Niño phenomena in spring brought a higher amount of rain during the last four months of the year partially reversing the dry trend present in previous months and ending the year with a level of hydrology above 2017. Consequently, the first eight months of the year were dry with low water inflow and high average accumulated exceedance probability, roughly 81%. The last four months of the year, the snow melting season, was better, consistent with an "average" exceedance probability of roughly 65%, which led to a significant recovery of reservoir levels, which resulted in a 75% total accumulated exceedance probability, similar, although slightly better than in 2017 (78%).

## Generation and fuel costs

Electricity generation in the SEN, the integrated SIC and SING, in 2018 was 76.5 TWh, which represents a 3.1% growth rate when compared to 2017. The SIC contributed 75% of total generation and the SING, the remaining 25%. Hydroelectricity represented 30% of total generation (23.2 TWh), thermal electricity accounted for 53.2% (41 TWh), primarily coal (a total 38 %, similar amount from plants in SIC and SING), followed by natural gas (15%). A total 16.5% came from non-conventional renewable sources (12.5 TWh); solar (7%), wind (5.1%), biomass (4.1%) and geothermal (0.3%).

The hydrology during 2018, the availability of NCRE during the year and the integration of the SIC and SING allowed hydroelectricity and NCRE in the SEN to increase when compared to 2017 (6.4% or 1.4 TWh and 25% or 2.5 TWh, respectively). Thermal electricity, on the other hand, dropped 3.7% (1.6TWh).

Worth mentioning is the performance of the SIC and SING separately. Energy supplied by the SIC increased 4.7% (from 55 TWh in 2017 to 57.5 TWh in 2018). On the other hand, energy supplied by the SING decreased 1.2% (from 19.2 TWh to 19 TWh). Hydroelectricity was primarily produced in the SIC and amounted to 23.1 TWh, 6.4% more than in 2017; thermal electricity generation reached 24.4 TWh, 3.7% less than in 2017; NCRE generation amounted to 9.8 TWh, 25.5% more than in 2017. Thermal energy supplied by the SING reached 16.2 TWh, 4.6% less than in 2017, mainly because coal generation fell 1.8 TWh. NCRE generation in the SING amounted to 2.8 TWh, less than the NCRE generation in the SIC, but 25% more than in 2017.

Enel Generación Chile generated 20 TWh, excluding the generation of the Nueva Renca power plant related to the maquila agreement, which represents 23% of the SEN's total generation and 31% of the SIC and is greater than the 17.1 TWh produced in 2017. The Company's Hydroelectric generation reached 11 TWh, representing 14.4% of the

SEN and is nearly 18% higher than the 9,7 TWh generated in 2017. This additional 1.3 TWh generated had a positive impact on the Company's margin. Enel Generación Chile's thermal generation decreased 14% from 7.3 TWh in 2017 to 6.3 TWh in 2018, mainly due to less natural gas fueled generation (nearly -0.8 TWh). Own NCRE generation (wind, solar, geothermal) was similar to 2017. The Canelá wind farm generated 131 GWh in 2018 and Enel Generación Chile commercialized NCRE bought from EGP for a total of about 2.4 TWh.

During 2018, the average price of fuel increased when compared to 2017. Coal was once again the predominant fuel in electricity generation in the SEN and its average price, according to authority statistics, increased 11.5% from an annual average 117 US\$/ton in 2017 to roughly 131 US\$/ton in 2018. Regarding the price of natural gas, although the purchase prices of Enel Generación Chile are confidential, according to information provided by the electricity authority, the Henry Hub that is the price used in the industry for this fuel, increased 5.4% on average in 2018 from 2.97 US\$/MMBTU in 2017 to 3.13 US\$/MMBTU in 2018. Liquid fuel as an electricity generation source was used very little for electricity generation in the SIC. Average prices of liquid fuels during 2018 increased significantly, diesel 25% and fuel oil 29%.

Despite the drop in thermal generation in the SEN, the increase in the price of fuel increased the average cost of thermal generation and therefore increased the average price of electricity in 2018. The annual average price of energy at the Alto Jahuel, Cerro Navia and Polpaico substations, nodes that are representative of the consumption in the Metropolitan Region, increased 9.2% from 58.3 US\$/MMBTU in 2017 to 63.7 US\$/MMBTU in 2018. The average price at the Charrúa substation, where several important Enel Generación power plants connected to the SIC (Concepción) inject their generation, increased 10.5% (from 55 US\$/MMBTU to 61.2 US\$/MMBTU). The opposite occurred in the SING, that is, at the Crucero substation, representative of the consumption in such area, the average annual price decreased roughly 4.5% (from 55.2 US\$/MMBTU to 52.9 US\$/MMBTU) due to greater NCRE generation in 2018, replacing thermal generation.

## The relevance of liquefied natural gas (LNG)

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

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

During 2018, the Quintero terminal unloaded 44 shipments of natural gas, a total 3,523 MMm<sup>3</sup>. Of that amount 1,096 MMm<sup>3</sup> were for Enel Generación Chile to satisfy its commercialization and electricity generation commitments. Roughly 692 MMm<sup>3</sup> of gas, belonging to other partners of the terminal, were sold to other generators connected to the SEN to generate electricity.

In terms of electricity operations, the availability of LNG provided by the long-term supply contract with BG Global Energy Ltd (BG) was key to compensate for the lower level of hydroelectricity available during most of 2018 due to the dry conditions during the winter months.

Regarding the natural gas supply (NG), a new scenario of cooperation and energy integration among private and public authorities of Chile and Argentina allowed reactivating the import of natural gas from Argentina to Chile that was interrupted for eleven years. Within this context, Enel Generación Chile signed an interruptible natural gas supply agreement with YPF and Total Austral and obtained the respective export permits in Argentina to begin to supply the San Isidro power plant on December 28, 2018.





The electricity generated by the Nueva Renca facility and supplied to the SEN is considered to be Enel Generación Chile's generation due to the rental agreements of the thermal power plant Nueva Renca with AES Gener and later with Empresa Electrica de Santiago when it changed ownership to AME (Empresa de Mercado Electrico S.A.). Nueva Renca generated 0.5 TWh and with San Isidro and Central Quintero (roughly 3.7 TWh) totaled 4.2 TWh generated by Enel Generación Chile with natural gas. This figure represented 5.5% of the SEN's annual generation, including all generation technologies.

In terms of gas commercialization in 2018, Enel Generación Chile continued trading internationally. The Company sold five LNG shipments, including the sale of two shipments of LNG to Enel Trade to be delivered in the United Kingdom, related to the BG contract.

Also, Enel Generación Chile along with ENAP and Ageasa (company related to Metrogas) reached a new export agreement with Enarsa (Empresa Nacional de Energia Argentina), to export natural gas from the Quintero terminal to Argentina in 2018. Natural gas exported amounted to 90.6 million m<sup>3</sup>. Enel Generación Chile contributed with 55% of such amount.

In 2018, the Company once again signed a terminal use agreement, TUA, with GNL Mejillones that allowed using the terminal to unload an LNG shipment. This transaction allowed renewing natural gas sales contracts with mining and industrial customers located in northern Chile making Enel Chile the main industrial gas trader in northern Chile. It also made natural gas available for the generation units of Enel Chile (Taltal and GasAtacama) connected to the northern gas pipeline network.

The commercialization of LNG in trucks increased 30% in 2018 when compared to 2017. Agreements were signed to deliver NG to two new cities, in addition to the 5 existing ones, allowing the company to maintain its relevant position in this market.

Enel Generación Chile has continued consolidating its position as a relevant player in the gas market in Chile, innovating and expanding its gas and LNG commercialization business in the local and international market.

# The commercial front

The Company's commercial activities in 2018 were consistent with its commercial policy. The commercial policy focuses on accomplishing the following goals: maintain industry leadership; adequately manage risk and return under the existing supply and competitive market conditions; implement plans to strengthen customer loyalty, add additional new customers, increase energy sales and increase commercial management efficiency within the company. The main actions carried out are described below.

New electricity supply contracts were signed with important nonregulated industrial customers for nearly 580 GWh/yr. with terms that go from 9 to 15 years. Important contracts were also signed with distribution companies to supply their nonregulated customers for 420 GWh/yr. with a 5 to 8-year term.

As a consequence of a change in regulation in Chile allowing smaller customers to choose to be either regulated or non-regulated customers, Enel Generación Chile signed approximately 150 electricity supply contracts in 2018 with smaller nonregulated customers for a total 800 GWh/yr. with a 5-year term.

In November 2018, the Company revealed having signed an electricity back up supply contract with Engie, a generation company, to supply electricity to regulated customers. Enel Generación Chile was awarded a contract with an average 1,200 GWh/yr. for a 12-year period to begin supply in 2019.



# 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 2018, the project had reached 65.6% physical progress, the excavation of the tunnel reached 9.4 km, the civil works of the underground powerhouse cavern had concluded, and the installation of electromechanical equipment was advanced. Regarding the transmission lines, 90% of the structure was assembled and 42 km of cable have been installed.

The total investment accrued as of December 31, 2018 was Ch\$ 419,021 million.



## Central Sauzal Smart Repowering Project

The Smart Repowering project of Central Sauzal involves the modernization and repowering of specific systems and equipment of the Central Hidroléctrica Sauzal. This power plant is located in the Libertador General Bernardo O'Higgins Region and has been in operation since 1948. It has three generation units with vertical axis Francis type turbines. The Smart Repowering project consists in the replacement of two of the existing turbines to increase the efficiency of the units and add an additional 3MW of capacity and an additional 13.7 GWh/yr. generation.

The first unit is programmed to be repowered in 2019 and the second unit in 2020. The major contract was signed with Voith and covers the detail engineering, manufacturing, installation and start up of the new equipment of both turbines. The design, purchase and manufacturing of the components of the first unit were performed in 2018. The overall progress on the contract was 37% by December 2018. The accumulated investment by December 2018 is Ch\$ 1,206 million.

## Optimization of Bocamina's second unit

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

Bocamina unit 2 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 Environmental Commitment Resolution (RCA in its Spanish acronym) approval was received on April 2, 2015.

The technical optimization plan involves the following:

- Dome on the south field: after completing the dome on the north field in 2017, the construction of the south dome was completed in 2018, reaching a total 270,000 tons coal storage capacity. The construction of the south dome recorded 1.5 million-man hours having many works being performed at height without accidents.

Main progress in 2018 was the following:

- A Temporary Approval Certificate was issued on June 15, 2018, one month before projected.
- The Final Approval Certificate of the south dome was received on October 17, 2018.

## Bocamina's landfill closure plan

The objective of the Plan is to close the landfill of ashes by applying worldwide best practices. The first stage involves areas 1 and 2 and other improvements to installations and operations. These works will allow the company to improve and comply with standards established by the Environmental Permit (Resolution 128, 2015).

The project is structured in two stages:

- **Stage 1:** Closure of areas 1 and 2 and the wing of area 1, a total 48,000 square meters.
- **Stage 2:** Closure of area 3

The basic design of the plan has concluded, and the major works are currently being tendered.

## Projects under evaluation

Enel Generación Chile is continuously analyzing different growth opportunities that respond to market needs. In 2015, the Company reformulated its project portfolio to include different alternatives when deciding on investments. To be included in the portfolio, projects must be individually sustainable and therefore the technical, economical and also environmental and social aspects of each project must be developed.

The thermal electric generation business is working on modernizing and improving the performance existing assets (e.g. operationally and environmentally), including energy storage systems.

The start up date of each project is continuously being revised and defined on the basis of commercial opportunity and the Company's ability to materialize such projects.

## Hydroelectric Project Vallecito

The project is located in the Maule Region, specifically on 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 will be supplied to the interconnected system using the line that is currently in construction to evacuate electricity from the Company's Los Condores 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.

The basic engineering studies were performed in 2017, and the environmental campaigns have concluded.

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

## Smart Repowering Projects

The Company is currently evaluating repowering projects to increase the installed capacity or generation of power plants already in operations by replacing certain parts or improving the power plant's hydraulic potential.





## Antuco Smart Repowering

The project is to be developed at the Antuco power plant which is in operations and located in the Bio-Bio Region. The project involves replacing a turbine that was installed in 1981 and has an 88% load factor. The new turbine is expected to reach a 94% load factor generating an additional 21 GWh. The investment is expected to amount to US\$ 14.48 million and to begin in 2019. The new turbine is expected to begin operations in 2020.

## Quintero combined cycle project

The project is located in the Valparaiso Region. It involves installing a 130 MW steam turbine and its generator that will use the heat generated by the existing gas turbines (257 MW). In August 2018, the project was postponed, and the environmental studies were discontinued.

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.

## Central Taltal battery energy storage system

On April 13, 2018, Enel Generación Chile submitted the project entitled, "BESS Battery Energy Storage System at Central Termoeléctrica Taltal" to the Environmental Impact Agency (SEA in its Spanish acronym) in Antofagasta. The project involves the installation of a 12 MW battery that would allow offering services, such as, energy arbitrage and compensation of frequency variations, among others, that improve security, quality and efficiency of the SEN,.

On May 25, 2018, the environmental authority referred to above issued Exempt Resolution 106/2018 stating that the project is not required to be submitted to the Environmental Impact Evaluation System before its construction because it does not involve a material change to Central Taltal.

## Taltal optimization project

The project 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 allows converting the existing Taltal open cycle plant into a gas-fired combined-cycle plant.

The environmental permit requested through the Environmental Impact Declaration submitted to the authority in December 2013 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.

## Central Tarapacá battery energy storage system

Enel Generación Chile is analyzing the installation of a battery energy storage system (BESS) to the Tarapacá thermal power plant to provide the ancillary services that the National Electricity System 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 capacity turbine installed in the power plant.

In December 2017, the SEA 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.

## Ttanti combined cycle project

The Ttanti project is located in the Antofagasta Region, adjacent to the existing Atacama power plant that is 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).

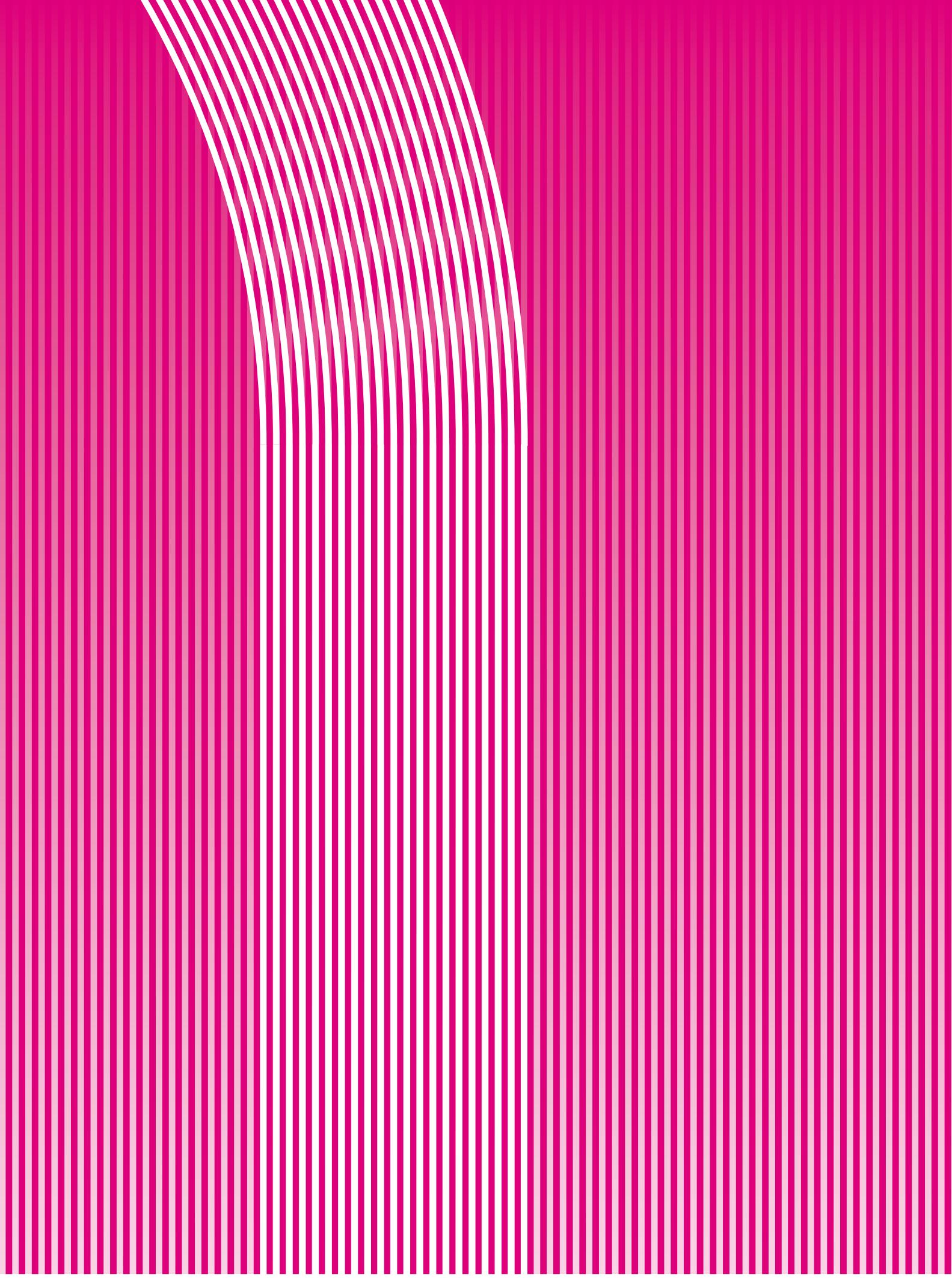
On December 28, 2017, the Environmental Evaluation Commission of the Antofagasta Region voted in favor of the power plant's environmental approval.

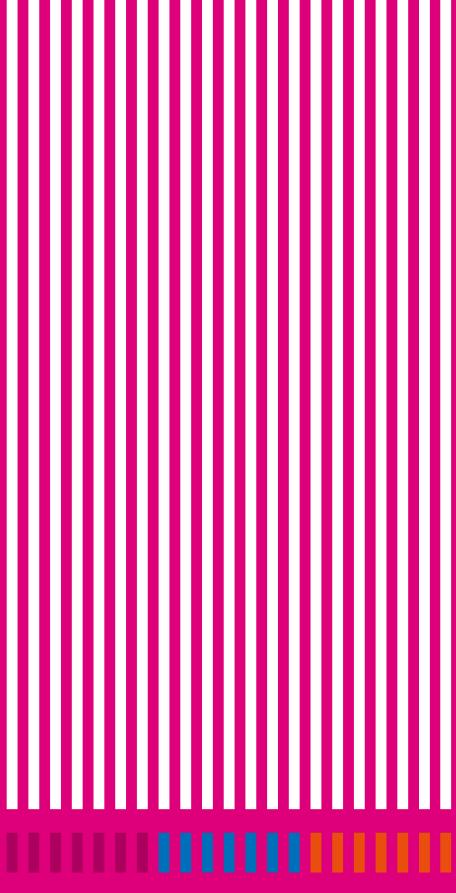
Any decision related to the construction of the project will depend, among others, on the commercial opportunities foreseen in the upcoming years, such as, the prices of future tenders to supply the energy requirements of the regulated market and/or negotiations with existing or new unregulated customers.

## Land reserved for future projects

As of December 2018, Enel Generación Chile held approximately 48.3 hectares of immovable property or land to develop future natural gas or hydroelectric projects. These assets are located in the Antofagasta Region (6.3 hectares) and the Los Lagos Region (42 hectares).







# 17

## Environment



# Environment

Environmental protection is a major pillar in Enel's strategy. Hence, they have directed their efforts towards constant improvement by searching for potential efficiencies in their processes and products, incorporating cutting-edge technology. Their purpose is not just to comply with norms and reduce environmental externalities, but also to take care of the environment surrounding their facilities.

The environmental aspects of hydroelectric plants and Canelá wind farm are managed, along with the other renewable technologies, by the HSE&Q area that covers Health, Safety, Environment and Quality issues on a centralized level and also in every business unit throughout the country.

Within this context, the Environment Unit implements the environmental policy, strategic objectives, and environmental procedures in all power plants according to the standards defined by the Global HSEQ.

Enel's policy and internal process implementation does not just focus on reducing environmental risks; they also seek to consolidate the company's leadership position in the energy market. Human resource and environmental protec-

tion, the struggle against climate change and sustainable economic growth are all strategic factors considered during the planification, implementation and development of Enel's activities.

Among the environmental processes and policies implemented during 2018, we highlight:

- Policy 292, 1st Version: "Risk Evaluation and Environmental Impact/Aspect Methodology", October 23, 2018
- Organizational Procedure 545 Version: "Waste Management", February 9, 2018.
- Policy 106 Version 3: "Environmental incident classification, communication, analysis, and report", July 10, 2018
- Stop Works Policy, which, during 2018, expanded its scope from health and safety to archaeology and environment.

Certain environmental management efforts implemented in 2018 are highlighted below:

- Coordination and leadership of response to environmental accident or incident.

- Review of environmental matrixes, contractor induction, and works inspections, to determine contractors' compliance with environmental standards, commitments and legal requirements.
  - On site environmental awareness and training.
  - Promotion of environmental initiatives on site and with the community.
  - Logistics support to strategic environmental studies.
- During 2018, several actions were taken to safeguard and optimize environmental management, some of which are highlighted in the following section.

## Implementation of the Integrated Model for Environmental Measurements (MIMA)

This is an internal mechanism that ensures compliance of each power plant's environmental commitments, which is being jointly developed by different areas of the Company and contributes to the prioritization of its most relevant environmental commitments.

## Waste Management

One of the company's goals by 2018 was to "Reduce the annual generation of waste by 5%, quantified by means of its final disposition."

The following actions were taken to achieve this goal:

- **Pilot Recycling Stations:** Recycling stations were installed in the Pehuenche, Rapel and Sauzal power plants.
- **Waste Recovery:** During 2018, a contract was signed to sell non-hazardous waste from the Maule, Laja and Biobio hydroelectric power plants.

- **Waste Baseline:** During 2018, the waste quantification registry was updated (Hazardous - Non-Hazardous and Domestic) in renewable power plants.
- Power plants waste management enforcement and appropriate waste segregation practices.
- "International Recycling Day" diffusion and commemoration with speeches and video transmissions.
- Reusable bags were given to company collaborators to encourage their use and reduce the use of plastic bags.

## Compliance with Environmental Commitment Resolutions (RCA)

The actions taken during 2018 related to the Ralco Power Plant to comply with the RCA of renewable power plants are highlighted below:

- **Reforestation agreement with Universidad de Concepción:** 422 reforested hectares in the Lonquimay area.
- **Restorations:** Completion of the restoration efforts of landfill and deposit sites used during the construction of the Ralco Power Plant.
- **Improvement of the Drinking Water System:** Execution of projects to improve the drinking water system for the Ayin Mapu indigenous community, relocated because of the construction of the Ralco Power Plant.
- **Alto Biobío Housing Program:** Establishment of an agreement with the Alto Biobío Municipality and construction of homes for indigenous families relocated because of the construction of the Ralco Power Plant. The project benefits 54 indigenous families.





## Well water and oil recovery system

In the Sauzal, Sauzalito, Rapel, Cipreses and Isla hydroelectric power plants, an oil skimmer system to recover oil from wells is in place, extracting oil that has drained from the units to the drainage ditch. This initiative seeks to minimize the potential impact of contamination to waters under the dam produced by oil leakages and filtrations.

## Round tables and studies

During 2018, the following environmental management efforts are highlighted:

- Completion of the "Environmental Flow Pilot Project" study in the Maule and Laja rivers.
- The Huemul Conservation Program for the VIII Region was added to the RECOGE plan multidisciplinary round table of the Ministry of the Environment.

# Compliance with the thermoelectric power plant emissions standard

In terms of complying with the requirements established by the D.S. 13/11 Thermoelectric Power Plant Emissions Standard, during 2018, Enel Generación Chile's thermal park and its GasAtacama subsidiary carried out several improvements to the Continuous Emissions Monitoring System (CEMS), such as changing the data acquisition systems (DAHS) of the thermal plants and the installation of CEMS to monitor thermal energy flow, installing flow CEMS in the Taltal, San Isidro and Quintero thermoelectric power plants.

During 2018, the SMA published the reports verifying compliance with the established limits according to the decree, based on the emissions in the quarterly reports that each power plant uploaded to the "Thermoelectric Power Plant" website of such Superintendence. The SMA verified that the emissions from all electricity generation units complied with the established limit.

# Green Taxes

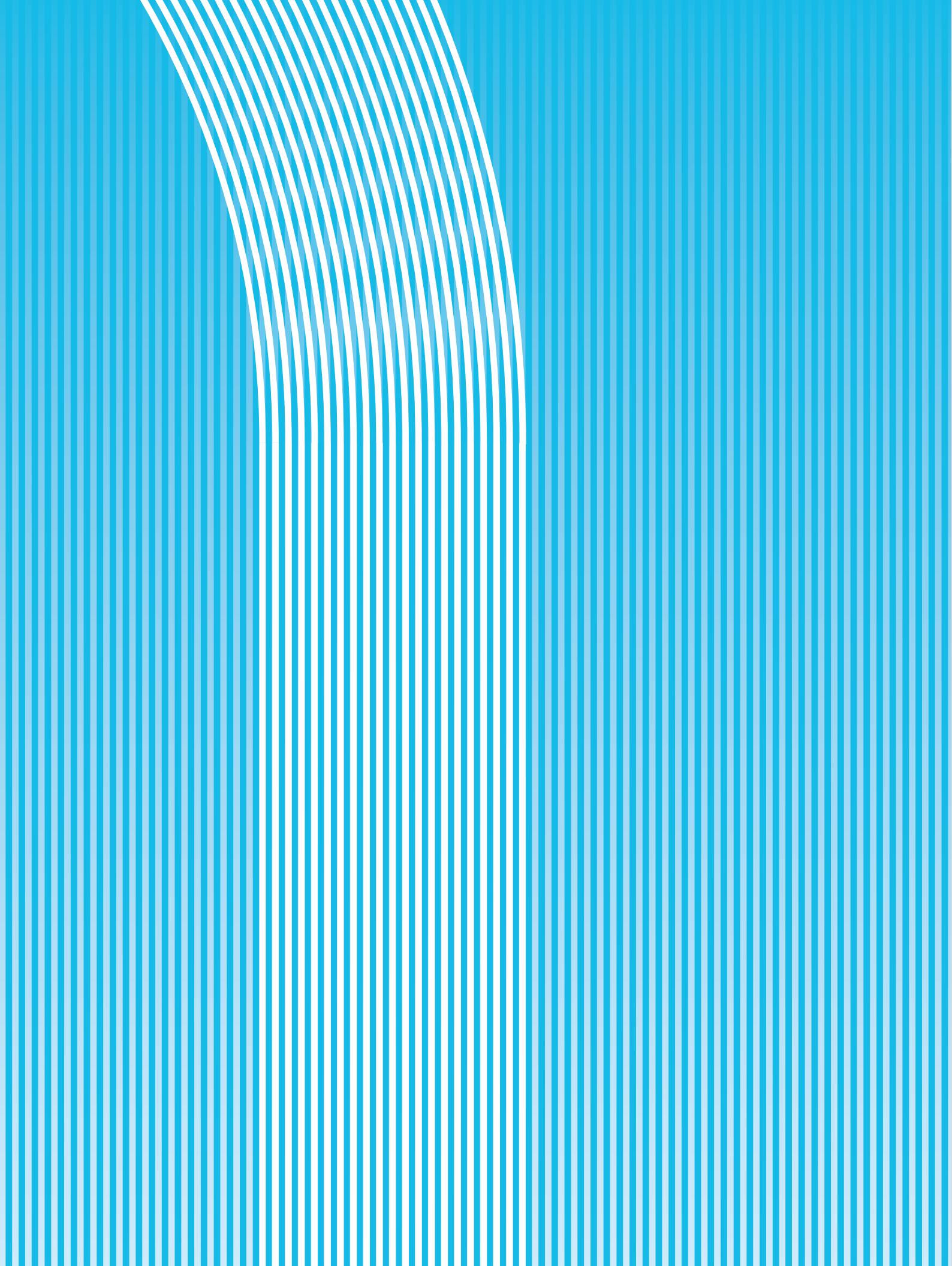
In April 2018, the thermoelectric power plants reported their emissions according to the emissions quantification method presented and authorized by the SMA to determine green tax payments. A total tax of Ch\$ 16,437,440,924 was paid, which considers the atmospheric emissions from the Enel Generación Chile thermal park and its GasAtacama S.A. subsidiary.

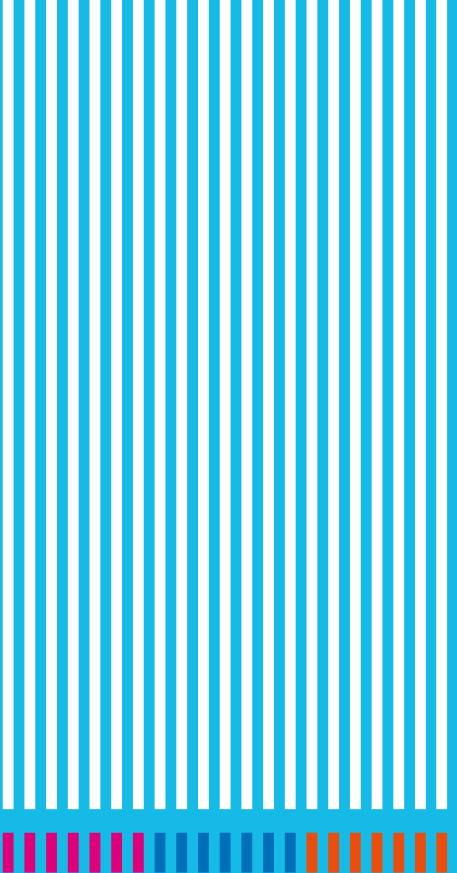
# New Projects

On February 14, 2018, the Environmental Impact Declaration (DIA in its Spanish acronym) entitled "San Isidro Power Plant Water Supply and Liquid Waste Disposition Optimization System" was approved by the Antofagasta Region Assessment Committee through the Exempt Resolution 016.

On May 25, 2018, the Environmental Assessment Service of the Antofagasta Region issued Exempt Resolution 0106, indicating that the "Taltal Thermoelectric Power Plant Bess Energy Storage System" project is not required to be submitted to the approval of the Environmental Impact Assessment Service (SEIA in its Spanish acronym) in order to begin construction.







# 18

## Sustainability



# Sustainability

The sustainability model of Enel Generación Chile seeks to create long term value by integrating the environmental, social and governance objectives into the Company's business strategy.

The 2018-2020 sustainability plan is based on five pillars that represent the grounds of the integrated sustainability model: occupational health, work safety, solid governance, environmental sustainability, supply chain sustainability, and creation of economic and financial value. These pillars support the following strategic priorities of the Company: innovation and asset optimization, growth through low carbon services and technology, community involvement, worker involvement. Both pillars and strategic priorities focus on customers and digitalization. The sustainability plan guides the Company's efforts by integrating the Company's environmental, social and governance priorities into the goals and objectives of its business plan.

## Asset optimization and innovation

Regarding the strategic priority of innovation and asset optimization, Enel Generación Chile made significant investments in process digitalization and related proactive operating and maintenance activities, particularly in the implementation of predictive maintenance systems using artificial intelligence algorithms. To this date, these systems have been implemented at Bocamina, San Isidro and Quintero power plants, which represent a total 2.04 GW installed capacity. Enel Generación Chile has worked to increase the efficiency of its thermal power plants to offer greater flexibility to the generation matrix.

Within this same context, the Company has invested in environmental improvements, such as, the inauguration of the south dome on the coal field of the Bocamina power plant.

# Local community involvement

Enel Generación Chile is aware of the role the Company plays in the development of the country and the potential impact of its operations. Therefore, the Company is committed to establishing a long-term relationship with its surroundings, promoting the socioeconomic development of the territories in which it operates. The Company's community relations strategy focuses on creating instances for community participation, concentrating on transparency and inclusion as an active part of the solution to the main challenges within the territories in which the Company has operations.

The main thread of community relations in 2018, was local socioeconomic development, in alignment with the Sustainable Development Goals (SDG) of the United Nations within the context of the Country Commitment plan promoted by the Ministry of Social Development and the Energy Route 2018-2020 plan of the Ministry of Mining.

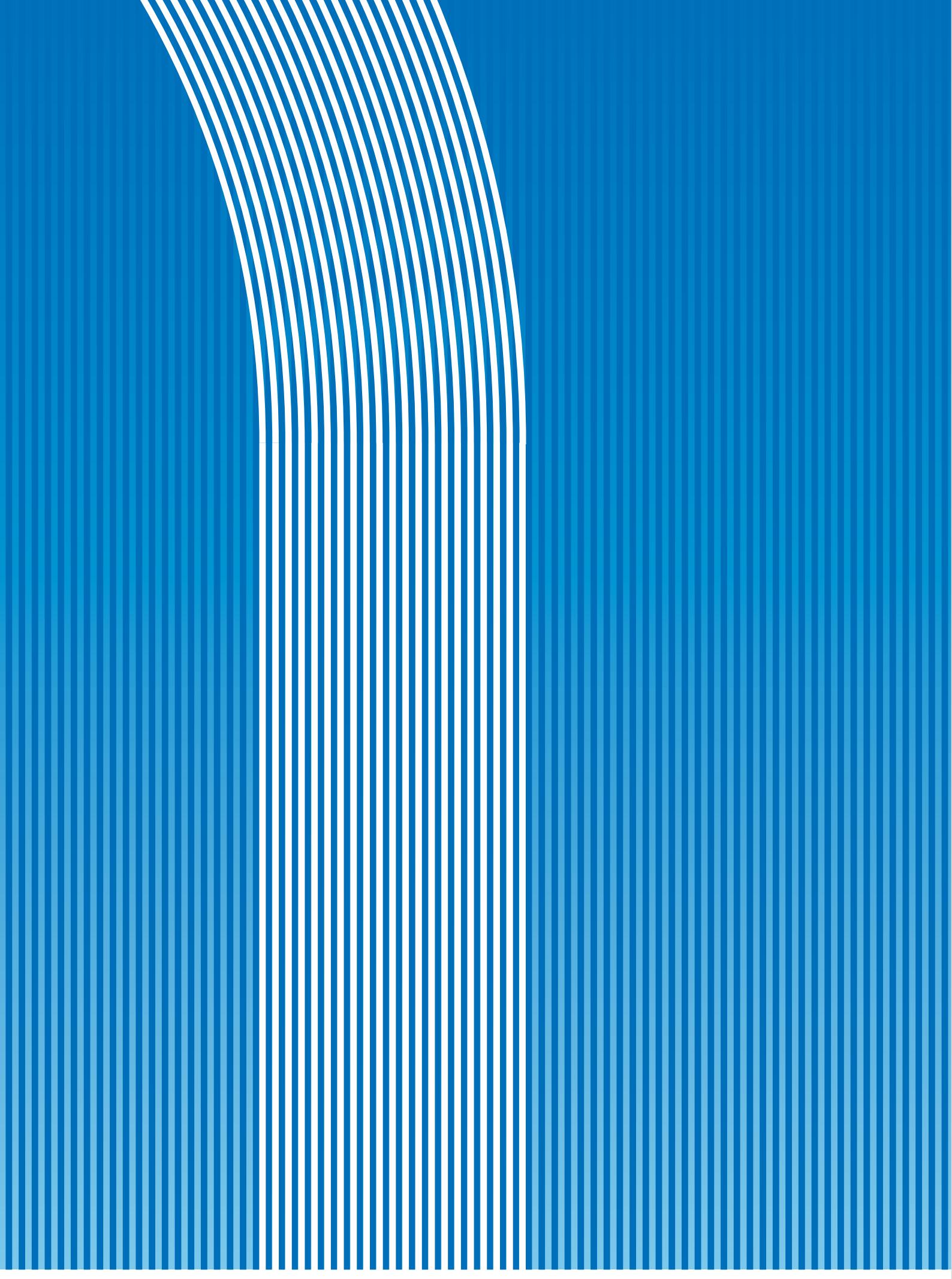
In terms of local socioeconomic development, the Company focused its efforts on two issues: promoting access to basic utilities and the development of small and medium sized companies in the different territories where the Company has operations.

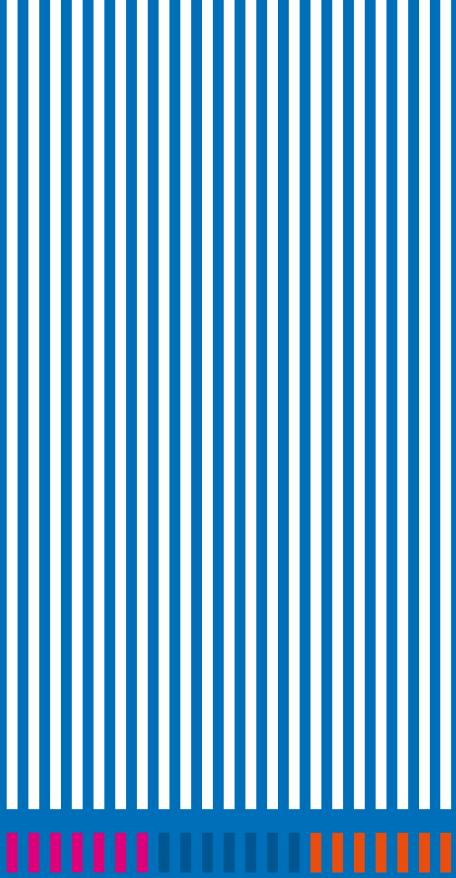
Access to drinking water is critical to human life and community development. Enel Generación Chile installed a drinking water extraction and distribution system for the Los Alamos community in the Maule Region that will benefit 250 residents.

The projects related to infrastructure development mainly focus on recovering public areas and social interaction spaces. The goal of the "My neighborhood, our neighborhood" program carried out in Coronel where the Bocamina facility is located, is to restore the neighbors' livelihood. This is why the Company has carried out several projects along with the community to improve the quality of life of 1,370 relocated families, such as, the construction of a community center, sports centers, and churches to recover the community's social capital.

With regard to the work carried out to support small and medium sized companies, the Company has focused on the conservation of community identity. To this date, Enel Generación Chile has promoted more than 100 small and medium sized companies on a domestic level. Worth highlighting is the "We Kimun" cooperative in Lonquimay, Araucanía Region, and the El Avellano agricultural cooperative. We Kimun commercializes potatoes and seeds that are certified by the Farm and Cattle Service (SAG in its Spanish acronym). The El Avellano cooperative that has ancestrally commercialized hazelnuts, was able to significantly increase its revenue by training each participant in food handling and having equipment that allowed them to produce products derived from hazelnuts. The Company has also promoted entrepreneurship that adopt circular economy principles, such as, the three women that received eco-building training and formed the company "Entrepallets". They make furniture from pallet waste of the Bocamina plant and the Coronel industrial park. This company is currently the community center's most important builder. To this date, they have made 300 pieces of furniture by reusing more than 800 pallets equivalent to nearly 17,000 kilos of wood. This initiative is aligned with SDG 4 related to quality education and SDG 8 related to decent work and economic growth.







# 19

Innovation  
culture in the  
Company



# 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, and in alignment with the company's strategic plan.

During 2018, the company continued promoting culture, climate and innovative practices and working on materializing such culture by developing projects that add value to the Company. In doing so, the internal climate of the company must foster innovation and materialize such innovation as greater competitiveness and efficient processes. The following activities were carried out during 2018 to strengthen the innovation culture and promote employees' creativity.

## Capturing ideas

This program is about finding solutions to real challenges by applying the employee collaboration method.

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

The following are the categories of the program:

### Continuous improvement:

- Operational performance (combined cycles and coal)
- Sustainability
- Safety

### Innovation:

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

The winners and their ideas are the following:

### Continuous improvement:

- Luis Vásquez won the "Sustainability" category with his "Early Payment" proposal
- Sebastián Gil won the "Operational Performance" category with the improvement proposal "selection criteria of replacement parts in stock"
- Fabián Romero won the "Operational Performance CCGT/Oil & Gas" category with the improvement proposal "process time optimization"
- Heriberto Pérez won the "Safety" category with the improvement proposal "installation of clear cover isolators".

### Innovation:

- Federico Barbera won the "New business model" category with his innovative idea "Virtual Visit"
- Florencio Sepulveda won the "Operational Performance CCGT/Oil & Gas" category with the innovative idea "TG1 Air filter replacement".
- Gonzalo Espinoza won the "Operational Performance Coal" category with the innovative idea "Coal battery topography"
- David Poblete won the "Sustainability" category with the innovative idea "Reusing Bocamina ashes"

The winning ideas will participate in a worldwide contest. The results will be informed in early 2019.



## Innovation week

The slogan of the traditional Innovation Week this year was "creating value together". Once again, the employees of the generation business participated actively in organizing recreational activities, workshops and talks.

## Technological fairs

The Innovation team participated in the Global Thermal Generation exposition and presented all the technological advances that are being implemented at the Company's power plants: robots, virtual reality elements, augmented reality, among others. Their presentation was outstanding and received with enthusiasm by the public.

## Attending international fairs

The Innovation team participated in several different fairs and international seminars during 2018, not only to be aware of what's going on outside our border (physically and ideologically) but also to promote state of the art knowledge internally in meetings and talks.

## Open innovation

The Innovation team supported a program to identify innovation projects carried out by the university Federico Santa María as part of Enel Generación Chile's commitment with the community. The university invited different startups to present their ideas on how to respond to certain challenges that were previously identified. The outcome was highly satisfactory, and the ideas of the winning startups are expected to be implemented.

## Innovation projects

The Innovation projects developed in Chile for hydroelectric and thermal power plants have been selected to improve processes, increase safety and environmental standards, and optimize electricity generation operations. The main innovation projects developed in 2018 are the following:





## Hydrobotics Chile

In line with the Company's digitalization strategy, during 2018 efforts were made at all hydroelectric power plants to validate the use of different robotic technology that could improve inspection, measurement, and information assessment processes in different locations. Tests were performed as part of the "Hydrobotics Technologies Concept Tests" to validate the following technologies:

- Autonomous boats to assess the bathymetry of dams, reservoirs, and canals. This technology was developed along with a Chilean startup to automatically assess bathymetry and provide more precise information regarding sediments or terrain variations that could be present at each site. This allows increasing reliability and reducing time and costs when compared to traditional assessments.
- ROV for underwater inspections, using equipment denominated BlueRov that performs visual inspections of civil works under water: walls, gates, water intakes. This equipment intends to increase safety of underwater inspections, reduce time and cost of current inspections and obtain visual assessments at locations that previously could not be inspected.

## Virtual visit

The project eliminates the need for a contractor, participating in a tender process, to visit the site. The visit is replaced by a virtual visit, in real-time.

## Measurement of river flow with sensors

The project responds to the need of having a continuous measurement of the water flow of the Aconcagua river at the San Isidro power plant. A highly sophisticated sensor is installed in a robot-boat to measure the flow.

## ALAS

More than 20 employees from different areas of the Company were trained and certified, under Chilean legislation, as drone operators. This project satisfies the innovation department's objective to materialize and develop its projects.

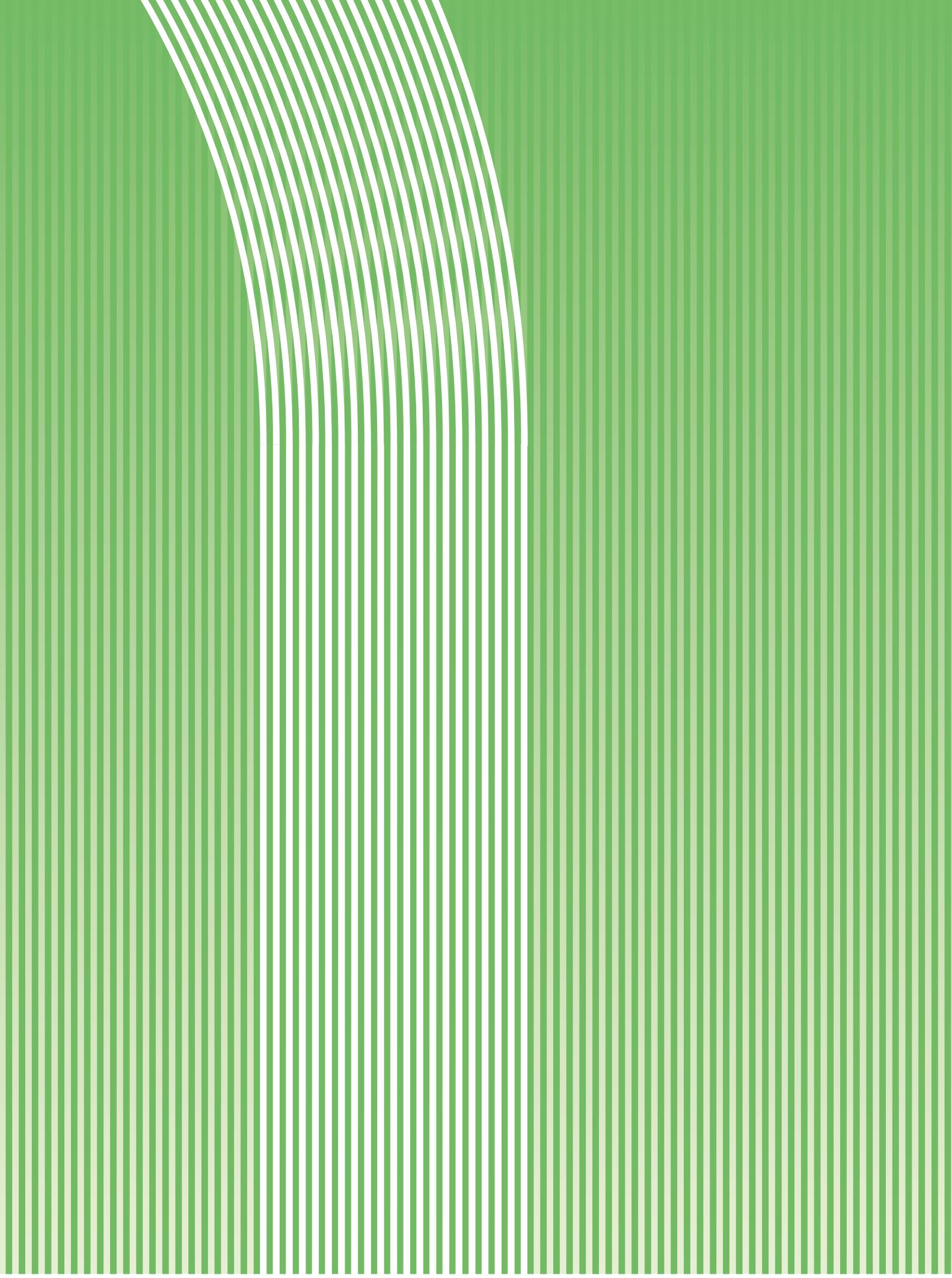


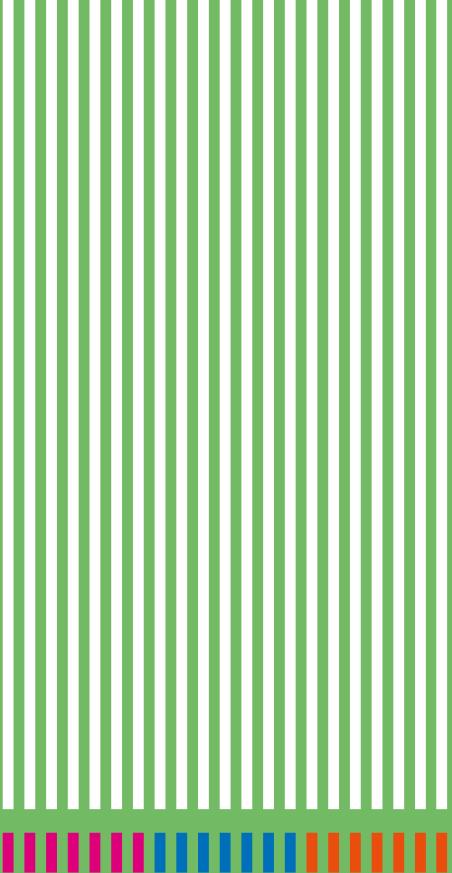
## Concept tests

Concept tests (PoC in its Spanish acronym) are the first tests applied to an equipment/process to determine its technical feasibility and optimizing resource management. Some examples carried out in 2018 are described below.

- **Robot 4 in 1:** the design of a body that can be used for different types of robots, such as, aerial, submarine, and terrestrial robots. The test was technically a success and therefore its development may continue to the next stage to define its appropriate business model.
- **On site replacement parts inventory:** the use of drones to inventory replacement parts stored at power plants. The test was technically successful and therefore its development may continue to the next stage to define its appropriate business model.
- **Virtual operator:** the evaluation of the basic algorithms of a virtual operator, focused on optimizing the number guards at the power plants. The test was technically successful and therefore its development may continue to the next stage to define its appropriate business model.







# 20

## Shareholding Chart



# Direct and indirect economic interests

Subsidiaries	Economic Interest	
	2017	2018
<b>Chile</b>		
Empresa Eléctrica Pehuenche S.A. (Pehuenche S.A.)	92.65%	92.65%
GasAtacama Chile S.A.	97.37%	97.37%
Gasoducto Atacama Argentina S.A	97.37%	97.37%

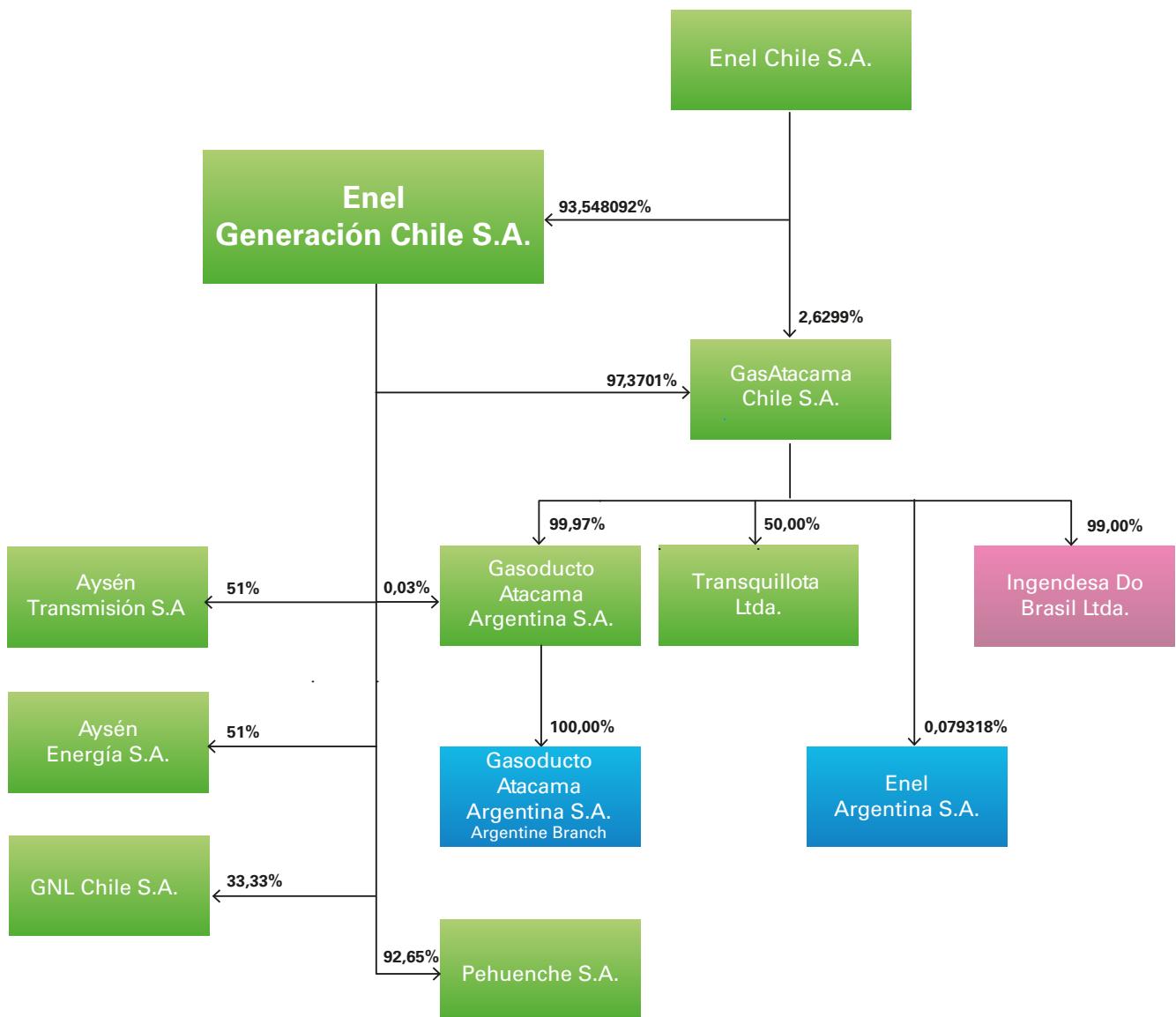
Associates and jointly-controlled (1)	Economic Interest	
	2017	2018
<b>Chile</b>		
GNL Chile.S.A.	33.33%	33.33%
Aysén Energía S.A. En Liquidación	51.00%	51.00%
Aysén Transmisión S.A. En Liquidación	51.00%	51.00%
Centrales Hidroeléctricas de Aysén S.A. (HidroAysén) (2)	51.00%	51.00%
Transmisora Eléctrica de Quillota Ltda.	48.69%	48.69%

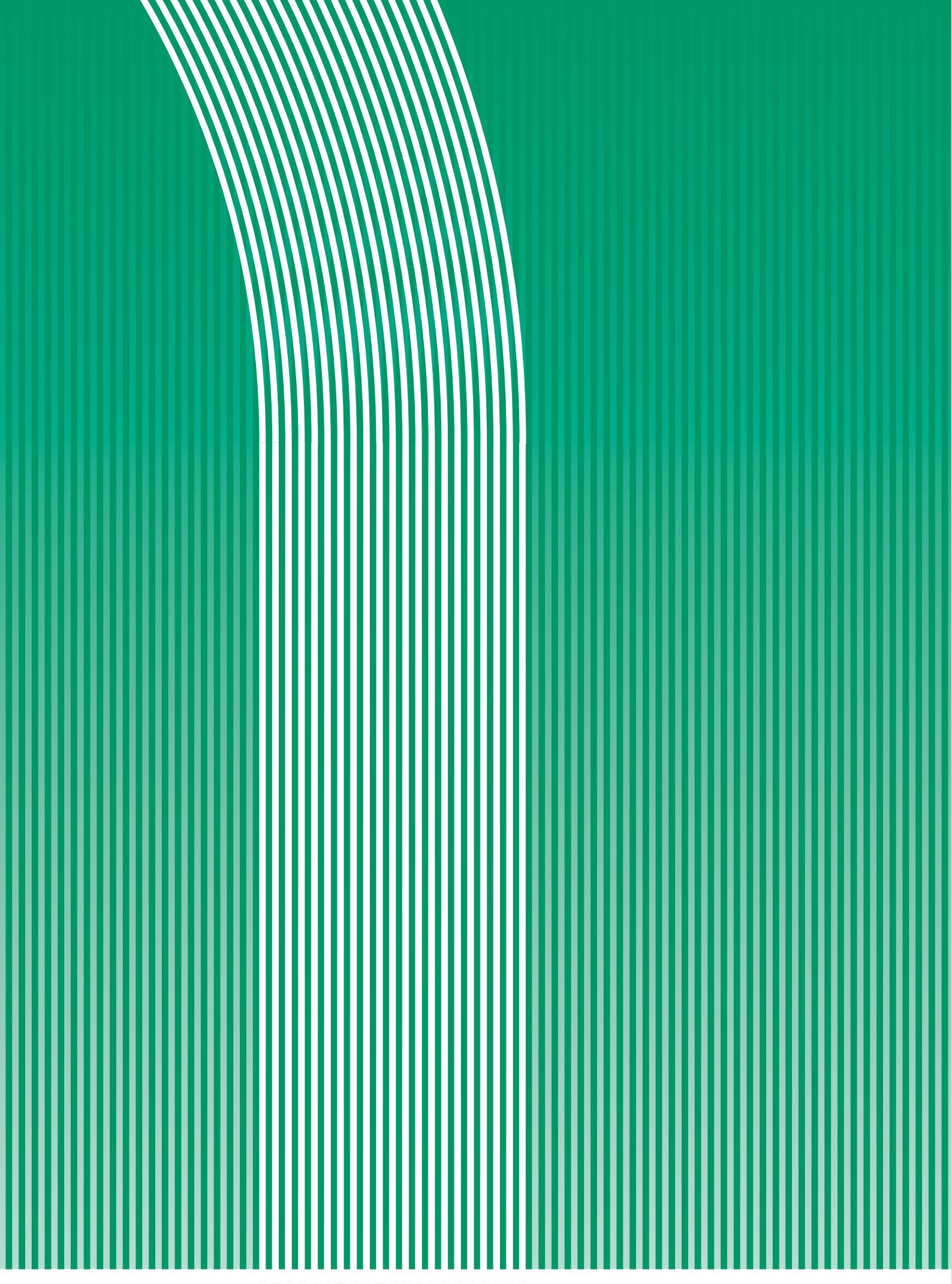
(1) Jointly-controlled companies are those in which the parent company controls the majority of the voting rights, or, should this not be the case, where it has the capacity to govern their financial and operating policies by virtue of an agreement with other shareholders or jointly with them. The jointly-controlled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

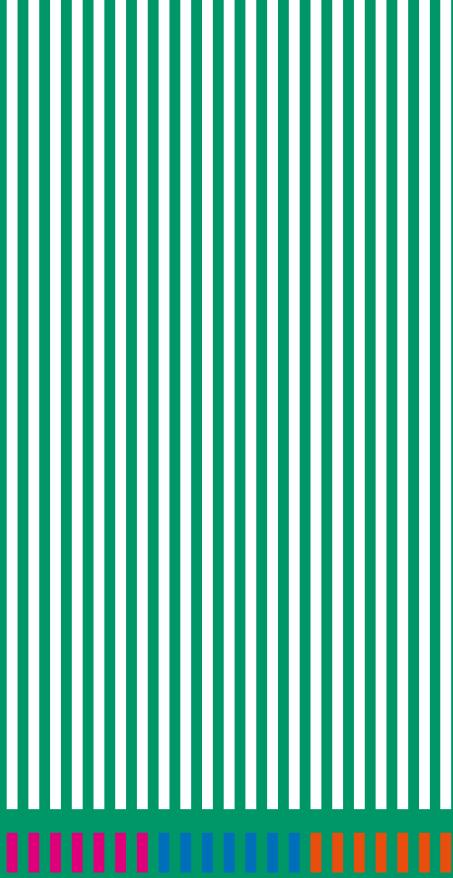
(2) The minute of the ESM held on December 7, 2017, of Centrales Hidroeléctricas de Aysén S.A. in which the shares with voting rights unanimously agreed on the early dissolution of the company as of the date the minute of the ESM becomes a public deed, which occurred on August 14, 2018, by Mr. German Rousseau Del Rio, a notary public in Santiago.

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



# Consolidated Significant Events as of December 31, 2018

## Enel Generación Chile S.A.

- The Board of Directors of Enel Generación Chile S.A., during its meeting held on January 29, 2018, after a deep analysis on the subject, unanimously agreed to stop and abandon the development of the Neltume and Choshuenco hydroelectric projects for not being economically feasible and implied booking a Ch\$ 25,106 million loss that affects the net profit of the Company's Consolidated Financial Statements for fiscal year 2017.

In addition, the Board of Directors unanimously agreed to return the water rights of these abovementioned projects to the State of Chile.

- Regarding the public tender offer by Enel Chile S.A for all the shares and the American Depository Shares issued by Enel Generación Chile S.A.:

On February 21, 2018, in accordance with Article 207 letter c) of Law 18,045, the Company has received the individual opinions of its Board members, Messrs. Enrique Cibié Bluth, Jorge Atton Palma, Julio Pellegrini Vial, Giuseppe Conti, Umberto Magrini, Luca Noviello, Francesco Giorgianni, Mauro Di Carlo and Fabrizio Barderi.

Also, in compliance with the aforementioned Article 207 letter c), a copy of the abovementioned individual opinions and the prospectus of the PTO referred to in Article 203 of Law 18,045 will be available to the public and shareholders at the Company's website, [www.enelgeneracion.cl](http://www.enelgeneracion.cl).

- Regarding the corporate reorganization process informed by the Extraordinary Shareholders Meeting held on December 20, 2017 (the "Meeting"). In the Meeting, and as publicly disclosed by the Company through a significant event dated December 20, 2017, to comply with one of the conditions to the success of the tender offer by Enel Chile S.A. ("Enel Chile") to purchase up to the total amount of shares issued by Enel Generación Chile not already held by Enel Chile ("PTO"), the shareholders of Enel Generación agreed to approve amending the Company bylaws, to eliminate the limitations and restrictions established by Title XII of D.L. 3,500. To reach 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 prepare a new revised version of the Enel Generación bylaws including the modifications mentioned above and 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 Notice on the outcome of the PTO declaring it a success.

Through its significant event dated March 25, 2018, Enel Chile informed that it had published on that same date in "El Mercurio de Santiago" and "La Tercera" newspapers, the Notice informing on the outcome of the PTO declaring it a success, as determined by its terms and conditions. In said significant event, Enel Chile declared having satisfied each and every one of the conditions of every stage of the corporate reorganization that was disclosed by the Meeting.

Hence, and as stated by Enel Chile in the aforementioned significant event, the amendment to the Enel Generación bylaws approved by the Meeting came into effect on March 25, 2018.

- On April 24, 2018, the Ordinary Shareholders Meeting of Enel Generación Chile S.A. agreed to distribute a final dividend for an amount equivalent to 55% (fifty-five percent) of the 2017 net profit, equivalent to Ch\$ 28.06102 per share from which the interim dividend paid in January 2018 must be deducted, so that the effective amount to be distributed to the shareholders in May 2018 would be Ch\$ 23.12488 per share.
- At the Board of Directors' Meeting held April 24, 2018, the Board of Directors agreed to appoint Mr. Giuseppe Conti as Chairman of the Board of Directors and the Company, and Mr. Ignacio Quiñones Sotomayor as the Secretary of the Board of Directors.

Also, at the aforementioned meeting, the Board of Directors appointed the Directors' Committee, in accordance to the Chilean Corporations Law 18,046 and the Sarbanes - Oxley Act, which is composed of Directors Hernan Cheyre Valenzuela; Jorge Atton Palma and Julio Pellegrini Vial. In accordance with the provisions of Circular 1,956 of the Securities Market Law, it is duly informed that the aforementioned members of the Directors' Committee, Hernan Cheyre Valenzuela, Jorge Atton Palma and Julio Pellegrini Vial are independent members under the United States legislation, and that the last two (Jorge Atton Palma and Julio Pellegrini Vial) are independent under local legislation.

Mr. Hernan Cheyre Valenzuela was appointed as the Financial Expert of the Directors' Committee of the Company. Also, Mr. Jorge Atton Palma was appointed President and Mr. Ignacio Quiñones was appointed Secretary of the Directors' Committee.

- At the Board of Directors meeting held on April 24, 2018, the Usual Transactions Policy dated April 2012 was replaced by a new one. This new policy, which took effect on April 24, 2018, authorizes related-party transactions to not comply with requirements and procedures set forth in Article 147, paragraphs 1 to 7, under Law 18,046:

- (i) Usual Transactions, in the ordinary course of business, include financial transactions or financial intermediation with related parties such as short-term loans (Contracts, methodology, etc.), currency market transactions (money market) and/or financial loans or other equivalents.

- (ii) Transactions considered as usual or in the ordinary course of business, include related-party transactions associated to the purchase or sale contracts of energy and its associated products such as power, complementary services, transmission, storage, NCRE attributes, CO2, rent or sale of generating facilities, among others, as well as purchase contracts, loan or barter contracts of spare parts, strategic parts and pieces necessary to recover components affected by failure or in maintenance activities of generation units.
- (iii) Transactions considered as usual include financial transactions or financial intermediation carried out by the Company with related-party such as fixed-income and equity, purchase and sale of currencies, derivatives, swaps, pacts, term deposits, overdraft lines, credits documented with promissory notes, letters of credit, guarantee slips, stand by letters of credit, forward contracts, hedges, options and futures, operations related to banking accounts of the Company or another usual financial operations.
- (iv) Transactions considered as usual include related-party transactions associated to IT services, infrastructure services, data center, microcomputers, software and hardware, and to data management in general.
- (v) Transactions considered as usual include related-party transactions relative to administration; first-line management, professional, legal, human resources and organization, compliance, financial management, representation, technical, and other similar services comprising among others accounting, financial reporting, fixed assets, sales and purchases ledger, treasury and banks, taxation advisory, insurance, procurement, comptroller and internal audit, infrastructure, operation and maintenance, control room, trading and commercialization and operational efficiency.
- (vi) Transactions considered as usual include related-party transactions associated to purchase and sale contracts of all types of fuels such as coal, natural gas, liquefied natural gas, petroleum and its derivatives, among others. As well as for





services contracts associated with these fuels, such as: transportation, processing, storage, logistics services among others.

- (vii) Transactions considered as usual include acquisition or disposal operations of shareholding, subsidiaries or affiliates of the Company, or other companies in which has participation directly or indirectly, signed with related-companies, in order to proceed with corporate restructuration or asset relocation, which do not exceed 10% the shareholding of the entity in which the transaction is completed, nor exceed the equivalent of US\$ 200 million.
- Regarding the Los Cóndores power plant project, on September 14, 2018, the Board of Directors of Enel Generación Chile S.A., unanimously agreed to approve that the civil works of the two units of the power plant be completed during the last quarter of year 2020 and then continue with the start up and the commercial operation of the plant whose investment amounted to US\$ 957.3 million.

The amount indicated above represents the future payments for the construction and completion of the Los Cóndores project. To this date, it is not possible to determine the financial impact of the delayed commissioning period because it depends, among others, on the future marginal cost, prices of outstanding contracts, energy and capacity demand, the maintenance and dispatch of others power plant units determined by the CEN, the exchange rate, and fuel prices.

- On November 27, 2018, Enel Generación and Engie Energía Chile S.A. signed a power supply contract for an average, 1.2 TWh annual consumption amount. Supply is to begin in 2019 for a 12-year term.

Such supply contract will be executed by means of electric power transfer balances between the companies participating in electricity generation and consumption, in accordance with Exempt Resolution 669 dated November 21, 2017 of the National Energy Commission, which establishes the "Calculation Procedure and Determination of Economic Transfers of Energy".

With regard to the financial impact on Enel Generación, it is stated that they cannot be determined at this time because they will depend on the factors that affect the behavior of the electricity market during the term of the contract, such as the price of fuels, hydrological conditions, demand growth and international inflation rates, among others.

- On November 29, 2018, the Board of Directors of Enel Generación Chile S.A. agreed to modify the Dividends Policy approved during the ordinary board's meeting held February 27, 2018 and proposed to the Ordinary Shareholders' Meeting held on April 24, 2018, to distribute an interim dividend equivalent to 50% of the distributable income as of September 30, 2018, rather than the 15% originally established by the Dividend Policy.
- The Board of Directors' Meeting held on November 29, 2018, agreed to distribute an interim dividend equivalent to 50% (fifty percent) of distributable income as of September 30, 2018, equal to Ch\$ 11.1955702149 per share, to be paid in January 2019.

The shareholders who are registered by January 5, 2019 in the Shareholders' Registry will be entitled to receive this dividend.

The expected payment date is January 11, 2019.

- In its session held November 29, 2018, the Board of Directors of Enel Generación Chile S.A. approved the Strategic Plan of the Company for the period 2019-2021.

The macro elements included in the Strategic Plan for the three years period 2019-2021 have an estimated accumulated EBITDA of approximately US\$ 3,400 million and an estimated accumulated CAPEX of US\$ 600 million.

Considering that the contents of the referred Strategic Plan follows and are based on projections and hypotheses that might or might not come true in the future, its effects cannot be established at this date.

- On December 19, the Board of Directors of Enel Generación unanimously approved to file an application for the voluntary delisting of the securities issued by the Company and listed on the New York Stock Exchange ("NYSE") of the United States of America.

The aforementioned delisting application was submitted to the Securities and Exchange Commission (SEC) of the United States of America through Form 25 on December 31, 2018, date from which the American Depository Shares issued by Enel Generación Chile S.A. will no longer be traded on the NYSE. The delisting would be effective 10 days after the submission of the aforementioned Form.

Notwithstanding the foregoing, the Company's ADR Program will continue to be traded on the "Over-the-Counter" markets of the United States of America.

## Pehuenche

### - Final Dividend

The Ordinary Shareholders' Meeting of the Company held on April 23, 2018, approved the distribution of the balance of the final dividend amounting to Ch\$ 49.240943 per share attributable to the fiscal period ended December 31, 2017. This dividend was paid on May 8 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 30, 2018, 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 on April 23, 2018 for a three-year period beginning that same day. The board members appointed are Raúl Arteaga Errázuriz, Juan Candia Narváez, Paula Riveros Pérez, Luis Ignacio Quiñones Sotomayor, Fernando Vallejos Reyes.

Mr. Raúl Arteaga Errázuriz was elected Chairman of the Board and Ms. Natalia Fernández Sepúlveda was elected Secretary to the Board.

## - First Interim Dividend

The Board of Directors' Meeting held on September 24, agreed to distribute a first interim dividend for fiscal year 2018 amounting to Ch\$ 51.36 per share. This dividend will be paid on October 24, 2018 to the shareholders registered in the Shareholders' Register by midnight 5 working days before the payment date.

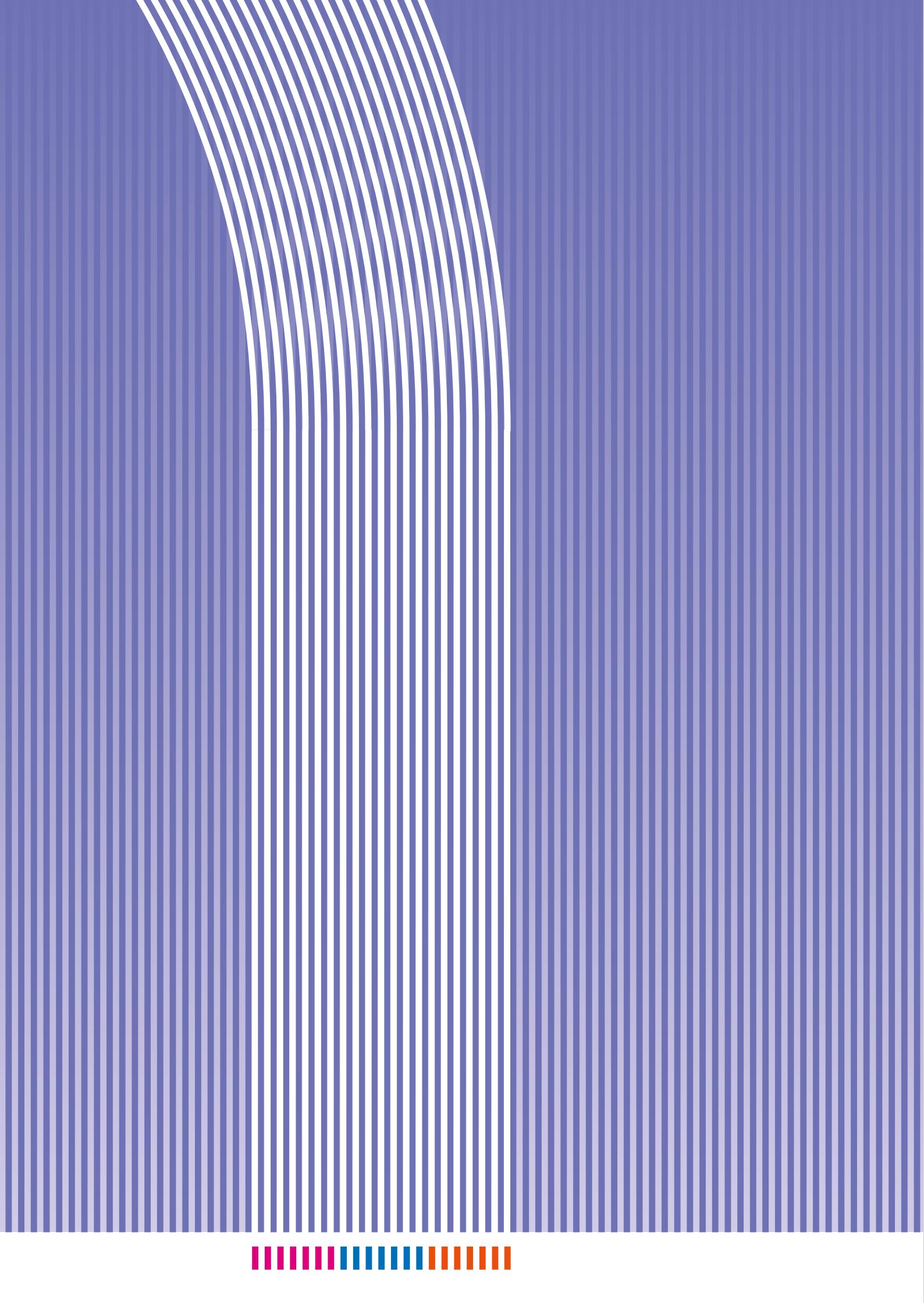
The notice will be published on this coming October 8, in the El Mercurio de Santiago newspaper.

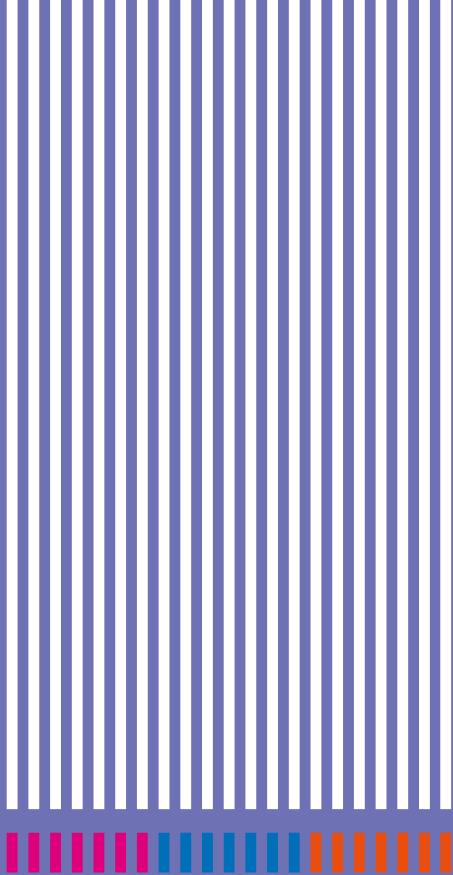
## - Second Interim Dividend

The Board of Directors' Meeting held on December 18, agreed to distribute a second interim dividend for 2018 amounting to Ch\$ 44.60 per share. This dividend will be paid on January 23, 2019 to the shareholders registered in the Shareholders' Register by midnight 5 working days before the payment date.

The notice was published on January 7, 2019, in the El Mercurio de Santiago newspaper.







# 22

Identification  
of subsidiaries  
and associate  
companies



## AYSÉN ENERGÍA \*

In liquidation

**Name**  
Aysén Energía S.A.

**Type of company**  
Privately held corporation

**Taxpayer ID**  
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\*

In liquidation

**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**  
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.

## GASATACAMA CHILE

**Name**  
GasAtacama Chile S.A.

**Type of company**  
Privately held corporation.

**Taxpayer ID**  
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**  
Raul Arteaga Errazuriz  
Chairman  
Carlo Carvallo Artigas  
Pablo Arnas 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**  
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**  
76,418,940-K

**Address**  
532 Rosario Norte, office 1303, Las Condes, Santiago.

**Telephone No**  
(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 liquidate the company. The dissolution of Centrales Hydroeléctricas de Aysén S.A. request was submitted to the SII and authorization was received in May 2018. The dissolution minute was then reduced to public deed on August 14, 2018 and the entire process concluded on September 7, 2018.

The assets were distributed among the company's only two partners, Enel Generación Chile and Colbún, including its two subsidiaries Aysén Transmision and Aysén Energía. Both companies are undergoing liquidation.





## 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**  
Raul Arteaga Errazuriz  
Ignacio Quiñones Sotomayor  
Paula Riveros Pérez  
Fernando Vallejos Reyes  
Juan Candia Narváez

**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**  
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.

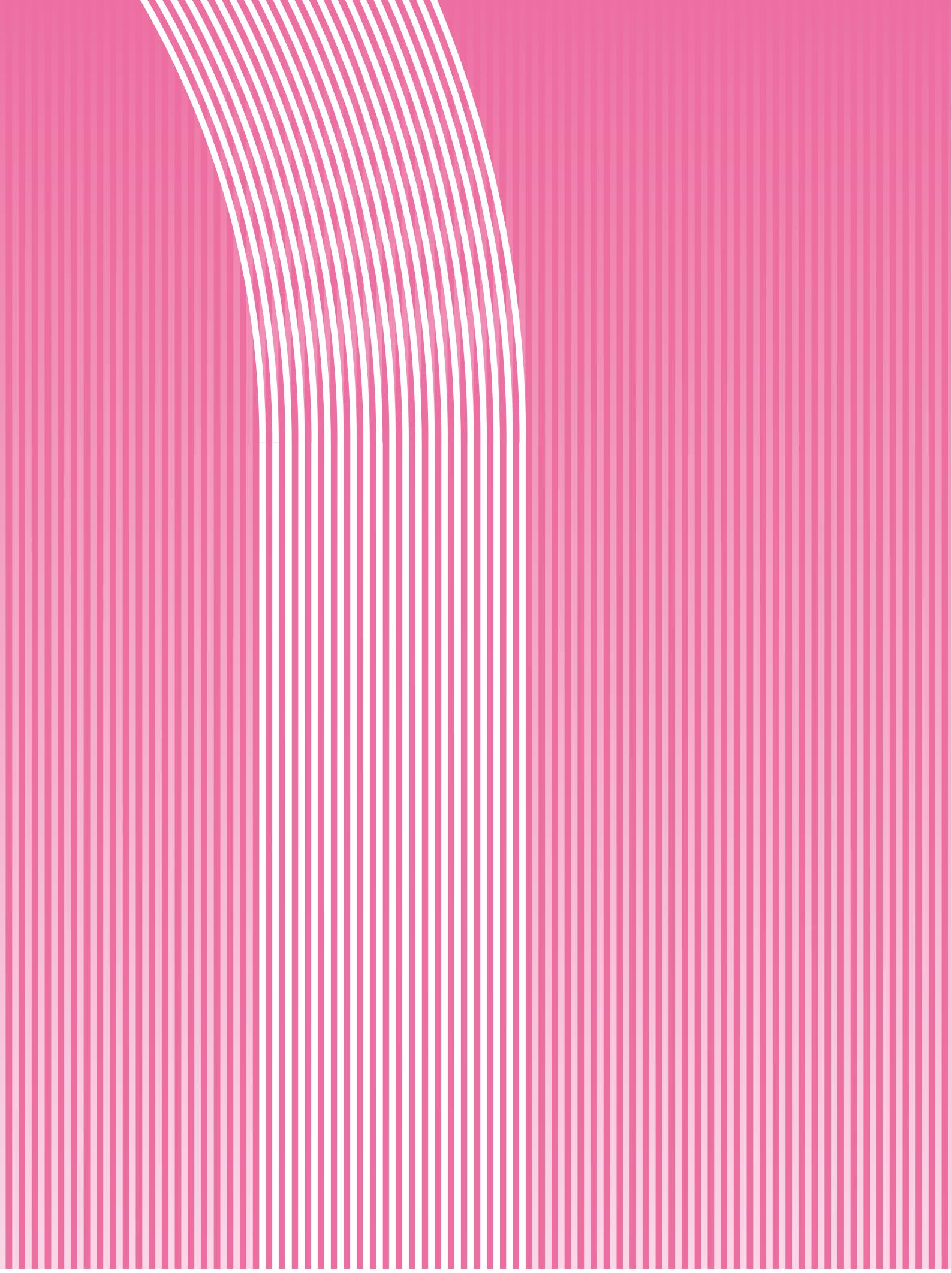
**Business Activities**  
Electricity transmission

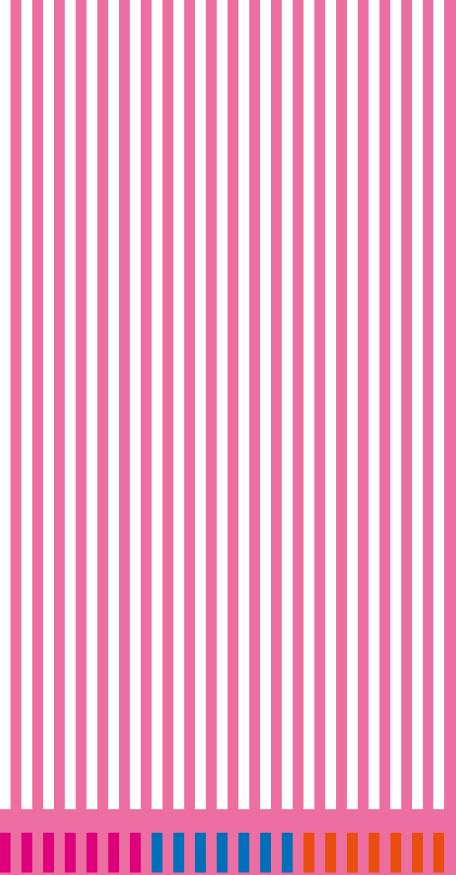
**Subscribed and paid capital (ThCh\$)**  
4,404,446

**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 National Electricity System.







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Statement of  
Responsibility



# Statement 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 Financial Market Commission.



CHAIRMAN

Giuseppe Conti

Passport: YA3320684



DIRECTOR

Francesco Giorgianni

Taxpayer: 24.852.388-3



DIRECTOR

Hernán Cheyre Valenzuela

Taxpayer: 6.375.408-0



DIRECTOR

Julio Pellegrini Vial

Taxpayer: 12.241.361-6



DIRECTOR

Fabrizio Barderi

Passport: YA7104825



DIRECTOR

Antonio Scala

Passport: YA8230634



DIRECTOR

Cristiano Bussi

Passport: YA2326668



DIRECTOR

Luca Noviello

Passport: YA6877260



DIRECTOR

María Soledad Arellano

Taxpayer: 10.745.775-5



CHIEF EXECUTIVE OFFICER

Walter Moro

Taxpayer: 24.789.926-K







