

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12 (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 1-13240

ENEL GENERACIÓN CHILE S.A.

(Exact name of Registrant as specified in its charter)

ENEL GENERACIÓN CHILE S.A.

(Translation of Registrant's name into English)

CHILE

(Jurisdiction of incorporation or organization)

Santa Rosa 76, Santiago, Chile

(Address of principal executive offices)

Nicolás Billikopf, phone: (56-2) 2353-4628, nicolas.billikopf@enel.com, Santa Rosa 76, Piso 15, Santiago, Chile

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

None

Securities registered or to be registered pursuant to Section 12(g) of the Act: Common Stock, no par value*

*Not for trading, but only in connection with the registration of American Depositary Shares, each representing 30 shares of common stock, pursuant to the requirements of the Securities and Exchange Commission.

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

| | | |
|-------------------------|---------------|-----------------------------------|
| US\$ 205,881,000 | 7.875% | Notes due February 1, 2027 |
| US\$ 70,780,000 | 7.325% | Notes due February 1, 2037 |
| US\$ 40,416,000 | 8.125% | Notes due February 1, 2097 |
| US\$ 400,000,000 | 4.250% | Notes due April 15, 2024 |
| <hr/> | | |
| (Title of Class) | | |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow

Item 17 Item 18

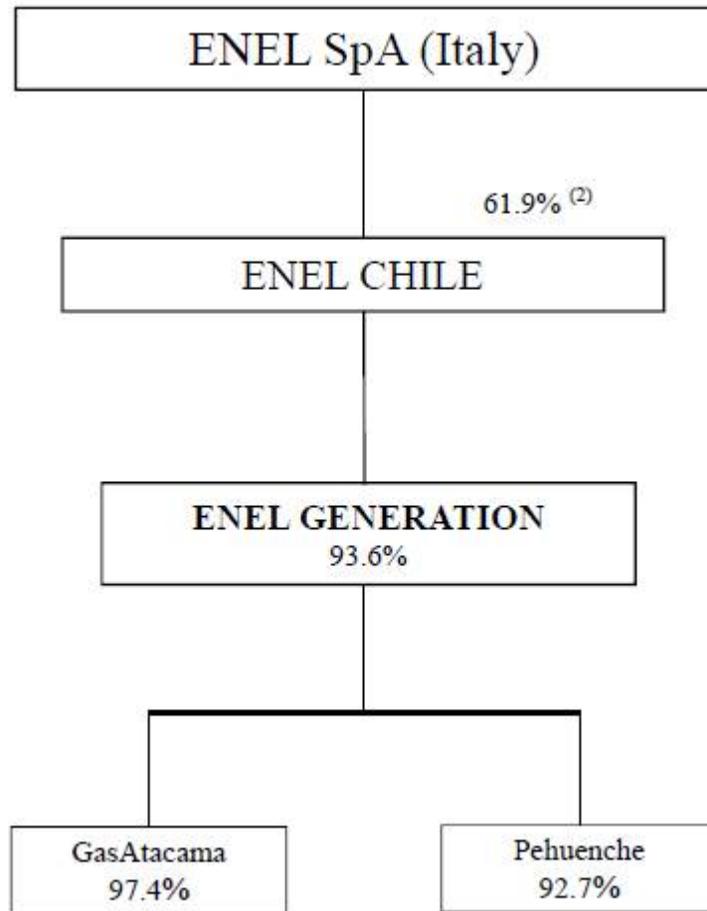
If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report.

Shares of Common Stock: 8,201,754,580

Enel Generation Chile's Organizational Chart (1)
As of December 31, 2018



(1) Only principal operating subsidiaries are presented here. The percentage listed in the box for each of Enel Generation's consolidated subsidiaries represents its economic interest in such consolidated subsidiary.

(2) Excluding treasury stock.

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GLOSSARY

| | | |
|--------------------------------|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AFP | <i>Administradora de Fondos de Pensiones</i> | A legal entity that manages a Chilean pension fund. |
| CDEC | <i>Centro de Despacho Económico de Carga</i> | The autonomous entity in charge of coordinating the efficient operation and dispatch of generation units to satisfy demand in the SIC and SING that was replaced by the CEN in November 2017. |
| Celta | <i>Compañía Eléctrica Tarapacá S.A.</i> | Celta was a former Chilean generation subsidiary of Enel Generation that operated plants in the SING and the SIC. Celta merged into GasAtacama in November 2016. |
| CEN | <i>Coordinador Eléctrico Nacional</i> | An autonomous entity in charge of coordinating the efficient operation of the SEN, dispatching generation units to satisfy demand and known as the National Electricity Coordinator. It replaced the CDEC for both the SIC and SING in November 2017. |
| Chilean Stock Exchanges | <i>Chilean Stock Exchanges</i> | The two principal stock exchanges located in Chile: the Santiago Stock Exchange and the Electronic Stock Exchange. |
| CMF | <i>Comisión para el Mercado Financiero</i> | Chilean Financial Market Commission, the governmental authority that supervises the financial markets. Formerly known as the Chilean Superintendence of Securities and Insurance or SVS in its Spanish acronym. |
| CNE | <i>Comisión Nacional de Energía</i> | Chilean National Energy Commission, governmental entity with responsibilities under the Chilean regulatory framework. |
| DCV | <i>Depósito Central de Valores S.A.</i> | Chilean Central Securities Depository. |
| Enel | <i>Enel S.p.A.</i> | An Italian energy company with multinational operations in the power and gas markets. A 61.9% beneficial owner of Enel Chile as of December 31, 2018, and our ultimate parent company. |
| Enel Américas | <i>Enel Américas S.A.</i> | An affiliated Chilean publicly held limited liability stock corporation, with subsidiaries engaged primarily in the generation, transmission and distribution of electricity in Argentina, Brazil, Colombia, and Perú, and controlled by Enel. Formerly known as Enersis S.A. |
| Enel Chile | <i>Enel Chile S.A.</i> | Our parent company, a Chilean publicly held limited liability stock corporation, with subsidiaries engaged primarily in the generation and distribution of electricity in Chile, and which is controlled by Enel. Formerly known on an interim basis as Enersis Chile S.A. Owner of 93.6% of our shares as of December 31, 2018. |

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| | | |
|---------------------------|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Enel Distribution | <i>Enel Distribución Chile S.A.</i> | An affiliated Chilean publicly held limited liability stock corporation owned by Enel Chile, engaged in the electricity distribution business with operations in the Santiago Metropolitan Region. Formerly known on an interim basis as Chilectra Chile S.A. and prior to that as Chilectra S.A. |
| Enel Generation | <i>Enel Generación Chile S.A.</i> | Our company, a Chilean publicly held limited liability stock corporation, engaged in the electricity generation business with operations in Chile. Registrant of this Report. Formerly known as Empresa Nacional de Electricidad S.A. or Endesa Chile. |
| EGP Chile | <i>Enel Green Power Chile Ltda.</i> | A Chilean limited liability company, with non-conventional renewable electricity generation operations and since April 2, 2018, a consolidated subsidiary of Enel Chile. |
| EGPL | <i>Enel Green Power Latin America S.A.</i> | A Chilean closely held limited liability stock corporation that merged with Enel Chile on April 2, 2018. As a result, Enel Chile now consolidates EGP Chile. |
| GasAtacama | <i>GasAtacama Chile S.A.</i> | An affiliated Chilean closely held limited liability stock corporation, engaged in gas transportation and electricity generation in northern Chile and our subsidiary. |
| GasAtacama Holding | <i>Inversiones GasAtacama Holding Ltda.</i> | A holding company subsidiary that previously held GasAtacama. GasAtacama Holding merged into Celta during 2016, which later merged into GasAtacama. |
| Gener | <i>AES Gener S.A.</i> | A Chilean generation company and our competitor in Chile. |
| GNL Quintero | <i>GNL Quintero S.A.</i> | A company created to develop, build, finance, own and operate a LNG regasification facility at Quintero Bay at which LNG is unloaded, stored and regasified. We sold our 20% stake in this company to Enagas Chile S.p.A., an unaffiliated company, in September 2016. |
| HidroAysén | <i>Centrales Hidroeléctricas de Aysén S.A.</i> | A company created to develop a hydroelectric project in the Aysén region, southern Chile. We owned 51% of HidroAysén and Colbún, an unaffiliated company, owned the remaining 49%. The company terminated its activities in 2017. |
| IFRS | <i>International Financial Reporting Standards</i> | International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). |
| LNG | <i>Liquefied Natural Gas.</i> | Liquefied natural gas. |
| NCRE | <i>Non-Conventional Renewable Energy</i> | Energy sources that are continuously replenished by natural processes, such as wind, biomass, mini-hydro, geothermal, wave, solar or tidal energy. |

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| | | |
|------------------|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| OSM | <i>Ordinary Shareholders' Meeting</i> | Ordinary Shareholders' Meeting. |
| Pehuenche | <i>Empresa Eléctrica Pehuenche S.A.</i> | A Chilean publicly held limited liability stock corporation engaged in the electricity generation business, owner of three power stations in the Maule River basin and our subsidiary. |
| SEF | <i>Superintendencia de Electricidad y Combustible</i> | Chilean Superintendence of Electricity and Fuels, the governmental authority that supervises the Chilean electricity industry. |
| SEN | <i>Sistema Eléctrico Nacional</i> | The National Electricity System is the Chilean national interconnected electricity system formed in November 2017 through the integration of the SIC and SING. |
| SIC | <i>Sistema Interconectado Central</i> | Chilean central interconnected electricity system that was integrated with the SING in November 2017 to form a single interconnected system, the SEN. |
| SING | <i>Sistema Interconectado del Norte Grande</i> | Chilean interconnected electric system operating in northern Chile that was integrated with the SIC in November 2017 to form a single interconnected system, the SEN. |
| UF | <i>Unidad de Fomento</i> | Chilean inflation-indexed, Chilean peso-denominated monetary unit equivalent to Ch\$ 27,565.79 as of December 31, 2018. |
| UTA | <i>Unidad Tributaria Anual</i> | Chilean annual tax unit. One UTA equals 12 <i>Unidades Tributarias Mensuales</i> ("UTM"), a Chilean inflation-indexed monthly tax unit used to define fines, among other purposes. For December 2018, one UTM was equivalent to Ch\$ 48,353 and one UTA was equivalent to Ch\$ 580,236. |

INTRODUCTION

As used in this Report on Form 20-F (the “Report”), first person personal pronouns such as “we,” “us” or “our”, as well as “Enel Generación Chile”, “Enel Generation” or the “Company”, refer to Enel Generación Chile S.A. and our consolidated subsidiaries unless the context indicates otherwise. Unless otherwise noted, our interest in our principal subsidiaries, jointly-controlled entities and associates is expressed in terms of our economic interest as of December 31, 2018.

We are a Chilean company engaged in the electricity generation business in Chile directly and through our subsidiaries and jointly-controlled entities and are the surviving company spun off from Empresa Nacional de Electricidad S.A. (“Endesa Chile”).

We are a publicly held limited liability stock corporation originally organized on December 1, 1943 under the laws of the Republic of Chile. During 2016, we completed a corporate reorganization to separate our Chilean businesses from our non-Chilean businesses. On October 18, 2016, and as part of this process, (i) Endesa Chile changed its name to Enel Generación Chile S.A.; (ii) Chilectra Chile S.A. changed its name to Enel Distribución Chile S.A.; and (iii) Enersis Chile S.A. changed its name to Enel Chile S.A. For additional information relating the company and the corporate reorganization completed in 2016, please see “Item 4. Information on the Company — A. History and Development of the Company” and “— The 2016 Reorganization”.

As of the date of this Report and after giving effect to the 2018 Reorganization, (i) our direct controlling entity, Enel Chile S.A. (“Enel Chile”), owns 93.6% of our shares and (ii) Enel S.p.A. (“Enel”), an Italian energy company with multinational operations in the power and gas markets, beneficially owns 61.9% of Enel Chile as of December 31, 2018, and is our ultimate controlling shareholder with an economic interest of 57.9% in our Company. For additional information relating to the 2018 Reorganization, see “Item 4. Information on the Company — A. History and Development of the Company — The 2018 Reorganization”.

PRESENTATION OF INFORMATION

Financial Information

In this Report, unless otherwise specified, references to “U.S. dollars” or “US\$”, are to dollars of the United States of America (“United States”); references to “pesos” or “Ch\$” are to Chilean pesos, the legal currency of Chile; and references to “UF” are to *Unidades de Fomento*. The UF is a Chilean inflation-indexed, peso-denominated monetary unit that is adjusted daily to reflect changes in the official Consumer Price Index (“CPI”) of the Chilean National Institute of Statistics (*Instituto Nacional de Estadísticas* or “INE”). The UF is adjusted in monthly cycles. Each day in the period beginning on the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed in order to reflect a proportionate amount of the change in the Chilean CPI during the prior calendar month. As of December 31, 2018, one UF was equivalent to Ch\$ 27,565.79. The U.S. dollar equivalent of one UF was US\$ 39.68 as of December 31, 2018, using the Observed Exchange Rate reported by the Central Bank of Chile (*Banco Central de Chile*) as of December 31, 2018 of Ch\$ 694.77 per US\$ 1.00. The U.S. dollar observed exchange rate (*dólar observado*) (the “Observed Exchange Rate”), which is reported by the Central Bank of Chile and published daily on its webpage, is the weighted average exchange rate of the previous business day’s transactions in the Formal Exchange Market. Unless the context specifies otherwise, all amounts translated from Chilean pesos to U.S. dollars or vice versa, or from UF to Chilean pesos, have been carried out at the rates applicable as of December 31, 2018.

The Central Bank of Chile may intervene by buying or selling foreign currency on the Formal Exchange Market to maintain the Observed Exchange Rate within a desired range.

Our consolidated financial statements and, unless otherwise indicated, other financial information concerning us included in this Report are presented in Chilean pesos. We have prepared our consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

All of our subsidiaries are integrated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after making the adjustments and eliminations related to intra-group transactions. Our participation in associated companies over which we exercise significant influence are included in our consolidated financial statements using the equity method. For detailed information regarding consolidated entities, jointly-controlled entities and associated companies, see Appendices 1, 2 and 3 to the consolidated financial statements.

Solely for the convenience of the reader, this Report contains translations of certain Chilean peso amounts into U.S. dollars at specified rates. Unless otherwise indicated, the U.S. dollar equivalent for information in Chilean pesos is based on the Observed Exchange Rate for December 31, 2018, as defined in “Item 3. Key Information — A. Selected Financial Data — Exchange Rates”. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos. No representation is made that the Chilean peso or U.S. dollar amounts shown in this Report could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at such rate or at any other rate. See “Item 3. Key Information — A. Selected Financial Data — Exchange Rates”.

During 2016, we completed a corporate reorganization, which involved the separation of our Chilean and non-Chilean electricity businesses in South America, resulting in our retaining only the Chilean electricity businesses, effective as of March 1, 2016. All operations regarding the former non-Chilean businesses in South America have been presented as discontinued operations. In order to comply with conditions established under IFRS, the financial statements for the year ended as of December 31, 2016 include discontinued operations for two months. The financial statements subsequent to December 31, 2016 do not include discontinued operations. For additional information relating to the corporate reorganization, please see “Item 4. Information on the Company — A. History and Development of the Company — The 2016 Reorganization”.

Technical Terms

References to “TW” are to terawatts (10^{12} watts or a trillion watts); references to “GW” and “GWh” are to gigawatts (10^9 watts or a billion watts) and gigawatt hours, respectively; references to “MW” and “MWh” are to megawatts (10^6 watts or a million watts) and megawatt hours, respectively; references to “kW” and “kWh” are to kilowatts (10^3 watts or a thousand watts) and kilowatt hours, respectively; references to “kV” are to kilovolts, and references to “MVA” are to megavolt amperes. References to “BTU” and “MBTU” are to British thermal unit and million British thermal units, respectively. A “BTU” is an energy unit equal to approximately 1,055 joules. References to “Hz” are to hertz; and references to “mtpa” are to metric tons per annum. Unless otherwise indicated, statistics provided in this Report with respect to the installed capacity of electricity generation facilities are expressed in MW. One

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TW equals 1,000 GW, one GW equals 1,000 MW and one MW equals 1,000 kW. The installed capacity we are presenting in this Report corresponds to the gross installed capacity, without considering the MW that each power plant consumes for its own operation.

Statistics relating to aggregate annual electricity production are expressed in GWh and based on a year of 8,760 hours, except for leap years, which are based on 8,784 hours. Statistics relating to installed capacity and production of the electricity industry do not include electricity of self-generators.

Energy losses experienced by generation companies during transmission are calculated by subtracting the number of GWh of energy sold from the number of GWh of energy generated (excluding their own energy consumption and losses on the part of the power plant), within a given period. Losses are expressed as a percentage of total energy generated.

Calculation of Economic Interest

References are made in this Report to the “economic interest” of Enel Generation in its related companies. We could have direct and indirect interest in such companies. In circumstances where we do not directly own an interest in a related company, our economic interest in such ultimate related company is calculated by multiplying the percentage of economic interest in a directly held related company by the percentage of economic interest of any entity in the ownership chain of such related company. For example, if we directly own a 6% equity stake in an associate company and 40% is directly held by our 60%-owned subsidiary, our economic interest in such associate would be 60% times 40% plus 6%, equal to 30%.

Rounding

Certain figures included in this Report have been rounded for ease of presentation. Because of this rounding, it is possible that amounts in tables may not add up to exactly the same amounts as the sum of the entries.

FORWARD-LOOKING STATEMENTS

This Report contains statements that are or may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements appear throughout this Report and include statements regarding our intent, belief or current expectations, including, but not limited to, any statements concerning:

- our capital investment program;
- trends affecting our financial condition or results from operations;
- our dividend policy;
- the future impact of competition and regulation;
- political and economic conditions in the countries in which we or our related companies operate or may operate in the future;
- any statements preceded by, followed by or that include the words “believes,” “expects,” “predicts,” “anticipates,” “intends,” “estimates,” “should,” “may” or similar expressions; and
- other statements contained or incorporated by reference in this Report regarding matters that are not historical facts.

Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to:

- demographic developments, political events, economic fluctuations and interventionist measures by authorities in Chile;
- water supply, droughts, flooding and other weather conditions;
- changes in Chilean environmental regulations and the regulatory framework of the electricity industry;
- our ability to implement proposed capital expenditures, including our ability to arrange financing where required;
- the nature and extent of future competition in our principal markets; and
- the factors discussed below under “Risk Factors.”

You should not place undue reliance on such statements, which speak only as of the date that they were made. Our independent registered public accounting firm has not examined or compiled the forward-looking statements and, accordingly, does not provide any assurance with respect to such statements. You should consider these cautionary statements together with any written or oral forward-looking statements that we may issue in the future. We do not undertake any obligation to release publicly any revisions to forward-looking statements contained in this Report to reflect later events or circumstances or to reflect the occurrence of unanticipated events, except as required by law.

For all these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements included in this Report. The selected consolidated financial data as of December 31, 2018, and 2017 and for each of the years in the three-year period ended December 31, 2018, are derived from our audited consolidated financial statements included in this Report. The selected consolidated financial data as of December 31, 2016, 2015 and 2014, and for the years ended December 31, 2015, and 2014 are derived from our consolidated financial statements not included in this Report. Our consolidated financial statements were prepared in accordance with IFRS, as issued by the IASB.

Amounts in the tables are expressed in millions, except for ratios, operating data and data for shares and American Depositary Shares (“ADS”). For the convenience of the reader, all data presented in U.S. dollars in the following summary, as of and for the year ended December 31, 2018, has been converted at the U.S. dollar Observed Exchange Rate (*dólar observado*) for that date of Ch\$ 694.77 per US\$ 1.00. The Observed Exchange Rate, which is reported and published daily on the Central Bank of Chile’s web page, corresponds to the weighted average exchange rate of the previous business day’s transactions in the Formal Exchange Market. For more information concerning historical exchange rates, see “Item 3. Key Information — A. Selected Financial Data — Exchange Rates” below.

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The following tables set forth our selected consolidated financial data and operating data for the years indicated:

| | As of and for the year ended December 31, | | | | | |
|-----------------------------------------------------------------------------------------------|-------------------------------------------|----------------|----------------|-----------------|----------------|----------------|
| | 2018(1) | 2018 | 2017 | 2016 | 2015 | 2014 |
| | (US\$ millions) | | | (Ch\$ millions) | | |
| Consolidated Statement of Comprehensive Income Data | | | | | | |
| Revenues and other operating income | 2,189 | 1,521,054 | 1,634,937 | 1,659,727 | 1,543,810 | 1,230,975 |
| Operating costs(2) | (1,521) | (1,056,671) | (1,171,077) | (1,228,341) | (1,141,991) | (978,713) |
| Operating income | 668 | 464,383 | 463,860 | 431,386 | 401,819 | 252,262 |
| Financial results(3) | (69) | (47,947) | (36,610) | (35,679) | (114,252) | (77,345) |
| Other gains(4) | 5 | 3,435 | 113,089 | 121,491 | 4,015 | 42,652 |
| Share of profit (loss) of associates and joint ventures accounted for using the equity method | 5 | 3,281 | (2,697) | 7,878 | 8,905 | (54,353) |
| Income before income taxes | 609 | 423,152 | 537,642 | 525,077 | 300,487 | 163,216 |
| Income tax expense | (151) | (104,947) | (112,100) | (83,217) | (76,656) | (94,058) |
| Net income | 458 | 318,205 | 425,542 | 441,860 | 223,831 | 69,158 |
| Profit after tax from discontinued operations | — | — | — | 79,572 | 411,190 | 489,919 |
| Net income for the year | 458 | 318,205 | 425,542 | 521,432 | 635,021 | 559,077 |
| Net income attributable to the parent Company | 445 | 309,029 | 418,454 | 472,558 | 392,868 | 276,027 |
| Net income attributable to non-controlling interests | 13 | 9,176 | 7,088 | 48,874 | 242,153 | 283,050 |
| Basic and diluted earnings per share (Ch\$/US\$ per share) | 0.05 | 37.7 | 51.0 | 52.8 | 25.9 | 6.8 |
| Basic and diluted earnings per share (Ch\$/US\$ per ADS) | 1.63 | 1,130 | 1,531 | 1,583 | 777 | 204 |
| Total Basic and diluted earnings per share (Ch\$/US\$ per share) | 0.05 | 37.7 | 51.0 | 57.6 | 47.9 | 33.5 |
| Total Basic and diluted earnings per ADS (Ch\$/US\$ per ADS) | 1.63 | 1,130 | 1,531 | 1,729 | 1,437 | 1,005 |
| Cash dividends per share (Ch\$/US\$ per share) | 0.03 | 22.6 | 28.1 | 14.6 | 20.4 | 21.6 |
| Cash dividends per ADS (Ch\$/US\$ per ADS)(5) | 0.98 | 678 | 864 | 437 | 612 | 647 |
| Number of shares of common stock (millions) | 8,202 | 8,202 | 8,202 | 8,202 | 8,202 | 8,202 |
| Consolidated Statement of Financial Position Data | | | | | | |
| Non-current assets and disposal groups held for sale or distribution to owners | — | — | 4,205 | 12,993 | 3,889,706 | 7,979 |
| Total assets | 5,281 | 3,669,228 | 3,554,462 | 3,399,682 | 7,278,770 | 7,237,672 |
| Non-current liabilities | 1,551 | 1,077,856 | 1,022,092 | 1,114,145 | 1,207,005 | 2,321,048 |
| Liabilities associated with disposal groups held for sale or distribution to owners | — | — | — | — | 1,851,784 | 5,490 |
| Equity attributable to the parent company | 2,836 | 1,970,521 | 1,961,518 | 1,700,962 | 2,648,190 | 2,700,280 |
| Equity attributable to non-controlling interests | 39 | 26,970 | 27,496 | 28,798 | 895,700 | 823,606 |
| Total equity | 2,875 | 1,997,491 | 1,989,014 | 1,729,760 | 3,543,890 | 3,523,886 |
| Capital stock(6) | 919 | 638,289 | 638,289 | 638,289 | 1,537,723 | 1,537,723 |
| Other Consolidated Financial Data | | | | | | |
| Capital expenditures (CAPEX)(7) | 320 | 222,327 | 206,776 | 194,880 | 537,805 | 421,314 |
| Depreciation, amortization and impairment losses(8) | 170 | 117,866 | 117,282 | 163,386 | 115,042 | 113,766 |

- (1) Solely for the convenience of the reader, Chilean peso amounts have been converted into U.S. dollars at the exchange rate of Ch\$ 694.77 per U.S. dollar, as of December 31, 2018.
- (2) Operating costs represent raw materials and supplies used, other work performed by the entity, employee benefits expenses, depreciation and amortization expenses, impairment losses recognized in the period's profit or loss and other expenses.
- (3) Financial results represent (+) financial income, (-) financial costs, (+/-) foreign currency exchange differences and net gains/losses from indexed assets and liabilities.
- (4) Please refer to Note 31 of the Notes to our consolidated financial statements.
- (5) One ADS = 30 shares of common stock. Please refer to Item 9.
- (6) Capital stock represents issued capital plus share premium.
- (7) CAPEX figures represent cash flows used for purchases of property, plant and equipment and intangible assets for each year.
- (8) For further detail please refer to Notes 27 and 29 of the Notes to our consolidated financial statements.

| | As of and for the year ended December 31, | | | | |
|----------------------------|-------------------------------------------|--------|--------|--------|--------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| OPERATING DATA | | | | | |
| Installed capacity (MW)(1) | 6,274 | 6,351 | 6,351 | 6,351 | 6,351 |
| Generation (GWh)(1) | 17,373 | 17,073 | 17,564 | 18,294 | 18,063 |

Exchange Rates

Fluctuations in the exchange rate between the Chilean peso and the U.S. dollar will affect the U.S. dollar equivalent of the peso price of our shares of common stock on the Santiago Stock Exchange (*Bolsa de Comercio de Santiago*) and the Chilean Electronic Stock Exchange (*Bolsa Electrónica de Chile*). These exchange rate fluctuations affect the price of our American Depositary Shares (“ADSs”) and the conversion of cash dividends relating to the common shares represented by ADSs from Chilean pesos to U.S. dollars. In addition, to the extent that significant financial liabilities of the Company are denominated in foreign currencies, exchange rate fluctuations may have a significant impact on earnings.

In Chile, there are two currency markets, the Formal Exchange Market (*Mercado Cambiario Formal*) and the Informal Exchange Market (*Mercado Cambiario Informal*). The Formal Exchange Market is comprised of banks and other entities authorized by the Central Bank of Chile. The Informal Exchange Market is comprised of entities that are not expressly authorized to operate in the Formal Exchange Market, such as certain foreign currency exchange houses and travel agencies, among others. The Central Bank of Chile has the authority to require that certain purchases and sales of foreign currencies be carried out on the Formal Exchange Market. Both the Formal and Informal Exchange Markets are driven by free market forces. Current regulations require that the Central Bank of Chile be informed of certain transactions that must be carried out through the Formal Exchange Market.

The U.S. dollar Observed Exchange Rate, which is reported by the Central Bank of Chile and published daily on its web page, is the weighted average exchange rate of the previous business day’s transactions in the Formal Exchange Market. Nevertheless, the Central Bank of Chile may intervene by buying or selling foreign currency on the Formal Exchange Market to attempt to maintain the Observed Exchange Rate within a desired range.

The Informal Exchange Market reflects transactions carried out at an informal exchange rate (the “Informal Exchange Rate”). There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the Observed Exchange Rate. Foreign currency for payments and distributions with respect to the ADSs may be purchased either in the Formal or the Informal Exchange Market, but such payments and distributions must be remitted through the Formal Exchange Market.

The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos. As of December 31, 2018, the U.S. dollar Observed Exchange Rate was Ch\$ 694.77 per US\$ 1.00.

As of April 22, 2019, the U.S. dollar Observed Exchange Rate was Ch\$ 663,91 per US\$ 1.00.

Calculation of the appreciation or devaluation of the Chilean peso against the U.S. dollar in any given period is made by determining the percent change between the reciprocals of the Chilean peso equivalent of US\$ 1.00 at the end of the preceding period and the end of the period for which the calculation is being made. For example, to calculate the devaluation of the year-end Chilean peso in 2018, one determines the percentage of change between the reciprocal of Ch\$ 694.77, the value of one U.S. dollar as of December 31, 2018, or 0.001439, and the reciprocal of Ch\$ 614.75, the value of one U.S. dollar as of December 31, 2017, or 0.001627. In this example, the percentage change between the two periods is -11.5%, which represents the 2018 year-end devaluation of the Chilean peso against the 2017 year-end U.S. dollar. A positive percentage change means that the Chilean peso appreciated against the U.S. dollar, while a negative percentage change means that the Chilean peso devaluated against the U.S. dollar.

The following table sets forth the period-end rates for U.S. dollars for the years ended December 31, 2014 through December 31, 2018, based on information published by the Central Bank of Chile.

| | Ch\$ per US\$(1) | |
|--------------------------------|-------------------------|--------------------------------------|
| | Period End (in Ch\$) | Appreciation (Devaluation) (in %) |
| Year ended December 31, | | |
| 2018 | 694.77 | (11.5) |
| 2017 | 614.75 | 8.9 |
| 2016 | 669.47 | 6.1 |
| 2015 | 710.16 | (14.6) |
| 2014 | 606.75 | (13.5) |

Source: Central Bank of Chile.

(1) Calculated based on the variation of period-end exchange rates.

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B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.

Chilean economic fluctuations, certain economic interventionist measures by governmental authorities as well as political events or financial or other crises in any region worldwide may affect our results of operations, financial condition and liquidity as well as the value of our securities.

All of our operations are located in Chile. Accordingly, our revenues are affected by the performance of the Chilean economy. If local, regional or worldwide economic trends adversely affect the Chilean economy, our financial condition and results from operations could be adversely affected. Insufficient cash flows could result in the inability to meet our debt obligations and the need to seek waivers to comply with restrictive debt covenants and increasing costs for subsequent financings.

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

Future adverse developments in Chile or changes in policies regarding exchange controls, regulations and taxation may impair our ability to execute our business plan, which could adversely affect our results of operations and financial condition. Inflation, devaluation, social instability and other political, economic or diplomatic developments could also reduce our profitability. In addition, Chilean financial and securities markets are influenced by economic and market conditions in other countries, and may be affected by events in other countries, which could adversely affect the value of our securities.

Our business depends heavily on hydrological conditions.

Approximately 55% of our installed generation capacity in 2018 was hydroelectric. Accordingly, dry hydrological conditions could adversely affect our business, results of operations and financial condition. Our results have been adversely affected when hydrological conditions in Chile have been significantly below average.

We have entered into certain agreements with the Chilean government and local irrigators regarding the use of water for hydroelectric generation purposes, during periods of low water levels, if droughts persist, we may face increased pressure by the Chilean government or other third parties to restrict our water use further.

Our operating expenses increase during these drought periods when thermal plants, which have higher operating costs relative to hydroelectric plants, are dispatched more frequently. We may need to buy electricity at higher spot prices in order to comply with our contractual supply obligations and the cost of these electricity purchases may exceed our contracted electricity sale prices, thus potentially producing losses from those contracts. For further information with respect to the effect of hydrology on our business and financial results, please refer to “Item 5. Operating and Financial Review and Prospects — A. Operating Results — 1. Discussion of Main Factors Affecting Operating Results and Financial Condition of the Company — a. Generation Business.”

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

- Our thermal plants require water for cooling and droughts in extreme situations may reduce the availability of water and increase the cost of transportation. As a result, we have had to purchase water for our San Isidro power plant from agricultural areas that are also experiencing water shortages. These water purchases may increase our operating costs and may require us to negotiate with the local communities.
- Thermal power plants that burn natural gas generate emissions such as nitrogen oxide (NO), carbon dioxide (CO₂) and carbon monoxide (CO) gases. When operating with diesel they release NO, sulfur dioxide (SO₂) and particulate matter into the atmosphere. Coal fired plants generate SO₂ and NO emissions. Therefore, greater thermal plant use during droughts generally increases the risk of producing higher levels of greenhouse gas emissions, which also decreases our operating income due to the payment of so-called “green taxes.”

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A full recovery from the drought that has been affecting the regions where most of our hydroelectric plants are located may last for an extended period but new drought periods may recur in the future. A prolonged drought may exacerbate the risks described above and have a further adverse effect upon our business, results of operations and financial condition.

Governmental regulations may adversely affect our businesses, cause delays, impede the development of new projects, or increase the costs of operations and capital expenditures.

Our businesses and the tariffs that we charge to our customers are subject to extensive regulation and these regulations may adversely affect our profitability. For example, governmental authorities might impose rationing policies during droughts or prolonged failures of power facilities, which may adversely affect our business, results of operations and financial condition. Our operating subsidiaries are also subject to environmental regulations that, among other things, require us to perform environmental impact studies for future projects and obtain construction and operating permits from both local and national regulators. The governmental authorities may withhold the approval of these environmental impact studies and therefore their processing time may be longer than expected. Similarly, electricity regulations issued by governmental authorities may affect the ability of our generation companies to collect revenues sufficient to cover their operating costs.

Environmental regulations for existing and future generation capacity have become stricter and require increased capital investments. Any delay in meeting the standards constitutes a violation of the regulations. Failure to certify the original implementation and ongoing emission standard requirements of such monitoring system may result in significant penalties and sanctions or legal claims for damages. We expect that even more restrictive emission limits will be established in the future. We are also subject to an annual green tax, based on our emission of pollutants in the previous year, and such taxes may increase in the future, and discourage thermal electricity generation.

Changes in the regulatory framework are often submitted to the legislators and administrative authorities and, some of these changes could have a material adverse impact on our business, results of operations and financial condition.

Regulatory authorities may impose fines on our subsidiaries due to operational failures or breaches of regulations.

Our electricity businesses are subject to regulatory fines for any breach of current regulations, including energy supply failures. 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. Our electricity generation subsidiaries are supervised by local regulatory authorities and are subject to fines in cases where, in the opinion of the regulatory authority, operational failures affecting the regular energy supply to the system, including coordination issues, are the fault of the generator. Regulations establish a compensation fee to end customers when energy is interrupted more than the standard allowed time due to events or failures affecting transmission facilities. Compensation is a proportion of the energy not supplied with a minimum value between 20,000 UTA (Ch\$ 11.6 billion) and the previous year’s energy sales revenues in the case of generators. Fines may also be associated with breach of regulations.

In 2015, the CDEC-SING audited GasAtacama’s thermal power plant and reported its findings to the Superintendence of Electricity and Fuels (“SEF”), which in August 2016 fined GasAtacama 10,000 UTA (Ch\$ 5.8 billion) for allegedly providing inaccurate information to the CDEC-SING. In 2017, *Gener* and *Engie*, both competitors, demanded that Enel Generation pay US\$ 65.8 million and US\$ 160 million, respectively, as compensation for the alleged additional costs attributed to GasAtacama in the system. These costs were associated with the technical minimum capacity reported by GasAtacama at 310 MW, with a 30-hour minimum operating time that the CEN later estimated to be only 118 MW and a 2-hour minimum operating time. Further compensation claims from other market players may arise in the future and further fines to any of our plants could adversely affect our business, results of operations and financial condition.

We depend in part on payments from our subsidiaries and associates to meet our payment obligations.

In order to pay our obligations, we may rely on cash from dividends, loans, interest payments, capital reductions and other distributions from our subsidiaries. Such payments and distributions to us are subject to legal constraints such as dividend restrictions and fiduciary obligations.

Contractual Constraints. Distribution restrictions included in certain credit agreements of our subsidiaries may prevent dividends and other distributions to shareholders if they are not in compliance with certain financial ratios. Our credit agreements typically prohibit any type of distribution if there is an ongoing default.

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Operating Results of Our Subsidiaries. The ability of our subsidiaries to pay dividends or make loan payments or other distributions to us is limited by their operating results. To the extent that the cash requirements of any of our subsidiaries exceed their available cash, the subsidiary will not be able to make cash available to us.

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

We are involved in litigation proceedings.

We are involved in various litigation proceedings, which could result in unfavorable decisions or financial penalties against us. We will continue to be subject to future litigation proceedings, which could cause material adverse consequences to our business.

Our financial condition or results of operations could be adversely affected if we are unsuccessful in defending lawsuits and proceedings against us. For further information on litigation proceedings, please see “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal Proceedings” and Note 35.3 of the Notes to our consolidated financial statements.

Construction and operation of power plants may encounter significant delays or halt and cost over-runs, as well as stakeholder opposition, which may damage our reputation and result in impairment of our goodwill with stakeholders.

Our power plant projects may be delayed in obtaining regulatory approvals, or may face shortages and increases in the price of equipment, materials or labor, and they may be subject to construction delays, strikes, adverse weather conditions, natural disasters, civil unrest, accidents, and human error. Any such event could adversely impact our business, results of operations and financial condition.

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

The operation of our coal-fired thermal power plants may affect our goodwill with stakeholders, due to greenhouse gas emissions, which could adversely affect the environment and local residents. In addition, communities might have their own interests and different perceptions of the company, or be influenced by other stakeholders or motivations unrelated to the project. Therefore, if the company fails to engage with its relevant stakeholders, it might face opposition, which could adversely affect our reputation, stall operations or result in a lawsuit. Our reputation is the foundation of our relationship with key stakeholders. If we are unable to effectively manage real or perceived issues that could affect us negatively, our business, results of operations and financial condition could be adversely affected.

Damage to our reputation may exert considerable pressure on regulators, creditors, and other stakeholders and ultimately lead to projects and operations that may be abandoned, causing our share prices to drop and hindering our ability to attract and retain valuable employees, any of which could result in an impairment of our goodwill with stakeholders.

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

Chile is vulnerable to external shocks, including financial and political events, which could cause significant economic difficulties and affect growth. If Chile experiences lower than expected economic growth or a recession, it is likely that our customers will demand less electricity and that some of our customers may experience difficulties paying their electric bills, possibly increasing our uncollectible accounts. Any of these situations could adversely affect our results of operations and financial condition.

Financial and political events in other parts of the world could also adversely affect our business. For example, since 2018, U.S. and China have been involved in a trade war involving protectionist measures, which increased the volatility of financial markets worldwide due to the uncertainty of political decisions. Instability in the Middle East or in any other major oil-producing region could also result in higher fuel prices worldwide, increasing the operating cost for our thermal generation plants and adversely affecting our results of operations and financial condition.

The U.S. federal government has experienced shutdowns in recent times, including the 2018-2019 U.S. government shutdown, which affected the SEC among many other federal agencies, and extended for 35 days, the longest federal government shutdown in

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U.S. history. Even temporary or threatened U.S. government shut-downs could have a material adverse effect on the timing, execution and increased expense associated with our international financings and our M&A activities.

An international financial crisis and its disruptive effects on the financial industry could adversely impact our ability to obtain new financings on the same historical terms and conditions that we have benefited from to date. Political events or financial or other crises could also diminish our ability to access the Chilean and international capital markets or increase the interest rates available to us. Reduced liquidity, in turn, could adversely affect our capital expenditures, our long-term investments and acquisitions, our growth prospects and our dividend payout policy.

We may be unable to enter into suitable acquisitions or successfully integrate businesses that we acquire.

On an ongoing basis, we review acquisition prospects that may increase our market coverage or supplement our existing businesses, though there can be no assurance that we will be able to identify and consummate suitable acquisition transactions in the future. The acquisition and integration of independent companies that we do not control is generally a complex, costly and time-consuming process and requires significant efforts and expenditures. If we consummate an acquisition, it could result in the incurrence of substantial debt and assumption of unknown liabilities, the potential loss of key employees, amortization of expenses related to tangible assets and the diversion of management's attention from other business concerns. In addition, integrating acquired businesses may be difficult, expensive, time-consuming and a strain on our resources and our relationships with our employees and customers and ultimately may not be successful or achieve the benefits expected. Any delays or difficulties encountered in connection with acquisitions and the integration of their businesses could have a material adverse effect on our business, financial condition or results of operations.

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

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

In addition, Chilean Congress has discussed amendments to the Water Code since 2014 in order to prioritize the use of water by defining its access as a basic human need that must be guaranteed by the State. The amendment will establish that water use for human consumption, domestic subsistence and sanitation will always take precedence, in both the granting and limiting the exercise of rights of exploitation. Restrictions enacted to preserve environmental flows would reduce water availability for generation purposes.

Any limitations on our water rights, our need for additional water rights, or our unlimited duration of water concessions could have a material adverse effect on our hydroelectric development projects and our profitability. As of the date of this Report, no resolutions have been adopted and the uncertainty remains.

Foreign exchange risks may adversely affect our 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 our consolidated indebtedness has been denominated in U.S. dollars. Although a substantial portion of our operating cash flows is linked to the U.S. dollar (primarily coming from the generation business), we generally have been and will continue to be exposed to fluctuations of the Chilean peso against the U.S. dollar, which is due to time lags and other limitations to pegging our tariffs to the U.S. dollar and the potential difficulty of obtaining loans in the same currency as our operating cash flow.

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

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

We have economic exposure to fluctuations in the market prices of certain commodities as a result of the long-term electricity sales contracts into which we have entered. We have material obligations as selling parties under long-term fixed-price electricity sales contracts. Prices in these contracts are indexed according to different commodities, exchange rates and inflation. Adverse changes to these indices would reduce the rates we charge under our long-term fixed-price electricity sales contracts, which could adversely affect our business, results of operations and financial condition.

Our controlling shareholder may exert influence over us and may have a different strategic view for our development than that of our minority shareholders.

Enel Chile owns 93.6% of our shares and Enel's economic interest in us is 57.9%. Through its control of Enel Chile, Enel has the power to determine the outcome of substantially all material matters that require shareholders' votes, in accordance with Chilean corporate law, such as the election of the majority of our board members and, subject to contractual and legal restrictions, the adoption of our dividend policy. Enel also exercises significant influence over our business strategy and operations. Its interests, in some cases, may differ from those of our minority shareholders. Certain conflicts of interest affecting Enel in these matters may be resolved in a manner that is different from interests of our company or of our minority shareholders.

After giving effect to the 2018 Reorganization, the ownership interest of our minority shareholders was considerably reduced, from 40% to 6.4% and their ability to influence the outcome of any matter that is or can be subject to shareholder approval, including the appointment of directors, acquisitions or disposition of substantial assets, the issuance of capital stock and other securities and the payment of dividends on our securities, will be very limited. However, as long as there are minority shareholders, potential conflicts of interests may continue to arise. The increase in the controlling interest may not necessarily eliminate the potential conflicts of interests between us and the business formerly held by EGPL that are now owned by Enel Chile, through EGP Chile.

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

Our primary facilities include power plants. Our facilities may be damaged by earthquakes, fires and other catastrophic disasters arising from natural or accidental human causes, as well as acts of protest, vandalism, riot, and terrorism. A catastrophic event could cause prolonged unavailability of our assets, disruptions in our business, significant decreases in revenues due to lower demand or significant additional costs to us not covered by our business interruption insurance. There may be lags between a major accident or catastrophic event and the final reimbursement from our insurance policies, which typically carry a deductible and are subject to per event policy maximum amounts.

We are subject to financing risks, such as those associated with funding our new projects and capital expenditures, and risks related to refinancing our maturing debt; we are also subject to debt covenant compliance, all of which could adversely affect our liquidity.

As of December 31, 2018, our consolidated debt totaled Ch\$ 841 billion.

Some of our 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 our financial indebtedness is subject to cross default provisions, which have varying definitions, criteria, materiality thresholds and applicability with respect to subsidiaries that could give rise to such a cross default.

In the event that we breach any of these contractual provisions, our debtholders may demand immediate repayment, and a significant portion of our indebtedness could become due and payable. We may be unable to refinance our indebtedness or obtain such refinancing on terms acceptable to us. In the absence of such refinancing, we could be forced to dispose of assets in order to make the payments due on our indebtedness under circumstances that might not be favorable to obtaining the best price for such assets. Furthermore, we may be unable to sell our assets quickly enough, or at sufficiently high prices, to enable us to make such payments.

We may also be unable to raise the necessary funds required to finish our projects under development or under construction. Market conditions prevailing at the moment we require these funds or other unforeseen project costs can compromise our ability to finance these projects and expenditures.

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

We rely on electricity transmission facilities that we do not own or control. If these facilities do not provide us with an adequate transmission service, we may not be able to deliver the power we sell to our final customers.

We depend on transmission facilities owned and operated by other unaffiliated companies to deliver the electricity we sell. This dependence exposes us to several risks. If transmission is disrupted, or transmission capacity is inadequate, we may be unable to sell and deliver our electricity. If a region's power transmission infrastructure is inadequate, our recovery of sales costs and profits may be insufficient. If restrictive transmission price regulation is imposed, transmission companies upon whom we rely may not have sufficient incentives to invest in expansion of their transmission infrastructure, which could adversely affect our operations and financial results. The construction of new transmission lines may take longer than in the past, mainly because of social and environmental requirements that are creating uncertainty as to the timing of project completion.

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

Any such disruption or failure of transmission facilities could interrupt our business, which could adversely affect our results of operations and financial condition.

Our business may experience adverse consequences if we are unable to reach satisfactory collective bargaining agreements with our unionized employees or if we are unable to retain key employees.

A large percentage of our employees is members of unions and has collective bargaining agreements that must be renewed on a regular basis. Our 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 we view as unfavorable. Chilean law provides legal mechanisms for judicial authorities to impose a collective bargaining agreement if the parties are unable to come to an agreement, which may materially increase our costs beyond what we have budgeted.

In addition, we employ many highly specialized employees, and certain actions such as strikes, walkouts or work stoppages by these employees, could adversely affect our business, results of operations and financial condition as well as our reputation.

The price and liquidity of our common stock and ADSs may be adversely affected by the small minority interest remaining after completion of the 2018 Reorganization, the limited market for our ADSs since they were delisted from the NYSE and now trade in the over-the-counter market in the U.S. and the relative illiquidity and volatility of the Chilean securities markets.

Following completion of the 2018 Reorganization, only 6.4% of our common stock is held by minority shareholders. As of the end of 2018, ADSs comprised only approximately 0.64% of the total outstanding shares of our common stock. Accordingly, our common stock and ADSs are not widely held and the volume of trading has been relatively low and sporadic. As a result, the market for our shares of common stock and ADSs has become more limited and our common stock and ADSs are subject to increased price volatility and reduced liquidity. In addition, the lack of market liquidity could also increase the difficulty of selling our securities in large blocks without adversely affecting their price. There can be no assurance that an active trading market for our common stock or ADSs can be sustained in Chile or the U.S.

At the end of 2018, we voluntarily delisted our ADSs from trading on the NYSE and our ADSs are now quoted in the over-the-counter market on the OTC Pink, an inter-dealer electronic quotation and trading system for equity securities operated by OTC Markets, Inc. Quotation of our ADSs on the OTC Pink may limit the liquidity and price of our ADSs more than if our ADSs were listed and traded on the NYSE or another national securities exchange. Trading in securities quoted in the over-the-counter markets is often thin, volatile, and characterized by wide fluctuations in trading prices due to many factors that may have little to do with our operations or business prospects. In addition, the over-the-counter markets are not a stock exchange and trading of securities in the over-the-counter markets is often more sporadic than trading of securities listed on the NYSE or other national securities exchanges. Some investors may perceive our ADSs to be less attractive because they are traded in the over-the-counter market. In addition, as an OTC Pink company, we may not have the analyst coverage that accompanies companies listed on national securities exchanges. Furthermore, institutional and other investors may have investment guidelines that restrict or prohibit investing in securities quoted on the OTC Pink. These factors may have an adverse impact on the trading, liquidity and price of our ADSs and holders of ADSs may have difficulty selling their ADSs.

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Following the 2018 Reorganization, the primary market for our shares of common stock is now the Santiago Stock Exchange. However, we cannot assure you that our shares will continue to meet the criteria for continued listing on the Chilean Stock Exchanges and our common stock may be delisted from one or both of the Chilean Stock Exchanges. Our common stock may also lose the “sufficient stock market liquidity” (*presencia bursátil*) status on the Chilean Stock Exchanges, which would result in loss of a capital gains tax exemption for certain holders of our shares under Chilean law.

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 our common stock withdrawn from the ADS program, into the Chilean market in the amount and at the price and time they wish to do so. In addition, the liquidity and the market for our shares and ADSs may be affected by a number of factors including variations in exchange and interest rates, the deterioration and volatility of the markets for similar securities and any changes in our liquidity, financial condition, creditworthiness, results and profitability.

In addition, the Chilean securities markets may be affected to varying degrees by economic and market conditions and developments in Latin American countries, other emerging markets and elsewhere in the world. Although economic conditions in such countries may differ significantly from economic conditions in Chile, investors’ reactions to developments in any of these other countries may have an adverse effect on the market value and the liquidity of securities for Chilean issuers. An increase in the perceived risks associated with investing in South American countries and elsewhere in the world could decrease capital flows to Chile. Such a decrease would adversely affect the general Chilean economy and the interest of investors in our shares in particular.

The price or the liquidity of our shares and ADSs may be negatively affected by events in Latin American markets or the global economy in general.

Lawsuits against us brought outside Chile or complaints against us based on foreign legal concepts may be unsuccessful.

All of our operations are located outside of the United States. All of our directors and officers reside outside of the United States and substantially all of their assets are located outside the United States. If any investor were to bring a lawsuit against our directors, officers or experts 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 judgments obtained in United States courts based upon the civil liability provisions of the federal securities laws of the United States, against them 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 based solely upon the civil liability provisions of the United States federal securities laws.

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

We operate in an industry that requires the continued operation of sophisticated information technology, control and communications systems (“IT Systems”) and network infrastructure. In addition, we use our IT Systems and infrastructure to create, collect, use, disclose, store, dispose of and otherwise process sensitive information, including company data, customer data, and personal information regarding customers, employees and their dependents, contractors, shareholders and other individuals. In our generation business, IT Systems are critical in controlling and monitoring our power plants’ operations, maintaining generation and network performance, generating invoices to bill customers, achieving operating efficiencies and meeting our service targets and standards. The operation of our generation system is dependent not only on the physical interconnection of our facilities with the electricity network infrastructure, but also on communications among the various parties connected to the network. The reliance on IT Systems to manage the information and communication among and between those parties has increased significantly since the deployment of intelligent grids.

Our generation facilities, IT Systems and other infrastructure, as well as the information processed in our IT Systems could be affected by cybersecurity incidents, including those caused by human error. Our industry has begun to see an increase in the volume and sophistication of cyber security incidents from international activist organizations, nation states and individuals, being among the emerging risks identified in our planning process. Cybersecurity incidents could harm our businesses by limiting our generating capabilities, delaying our development and construction of new facilities or capital improvement projects to existing facilities, disrupting our customer operations or exposing us to liability. Our generation system is part of an interconnected system. Therefore, a disruption caused by the impact of a cybersecurity incident in the electric transmission grid, network infrastructure, fuel sources or our third party service providers’ operations could also negatively impact our business.

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In addition, our business requires the collection and retention of personally identifiable information of our customers, employees and shareholders, who expect that we will adequately protect the privacy of such information. Cybersecurity breaches may expose us to a risk of loss or misuse of confidential and proprietary information. A significant theft, loss, or fraudulent use of personally identifiable information may lead to potentially large costs associated with notifying and protecting affected persons. This could cause us to become subject to significant litigation, costs, liability, fines, or penalties, any of which could materially and adversely affect our results of operations, as well as our reputation with customers, shareholders and regulators, among others. In addition, we may be required to incur significant costs associated with governmental actions in response to such intrusions or to strengthen our information and electronic control systems. The cybersecurity threat is dynamic and evolves continually and, in the electricity industry, is increasing in sophistication, magnitude and frequency. There can be no assurance that we can implement adequate preventative measures or accurately assess the likelihood of a cyber-incident. We are unable to quantify the potential impact of cybersecurity incidents on our business and our reputation. These potential cybersecurity incidents and corresponding regulatory action could result in a material decrease in revenues and may result in significant additional costs, including penalties, third party claims, repair costs, additional insurance expense, litigation costs, notification and remediation costs, security costs and compliance costs. While we maintain property and casualty insurance, there can be no assurance that liabilities or losses we may incur, including as a result of cybersecurity litigation, will be covered under such policies or that the amount of insurance will be adequate.

Item 4. Information on the Company

A. History and Development of the Company.

We are a publicly held limited liability stock corporation originally organized on December 1, 1943 under the laws of the Republic of Chile. Since 1943, we have been registered in Santiago with the CMF under Registration No. 0114. We have also been registered with the SEC under the commission file number 001-13240 since 1994. Our full name is Enel Generación Chile S.A. and we are also known commercially as “Enel Generación Chile” or “Enel Generación”. Our shares are listed and traded on the Chilean Stock Exchanges and our ADSs were listed and traded on the NYSE until December 28, 2018. Following the 2018 Reorganization (described below), Enel Chile now owns 93.6% of our shares of common stock and ADSs, which by the end of 2018 comprised only approximately 0.64% of the total outstanding shares of common stock. We determined that the costs associated with continuing the listing of our ADSs on the NYSE exceed the benefits received by us, as our primary market for the shares is now the Santiago Stock Exchange. As a result, we decided to file an application for voluntary delisting from the NYSE as part of our effort to reduce operational expenses.

Our contact information in Chile is:

| | |
|-----------------|-------------------------------------------------------|
| Contact Person: | Nicolás Billikopf |
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The information contained on or linked from our internet website is not included as part of, or incorporated by reference into, this Report. The SEC maintains an internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, such as our company, at <http://www.sec.gov>.

We are an electric utility company engaged, directly and through our subsidiaries and affiliates, in the generation businesses in Chile. As of December 31, 2018, we had 6,274 MW of installed capacity, with 28 generation facilities and a total of 111 generation units. Of our total installed capacity, 55% consists of hydroelectric power plants and includes, among others, Ralco with 689 MW, Pehuenche with 568 MW, El Toro with 449 MW, Rapel with 376 MW, and Antuco with 319 MW. 77% of our thermoelectric installed capacity is gas/fuel oil power plants (2,104 MW), and the remaining is coal-fired steam power plants (636 MW). As of December 31, 2018, we had consolidated assets amounting to Ch\$ 3,669 billion and operating revenues of Ch\$ 1,521 billion.

The Chilean government owned Enel Generation from our incorporation in 1943 until 1987, when a privatization process through a series of public offerings commenced. The privatization process was completed in 1989.

The 2018 Reorganization

On August 25, 2017, Enel Chile proposed a corporate reorganization (the “2018 Reorganization”) to consolidate Enel’s conventional and non-conventional renewable energy businesses in Chile under one company, Enel Chile, which will become Enel’s only vehicle to invest in Chile. The 2018 Reorganization involved the following transactions:

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- a cash tender offer by Enel Chile of all outstanding shares of our common stock, including ADS. The tender offer was subject to the condition that the tendering holders of Enel Generation shares and ADSs use Ch\$236 of the Ch\$590 tender offer consideration for each Enel Generation share and Ch\$7,080 of the Ch\$17,700 tender offer consideration for each Enel Generation ADS to subscribe for shares of our common stock at a subscription price of Ch\$82 per Enel Chile share (or Ch\$2,460 per Enel Chile ADS) (the “Enel Chile U.S. Share/ADS Subscription Condition”);
- a capital increase to make available a sufficient number of shares of common stock of Enel Chile to deliver to tendering holders of Enel Generation shares and ADSs to satisfy all conditions precedent; and
- a merger pursuant to which Enel Green Power Latin América S.A. (“EGPL”) merged into Enel Chile. EGPL was a closely held stock corporation organized under the laws of the Republic of Chile. Before the 2018 Reorganization, EGPL was a member of the Enel Green Power group of companies. Enel Green Power is a transnational company dedicated to electricity generation with renewable resources, which in turn is controlled by Enel. EGPL was a renewable energy generation holding company engaged, through its wholly owned subsidiary Enel Green Power Chile Ltda. (“EGP Chile”), in the electricity generation business in Chile.

The different steps of the 2018 Reorganization were approved by the respective shareholders of Enel Chile, Enel Generation and EGPL at their extraordinary shareholders’ meetings held on December 20, 2017. The tender offer occurred between February 16, 2018, and March 22, 2018, the preemptive rights offering in connection with the capital increase took place between February 15, 2018, and March 16, 2018, and the 2018 Reorganization, in the aggregate, was completed and effective on April 2, 2018.

As a result of the consummation of the 2018 Reorganization, Enel Chile remains as our major shareholder. Currently, Enel Chile consolidates the Chilean electricity generation business through us, the Chilean electricity distribution business through Enel Distribution and the Chilean non-conventional renewable electricity generation business through EGP Chile. Enel remains as the majority shareholder of Enel Chile, owning 61.9% (excluding treasury stock) of the company, and, through its majority ownership of Enel Chile, also remains as our majority owner and ultimate parent company.

During the last few years, our business strategy has focused on increasing our shareholdings in subsidiaries, selling certain non-strategic assets and reducing the number of companies by simplifying our corporate structure, mainly through mergers.

We have conducted the following sales of non-core assets over the past few years:

- On September 14, 2016, we sold our 20% equity interest in GNL Quintero S.A. (“GNL Quintero”), to Enagás Chile S.p.A. We obtained the 20 % interest in GNL Quintero in 2007, as part of a consortium we formed along with ENAP, Metrogas and British Gas to build the LNG regasification facility in the Quintero Bay. Partial commercial operations of the facility began in September 2009 and full commercial operations began on January 1, 2011.
- On December 16, 2016, we sold our 42.5% equity interest in Electrogas S.A. (“Electrogas”). Electrogas is a company dedicated to the transportation of natural gas and other fuels, which serves our San Isidro and Quintero power plants, among others. We received the proceeds of this sale, amounting to US\$ 180 million (Ch\$ 115 billion at that time) on February 7, 2017.

In order to simplify our corporate structure, we have continued to reduce the number of our companies over the last three years:

- During 2016, Inversiones GasAtacama Holding Ltda. merged into Celta, which in turn merged into GasAtacama, the surviving company, on November 1, 2016. Celta was our investment vehicle through which we owned the San Isidro thermal plants, the Pangué hydroelectric plant and the Tarapacá thermal generation facility in addition to our interest in Central Eólica Canela S.A., that owned the Canela wind farms.
- On November 9, 2017, GasAtacama purchased the 25% minority interest of Central Éolica Canela S.A., which was later dissolved on December 22, 2017. Our economic interest in GasAtacama was 97.4% as of December 31, 2018.

The 2016 Reorganization

During 2016, we completed a corporate reorganization to separate our Chilean businesses from our non-Chilean businesses (the “2016 Reorganization”). The 2016 Reorganization involved the separation of the respective Chilean and non-Chilean electricity generation, transmission and distribution businesses of Endesa Chile, Chilectra S.A. (“Chilectra”) and Enersis S.A. (“Enersis”) by

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means of a “demerger” under Chilean law and the subsequent distribution of the shares of the newly created entities to each company’s respective shareholders (collectively, the “Spin-Offs”). The “demerger” or separation of the businesses occurred on March 1, 2016, and the Spin-Offs were effective in April 2016, with the creation and public listing of the shares of the newly incorporated entities: (i) Enersis Chile S.A., which held the Chilean businesses of Enersis, (ii) Endesa Américas S.A., which held the non-Chilean businesses of Endesa Chile, and (iii) Chilectra Américas S.A., which held the non-Chilean businesses of Chilectra. The 2016 Reorganization also involved the merger between the companies holding the non-Chilean assets. The merger became effective on December 1, 2016, and merged Endesa Américas S.A. and Chilectra Américas S.A. with and into Enersis Américas S.A. (currently Enel Américas S.A.), with the latter continuing as the surviving company.

As part of this process, we changed our name to Enel Generación Chile S.A. on October 18, 2016. That same date, (i) Chilectra changed its name to Enel Distribución Chile S.A.; and (ii) Enersis Chile S.A. changed its name to Enel Chile S.A.

Capital Investments, Capital Expenditures and Divestitures

We coordinate our overall financing strategy, including the terms and conditions of loans and intercompany advances entered into by our subsidiaries in order to optimize debt and liquidity management. Generally, our operating subsidiaries independently plan capital expenditures financed by internally generated funds or direct financings. Although we have considered how these investments will be financed as part of our budget process, we have not committed to any particular financing structure, and investments will depend on the prevailing market conditions at the time the cash flows are needed.

Our investment plan is flexible enough to adapt to changing circumstances by giving different priorities to each project in accordance with profitability and strategic fit. Investment priorities are currently focused on developing additional hydroelectric and thermal capacity to guarantee adequate levels of reliable supply while remaining focused on the environment.

For the 2019-2021 period, we expect to make capital expenditures of Ch\$ 367 billion, related to investments currently in progress, maintenance of generation plants and in studies required to develop other potential generation projects. For further detail regarding these projects, please see “Item 4. Information on the Company — D. Property, Plant and Equipment — Projects Under Development.”

The table below sets forth the expected capital expenditures for the 2019-2021 period and the capital expenditures incurred in 2018, 2017 and 2016:

| | <u>Estimated 2019-2021</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|-------------------------------|--------------------------------|----------------|----------------|----------------|
| | (in millions of Ch\$) | | | |
| Capital Expenditure(1) | <u>367,252</u> | <u>222,327</u> | <u>206,776</u> | <u>194,880</u> |

(1) Capex amounts represent effective payments for each year, except for future projections.

While our planned investments go beyond the three years highlighted in this table, we are reporting three years to be aligned with Enel’s three-year industrial plan that was disclosed in November 2018. For further information, please refer to “Item 4. Information on the Company — D. Property, Plant and Equipment. — Project Investments” and “Item 5. Operating and Financial Review and Prospects — F. Tabular Disclosure of Contractual Obligations”.

Capital Expenditures in 2018, 2017 and 2016

Our capital expenditures in the last three years were principally related to the optimization of the 350 MW Bocamina II power plant, improvements to the Tarapacá coal-fired power plant, the construction of the 150 MW Los Cóndores power plant and maintenance of our current power plants. Investments related to the Bocamina II and Tarapacá power plants focused on making improvements to reduce environmental impact. These improvements were the consequence of environmental injunctions in the case of Bocamina II and new environmental regulations in the case of Tarapacá. The improvements to Bocamina II were completed in 2018, while those of Tarapacá in 2017.

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Our material plans in progress include Los Cóndores project, which began construction in 2014 with completion expected during 2020. For further detail of the Los Cóndores project, please see “Item 4. Information on the Company — D. Property, Plant and Equipment. — Projects Under Construction.”

A portion of our capital expenditures is reserved for maintenance, and for the assurance of quality and operational standards of our facilities. Projects in progress will be financed with resources provided by external financing as well as internally generated funds.

B. Business Overview.

We are a publicly held limited liability stock corporation that operates in Chile. Our core business is electricity generation. We also participate in other activities but that are not core businesses and represent less than 1% of our 2018 revenues. We do not report them as separate business segment in this Report nor in our consolidated financial statements.

The table below presents our revenues:

| Revenues | Year ended December 31, | | | Change 2018 vs. 2017 (in %) |
|-----------------------------------------------------------|-------------------------|------------------|------------------|-----------------------------------|
| | 2018 | 2017 | 2016 | |
| | (in millions of Ch\$) | | | |
| Generation | 1,521,054 | 1,634,937 | 1,659,727 | (7.0)% |
| Other businesses and intercompany transaction adjustments | — | — | — | n.a. |
| Total revenues | 1,521,054 | 1,634,937 | 1,659,727 | (7.0)% |

For further financial information related to our revenues, see “Item 5. Operating and Financial Review and Prospects — A. Operating Results” and Note 39 of the Notes to our consolidated financial statements.

We are a generation company in the SEN, representing 32.8% of the electricity market share in 2018.

As of December 31, 2018, we accounted for 26.5% of SEN’s total generation capacity, measured by the installed capacity, according to figures published by the National Electricity Coordinator (“CEN” in its Spanish acronym). Hydroelectric, thermal and wind power represent 55%, 44% and 1% of our total installed capacity in Chile, respectively.

For additional detail on our historical capacity, see “Item 4. Information on the Company — D. Property, Plant and Equipment.”

The following tables summarize the information relating to our capacity, electricity generation and energy sales:

ELECTRICITY DATA

| | Year ended December 31, | | |
|-------------------------------|-------------------------|--------|--------|
| | 2018 | 2017 | 2016 |
| Number of generating units(1) | 111 | 111 | 111 |
| Installed capacity (MW)(2)(3) | 6,274 | 6,351 | 6,351 |
| Electricity generation (GWh) | 17,373 | 17,073 | 17,564 |
| Energy sales (GWh) | 23,343 | 23,356 | 23,689 |

- (1) For details on generation facilities, see “Item 4. Information on the Company — D. Property, Plant and Equipment.”
- (2) Total installed capacity is defined as the maximum capacity (MW), under specific technical conditions and characteristics. In most cases, installed capacity is confirmed by satisfaction guarantee tests performed by equipment suppliers. Figures may differ from installed capacity declared to governmental authorities and customers, according to criteria defined by such authorities and relevant contracts.
- (3) The 2018-installed capacity differs from previous years since the CEN reviewed the capacity of each generation unit and adjusted their capacity.

Our consolidated electricity generation in 2018 were 17,373 GWh and our energy sales was 23,343 GWh, which represents a 1.8% increase and a 0.1% decrease, respectively, when compared to 2017, respectively.

Dividing the electricity generation business into hydroelectric, thermoelectric and other generation is customary in the electricity industry, because each generation type has significantly different variable costs. Thermoelectric generation, for instance, requires the

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purchase of fuel, which generally leads to higher variable costs than hydroelectric generation from reservoirs or rivers that normally has minimal variable costs. Of our total consolidated generation in 2018, 63% was from hydroelectric sources, 36% was from thermal sources, and less than 1% was from wind energy, which is generated by the Canela I and Canela II wind farms, subsidiaries of GasAtacama.

The following table summarizes our consolidated generation by type of energy:

GENERATION BY TYPE OF ENERGY (GWh)

| | Year ended December 31, | | | | | |
|----------------------------------|-------------------------|------------|---------------|------------|---------------|------------|
| | 2018 | | 2017 | | 2016 | |
| | Generation | % | Generation | % | Generation | % |
| Hydroelectric generation | 10,681 | 63.2 | 9,392 | 55.0 | 8,815 | 50.2 |
| Thermal generation | 6,268 | 36.1 | 7,292 | 42.7 | 8,379 | 47.7 |
| Wind generation — NCRE (1) | 131 | 0.8 | 129 | 0.8 | 107 | 0.6 |
| Mini-hydro generation — NCRE (2) | 293 | 1.7 | 260 | 1.5 | 263 | 1.5 |
| Total generation | 17,373 | 100 | 17,073 | 100 | 17,564 | 100 |

- (1) Electricity generated by the Canela I and Canela II wind farms.
(2) Electricity generated by the Palmucho and the Ojos de Agua mini-hydroelectric plants.

The following table contains information regarding our consolidated sales of electricity by type of customer for each of the periods indicated:

ELECTRICITY SALES BY CUSTOMER TYPE (GWh)

| | Year ended December 31, | | | | | |
|----------------------------------|-------------------------|-------------------|---------------|-------------------|---------------|-------------------|
| | 2018 | | 2017 | | 2016 | |
| | Sales | % of Sales Volume | Sales | % of Sales Volume | Sales | % of Sales Volume |
| Regulated customers | 15,254 | 65.3 | 17,029 | 72.9 | 18,516 | 78.2 |
| Unregulated customers | 7,338 | 31.4 | 5,586 | 23.9 | 4,321 | 18.2 |
| Total contracted sales(1) | 22,592 | 96.8 | 22,615 | 96.8 | 22,838 | 96.4 |
| Electricity pool market sales | 752 | 3.2 | 742 | 3.2 | 852 | 3.6 |
| Total electricity sales | 23,343 | 100 | 23,356 | 100 | 23,689 | 100 |

- (1) Includes sales to distribution companies not backed by contracts.

Dividing sales by customer type in terms of regulated and unregulated customer is useful in managing and understanding the business. We sell electricity to regulated customers through distribution companies and to unregulated customers directly. The sales to distribution companies to supply the distributors' regulated customers, that is, either residential, commercial or others, are classified as regulated sales and are subject to government regulated electricity tariffs. The sales of generation companies to distribution companies to supply the distributors' unregulated customers are also classified as unregulated sales and are also governed by contracts at a freely negotiated prices and terms. We directly sell to large commercial and industrial customers and other generators are classified as unregulated sales and are generally governed by contracts with freely negotiated prices and terms. Finally, pool market sales are the sales that take place when generation companies are dispatched by the CEN in excess of their contractual obligations and therefore must sell their surplus electricity in the pool market, or when the generators electricity dispatched is less than their contractual commitments with their customers and therefore must purchase the deficit in the pool market. These purchase and sale transactions among electricity companies are normally carried out in the pool market at the spot price, and do not require a contractual agreement.

The regulatory framework often requires that electricity distribution companies have contracts to support their commitments to small volume customers. Chilean regulations also determine which customers can purchase energy directly in the electricity pool market.

We attempt to minimize the risk of electricity generation deficits resulting from poor hydrological conditions in any given year by limiting our contractual sales requirements to a quantity that does not exceed our estimated electricity production in a dry year. We

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consider the available statistical information concerning rainfall, mountain snow and ice, when they are expected to melt, hydrological levels and the capacity of key reservoirs to determine our estimated production for a dry year. In addition to limiting contracted sales, we may adopt other strategies including installing temporary thermal capacity, negotiating lower consumption levels with unregulated customers, negotiating with other water users and including pass-through cost clauses in contracts with customers to cover the cost of spot market purchases.

In 2022, distribution company contracts awarded in the August 2016 auction will come into effect and therefore the tariffs of our regulated contracts will decrease by 6% as a consequence of the lower prices offered by NCRE providers in the energy auction for distribution companies. In 2024, contracts awarded in the November 2017 auction will come into effect with an average price of US\$ 32.5 per MWh, which is 31.7% lower than the average price of the previous tender process. We routinely participate in energy bids and we have been awarded long-term energy sale contracts that incorporate the expected variable costs considering changes to the most relevant variables. These contracts secure the sale of our current and expected new capacity and allow us to stabilize our income.

In November 2017, the outcome of the latest bidding process was announced. This process tendered 2,200 GWh per year to be delivered between 2024 and 2043. The total amount of energy tendered was based on renewable energy offers, thus representing a milestone in the industry. We were awarded 54% of the tender, corresponding to 1.2 TWh at an average price of US\$ 34.7 per MWh with a mix of wind, solar and geothermal generation. These prices are 6.8% higher than the average price.

In terms of expenses, the primary variable costs involved in the electricity generation business, in addition to the direct variable cost of generating hydroelectric or thermal electricity such as fuel costs, are energy purchases and transportation costs. During periods of relatively low hydrology, the amount of our thermal generation increases. This involves an increase in the amount of fuels required and the costs of its transportation to the thermal generation power plants. Under dry conditions, electricity that we have contractually agreed to provide may exceed the amount of electricity that we are able to generate. Therefore, to satisfy our contractual commitments, we may be required to purchase electricity in the pool at spot market prices. The cost of these purchases at spot prices, under certain circumstances, may exceed the price at which we sell electricity under contracts and, therefore, may result in a loss. We attempt to minimize the effect of poor hydrological conditions on our operations in any given year by limiting our contractual sales requirements to a quantity that does not exceed our estimated electricity production in a dry year. We consider the available statistical information concerning rainfall, mountain snow and ice and when they are expected to melt, hydrological levels and the capacity of key reservoirs to determine our estimated production for a dry year. In addition to limiting contracted sales, we may adopt other strategies including installing temporary thermal capacity, negotiating lower consumption levels with unregulated customers, negotiating with other water users and including pass-through cost clauses in contracts with customers.

Seasonality

While our core business is subject to weather patterns, generally only extreme events such as prolonged droughts, which may adversely affect our generation capacity, rather than seasonal weather variations, materially affect our operating results and financial condition.

The generation business is affected by seasonal changes throughout the year. During normal hydrological years, snowmelts typically occur during the warmer months of October through March. These snowmelts increase the level of water in our reservoirs. The months with most precipitation are typically May through August.

When there is more precipitation, hydroelectric generating facilities can accumulate additional water to be used for generation. The increased level of our reservoirs allows us to generate more electricity with hydro power plants during months in which marginal electricity costs are lower.

In general, hydrological conditions such as droughts and insufficient rainfall adversely affect our generation capacity. For example, severe prolonged drought conditions or reduced rainfall levels in Chile caused by El Niño phenomenon reduces the amount of water that can be accumulated in reservoirs, thereby curtailing our hydroelectric generation capacity. In order to mitigate hydrological risk, hydroelectric generation may be substituted with thermal generation (natural gas, LNG, coal or diesel) and energy purchases on the spot market, both of which could result in higher costs, in order to meet our obligations under contracts with both regulated and unregulated customers.

Operations

We own and operate 111 generation units in Chile both directly and through our subsidiaries GasAtacama and Pehuenche. Of these generation units, 38 are hydroelectric, with a total installed capacity of 3,456 MW, representing 55% of our total installed

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capacity in Chile. There are 22 thermal generation units that operate with gas, coal or oil with a total installed capacity of 2,740 MW, representing 44% of our total installed capacity in Chile. There are 51 wind powered generation units with an aggregate installed capacity of 78 MW, representing 1% of our total installed capacity in Chile. On November 21, 2017, the integration of the SIC and the SING into one interconnected system was completed and resulted in the creation of the SEN, a new national interconnected system that extends from Arica in the north of Chile to Chiloé in the south of Chile.

For information on the installed generation capacity for each of our subsidiaries, see “Item 4. Information on the Company — D. Property, Plant and Equipment.”

Our total gross electricity generation in Chile accounted for 23.2 % of total gross electricity generation in Chile during 2018.

The following table sets forth the electricity generation by each of our generation companies:

ELECTRICITY GENERATION BY COMPANY (GWh)

| | Year ended December 31, | | |
|-----------------|-------------------------|---------------|---------------|
| | 2018 | 2017 | 2016 |
| Enel Generation | 11,314 | 10,976 | 11,538 |
| Pehuenche | 2,794 | 2,443 | 2,369 |
| GasAtacama | 3,265 | 3,654 | 3,657 |
| Total | 17,373 | 17,073 | 17,564 |

The following table sets forth the electricity generation by type:

ELECTRICITY GENERATION BY TYPE (GWh)

| | Year ended December 31, | | | | | |
|---------------------------------|-------------------------|------------|---------------|------------|---------------|------------|
| | 2018 | | 2017 | | 2016 | |
| | Generation | % | Generation | % | Generation | % |
| Hydroelectric generation | 10,974 | 55.0 | 9,392 | 55.0 | 8,815 | 50.2 |
| Thermal generation | 6,268 | 42.7 | 7,292 | 42.7 | 8,379 | 47.7 |
| Wind generation — NCRE(1) | 131 | 0.8 | 129 | 0.8 | 107 | 0.6 |
| Mini-hydro generation — NCRE(2) | 293 | 1.5 | 260 | 1.5 | 263 | 1.5 |
| Total generation | 17,373 | 100 | 17,073 | 100 | 17,564 | 100 |

(1) Electricity generated by the Canela I and Canela II wind farms.

(2) Electricity generated by the Palmucho and the Ojos de Agua mini-hydroelectric plants.

Water Agreements

Water agreements refer to the right of a user to utilize water from a particular source, such as a river, stream, pond or groundwater. In times of good hydrological conditions, water agreements are generally not complicated or contentious. However, in times of poor hydrological conditions, water agreements protect our right to use water resources for hydroelectric generation.

Through our subsidiaries, we have three agreements in force with the purpose of utilizing water for both irrigation and hydroelectric generation more efficiently. Two of them are agreements between Enel Generation and the Chilean Water Works Authority (“DOH” in its Spanish acronym) and are related to the water consumption during the most intense irrigation period (normally from September to April) from Laja Lake and Maule Lagoon, both located in southern Chile. Enel Generation signed the first agreement with the DOH related to Laja Lake and Maule Lagoon on October 24, 1958, and September 9, 1947, respectively.

After four years of studies and dialogue with different sectors making use of water from the Laja Lake, on November 16, 2017, the Operation and Recovery of Laja Lake Agreement was signed, which complements the agreement signed with the DOH in 1958. This agreement provides reasonable irrigation security to irrigators in the area, giving priority to extractions for irrigation when the reservoir is at low levels, which are also used by generation. It also contemplates the use of a certain volume of water to maintain the scenic beauty of Salto del Laja, a well-known tourist attraction in the area. It also significantly improves the flexibility in the use of water, eliminating most of the restrictions that existed in the form of water extraction, replacing it by annual volumes that will manage

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irrigation and generation according to their needs. Another agreement was signed in October 2018 between our subsidiary Pehuenche and the irrigators of the Maule Lagoon Monitoring Board to optimize the use of water during drought periods. These agreements allow us to use the water more efficiently and to avoid further litigation with the local community, especially with farmers.

Thermal Generation

Our thermal electricity generation facilities use mostly LNG, coal and to a lesser extent, diesel. This mix allows us to use other fuels if the price of LNG were to be relatively too high, if there were to be a shortage of supply, or another circumstance were to make LNG unavailable. To satisfy our natural gas and transportation requirements, we signed a long-term gas supply contract with suppliers that establishes maximum supply amounts and prices, as well as long-term gas transportation agreements with the pipeline companies. Gasoducto GasAndes S.A. and Electrogas S.A. are our current gas transportation providers. Since March 2008, all of our natural gas units can operate using either natural gas or diesel and since December 2009, San Isidro, San Isidro 2 and Quintero power plants operate using LNG.

The LNG contract is the largest supply contract and is based on long-term agreements between us and Quintero LNG Terminal for regasification services and British Gas for supply. Our LNG Sale and Purchase Agreement is in force through 2030 and is indexed to the Henry Hub/Brent commodity prices. During 2018, the Quintero LNG Terminal unloaded 44 shipments, with a content equivalent to 3,523 million cubic meters of natural gas, of which 1,096 million cubic meters corresponded to our generation and commercialization requirements.

Regarding the supply of natural gas, a milestone was achieved during the last quarter of 2018. In a new environment of cooperation and promotion of energy integration by governments and private actors in Argentina and Chile, and after eleven years of interrupted gas supply, it was possible to reactivate the import of natural gas from Argentina. In this context, we signed interruptible supply agreements for natural gas with *YPF* and *Total Austral* and the corresponding export permits were obtained in Argentina, allowing the supply of natural gas to begin on December 28, 2018, to be used in the operation of the San Isidro power plant.

The agreement of the Nueva Renca thermal power plant that was entered into by *AES Gener* and subsequently by *Empresa Eléctrica Santiago* (currently known as *Empresa de Mercado Eléctrico S.A.*), allowed natural gas to be available to Nueva Renca. With this availability, the electrical energy produced by Nueva Renca, which was approximately 0.5 TWh, accounted for our electrical energy balance and helped to reduce our spot energy purchases.

From the point of view of gas commercialization, during 2018, we had five LNG shipment sales transactions, including the sale to Enel Trade of two LNG shipments with delivery to the United Kingdom, continuing the international trading transactions for shipments under the contract with *BG Global Energy Ltda.* in relevant international markets outside of Latin America.

In addition, we, together with *ENAP* and *Agesa*, implemented a new agreement for the export of natural gas from the Quintero LNG Terminal to Argentina with *Empresa Nacional de Energía Argentina* in 2018. Gas shipments totaled 90.6 million cubic meters, of which we contributed 55% of the total exported volume.

In 2018, the Terminal Use Agreement signed with *GNL Mejillones* allowed the unloading of an LNG shipment at this terminal. This agreement allowed the renewal of gas purchase agreements with important mining and industrial customers in the north of Chile, making us the main industrial gas trader in the north of Chile, in addition to having volumes of this gas available to our thermal units connected to the northern gas pipeline network (Taltal and GasAtacama).

In relation to the commercialization of LNG by trucks, 2018 was marked by an increase in operations, with a 30% increase compared to the 2017. During 2018, new agreements were reached that will allow the distribution of natural gas to two new cities by truck.

With respect to coal-based power plant operations, during 2018, 1,037 kilotons of coal were consumed by Tarapacá and Bocamina power plants. This consumption was equivalent of 2.3 TWh of energy generated by Bocamina 2, 0.6 TWh generated by Bocamina and 0.01 TWh generated by Tarapacá.

Generation from NCRE sources

Under Chilean law, electricity generation companies must derive a minimum amount of their energy sales from NCRE. This minimum amount depends on the date of execution of the sale contract and ranges from zero, for those signed prior to 2007, to 20%

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for those signed starting in July 2013. Currently, our Canela wind farms, Ojos de Agua mini-hydroelectric plant and 40% of the installed capacity of our Palmucho mini-hydroelectric plant qualify as NCRE facilities.

Electricity sales and generation

The SEN's electricity sales increased 4.3% during 2018 compared to 2017, as set forth in the following table:

ELECTRICITY SALES PER SYSTEM (GWh)

| | Year ended December 31, | | |
|--------------------------------------|-------------------------|---------------|---------------|
| | 2018 | 2017(1) | 2016 |
| Electricity sales in the SIC | | | 50,516 |
| Electricity sales in the SING | | | 16,960 |
| Total electricity sales (SEN) | 71,179 | 68,256 | 67,476 |

(1) On November 21, 2017, the SIC and the SING were integrated into one interconnected system and resulted in the creation of SEN.

Our electricity sales reached 23,343 GWh in 2018, 23,356 GWh in 2017 and 23,689 GWh in 2016, which represented a 32.8%, 34.2% and 35.1% market share, respectively. The energy purchases to comply with our contractual obligations to third parties decreased by 5% in 2018 when compared to 2017, primarily due to lower energy available under the contract with Nueva Renca, which is included in this total.

The following table sets forth our electricity generation and purchases:

ELECTRICITY GENERATION AND PURCHASES (GWh)

| | Year ended December 31, | | | | | |
|------------------------|-------------------------|-------------|---------------|-------------|---------------|-------------|
| | 2018 | | 2017 | | 2016 | |
| | (GWh) | % of Volume | (GWh) | % of Volume | (GWh) | % of Volume |
| Electricity generation | 17,373 | 74.4 | 17,073 | 73.1 | 17,564 | 74.1 |
| Electricity purchases | 5,970 | 25.6 | 6,283 | 26.9 | 6,125 | 25.9 |
| Total | 23,343 | 100 | 23,356 | 100 | 23,689 | 100 |

We supply electricity to the major regulated electricity distribution companies, large unregulated industrial firms (primarily in the mining, pulp and steel sectors) and the pool market. Commercial relationships with our customers are usually governed by contracts. Supply contracts with distribution companies must be auctioned, and are generally standardized with an average term of ten years.

Supply contracts with unregulated customers (large industrial customers) are specific to the needs of each customer, and the conditions are agreed between both parties, reflecting competitive market conditions.

In 2018, 2017 and 2016, we had 294, 152 and 46 customers, respectively. This significant increase in 2018 is mainly due the increase in the number of unregulated customers. Regulated customers of a certain size may exercise their option to become unregulated customers in order to benefit from the current market situation, which offers lower prices than would be paid as regulated customers. In 2018, our customers included 20 regulated customers and 272 unregulated customers.

Our generation contracts with unregulated customers are generally on a long-term basis and typically range from five to fifteen years. Such contracts are usually automatically extended at the end of the applicable term, unless terminated by either party upon prior notice. Contracts with unregulated customers may also include specifications regarding power sources and equipment, which may be provided at special rates, as well as provisions for technical assistance to the customer. We have not experienced any supply interruptions under our contracts. If we experienced a force majeure event, as defined in the contract, we are allowed to reject purchases and we have no obligation to supply electricity to our unregulated customers. Disputes are typically subject to binding arbitration between the parties, with limited exceptions.

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For the year ended December 31, 2018, our principal distribution customers were (in alphabetical order): *Enel Distribution*, *Grupo CGE*, *Grupo Chilquinta* and *Grupo Saesa*.

Our principal unregulated customers were (in alphabetical order): *Compañía Minera Doña Inés de Collahuasi SCM*, *Enel Distribution*, *Empresa CMPC S.A.*, *Minera Valle Central S.A.* and *SCM Minera Lumina Copper Chile*.

We compete in the SEN primarily with three generation companies, AES Gener, Colbún S.A. (“Colbún”) and Engie.

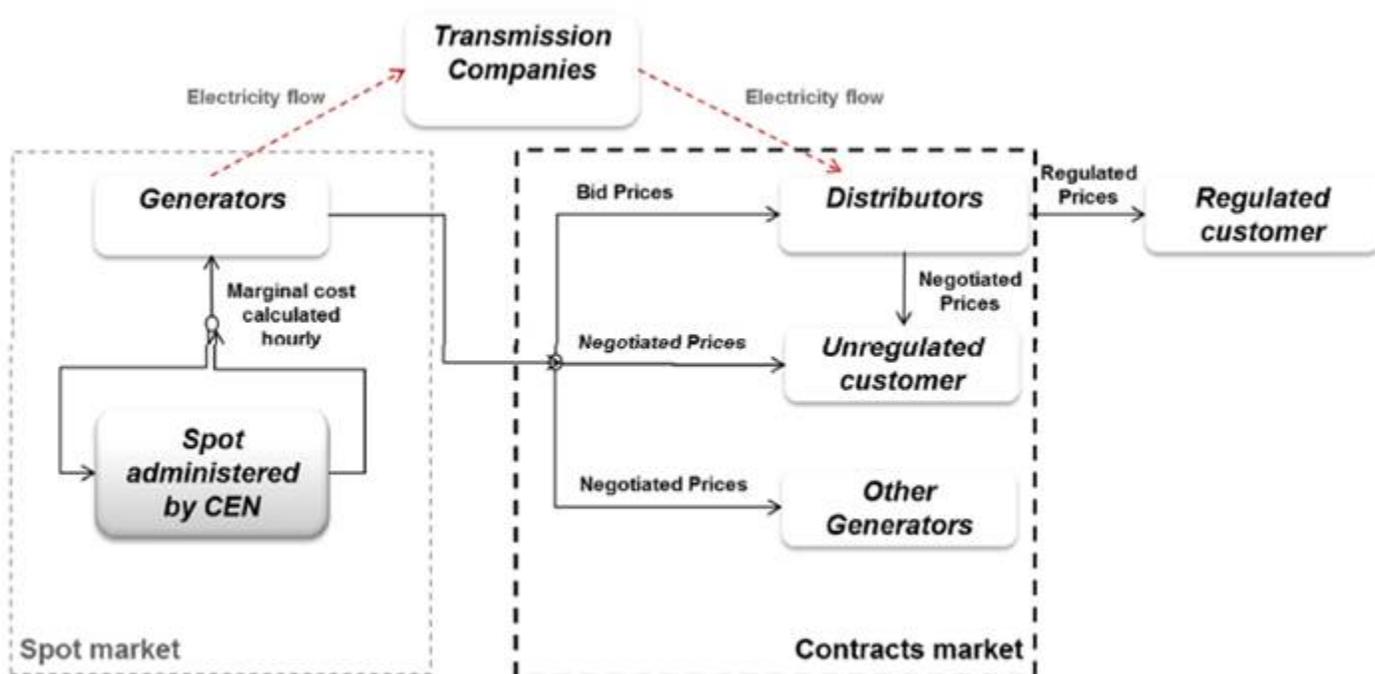
Electricity generation companies compete largely based on price, technical experience and reliability. In addition, because 55% of our installed capacity connected to the SEN is hydroelectric, we have lower marginal production costs than companies whose installed capacity is primarily thermal. Our installed thermal capacity benefits from access to gas from the Quintero LNG Terminal. However, during periods of extended droughts, we may be forced to buy more expensive electricity from thermal generators at spot prices in order to comply with our contractual obligations.

ELECTRICITY INDUSTRY STRUCTURE AND REGULATORY FRAMEWORK

1. Overview and Industry Structure

In the Chilean Electricity Market, there are four categories of local agents: generators, transmitters, distributors and large customers.

The following chart shows the relationships among the various participants in the Chilean electricity market:



The Chilean electricity sector is physically divided into three main networks, the SEN and two smaller isolated networks (Aysén and Magallanes). The SEN was created after the integration of the SIC and the SING that took place in November 2017 and extends from Arica in the north to Chiloé in the south. The CEN (Coordinador Eléctrico Nacional), a centralized dispatch center, coordinates the SEN’s operation. Until the interconnection of the SIC and SING in 2017, each system was coordinated by its respective dispatch center, the CDEC-SIC and the CDEC-SING.

The industry’s three business segments: generation, transmission and distribution, must operate in an interconnected and coordinated manner in order to supply electricity to final customers at the minimum cost and within the standards of quality and security required by the industry’s rules and regulations.

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i) Generators:

Generators supply electricity to end customers using the lines and substations that belong to transmission and distribution companies. The generation segment operates competitively and does not require a concession granted by the authority. Generators may sell their energy to unregulated customers, and to other generation companies through contracts at freely negotiated prices, or they may sell to distribution companies to supply regulated customers through contracts governed by bids.

The operation of electricity generation companies is coordinated by the CEN, with an efficiency criterion in which the lowest cost producer available is usually required to satisfy demand at any moment in time. Any differences between electricity production and generators' contracted sales are sold in the spot market at a price equal to the hourly marginal cost of the system.

ii) Transmitters:

Transmission companies own lines and substations with a voltage above 23 kV flowing from generators' production points to the centers of consumption or distribution, charging a regulated toll for the use of their installations. The transmission segment is a natural monopoly subject to special industry regulations, including antitrust legislation. Tariffs are regulated, and access must be open and guaranteed under nondiscriminatory conditions.

iii) Distributors:

Distribution companies supply electricity to end customers using electricity infrastructure with less than 23 kV. The distribution segment is a natural monopoly subject to special industry regulations as well, including antitrust legislation. The electricity network is open access and tariffs of distribution are regulated. Distribution companies have the obligation to provide electricity to the regulated customers within their concession area and at regulated prices. They may sell to unregulated customers through contracts at freely negotiated prices.

Furthermore, customers are classified according to their demand as "regulated" or "unregulated". Certain customers have the choice to be either regulated or unregulated, and therefore subject to the respective price regime. Demand requirements to qualify as regulated or unregulated customer are described below under "— 3. Generation Segment — Dispatch, Customers and Pricing".

2. Electricity Law and Authorities

The goal of the Chilean Electricity Law is to provide incentives to maximize efficiency and to provide a simplified regulatory scheme and tariff-setting process that limits the discretionary role of the government. This goal is achieved by establishing objective criteria for setting prices that provide a competitive rate of return on investment to stimulate private investment, while ensuring the availability of electricity in the system to all who request it.

Since its inception, the Chilean electricity industry has been developed primarily by private sector companies. However, nationalization by the government was carried out between 1970 and 1973. During the 1980s, the sector was reorganized through the Chilean Electricity Law, known as *Decreto con Fuerza de Ley DFL 1* ("DFL 1"), allowing for the renewed participation of the private sector.

The industry is currently governed by the electricity law *Ley General de Servicios Eléctricos* No. 20,018 and its modifications, under the Electricity Law, known as *Decreto con Fuerza de Ley DFL 4* ("DFL 4"), the restated DFL 1, published in 2006 by the Ministry of Economy and its respective Regulations included in *Decreto Supremo* D.S. No. 327/1998.

The Ministry of Energy is the main authority in the energy industry since February 1, 2010. The Ministry of Energy elaborates and coordinates plans, policies and standards for the proper operation of the sector and the development of the industry in Chile.

The National Energy Commission ("CNE", in its Spanish acronym) and the Superintendence of Electricity and Fuel, "SEF," are also relevant industry authorities. They report to the Ministry of Energy.

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

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The Energy Sustainability Agency was created in 2018 and replaced the Energy Efficiency Agency that is in charge of promoting energy efficiency.

Additionally, the law provides for a “Panel of Experts,” whose main responsibility is to act as a court, issuing enforceable resolutions in disputes related to subjects referred to by DFL 4, and other electricity related laws. This panel is comprised of professional experts, all of whom are elected every six years by the antitrust government agency, *Tribunal de la Libre Competencia* (“TDLC” in its Spanish acronym).

The CEN is an independent entity in charge of coordinating the operation of the electricity system 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.

The CEN’S main activities include:

- a) coordination of electricity market operations;
- b) authorization of connections;
- c) ancillary services management, implementation of information systems available for the public; and
- d) monitor competition and payments, among others.

The CEN performs the calculation of market balances (energy injections and withdrawals), determines the transfers among generation companies and calculates the hourly marginal cost, which is the price at which energy transfers are carried out in the spot market. However, the CEN does not calculate the prices of generation capacity. Such prices are calculated by the National Energy Commission or CNE.

Limits on Integration and Concentration

The antitrust legislation established in DFL 211 (modified by Law No. 20,945 in 2016) and the regulations applicable to the electricity industry stated in DFL 4 and Law No. 20,018, have established the criteria to avoid economic concentration and abusive market practices in Chile.

Companies can participate in the different market segments (generation, distribution, transmission) to the extent that they are appropriately separated, both from an accounting perspective and a corporate perspective according to the requirements established in DFL 4 and Law No. 20,018 and the antitrust law DL 211 referred to above, in addition to complying with the conditions established in Resolution No 667/2002, listed below.

The transmission sector is subject to the greatest restrictions, mainly because of its open access requirements. DFL 4 sets limits to the shareholdings of generation and distribution companies in companies that participate in the national transmission segment of the transmission system.

The owners of the National Transmission System (“STN” in its Spanish acronym) must be constituted as limited liability stock corporations. Individual interests in the STN by companies operating in another electricity or unregulated customer segment cannot exceed, directly or indirectly, 8% of the total investment value of the STN. The aggregate interest of all such agents in the STN cannot exceed 40% of the total investment value.

According to the Electricity Law, there are no restrictions on market concentration for generation and distribution activities. However, Chilean antitrust authorities have imposed certain measures to increase transparency associated with us and our subsidiaries, through Resolution 667 issued by the TDLC.

Resolution 667 states that:

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- electricity generation and distribution activities cannot be merged. For instance, Enel Chile must continue to keep both business segments separate and manage them as independent business units; and
- we, Enel Generation and Enel Distribution are registered with the CMF and must remain subject to the regulatory authority of the CMF and comply with the regulations applicable to publicly held stock corporations, even if any of these companies should lose such designation;
- members of the Board of Director must be elected from different and independent groups;
- the external auditors of the companies must be different for local statutory purposes.

In addition, the Water Utility Services Law also sets restrictions on the overlapping of different utility concessions in the same area, setting restrictions on the ownership of the property for water and sewage service concessions and utilities that are natural monopolies, such as electricity distribution, gas or home telephone networks. By way of example, an electricity distribution company and a water utility company that belong to the same owner cannot operate in the same concession area.

3. Generation Segment

The generation segment is comprised of companies that own electricity generation power plants. They operate under market-driven conditions delivering their electricity to end customers through transmission and distribution networks. Generation companies freely determine whether to sell their energy and capacity to regulated or unregulated customers, but the operation of their power plants is determined by the CEN. The surplus or deficit between the generation company's electricity sales and production is sold or purchased, as the case may be, to other generators at the spot market price.

Law No. 20,257 was issued in 2008 to promote the development of NCRE generation. In Chile, NCRE refers to power from wind, solar, geothermal, biomass, ocean (movement of tides, waves and currents, as well as the ocean's thermal gradient) and mini-hydro plants under 20 MW.

Law No. 20,257 required generators, between 2010 and 2014, to supply at least 5% of their total contracted sales with NCRE sources and progressively increases that percentage by 0.5% a year beginning in 2015 with the aim of reaching 10% by 2024. In 2013, Law No. 20,698, modified the previously defined NCRE source minimum requirements, establishing a mandatory 20% share of NCRE source as a percentage of total contracted energy sales by 2025, but allowing contracts signed between 2007 and 2013 to maintain the 10% target by 2024.

Dispatch, Customers and Pricing

Generation companies may sell to distribution companies, unregulated end customers or to other generation companies through contracts. Generation companies satisfy their contractual sales requirements with dispatched electricity, whether produced by them or purchased from other generation companies in the spot market or through contracts. They balance their contractual obligations with their dispatch by trading deficit and surplus electricity at the spot market price, which is set hourly by the CEN, based on the lowest cost of production of the last kWh dispatched.

The CEN operates the electricity system with an approach that minimizes operating costs, while monitoring the quality of the service provided by the generation and transmission companies. To minimize operating costs, it applies an efficiency criterion in which the lowest cost producer available is usually required to satisfy demand at any moment in time. As a result, at any specific level of demand, the appropriate supply will be provided at the lowest possible production cost available in the system. This marginal cost on an hourly basis is the price at which generators trade energy in the spot market, both their injections (sales) and their withdrawals (purchases) to balance their contracted customer sales to their production determined by the CEN.

The customers of generation companies are classified by the electricity capacity demand required, explained as follows:

- i) **Unregulated customers:** Customers who demand over 5,000 kW of capacity, mainly industrial and mining companies. These customers freely negotiate their electricity supply prices with generators and/or distributors. This customer category also includes those who demand between 500 and 5,000 kW of capacity that have the option to choose between the unregulated regime and the regulated regime and choose the unregulated regime.
- ii) **Distribution companies:** Distributors distinguishing between the energy they require to satisfy their regulated customers from their unregulated customers. In the former case, distributors purchase energy from generation companies through an open bid process regulated by the CNE, while they freely negotiated bilateral contracts with unregulated customers.

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- iii) Generation companies trading on the spot or short-term market: The energy and capacity transactions between generation companies arise from the difference between the electricity produced by a generator, as determined by the CNE, and the contractual obligations of that generator with its customers. The price of energy traded on the spot market is the hourly marginal cost of the system and the price of capacity traded on the spot market at a certain node.

Each generator receives a capacity payment set by the CEN based on the generation capacity of each power plant and the available primary resource. This capacity payment replaces the previous “firm capacity” concept. It continues to depend primarily on the availability of such facility, the type of power plant technology, and the resources used to generate. It is the maximum capacity a generator may supply to the system at certain peak hours, considering statistical information, accounting for maintenance time and extremely dry conditions for hydroelectric power plants, but differs from firm capacity because it does not consider the power plants’ contribution to the security of the entire system.

Generation costs are passed on to distributors’ regulated end consumers through the “average node price,” which corresponds to a single price determined for each distributor by the CNE, considering the weighted average prices of their current supply contracts for regulated customers. The average node price is adjusted in three instances: (1) every six months, in January and July of each year, based on local and international indexes; (2) upon the entry of a new supply contract with any distribution company; and (3) upon indexation of a supply contract in more than 10%.

Rationing

If a rationing decree is enacted in response to prolonged periods of electricity shortages, strict penalties may be imposed on generation companies that contravene the decree. A severe drought is not considered a *force majeure* event under our service agreements.

Generation companies may also be required to pay fines to the regulatory authorities, as well as compensate electricity customers affected by shortages of electricity. The fines are related to system blackouts due to an electricity generator’s operational problems, including failures related to the coordination duties of all system agents. If generation companies cannot satisfy their contractual commitments to deliver electricity during periods when a rationing decree is in effect and there is no energy available to purchase in the system, the generation company must compensate the customers at a rate known as the “failure cost” determined by the authority in each node price setting. This failure cost, which is updated semiannually by the CNE, is a measurement of how much end customers would pay for one extra MWh under rationing conditions.

Water Rights

Companies in Chile must pay an annual fee for unused water rights. License fees already paid may be recovered through monthly tax credits, commencing on the start-up date of the project associated with the water right. The maximum license fees that may be recovered are those paid during the eight years before the start-up date.

The Chilean Constitution considers water as a national public good in which real utilization rights are defined. It is similar to holding private property rights over water, as set forth in article 19, paragraph 24: “The rights of individuals over water, recognized or constituted in accordance with the law, grant their holders ownership over such rights.” Notwithstanding the foregoing, paragraph 24 also specifies legal limitations to those water rights.

The Chilean Congress is currently discussing amendments to the Water Code with the objective of making water use for human consumption, household subsistence and sanitation a high priority.

On November 22, 2016, the Chilean House of Representatives approved an amendment that is being evaluated by the Water Resources, Desertification and Drought Commission of the Chilean Senate. The main aspects of the amendments are as follows:

- Granting of new water rights, which would be limited to a maximum period of 30 years, extendable over future terms, unless the Water Authority proves the non-use of the resources. The extension would be effective only for used water rights.
- The expiration of new non-consumptive water rights that were granted by law, if the holder does not exercise the right of use within eight years.
- The expiration of new non-consumptive water rights already granted, if the user does not effectively use the rights within a period of eight years from the date of enactment of the new Water Code. The term can be extended for up to four years only in justified cases such as delays in obtaining permits or environmental approvals.

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In January 2019, the President modified this amendment to state that the water rights have an unlimited duration.

4. Transmission Segment

The transmission segment supplies electricity over lines or substations with a voltage or tension higher than 23 kV from generators' production points to the centers of consumption or distribution. Transmission systems are comprised of the electricity lines and substations that are not considered part of the distribution network.

Given the structural characteristics of the transmission segments, it is subject to special electricity industry regulation. Tariffs are regulated, and access must be open guaranteed under nondiscriminatory conditions.

Law No. 20,936 published in July 2016 established a new regulatory framework for all electricity transmission systems in Chile, redefining the system into the following segments: National, Development Poles, Zonal, Dedicated, and International.

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

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

The remuneration of existing national and zonal transmission installations is determined by a tariff setting process performed every four years. This process determines the Annual Transmission Value that considers 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.

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

Regulation currently in force states that transmission remuneration is the sum of tariff revenue and usage charge revenue, received for use by the transmission system defined as \$/kWh by the CNE.

Finally, in the case of a failure in electricity transmission, Law No. 20,936 defines the penalty conditions for the responsible company (transmission, generation or other).

Transmission Tariffs

Law No. 20,936 introduced changes to the transmission tariff setting process. In transitioning to the implementation of the new law, the current zonal transmission tariff setting process continued as stated by transitory Article No. 20 of Law No. 20,936. The tariff setting process for the 2018-2019 period concluded in October 2018 and has been effective retrospectively since January 1, 2018. The 2020-2023 tariff setting process is now in progress.

5. Distribution Segment

The distribution segment is comprised of electricity infrastructure with a voltage lower than 23 kV to supply electricity to end customers. Electricity distribution is considered a natural monopoly and companies therefore operate under a public utility concession regime, with service obligations and regulated tariffs for supplying regulated customers. They may sell to unregulated customers at negotiated prices.

Customers are classified according to their demand as regulated or unregulated. Regulated customers are those whose connected capacity is below or equal to 5,000 kW and unregulated customers are those whose connected capacity is at least 5,000 kW. Customers with connected capacity between 500 kW and 5,000 kW may choose to be regulated or unregulated, subject to the respective price regime. Clients who choose one category must remain at least four years in the option chosen.

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Customers subject to the unregulated price regime may negotiate their electricity supply with any generator or distributor, although they must pay a regulated toll for using the distribution network.

Regulated customers with residential generation can sell their surpluses to the distribution company, under certain conditions (regulation of net billing). Since November 2018, Law No. 21,118 permits customers with connected capacity up to 300kW to sell their surpluses.

Distribution concessions are given by the Chilean Ministry of Energy for an undefined period and give the right to use public areas for building distribution lines. Distribution companies have the obligation to supply electricity to regulated customers that request service within their concession area, except for customers that have chosen the unregulated regime. A concession may be declared expired if the quality of service does not meet certain minimum standards.

Regarding the supply of electricity to regulated customers, DFL 4 establishes that distribution companies must permanently have electricity supply available. They must contract their energy supply through open, non-discriminatory and transparent public tenders. These bidding processes are managed by the CNE and are based on distribution companies' projections of energy demand. They are carried out at least five years in advance from the expected effective date of the energy supply contract, which has a 20-year term. 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 if this were to take place.

The latest tender was carried out in 2017. A total 2,200 GWh/year were awarded for the period from January 1, 2024, to December 31, 2043, at an average price of 32.5 US\$/MWh, which must be completely sourced from NCRE. For further detail on the outcome of tenders, please see "Item 4. Information on the Company — B. Business overview."

Distribution Tariffs

The Chilean distribution tariff model has gone through nine tariff setting process since its privatization in the 1980s.

Tariffs charged by distribution companies to end regulated customers are set every four years. Tariffs are determined by the sum of the cost of electricity purchased by the distribution company, a transmission charge and the Value Added from Distribution of electricity ("VAD"), which allows distribution companies to recover their investment and operating costs, including a return on investment, which is set by law. The transmission charge reflects the cost paid for electricity transmission and transformation.

The VAD is based on a so-called "efficient model company" within a Typical Distribution Area ("TDA"). It considers the cost of building and operating the company at the minimum cost, fulfilling quality and safety standards of a company within that TDA. Therefore, the CNE classifies all distribution companies according to their TDA, then selects one distribution company from each TDA and estimates its cost as an efficient model company. Distribution companies also carry out their own studies to determine the costs of such company as the efficient model company. Cost estimates include fixed costs, average energy and capacity losses, standard investment costs, and operation and maintenance costs. The annual investment costs are calculated considering the Replacement Cost ("VNR" in its Spanish acronym) of the installations, useful life and a 10% return on assets associated with electricity investments.

The VAD of each TDA is determined as a weighted average with one third of the value estimated by the study of the companies and two thirds by the CNE. Preliminary tariffs, with the resulting VAD, are tested to ensure that they provide an industry aggregate rate of return between 6% and 14%.

The real return on investment for a distribution company depends on its actual performance relative to the standards chosen by the CNE for the efficient model company. The tariff system allows for a greater return to distribution companies that are more efficient than the model company.

Electricity regulation establishes tariff equality mechanisms for electrical services. Law No. 20,928 states that the maximum tariff that distribution companies may charge residential customers must not exceed the average national tariff by more than 10%. The differences arising from the application of this mechanism will be progressively absorbed by the remaining customers subject to regulated prices that are under the mentioned average, except for those residential users whose monthly average consumption of energy in the prior calendar year is lower than or equal to 200 kWh.

Additionally, Chilean law provides that transitory subsidies can be granted if the residential customer tariff increases by 5% or more within a six-month period. This subsidy is conferred by the state, its application is a faculty of the government and the last one was granted in 2009.

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The tariff setting process for 2016-2020 concluded in August 2017 and had been in effect, retroactively, since November 4, 2016. On December 18, 2017, CNE published a resolution that set the Technical Standard of Quality of Service for Distribution Systems. The Distribution System Technical Service Quality Standards established higher technical and commercial standards, including electricity supply reliability indicators, such as the System Average Interruption Frequency Index (SAIFI), which measures the average number of times a customer's supply is interrupted in a year; and the System Average Interruption Duration Index (SAIDI), which measures the total number of minutes, on average, that a customer is without electricity in a year, among others. This resolution also refers to product quality, metering, monitoring and controlling and commercial service quality. In this context, in September 2018, there was an extraordinary tariff update process. This updated tariff is non-retroactive and will be effective until the next tariff setting process.

Distribution companies may be required to compensate end customers in the case of electricity shortages that exceed the authorized standards. These compensatory payments are equal to double the amount of electricity the distribution company failed to provide, using a rate equal to the "failure cost." In addition, distribution companies are subject to the provisions of the SEF, in particular to its articles 15 and 16 of the Law No. 18,410, in which different infractions are listed and classified according to their severity and associated fines.

Distribution-Related Services

Distribution-related services are services identified by the TDLC as subject to regulation, such as meter rentals and meter verification, among others. The tariffs of these services are set every four years by the CNE along with the VAD calculation. On March 14, 2014, the Ministry of Energy published the prices for distribution-related services, which are currently still effective.

The tariff setting process for the distribution related services for the 2016-2020 period concluded in July 2018. The new tariff is non-retroactive and will be in effect until the next tariff setting process.

6. Environmental Regulation

Chile has numerous laws, regulations, decrees and municipal ordinances that address environmental considerations. Among them are regulations relating to waste disposal (including the discharge of liquid industrial wastes), the establishment of industries in areas that may affect public health, and the protection of water for human consumption.

Environmental Law No. 19,300 was enacted in 1994 and has been amended by several regulations, including the Environmental Impact Assessment System Rule issued in 1997 and modified in 2001. This law establishes a general framework of regulation of the right to live in a pollution-free environment, the protection of the environment, the preservation of nature and the conservation of environmental heritage. It also regulates environmental management instruments such as the Strategic Environmental Assessment, the Environmental Impact Assessment System and Access to Environmental Information, the Environmental Damage Liability, the Enforcement and the Environmental Protection Fund and the environmental institutional framework of Chile. This law requires companies to conduct an environmental impact study and a declaration of any future generation or transmission projects.

In January 2010, Law No. 19,300 was modified by Law No. 20,417, and introduced changes to the environmental assessment process and in the public institutions involved, principally creating the Chilean Ministry of Environment and the Superintendence of Environment. Environmental assessment processes are coordinated by this entity and by the Environmental Assessment Service (SEA).

The Ministry of the Environment is in charge of the management, protection and application of policies in environmental matters, whose mission is to lead sustainable development, through the generation of efficient public policies and regulations, by promoting good practices that improve citizen environmental education. This Ministry works in the recovery of air quality in urban centers, the management of natural resources and biodiversity, the proper final disposal of solid waste, climate change and protection of water resources, and environmental education and citizen participation.

The SEA is in charge of guarding the regulatory integrity within the framework of the environmental impact assessment of the projects, while the Superintendence of Environment monitors compliance with the environmental qualification, standards and plans.

In June 2011, the Ministry of Environment published Decree 13, which establishes emission standards for thermoelectric plants applicable to generation units of at least 50 MW. The objective of this regulation is to control atmospheric emissions of particulate matter (MP), nitrogen oxides (NO_x), sulfur dioxide (SO₂) and mercury (Hg), to prevent and protect the health of the population and

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protect the environment. Existing emission sources are required to meet emission limits as established in the regulation for MP emissions and for SO₂ and NO_x emissions by June 2015 in highly polluted areas and by June 2016 elsewhere.

In June 2012, Law No. 20,600 created the Environmental Courts, special jurisdictional courts subject to the control of the Chilean Supreme Court. Their primary function is to resolve environmental disputes within their jurisdiction and investigate other matters that are submitted for their attention under the law. The law created three such courts, all of which are in operation.

On December 28, 2012, the Superintendence of Environment was formally created and began to exercise its powers of enforcement and sanctions pursuant to Chilean environmental regulations.

On September 10, 2014, Law No. 20,780 was enacted and included charges for the emission of MP, NO_x, SO₂ and CO₂ into the atmosphere. For CO₂ emissions, the charge is US\$ 5 per emitted ton (not applicable to renewable biomass generation). MP, NO_x and SO₂ emissions will be charged the equivalent of US\$ 0.10 per emitted ton, multiplied by the result of a formula based on the population of the municipality where the generation plant is located and an additional fee of US\$ 0.90 per ton of MP emitted, US\$ 0.01 per ton of SO₂ emitted and US\$ 0.025 per ton of NO_x emitted. This tax became effective in 2018, with the amount due calculated based on the previous year's emissions.

In 2017, authorities published Exempt Resolution No. 659 related to the implementation of Article No. 8 of Law No. 20,780 regarding taxes on thermal electric power plant emissions as a result of the country's latest tax reform.

All our thermal plants and our subsidiary GasAtacama have established methodologies to measure emissions and pay related taxes, in line with the requirements of the Environmental Superintendence of Chile.

Regarding biodiversity, on January 5, 2018, the Chilean Sustainable Development Board approved the 2017-2030 National Biodiversity Strategy. This strategy replaces the existing national strategy adopted in 2003. The new strategy identifies five objectives related to the sustainable use of biodiversity, and the development of the institutions and regulation required for the sustainable management of ecosystems.

7. Raw Materials

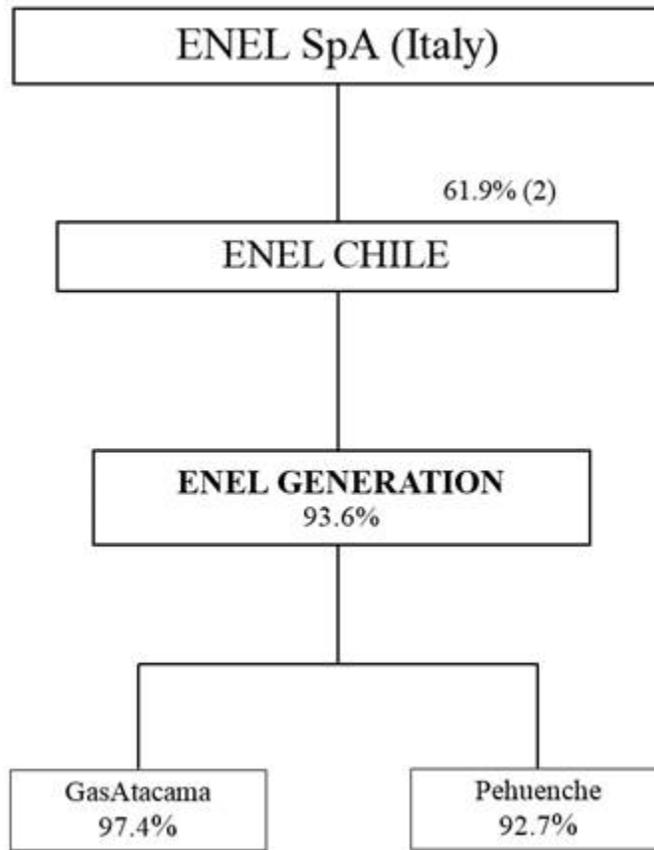
For information regarding our raw materials, please see "Item 11. Quantitative and Qualitative Disclosures about Market Risk — Commodity Price Risk."

C. Organizational Structure.

Principal Subsidiaries and Affiliates

We are part of an electricity group controlled by Enel, an Italian company and our ultimate controlling shareholder. Enel Chile, our controlling shareholder, owned 93.6% of our shares, and Enel beneficially owned 61.9% of Enel Chile as of December 31, 2018. Enel is an energy company with multinational operations in the power and gas markets, with a focus on Europe and Latin America. Enel operates in 35 countries across five continents, produces energy through a managed installed capacity over 89 GW, which includes 43 GW of renewable sources, and distributes electricity and gas through a network covering 2.2 million kilometers. With over 73 million users worldwide, Enel has the largest customer base among European competitors and figures among Europe's leading power companies in terms of installed capacity and reported EBITDA. Enel shares trade on the Milan Stock Exchange.

Enel Generation Chile's Organizational Chart (1)
As of December 31, 2018



-
- (1) Only principal operating subsidiaries are presented here. The percentage listed in the box for each of Enel Generation's consolidated subsidiaries represents its economic interest in such consolidated subsidiary.
- (2) Excluding treasury stock.

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We consolidated the companies listed in the following table as of December 31, 2018. In the case of subsidiaries, our economic interest is calculated by multiplying our percentage of economic interest in a directly held subsidiary by the percentage economic interest of any entity in the chain of ownership of such ultimate subsidiary.

| Principal Companies | % Economic Ownership of Each Main Subsidiary by Enel Generation (in%) | Consolidated Assets of Each Main Subsidiary on a Stand-alone Basis (in billions of Ch\$) | Revenues and Other Operating Income of Each Main Subsidiary on a Stand-alone Basis |
|---------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Pehuenche | 92.7 | 231 | 163 |
| GasAtacama(1) | 97.4 | 757 | 271 |

(1) Includes Central Eólica Canela S.A and Gasoducto Atacama Argentina S.A. On November 1, 2016, Celta was merged into GasAtacama, which was the surviving company. GasAtacama has been fully consolidated since May 2014.

Principal Subsidiaries

GasAtacama

GasAtacama is a generation company located northern Chile, which owns and operate a four-unit combined-cycle power plant with a total installed capacity of 732 MW and a gas pipeline, which connects to Argentina. In April 2014, we acquired a 50% ownership interest in Inversiones GasAtacama Holding Ltda. (“GasAtacama Holding”) and as a result, we owned a controlling equity interest in GasAtacama Holding.

Since the second half of 2016, we have been carrying out a corporate simplification process, which mainly involved mergers. During 2016, GasAtacama Holding merged into Celta, which later merged into GasAtacama, the surviving company, on November 1, 2016. On November 9, 2017, GasAtacama purchased the 25% minority interest of Central Eólica Canela S.A. On December 22, 2017, Central Eólica Canela S.A. was dissolved subsequent to the sale of its assets to GasAtacama on November 21, 2017.

As of December 31, 2018, GasAtacama owned the following power plants: Tarapacá, San Isidro, Pangué, Canela I and II and Ojos de Agua, which have an aggregate capacity of 1,110 MW.

We hold 97.4% of the economic interest in GasAtacama and since May 1, 2014, we have consolidated GasAtacama in our consolidated financial statements.

Pehuenche

Pehuenche, a generation company connected to the SEN, owns three hydroelectric facilities located in the hydrological basin of the Maule River, south of Santiago, with a total installed capacity of 697 MW. The 568 MW Pehuenche plant began operations in 1991, the 89 MW Curillínque plant began operations in 1993, and the 40 MW Loma Alta plant began operations in 1997. We hold 92.7% of the economic interest in Pehuenche and consolidate Pehuenche in our consolidated financial statements.

D. Property, Plant and Equipment.

Our property, plant and equipment are concentrated on electricity generation assets in Chile.

We conduct our generation business through Enel Generation and its subsidiaries, Pehuenche and GasAtacama, which together own 28 generation power plants, all located in Chile, of which 16 are hydroelectric (3,456 MW installed capacity), ten are thermal (2,738 MW installed capacity) and two are wind powered (78 MW installed capacity). The description for our generation subsidiaries, and their businesses is included in this “Item 4. Information on the Company.”

A substantial portion of our generating subsidiaries’ cash flow and net income is derived from the sale of electricity produced by our electricity generation facilities. Significant damage to one or more of our main electricity generation facilities or interruption in the production of electricity, whether resulting from an earthquake, flood, volcanic activity, severe and extended droughts or any other such natural disasters, could have a material adverse effect on our operations.

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The following table identifies the power plants that we own, all located in Chile, at the end of each year, by company and their basic characteristics:

Property, Plant and Equipment of Generation Companies

| Company | Power Plant Name | Power Plant Type(2) | Installed Capacity(1) As of December 31, | | | |
|----------------------|-------------------------------------------|-------------------------------------------|---------------------------------------------|-----------------|--------------|--------------|
| | | | 2018 (3) | 2017 (in MW) | 2016 | |
| Enel Generation | Rapel | Reservoir | 376 | 377 | 377 | |
| | Cipreses | Reservoir | 106 | 106 | 106 | |
| | El Toro | Reservoir | 449 | 450 | 450 | |
| | Los Molles | Run-of-the-river | 18 | 18 | 18 | |
| | Sauzal | Run-of-the-river | 77 | 77 | 77 | |
| | Sauzalito | Run-of-the-river | 12 | 12 | 12 | |
| | Isla | Run-of-the-river | 70 | 70 | 70 | |
| | Antuco | Run-of-the-river | 319 | 320 | 320 | |
| | Abanico | Run-of-the-river | 136 | 136 | 136 | |
| | Ralco | Reservoir | 689 | 690 | 690 | |
| | Palmucho | Run-of-the-river | 34 | 34 | 34 | |
| | Total hydroelectric | | | 2,284 | 2,290 | 2,290 |
| | Bocamina | Steam Turbine/Coal | 478 | 478 | 478 | |
| | Diego de Almagro | Gas Turbine/ Diesel Oil | 24 | 24 | 24 | |
| Huasco | Gas Turbine | 64 | 64 | 64 | | |
| Taltal | Gas Turbine/Natural Gas+Diesel Oil | 240 | 245 | 245 | | |
| San Isidro 2 | Combined Cycle /Natural Gas+Diesel Oil | 388 | 399 | 399 | | |
| Quintero | Gas Turbine/Natural Gas | 257 | 257 | 257 | | |
| Total thermal | | | 1,451 | 1,467 | 1,467 | |
| Total | | | 3,735 | 3,757 | 3,757 | |
| Pehuenche | Pehuenche | Reservoir | 568 | 570 | 570 | |
| | Curillínque | Run-of-the-river | 89 | 89 | 89 | |
| | Loma Alta | Run-of-the-river | 40 | 40 | 40 | |
| | Total | | | 697 | 699 | 699 |
| GasAtacama | Atacama | Combined Cycle /Natural Gas+Diesel Oil | 732 | 781 | 781 | |
| | Tarapacá | Steam Turbine/Coal | 158 | 158 | 158 | |
| | Tarapacá | Gas Turbine/Diesel Oil | 20 | 24 | 24 | |
| | San Isidro | Combined Cycle /Natural Gas+Diesel Oil | 379 | 379 | 379 | |
| | Pangue | Reservoir | 466 | 467 | 467 | |
| | Canela I | Wind Farm | 18 | 18 | 18 | |
| | Canela II | Wind Farm | 60 | 60 | 60 | |
| | Ojos de Agua | Run-of-the-river | 9 | 9 | 9 | |
| | Total | | | 1,842 | 1,896 | 1,896 |
| | Total capacity | | | 6,274 | 6,351 | 6,351 |

(1) The installed capacity corresponds to the gross installed capacity, without considering the MW that each power plant consumes for its own operation.

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- (2) “Reservoir” and “run-of-the-river” refer to hydroelectric plants that use the force of a dam or a river, respectively, to move the turbines that generate electricity. “Steam” refers to thermal power plants fueled with natural gas, coal, diesel or fuel oil to produce steam that moves the turbines. “Gas Turbine” or “Open Cycle” refer to thermal power plants that use either diesel or natural gas to produce gas that moves the turbines. “Combined-Cycle” refers to thermal power plants fueled with natural gas, diesel oil, or fuel oil to generate gas that first moves a turbine and then recovers the gas from that process to generate steam to move a second turbine.
- (3) The 2018 installed capacity differs from previous years since the CEN has reviewed the capacity of each generation unit and adjusted their capacity.

Insurance

Our electricity generation facilities are insured against damage caused by natural disasters such as earthquakes, fires, floods, other acts of god (but not for droughts, which are not considered *force majeure* risks, and are not covered by insurance) and from damage due to third-party actions, based on the appraised value of the facilities as determined from time to time by an independent appraiser. Based on geological, hydrological and engineering studies, management believes that the risk of the previously described events resulting in a material adverse effect on our facilities is remote. Claims under our subsidiaries’ insurance policies are subject to customary deductibles and other conditions. We also maintain business interruption insurance providing coverage for the failure of any of our facilities for a period of up to 24 months, including the deductible period. Insurance policies include liability clauses, which protect our companies from claims made by third parties. The insurance coverage taken for our property is approved by each company’s management, taking into account the quality of the insurance companies and the needs, conditions and risk evaluations of each facility, and is based on general corporate guidelines. All insurance policies are purchased from reputable international insurers. We continuously monitor and meet with the insurance companies in order to obtain what we believe is the most commercially reasonable insurance coverage.

Project Investments

We are continuously analyzing potential opportunities for growth. The study and profitability assessment of our project portfolio is an ongoing effort. Industry technology is allowing for smaller, less environmentally damaging power plants. These plants can be built quicker, allow greater flexibility to activate or deactivate according to system needs, and are generally preferred by the community. We are favoring renewable energy technology for our new power plant investments. We seek opportunities, either by building new greenfield projects or by modernizing existing brownfield assets and improving (operationally and/or environmentally) performance. The expected start-up for each project is assessed and is defined based on the commercial opportunities and our financing capacity to fund these projects. All of our projects are financed with internally generated funds. Below we list our most important projects under development; however, any decision related to construction will depend on commercial opportunities foreseen in the upcoming years, including future tenders for supplying the regulated market, and the evolution of the regulatory framework (mainly associated with ancillary services).

Budgeted amounts include connecting lines that could be owned by third parties and paid as tolls, unless otherwise indicated.

1. Generation Business Projects

A. Projects completed during 2018

Bocamina Optimization Project

Bocamina is a 478 MW coal-fired power plant located in Coronel in the Biobio Region in southern Chile, which consists of two units, Bocamina I (128 MW) and Bocamina II (350 MW). Bocamina II started commercial operations in July 2013 but suspended its operations in December 2013 due to environmental injunctions. A new Environmental Impact Statement was approved in March 2015 and included a new technical optimization plan. On April 2, 2015, the Chilean Court approved the new RCA, and the plant resumed operations in July 2015, after complying with all requested conditions established in the new RCA.

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The technical optimization plan involves the following: (i) installation of Johnson filters for seawater intake in both units; (ii) installation of domes over the north and south coalfields; (iii) improvement of the ash dump in operation; and (iv) construction of a water treatment plant. After we finished the dome over the north coalfield, we proceeded to the construction and completion of the south dome in June 2018, achieving a storage capacity of 270,000 tons of coal.

The latest progress includes:

- On June 15, 2018, we delivered to Major Contractor the Provisional Acceptance Certificate of South Dome.
- On October 17, 2018, we received from Municipality the certificate of definitive reception of the building works for the south dome.

The estimated total investment is Ch\$ 62,103 million, of which Ch\$ 61,357 million was incurred as of December 31, 2018.

B. Projects under Construction

B.1 Enel Generation

Los Cóndores Hydroelectric Project

The Los Cóndores project is located in the Maule Region, in the San Clemente area. It consists of a 150 MW run-of-the-river hydroelectric power plant, with two Pelton vertical water turbine units, which will use water from the Maule Lagoon reservoir through a pressure tunnel. The power plant will be connected to the SEN at the Ancoa substation (220 kV) through an 87 km transmission line.

On September 14, 2018, our Board of Directors approved an updated construction plan, with a total project investment of US\$ 957.3 million, excluding contingencies. The construction activities will continue until 2020. After that, the power plant commissioning phase will follow as well as commercial operations.

As of December 31, 2018, 65.6% of the project was completed and 86.8% of the transmission lines were completed and assembled, according to the last approved construction plan. We expect that the estimated total investment will be Ch\$ 665,986 million, of which Ch\$ 419,022 million was incurred as of December 31, 2018. This project is being financed primarily with internally generated funds.

Sauzal Repowering

The Sauzal Repowering project is to be implemented within the Sauzal power plant, located in the *Libertador General Bernardo O'Higgins* Region of central Chile. The power plant uses the water of the Cachapoal and Claro Rivers and is a run-of-the-river hydroelectric power plant with three Francis vertical units.

The project involves replacing two turbines with a target efficiency rate of 95%, obtaining up to 3MW of new capacity and 13.7 GWh per year. The contract was signed in July 2018 with Voith. During 2018, detailed engineering was carried out and the manufacturing of the runner parts, shaft and seals of the first unit commenced, with an overall progress of 37% as of December 2018.

The estimated total investment is US\$ 10.5 million, of which US\$ 2 million has been incurred as of December 31, 2018. This project is being financed primarily with internally generated funds.

Bocamina closure plan of the landfill

The project considers the application of the best practices for closure of similar ash dumpsite facilities. In a first stage, there will be infrastructure and operation improvements in two sectors. We expect to satisfy the environmental standard established in the Environmental Impact Assessment approved in March 2015.

The project is composed of two stages:

- Stage 1: Closure works of sectors one and two and a lateral one (the total area is around 48,000 m²), which we expect to complete during the second quarter of 2020.

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- Stage 2: Closure works for the remaining sector 3 at the end of the life of the power plant. This second stage does not have a commissioning date defined since it depends on several factors such as the operation of the plant and the sale of ashes.

Currently, the basic design is completed and the bidding process of major works is ongoing.

We estimate a total investment of Ch\$ 6,555 million, of which Ch\$ 1,668 million was incurred as of December 31, 2018.

C. Projects Under Development

We are currently evaluating the development of the following projects, which we classify as “under development”. We will finally decide whether to proceed or not with each project depending on the commercial and other opportunities foreseen in upcoming years, and in particular, future tender prices for supplying the energy requirements of the regulated market and/or negotiations with existing or new unregulated customers.

C.1 Enel Generation

Vallecito Hydroelectric Project

The Vallecito hydroelectric project is located in the Maule Region, in the upper part of the Maule River basin. It consists of a run-of-the-river hydroelectric plant with an installed capacity of 55 MW. We expect to deliver energy to the SEN through the transmission line of the Los Cóndores hydroelectric plant, which we are also currently building (see above).

We have developed the Vallecito project based on a sustainable development plan that requires the development of technical-economic, environmental and hydroelectric social activities. We have established community-specific actions to be carried out with nine communities of the Pehuenche Route in order to incorporate social stakeholder considerations, capacity and local projects in the hydro project development plan.

During 2017, we developed complete basic design and environmental base line campaigns and implemented a sustainable development plan after several meetings with local communities aimed to jointly design the best-shared use for the hydro project and to obtain agreements with local communities that will be integrated in the Environmental Impact Study (“EIA” in its Spanish acronym).

The next steps are to finalize and prepare the EIA that will include collaborative agreements with communities directly related to the project. Based on current market conditions and future commercial options, we will eventually decide whether to continue to undertake the development of this project. The current plan contemplates commencing construction during 2020 and commissioning to take place in 2023. We estimate a total investment of Ch\$ 127,357 million, of which Ch\$ 9,159.6 million was incurred as of December 31, 2018.

Smart Repowering Projects

Within the context of projects under development, we are analyzing the following three Smart Repowering projects to increase the installed capacity or electricity generation, or both, of power plants already in operations by upgrading some components or improving the hydraulic potential of the plant, or both.

Antuco Repowering

The Antuco Repowering project is to be implemented within the Antuco operating power plant, located in Biobío Region in southern Chile. The project involves replacing one turbine installed in 1981 with an 88% load factor, with a new turbine with a target efficiency rate of 94%, obtaining 21 GWh of new energy. We estimate total investments of US\$ 14.5 million, none of which has been incurred as of December 31, 2018, and we expect to begin operations in the second half of 2020.

Quintero Combined-Cycle Project

The Quintero project is located in the Valparaíso Region and consists of an energy efficiency project that takes advantage of the heat of the gases emitted by the existing turbines to produce steam through the installation of a steam turbine and a generator, which allows converting the existing open cycle plant into a combined-cycle gas plant. Currently, the Quintero plant has two gas turbines with a total capacity of 257 MW. With the addition of a steam turbine unit of 130 MW capacity, the Quintero plant would reach a total capacity of 387 MW. We would deliver the produced energy to the SEN through the existing Quintero-San Luis line, a simple 220 kV circuit built to evacuate the energy of the combined-cycle power plant.

In 2017, we started the preparation of the environmental impact study and the implementation of the sustainability plan. However, during August 2018, the Quintero and Puchuncaví areas suffered an environmental crisis leaving more than 300 people suffering the toxic effects allegedly associated with gas emissions of other industries. As a result, the project was indefinitely postponed and the environmental impact study has been suspended.

The estimated total investment for the project is Ch\$ 150,651 million, of which Ch\$ 2,858 million was incurred as of December 31, 2018.

Ttanti Combined-Cycle Project

The Ttanti project is located in the Antofagasta Region, on land adjacent to the existing Atacama power plant that is located in the industrial zone of the city of Mejillones. The project consists of the construction of a natural gas combined-cycle power plant with an aggregate installed capacity of 1,290 MW (430 MW for each of the three units), and one unit would be able to use diesel oil as a backup in case of a shortage of natural gas. The power plant would connect to the SEN through a 0.5 km 220 kV double circuit transmission line to the Atacama substation, which would be expanded for this purpose.

The environmental permit, requested through an Environmental Impact Assessment, was approved in December 2017 by the Environmental Evaluation Service (“SEA” in its Spanish acronym) of the Antofagasta Region. Any decision related to the construction of the project will depend primarily on the commercial opportunities foreseen in the upcoming years (prices in future tenders and/or negotiations with unregulated customers, among other factors).

The estimated total investment for the first unit is Ch\$ 251,078 million, of which Ch\$ 1,319 million was incurred as of December 31, 2018.

Taltal Combined-Cycle Project

The Taltal project consists of the construction of a steam turbine for converting the existing Taltal gas-fired open cycle plant to a combined-cycle plant by adding a turbine in the vapor phase, which would use the steam generated by the gas turbines’ heat emissions to produce energy, which will considerably improve its efficiency. The Taltal power plant is located in the Antofagasta Region. Currently, the existing Taltal power plant has two gas turbines with 120 MW installed capacity each. The steam turbine would add 130 MW and therefore, the Taltal power plant would reach a total capacity of 370 MW. We will supply the produced energy to the SEN through the existing 220 kV double circuit Diego de Almagro — Paposos transmission line.

The environmental permit, requested through an Environmental Impact Statement submitted in December 2013, was approved in January 2017. Any decision related to the construction of the project will depend primarily on the commercial opportunities foreseen in the upcoming years (prices in future tenders and/or negotiations with unregulated customers, among others).

The estimated total investment is Ch\$ 136,998 million, of which Ch\$ 2,873 million was incurred as of December 31, 2018.

Taltal Battery Energy Storage System

The project consists of the installation of a battery energy storage system (BESS) in the Taltal power plant to provide ancillary services in upcoming years.

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The project would reach an installed capacity of 12 MW and 12 MWh of energy storage, connected to the 15 kV bar of one of the existing 120 MW turbines installed in the Taltal power plant.

In May 2018, the Antofagasta Region SEA issued the resolution waiving the obligation to submit the project to environmental assessment before its construction. Any decision related to the construction of the project will depend primarily 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, currently under elaboration by the authority.

The estimated total investment is Ch\$ 8,119 million, of which Ch\$ 15.1 million was incurred as of December 31, 2018.

Tarapacá Battery Energy Storage System

The project consists of the installation of a BESS in the Tarapacá power plant to provide ancillary services in upcoming years. The BESS has about 14 MW of installed capacity and 14 MWh of energy storage, and will be connected to the 11.5 kV bar of the existing 23 MW turbine installed in the Tarapacá power plant.

In December 2017, the SEA of the Tarapacá Region issued the resolution waiving the obligation to submit the project to environmental assessment before its construction. Any decision related to the construction of the project will depend 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, currently under elaboration by the authority.

The estimated total investment is Ch\$ 9,427 million, of which Ch\$ 80.5 million was incurred as of December 31, 2018.

Major Encumbrances

As of December 31, 2018, we have full ownership of our assets and they are not subject to material encumbrances.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

A. Operating Results.

General

The following discussion should be read in conjunction with our audited consolidated financial statements and the notes thereto, included in Item 18 in this Report, and “Selected Financial Data,” included in Item 3 herein. Our consolidated financial statements as of December 31, 2018, and 2017 and for each of the years in the three-year period ended December 31, 2018, have been prepared in accordance with IFRS, as issued by the IASB.

1. Discussion of Main Factors Affecting Operating Results and Financial Condition of the Company

We own and operate electricity generation plants in Chile. Our consolidated revenues, income and cash flows come from our core business, electricity generation.

Factors such as (i) hydrological conditions, (ii) fuel prices, (iii) regulatory developments, (iv) exceptional actions adopted by governmental authorities and (v) changes in economic conditions may materially affect our financial results. In addition, our results from operations and financial condition are affected by variations in the exchange rate between the Chilean peso and the U.S. dollar. We have certain critical accounting policies that affect our consolidated operating results. The impact of these factors on us, for the years covered by this Report, is discussed below.

a. Hydrological Conditions

A substantial part of our generation capacity is hydroelectric and depends on the prevailing hydrological conditions. Our installed capacity as of December 31, 2018, 2017 and 2016 was 6,274 MW, 6,351 MW and 6,351 MW, of which 55% was hydroelectric for the three years. See “Item 4. Information on the Company — D. Property, Plant and Equipment.”

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Hydroelectric generation was 10,974 GWh, 9,652 GWh and 9,078 GWh in 2018, 2017 and 2016, respectively. Our 2018 hydroelectric generation was greater than 2017, showing similar path of what occurred in 2017 and 2016. The increase was mainly due to the slight increase in total fluvial energy and rainfalls. Although there was little rain, hydrological conditions were more humid and intense, especially during the last quarter of 2017. Additionally, some important reservoirs have been at low levels since 2010 due to several years of drought, characterized by low rainfalls and a poor snowmelt.

Hydrological conditions in Chile can range from very wet, as a result of several years of abundant rainfall and lakes at their peak capacity, to extremely dry, as a consequence of prolonged droughts lasting for several years, the partial or material depletion of water reservoirs and the significant reduction of snow and ice in the mountains, which in turn leads to materially lower levels of available water as a consequence of lower melts. In between these two extremes, there is a wide range of possible hydrological conditions and their final effect on us may depend on the accumulated hydrology. For instance, a new year with drought conditions has less of an impact on us if it follows several periods of abundant rainfall instead of exacerbating a prolonged drought. Likewise, a good hydrological year has less marginal impact if it comes after several wet years than after a prolonged drought. In Chile, the period of the year that typically has the most precipitation is from May through August, and the period in which snow and ice in the mountains melt more is during the warmer months, from October through March, providing water flow to lakes, reservoirs and rivers, which supply our hydroelectric plants, most of them located in southern Chile. For purposes of discussing the impact of hydrological conditions on our business, we generally categorize our hydrological conditions as either dry or wet, although there are several other intermediate scenarios. Extreme hydrological conditions materially affect our operating results and financial condition. However, it is difficult to indicate the effects of hydrology on our operating income, without concurrently considering other factors, because our operating income can only be explained by looking at a combination of factors and not each one on a stand-alone basis.

Hydrological conditions affect electricity market prices, generation costs, spot prices, tariffs and the mix of hydroelectric, thermal and NCRE generation, which is constantly being determined by the CEN to minimize the operating costs of the entire system. According to the current regulatory framework, the price at which energy is traded on the spot market (known as spot price) is determined by the marginal cost of the system. The marginal cost is the cost of the most expensive power plant in operation given an efficiency-based dispatch. Regulation also considers capacity payments to generators, which remunerates each power plant's installed capacity according to its availability and contribution to the system's safety. This capacity payment is determined by the regulator every six months. Run of the river hydroelectric and NCRE generation are almost always the least expensive generation technology and normally have a marginal cost close to zero. Water from reservoirs used to generate electricity, on the other hand, is assigned an opportunity cost for the use of water, which may lead to hydroelectric generation using water from reservoirs having a significant cost in extended drought conditions. The cost of thermal generation does not depend on hydrological conditions but instead on international commodity prices for LNG, coal, diesel and fuel oil. Solar and wind sources are currently the NCRE technologies most widely used. NCRE facilities are able to dispatch energy to the system at very low marginal costs, but they depend on the blowing of the wind or the shining of the sun.

Spot prices primarily depend on hydrological conditions and commodity prices and, to a lesser extent, on NCRE availability. Under most circumstances, abundant hydrological conditions lower spot prices while dry conditions normally increase spot prices. Spot market prices affect our results because we must purchase electricity in the spot market when our contracted energy sales are greater than our generation, and we sell electricity in the spot market when we have electricity surpluses.

There are many other factors that may affect our operating income, including the level of contracted sales, purchases and sales in the spot market, commodity prices, energy demand and supply, technical and unforeseen problems that can affect the availability of our thermal plants, plant locations in relation to urban demand centers, and transmission system conditions, among others.

To illustrate the effects of hydrology on our operating results, the following table describes certain hydrological conditions, their expected effects on spot prices and generation, and the expected impact on our operating income, assuming that other factors remain

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unchanged. In all cases, hydrological conditions do not have an isolated effect but need to be evaluated along with other factors to better understand the impact on our operating results.

| Hydrological Conditions | Expected effects on spot prices and generation | Expected impact on our operating results |
|-------------------------|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dry | Higher spot prices | Positive: if our generation is higher than our contracted energy sales, energy surpluses are sold in the spot market at higher prices. Negative: if our generation is lower than our contracted sales, we have an energy deficit and must purchase energy in the spot market at higher prices. |
| | Reduced hydro generation | Negative: less energy available to sell in the spot market. |
| | Increased thermal generation | Positive: increases our energy available for sale and either reduces purchases in the spot market or increases sales in the spot market at higher prices. |
| Wet | Lower spot prices | Positive: if our generation is lower than contracted energy sales, the energy deficit is covered by purchases in the spot market at lower prices. Negative: if we have energy surpluses, they are sold in the spot market at lower prices. |
| | Increased hydroelectric generation | Positive: more energy available to sell in the spot market at lower prices. |
| | Reduced thermal generation | Negative: less energy available to sell in the spot market. |

If factors other than those described above apply, the expected impact of hydrological conditions on operating results will be different from those shown above. For instance, in a dry year with lower commodity prices, spot prices may decrease, or in a wet year if demand increases, or generation plants are not available for technical or other reasons, the spot price may increase, altering the impact of hydrological conditions discussed in the table above.

b. Economic Conditions

Macroeconomic conditions, such as changes in employment levels and inflation or deflation may have a significant effect on our operating results. Macroeconomic factors, such as the variation of the Chilean peso against the U.S. dollar may impact our operating results, as well as our assets and liabilities, depending on the amounts denominated in U.S. dollars. For example, a devaluation of the Chilean peso against the U.S. dollar increases the cost of capital expenditure plans depending on the level at which our revenues are denominated in Chilean pesos. For additional information, see “Item 3. Key Information — D. Risk Factors — Foreign exchange risks may adversely affect our results and the U.S. dollar value of dividends payable to ADS holders” and “Item 3. Key Information — D. Risk Factors — Chilean economic fluctuations as well as, certain economic interventionist measures by governmental authorities as well as political events or financial or other crises in any region worldwide may affect our results of operations and, financial condition and liquidity as well as the value of our securities.”

The following table sets forth the closing and average Chilean pesos per U.S. dollar exchange rates for the years indicated:

| | Local Currency U.S. Dollar Exchange Rates | | | | | |
|-------------------------------|-------------------------------------------|----------|---------|----------|---------|----------|
| | 2018 | | 2017 | | 2016 | |
| | Average | Year End | Average | Year End | Average | Year End |
| Chilean pesos per U.S. dollar | 640.95 | 694.77 | 649.11 | 614.75 | 676.67 | 669.47 |

Source: Central Bank of Chile

c. Critical Accounting Policies

Critical accounting policies are defined as those that reflect significant judgments and uncertainties that would potentially result in materially different results under different assumptions and conditions. We believe that our most critical accounting policies with reference to the preparation of our consolidated financial statements under IFRS are those described below.

For further detail of the accounting policies and the methods used in the preparation of the consolidated financial statements, see Notes 2 and 3 of the Notes to our consolidated financial statements.

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Impairment of Long-Lived Assets

From time to time, and principally at the end of any year, we evaluate whether there is any indication that an asset has been impaired. Should any such indication exist, we estimate the recoverable amount of that asset to determine, where appropriate, the amount of impairment. In the case of identifiable assets that do not generate cash flows independently, we estimate the recoverability of the cash generating unit to which the asset belongs, which is understood to be the smallest identifiable group of assets that generates independent cash inflows.

Notwithstanding the preceding paragraph, in the case of cash generating units to which goodwill or intangible assets with an indefinite useful life have been allocated, a recoverability analysis is performed routinely at each period end.

The recoverable amount is the greater of (i) the fair value less the cost needed to sell and (ii) the value in use, which is defined as the present value of the estimated future cash flows. In order to calculate the recoverable value of property, plant and equipment, goodwill and intangible assets that form part of a cash generating unit, we use value in use criteria in nearly all cases.

To estimate the value in use, we prepare future pre-tax cash flow projections based on the most recent budgets available. These budgets incorporate management's best estimates of cash generating units, revenues and costs using sector projections, past experience and future expectations.

In general, these projections cover the next five years, estimating cash flows for future years and applying reasonable growth rates, which in no case are increasing nor exceed the average long-term growth rates for the Chilean electricity sector. At the end of December 2018, projected cash flows were extrapolated using an annual growth rate of 3.1%.

These future cash flows are discounted at a given pre-tax rate to calculate their present value. This rate reflects the cost of capital of the business in Chile. The discount rate is calculated taking into account the current time value of money and the risk premiums generally used by market participants for the specific business activity.

The pre-tax nominal discount rates applied in 2018, 2017 and 2016 are as follows:

| | Year ended December 31, | | |
|-------|-------------------------|-------|-------|
| | 2018 | 2017 | 2016 |
| Chile | 10.6% | 10.7% | 12.2% |

If the recoverable amount is less than the net carrying amount of the cash-generating unit, the corresponding impairment loss provision is recognized for the difference, and charged to "Reversal of impairment loss (impairment loss) recognized in profit or loss" in the consolidated statement of comprehensive income.

Impairment losses recognized for an asset other than goodwill in prior periods are reversed when its estimated recoverable amount changes, increasing the asset's value with a credit to earnings, limited to the asset's carrying amount if no adjustment had occurred. Impairment adjustments to goodwill are not reversible.

Litigation and Contingencies

We are currently involved in legal and tax proceedings. As discussed in Note 23 of the Notes to our consolidated financial statements as of December 31, 2018, we recognized provisions for legal and tax proceedings in an aggregate amount of Ch\$ 3.9 billion as of December 31, 2018. This amount was based on consultations with our legal and tax advisors, who are carrying out our defense in these matters and an analysis of potential results, assuming a combination of litigation and settlement strategies.

Hedge Cash Revenues Directly Linked to the U.S. Dollar

We have established a policy to hedge the portion of our revenues directly linked to the U.S. dollar by obtaining financing in U.S. dollars. Exchange differences related to this debt, as they are cash flow hedge transactions, are charged net of taxes to an equity reserve account that forms part of "Other Comprehensive Income" and recorded as income during the period in which the hedged cash flows are realized. This term has been estimated at ten years.

This policy reflects a detailed analysis of our future revenues directly linked to the U.S. dollar, with the purpose of confirming that hedge accounting is applicable. Such analysis may change in the future due to new electricity regulations limiting the amount of cash flows tied to the U.S. dollar.

Recent Accounting Pronouncements

Please see Note 2.2. of the Notes to our consolidated financial statements for additional information regarding recent accounting pronouncements.

2. Analysis of Results of Operations for the Years Ended December 31, 2018, and 2017

Consolidated Revenues

The following tables set forth our total revenues and the corresponding change for the years ended December 31, 2018, and 2017:

| | Year ended December 31, | | | |
|-----------------|-------------------------|------------------|------------------|--------------|
| | 2018 | 2017 | Change | Change |
| | (in millions of Ch\$) | | | (in %) |
| Revenues | 1,521,054 | 1,634,937 | (113,883) | (7.0) |

Revenues decreased in 2018 compared to 2017 despite the level of generation and the stable level of physical sales. The decrease was mainly due to (i) Ch\$ 88.3 billion lower revenues from energy sales, which was primarily attributable due to (a) Ch\$ 46.1 billion associated with lower energy average sales price due to the lower average exchange rate for the period; (b) Ch\$ 22.3 billion of lower physical sales as a result of the shift in our customer mix between regulated and unregulated customers; and (c) Ch\$ 21.9 billion of lower revenues as a result of settlements performed by the CEN associated with price and quantity adjustments registered in 2017. The decrease was also the result of Ch\$ 35.4 billion of less toll revenues partially offset by Ch\$ 9.3 billion of higher other sales, mainly due to Ch\$ 12.1 billion of higher gas sales offset by Ch\$ 2.8 billion lower coal sales.

Total Operating Costs

Our total operating costs are primarily energy purchases from third parties, fuel purchases, depreciation, amortization and impairment losses, maintenance costs, tolls paid to transmission companies, employee salaries and administrative and selling expenses.

The following table sets forth the principal items for consolidated operating costs for the years ended December 31, 2018, and 2017:

| | Year ended December 31, | | | |
|-----------------------------------------------------|-------------------------|------------|-----------------------|------------|
| | 2018 | | 2017 | |
| | (in millions of Ch\$) | (in %) | (in millions of Ch\$) | (in %) |
| Energy purchases | 326,366 | 40.3 | 346,955 | 38.4 |
| Fuel consumption | 230,994 | 28.5 | 280,739 | 31.1 |
| Transportation costs | 141,551 | 17.5 | 152,870 | 16.9 |
| Other variable procurement and services | 111,063 | 13.7 | 123,414 | 13.7 |
| Depreciation, amortization and impairment losses(1) | 117,867 | 14.6 | 117,282 | 13.0 |
| Other expenses(1) | 82,479 | 10.2 | 102,821 | 11.4 |
| Employee benefit expense and others(1) | 46,351 | 5.7 | 46,996 | 5.2 |
| Total Operating Cost | 809,974 | 100 | 903,978 | 100 |

Our operating costs decreased in 2018 compared to 2017, mainly due to:

- (i) a Ch\$ 49.7 billion decrease in fuel consumption, of which Ch\$ 30.5 billion corresponded to lower gas consumption, Ch\$ 9.2 billion to lower coal consumption, and Ch\$ 9.9 billion to lower fuel oil costs, primarily responding to the lower level of thermal dispatch;
- (ii) a Ch\$ 20.6 billion decrease in energy purchases primarily explained by lower physical energy purchases of 313 GWh, mainly 935 GWh of lower contracted energy purchases that were partially compensated by 622 GWh higher spot market purchases;
- (iii) a Ch\$ 12.4 billion decrease in other variable procurement and services costs, which in turn was mostly attributable to (a) Ch\$ 8.3 billion of lower costs related to the lease agreement with Eléctrica Santiago S.A., an unrelated company, to use its

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Nueva Renca combined-cycle power plant, allowing us to use our available LNG; (b) Ch\$ 3.7 billion of lower thermal emissions taxes; (c) Ch\$ 1.7 billion of lower commodity derivative costs; and (d) Ch\$ 1.1 billion of lower water consumption costs. These cost decreases were partly offset by higher costs of Ch\$ 4.8 billion in the gas commercialization business; and

- (iv) a Ch\$ 11.3 billion decrease in transportation costs, primarily in lower toll expenses amounting to Ch\$ 11.9 billion offset by Ch\$ 0.6 billion of higher gas transportation and regasification costs.

Consolidated Selling and Administrative Expenses

Our selling and administrative expenses are salaries, compensation, administrative expenses, depreciation, amortization and impairment losses, and office materials and supplies. The following table sets forth our consolidated selling and administrative expenses for the years ended December 31, 2018, and 2017:

| | Year ended December 31, | | | |
|-----------------------------------------------------------------------------|-------------------------|------------|-----------------------|------------|
| | 2018 | | 2017 | |
| | (in millions of Ch\$) | (in %) | (in millions of Ch\$) | (in %) |
| Depreciation, amortization and impairment losses | 117,867 | 47.8 | 117,282 | 43.9 |
| Other expenses | 82,479 | 33.4 | 102,821 | 38.5 |
| Employee benefit expense and others | 46,351 | 18.8 | 46,996 | 17.6 |
| Total Selling and Administrative Expenses from Continuing Operations | 246,697 | 100 | 267,099 | 100 |

Consolidated selling and administrative expenses decreased in 2018 compared to 2017 primarily due to Ch\$ 20.3 billion of lower other fixed costs primarily attributable to the impairment charges of Ch\$ 25.1 billion. This loss was recognized in 2017 in connection with our decision to abandon the Neltume and Choshuenco projects as being economically unfeasible and reducing the net book value of the associated assets to zero. Otherwise, our selling and administrative expenses were remained stable.

Consolidated Operating Income

The following table sets forth our operating income, for the years ended December 31, 2018, and 2017:

| | Year ended December 31, | | | |
|----------------------|-------------------------|---------|--------|--------|
| | 2018 | 2017 | Change | Change |
| | (in millions of Ch\$) | | | (in %) |
| Operating income | 464,383 | 463,860 | 523 | 0.1 |
| Operating margin (1) | 30.5% | 28.4% | — | — |

- (1) Operating margin, a measure of efficiency, represents operating income as a percentage of revenues.

Our operating income in 2018 remained relatively stable in when compared to 2017 as a result of:

- Hydrological conditions in Chile have been below the historical average since 2010. However, in 2018 hydrological conditions were more humid than in 2017. This allowed us to produce more electricity through hydroelectric generation rather than through thermal generation, which is more expensive, which helped slightly reduce our operating costs. In addition, the commissioning of new NCRE plants reduced the impact of dry conditions and the interconnection between the SIC and SING also helped to reduce or stabilize marginal costs. Therefore, the marginal cost of electricity generation decreased in 2018 when compared to 2017 notwithstanding higher prices for our fuels. As a result, we were able to cover our energy deficit in the spot market at lower prices.
- However, despite the level of generation and the stable level of physical sales, our operating revenues decreased mainly as a consequence of a shift in our customer mix and the lower average sales price. Our selling and administrative expenses considerably decreased in 2018, mainly due to write-offs we booked in 2017.

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The 1.0% decrease in operating costs (excluding selling and administrative expenses) offset the 7.0% decrease in revenues. However, the 7.6% decrease in selling and administrative expenses was the main factor that contributed to the 2.2% increase in our operating income in 2018 when compared to 2017, increasing our operating margin from 28.4% to 30.5%.

Consolidated Financial and Other Results

The following table sets forth our financial and other results for the years ended December 31, 2018, and 2017:

| | Year ended December 31, | | | Change (in %) |
|---------------------------------------------------------------------------------------------------|-------------------------|-------------------------------|------------------|------------------|
| | 2018 | 2017 (in millions of Ch\$) | Change | |
| Financial results | | | | |
| Financial income | 5,778 | 5,274 | 504 | 9.6 |
| Financial costs | (48,189) | (50,852) | 2,663 | (5.2) |
| Gains from indexed assets and liabilities, net | (2,480) | 146 | (2,626) | n.a |
| Foreign currency exchange differences | (3,056) | 8,822 | (11,878) | (134.6) |
| Total financial results | (47,947) | (36,610) | (11,337) | 31.0 |
| Other results | | | | |
| Share of the profit (loss) of associates and joint ventures accounted for using the equity method | 3,281 | (2,697) | 5,978 | n.a |
| Gain from other investments | 410 | 105,463 | (105,053) | (99.6) |
| Loss from sales of assets | 3,025 | 7,626 | (4,601) | (60.3) |
| Total other results | 6,716 | 110,392 | (103,676) | (93.9) |
| Total Consolidated Financial and Other Results | (41,231) | 73,782 | (115,013) | n.a |

Financial Results

We recorded a higher net financial expense for the year ended December 31, 2018, compared to 2017. This increase was primarily due to lower charges for foreign currency exchange differences amounting to Ch\$ 11.9 billion. This was mainly a result of lower positive exchange differences on cash and cash equivalents of Ch\$ 3.2 billion, a greater negative exchange difference on forward contracts of Ch\$ 5.1 billion, which was offset by a lower negative exchange difference on suppliers' accounts of Ch\$ 3.6 billion.

Other Results

Our share of the profit (loss) of associates and joint ventures accounted for using the equity method for the year ended December 31, 2018, increased compared to 2017, primarily due to the greater profit from our former associate Centrales Hidroeléctricas de Aysén S.A.

We had a lower gain from other investments in 2018 when compared to 2017, primarily explained by the sale of Electrogas in February 2017 for Ch\$ 105.3 billion.

Consolidated Income Tax Expense

Consolidated income tax expenses totaled Ch\$ 104.9 billion in 2018, a decrease of Ch\$ 7.2 billion compared to 2017.

The decrease in consolidated income tax expenses was primarily due to a Ch\$ 13.5 billion decrease in tax expenses related to the dissolution of Central Canela S.A. in 2017; a Ch\$ 27.7 billion of lower tax expenses related to the sale of Electrogas in February 2017, partially offset by Ch\$ 5.8 billion of higher expense due to the increase in the statutory corporate income tax rate from 25.5% in 2017 to 27% in 2018; along with a lower income of Ch\$ 29.6 billion related to the liquidation process of Centrales Hidroeléctricas de Aysén S.A. The decrease in income tax expenses resulted in the increase of the effective income tax rate.

The effective tax rate was 24.8% in 2018 compared to 20.9% in 2017. For further details, please refer to Note 33 of the Notes to our consolidated financial statements.

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Consolidated Net Income

The following table sets forth our consolidated income before income taxes, income tax expenses and net income for the years ended December 31, 2018, and 2017:

| | Year ended December 31, | | | |
|-----------------------------------------------------|-------------------------|-------------------------------|------------------|------------------|
| | 2018 | 2017 (in millions of Ch\$) | Change | Change (in %) |
| Operating income | 464,383 | 463,860 | 523 | 0.1% |
| Total financial and Other results | (41,231) | 73,782 | (115,013) | (155.9)% |
| Income before income taxes | 423,152 | 537,642 | (114,490) | (21.3)% |
| Income tax expense | (104,947) | (112,100) | 7,153 | (6.4)% |
| Consolidated Net Income | 318,205 | 425,542 | (107,337) | (25.2)% |
| Net income attributable to the parent company | 309,029 | 418,454 | (109,425) | (26.1)% |
| Net income attributable to non-controlling interest | 9,176 | 7,088 | 2,088 | 29.5% |

3. Analysis of Results of Operations for the years ended December 31, 2017, and 2016

Consolidated Revenues from Continuing Operations

The following tables set forth our total revenues from continuing operations and the corresponding change for the years ended December 31, 2017, and 2016:

| | Year ended December 31, | | | |
|-----------------|-------------------------|-------------------------------|-----------------|------------------|
| | 2017 | 2016 (in millions of Ch\$) | Change | Change (in %) |
| Revenues | 1,634,937 | 1,659,727 | (24,790) | (1.5) |

Revenues decreased in 2017 compared to 2016. The decrease was mainly due to Ch\$ 59.0 billion lower revenues from energy sales, which was primarily attributable due to (i) Ch\$ 41.2 billion associated with lower energy average sales price, (ii) lower physical sales of Ch\$ 39.6 billion as a result of an 8% decrease in sales to regulated clients, and (iii) partially offset by Ch\$ 21.9 billion of higher revenues as a result of settlements performed by the CEN associated with price and quantity adjustments. The decrease was partially offset by Ch\$28.4 billion in higher natural gas sales.

Total Operating Costs from continuing operations

Our total operating costs from continuing operations are primarily energy purchases from third parties, fuel purchases, depreciation, amortization and impairment losses, maintenance costs, tolls paid to transmission companies, employee salaries and administrative and selling expenses.

The following table sets forth the principal items for consolidated operating cost by category for the years ended December 31, 2017, and 2016:

| | Year ended December 31, | | | |
|-----------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------------|--------------|-----------------|
| | 2017 | 2016 (in millions of Ch\$) | Change | Change (in%) |
| Energy purchases | 346,955 | 335,732 | 11,223 | 3.3 |
| Fuel consumption | 280,739 | 295,149 | (14,409) | (4.9) |
| Transmission costs | 152,870 | 192,503 | (39,633) | (20.6) |
| Other variable procurement and services | 123,414 | 71,676 | 51,738 | 72.2 |
| Total Operating Cost from Continuing Operations (excluding Selling, General and Administrative Expenses) | 903,978 | 895,060 | 8,918 | 1.0 |

Our operating costs increased in 2017 compared to 2016, mainly due to Ch\$ 51.7 billion higher other variable procurement and services costs, which in turn were mostly attributable to (i) Ch\$ 29.5 billion higher costs in the gas commercialization business, (ii) Ch\$ 17.3 billion higher thermal emissions taxes and (iii) Ch\$ 7.6 billion higher commodity derivative costs and increased purchases of Ch\$ 11.2 billion due to higher physical purchases to comply with our contractual sales obligations. Such increases were

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partially offset by Ch\$ 39.6 billion lower transportation costs due to lower tolls and Ch\$ 14.4 billion lower fuel consumption costs mainly due to better hydrology in southern Chile during the fourth quarter of 2017, which allowed us to reduce our thermal generation during such quarter.

Selling and Administrative Expenses from Continuing Operations

Our selling and administrative expenses are salaries, compensation, administrative expenses, depreciation, amortization and impairment losses, and office materials and supplies.

The following table sets forth our consolidated selling and administrative expenses for the years ended December 31, 2017, and 2016:

| | Year ended December 31, | | | |
|-----------------------------------------------------------------------------|-------------------------|----------------|-----------------|---------------|
| | 2017 | 2016 | Change | Change |
| | (in millions of Ch\$) | | | (in %) |
| Depreciation, amortization and impairment losses | 117,282 | 163,386 | (46,104) | (28.2) |
| Other expenses | 102,821 | 119,303 | (16,482) | (13.8) |
| Employee benefit expense and others | 46,996 | 50,592 | (3,596) | (7.1) |
| Total Selling and Administrative Expenses from Continuing Operations | 267,099 | 333,281 | (66,182) | (19.9) |

Consolidated selling and administrative expenses from continuing operations decreased in 2017 compared to 2016. This reduction is primarily due to (i) lower impairment losses of property, plant and equipment of Ch\$ 30.8 billion due to the non-recurring impairment charges of Ch\$ 24.2 billion booked in 2016 related to NCRE projects and the Neltume and Choshuenco projects (see “— 2. Analysis of Result of operations for the year ended December 31, 2016 and 2015 — Consolidated Selling and Administrative Expenses”); (ii) lower other fixed costs of Ch\$ 16.5 billion primarily attributable to the non-recurring impairment charges of Ch\$ 35.4 billion related to the waiver of water rights of the Bardón, Chillán 1 and 2, Futaleufú, Huechún and Puelo hydroelectric projects recorded in 2016 compared with the Ch\$ 25.1 billion loss recognized in 2017 in connection with our decision to abandon the Neltume and Choshuenco projects for being economically unfeasible to reduce the net book value of the associated assets to zero; and (iii) lower depreciation and amortization of Ch\$ 15.3 billion primarily due to the modification of the remaining useful life of fixed assets applied to Property, Plant, and equipment in 2017.

Operating Income and Operating Margin from Continuing Operations

The following table sets forth our operating income and operating margin for the years ended December 31, 2017, and 2016:

| | Year ended December 31, | | | |
|-------------------------------------------------|-------------------------|---------|--------|--------|
| | 2017 | 2016 | Change | Change |
| | (in millions of Ch\$) | | | (in %) |
| Operating income from continuing operations | 463,860 | 431,386 | 32,474 | 7.5 |
| Operating margin from continuing operations (1) | 28.4% | 26.0% | — | — |

(1) Operating margin from continuing operations, a measure of efficiency, represents operating income from continuing operations as a percentage of revenues from continuing operations.

The combination of the following factors, among others, contributed to an increase of our operating income in 2017 when compared to 2016:

- Hydrological conditions in Chile have been below the historical average since 2010. However, in 2017, hydrological conditions were slightly more humid than in 2016, mainly during the fourth quarter of 2017. This allowed us to produce more electricity through hydroelectric generation rather than thermal generation, which is more expensive. In addition, the commissioning of new NCRE plants reduced the impact of dry conditions. Therefore, the marginal cost of electricity

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decreased in 2017 when compared to 2016. As a result, we were able to cover our energy deficit in the spot market at lower prices.

- Our physical sales decreased when compared to 2016 and our customer mix changed because a portion of our former regulated clients chose the unregulated regime instead. Our selling and administrative expenses decreased considerably in 2017, mainly due to the impairments and write-offs we booked in 2016.

The 1.0% increase in operating costs (excluding selling and administrative expenses) from continuing operations offset a slight 1.5% increase in revenues from continuing operations. However, the 19.9% decrease in selling and administrative expenses from continuing operations was the main factor that contributed to the 7.5% increase in our operating income in 2017 when compared to 2016, increasing our operating margin from 26% to 28.4%.

Financial and Other Results from Continuing Operations

The following table sets forth our financial and other results from continuing operations for the years ended December 31, 2017, and 2016:

| | Year ended December 31, | | | |
|---------------------------------------------------------------------------------------------------|-------------------------|-----------------|-----------------|---------------|
| | 2017 | 2016 | Change | Change |
| | (in millions of Ch\$) | | | (in %) |
| Financial results from continuing operations | | | | |
| Financial income | 5,274 | 6,151 | (877) | (14.3) |
| Financial costs | (50,852) | (55,702) | 4,850 | (8.7) |
| Gains from indexed assets and liabilities, net | 146 | 606 | (460) | (76.0) |
| Foreign currency exchange differences | 8,822 | 13,266 | (4,444) | (33.5) |
| Total financial results from continuing operations | (36,610) | (35,679) | (932) | 2.6 |
| Other results | | | | |
| Share of the profit (loss) of associates and joint ventures accounted for using the equity method | (2,697) | 7,878 | (10,575) | n.a |
| Gain from other investments | 105,463 | 121,457 | (15,995) | (13.2) |
| Loss from sales of assets | 7,626 | 34 | 7,593 | n.a |
| Total Other results from continuing operations | 110,392 | 129,369 | (18,977) | (14.7) |
| Total Financial and Other Results from continuing operations | 73,782 | 93,691 | (19,909) | (21.2) |

Financial Results from Continuing Operations

We recorded a net financial expense from continuing operations for the year ended December 31, 2017, in an amount greater compared to 2016. This decrease is primarily due to lower charges for foreign currency exchange differences amounting to Ch\$ 4.5 billion, mainly as a result of the lower Chilean peso value of the U.S. dollar intercompany debt we owed Enel Américas for Ch\$ 10.1 billion that was offset by greater income on cash and cash equivalents in U.S. dollars for Ch\$ 5.7 billion. This variation was completely compensated by the Ch\$ 4.9 billion lower financial costs mainly due to lower interest expenses on structured loans for Ch\$ 1.5 billion with Enel Américas that expired in September 2016, and to lower interest expenses on bank loans and bonds for Ch\$ 4.8 billion mainly due to the lower level of average debt in 2017, offset by a Ch\$ 1.4 billion increase in bank fees. The reduction of our financial result was also the consequence of Ch\$ 0.9 billion lower financial income due to an agreement with YPF we settled in 2016 for Ch\$ 2.0 billion offset by higher income from temporary investments in fixed income securities for Ch\$ 1.1 billion.

Other Results from Continuing Operations

Our share of the profit (loss) of associates and joint ventures accounted for using the equity method for the year ended December 31, 2017, decreased compared to 2016, primarily due to the sale of our former associate Electrogas in February 2017 and GNL Quintero in September 2016, accounting for a Ch\$ 5.2 billion and Ch\$ 2.8 billion decrease in equity investment profits, respectively. In addition, the loss from our associate HydroAysén increased by Ch\$ 2.0 billion. For further details regarding the termination of HydroAysén, please refer to “Item 4. Information on the Company — C. Organizational Structure. — Selected Related and Jointly-Controlled Companies — HydroAysén.”

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Due to the sale of Electrogas in 2017 and GNL Quintero in 2016, we also registered a lower gain from other investments in 2017 when compared to 2016. In 2017 we recorded a Ch\$ 105.3 billion gain from the sale of Electrogas and the sale of a land owned by GasAtacama for Ch\$ 7.6 billion, while in 2016 we recognized a Ch\$ 121.3 billion gain arising from the sale of GNL Quintero.

Income Tax Expense

Total income tax expenses totaled Ch\$ 112 billion in 2017, an increase of Ch\$ 28.9 billion compared to 2016.

The increase in total income tax expenses was primarily due to (i) Ch\$ 13.5 billion higher expense due to the reversal of the deferred income tax related to the dissolution of Central Canela S.A., (ii) Ch\$ 6.3 billion related to the increase of the statutory tax rate from 24% to 25.5% and (iii) greater income tax related to lower exchange rate and price-level restatement losses for Ch\$ 8.4 billion. The increase in income tax expenses resulted in the increase of the effective income tax rate.

The effective tax rate was 20.9% in 2017 compared to 15.9% in 2016. For further details, please refer to Note 31 of the Notes to our consolidated financial statements.

Income and Net Income

The following table sets forth our consolidated income before income taxes, income tax expenses, income after tax for the year from discontinued operations and net income for the years ended December 31, 2017, and 2016:

| | Year ended December 31, | | | |
|-----------------------------------------------------|-------------------------|----------------|-----------------|----------------|
| | 2017 | 2016 | Change | Change |
| | (in millions of Ch\$) | | | (in %) |
| Operating income | 463,860 | 431,386 | 32,474 | 7.5% |
| Total financial and Other results | 73,782 | 93,691 | (19,909) | n.a. |
| Income before income taxes | 537,642 | 525,077 | 12,565 | 2.4% |
| Income tax expense | (112,100) | (83,217) | (28,883) | 34.7% |
| Net Income from continuing operations | 425,542 | 441,860 | (16,318) | (3.7)% |
| Net Income from discontinued operations | — | 79,572 | (79,572) | (100.0)% |
| Net income | 425,542 | 521,432 | (95,890) | (18.4)% |
| Net income attributable to the parent company | 418,454 | 472,558 | (54,105) | (11.4)% |
| Net income attributable to non-controlling interest | 7,088 | 48,874 | (41,786) | (85.5)% |

The decrease in net income attributable to non-controlling interests in 2017 compared to 2016 is primarily due to the decrease of net income attributable to the non-controlling interests from discontinued operations as a result of the separation of businesses that occurred on March 1, 2016. On that date, we transferred our interests in foreign companies to a newly formed company Endesa Américas, which in December 2016 merged with and into Enel Américas. See “Item 4. Information on the Company — A. History and Development of the Company — the 2016 Reorganization.” Therefore, our consolidated statement of comprehensive income for 2016 includes two months of contribution from foreign companies, while in 2017 we did not include discontinued operations. The details of non-controlling interests is listed in Note 25.2 of the Notes to our consolidated financial statements.

B. Liquidity and Capital Resources.

The following discussion of cash sources and uses reflects the key drivers of our cash flow.

We have a direct ownership interest in GasAtacama and Pehuenche, our main consolidated subsidiaries. On a stand-alone basis, we receive cash inflows from our own operating assets, from our subsidiaries, as well as from related companies. Our subsidiaries’ and associates’ cash flows may not always be available to satisfy our own liquidity needs because there may be a time lag before we have effective access to those funds through dividends or capital reductions. However, we believe that cash flow generated from our business operations, as well as cash balances, borrowings from commercial banks, short-term intercompany loans and ample access to the Chilean and international capital markets will be sufficient to satisfy all our needs for working capital, expected debt service, dividends and planned capital expenditures in the foreseeable future.

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Our statement of cash flows for 2016 includes cash flows for two months from the discontinued non-Chilean generation businesses as the result of the separation of businesses that occurred on March 1, 2016, compared to the statement of cash flow for 2017 and 2018, which do not include cash flows from the discontinued non-Chilean generation businesses. On March 1, 2016, we transferred all of our ownership in the non-Chilean generation businesses to a newly formed company, Endesa Américas S.A., which was spun off to our shareholders in April 2016 and merged with and into Enel Américas S.A. in December 2016.

Set forth below is a summary of our consolidated cash flow information (including both continued and discontinued operations) for the years ended December 31, 2018, 2017, and 2016:

| | Year ended December 31, | | |
|----------------------------------------------------------------------------------------------------|-------------------------|------------|-------------|
| | 2018 | 2017 | 2016 |
| | (in billions of Ch\$) | | |
| Net cash flows provided by operating activities | 465 | 488 | 559 |
| Net cash flows used in investing activities | (228) | (92) | (61) |
| Net cash flows used in financing activities | (292) | (302) | (520) |
| Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes | (55) | 94 | (21) |
| Effect of exchange rate changes on cash and cash equivalents | (4) | 2 | (14) |
| Cash and cash equivalents at beginning of period | 211 | 114 | 150 |
| Cash and cash equivalents at end of period | 152 | 211 | 114 |

Set forth below is a summary of the net cash flow attributable to discontinued operations for the two months ended February 29, 2016:

| | Two months ended February 29, 2016 |
|-----------------------------------------------------------------------------------------------------|------------------------------------------|
| | (in billions of Ch\$) |
| Net cash provided by operating activities | 69 |
| Net cash flows used in investing activities | (26) |
| Net cash flows provided by (used in) financing activities | 80 |
| Net increase (decrease) in cash and cash equivalents before effect of exchange rates changes | 123 |
| Effects of exchange rate changes on cash and cash equivalents | (24) |
| Cash and cash equivalents at beginning of period | 112 |
| Cash and cash equivalents at end of period | 211 |

For the year ended December 31, 2018, net cash flows provided by operating activities decreased 4.7%, compared to the same period in 2017. The main drivers of this change are described below.

- (i) A decrease of Ch\$ 189 billion in collections on the sale of goods and services mainly due to:
 - a. a decrease of Ch\$ 161 billion in collections from Enel Generation, on a stand-alone basis and excluding intercompany transactions, due to a lower average sales price and lower sales to regulated customers;
 - b. a decrease of Ch\$ 42 billion in collections from GasAtacama, excluding intercompany transactions, due to lower physical sales mainly in the spot market; and
 - c. the decrease was offset by Ch\$ 43 increase of physical gas sales collection, compensated by Ch\$ 60 billion decrease of physical sales to regulated customers.
- (ii) A decrease in income tax payments of Ch\$ 62 billion, mainly as a result of Ch\$ 45 billion in tax refunds for recognition of tax losses in Celta and higher monthly payments made by GasAtacama in 2017.

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This was partially offset by a decrease of Ch\$ 113 billion in payments to suppliers of goods and services compared to the same period in 2017, mainly due to a decrease of Ch\$ 52 billion in fuel costs to Enel Generation.

For the year ended December 31, 2017, net cash flows provided by operating activities decreased 12.7%, compared to the same period in 2016 primarily due to the inclusion of Ch\$ 69 billion of cash provided by operating activities from discontinued operations in 2016.

For further information regarding our operating results in 2018, 2017 and 2016, please see “— A. Operating Results. — 2. Analysis of Results of Operations for the Years Ended December 31, 2018 and 2017” and “— A. Operating Results. — 3. Analysis of Results of Operations for the Years Ended December 31, 2017 and 2016.”

For the year ended December 31, 2018, net cash flows used by investing activities increased Ch\$ 136 billion, or 148% compared to the same period in 2017, primarily due to an increase of Ch\$ 16 billion invested in the acquisition of fixed assets, mainly in Enel Generation, on an individual basis, and the recognition in 2017 of Ch\$ 115 billion of other collections from the sale of equity or debt instruments belonging to other entities, specifically related to the Electrogas sale.

For the year ended December 31, 2017, net cash flows used by investing activities increased Ch\$ 31 billion, or 34% compared to the same period in 2016, primarily due to Ch\$ 207 billion invested in the acquisition of fixed assets, of which Ch\$ 108 billion was invested in Los Cóndores project, Ch\$ 24 billion in the Bocamina II project and Ch\$ 31 billion in various expansion plans of our subsidiary GasAtacama. This was partially offset by Ch\$ 115 billion other collections from the sale of equity or debt instruments belonging to other entities, specifically related to the Electrogas sale.

For further information regarding the acquisition of fixed assets in 2018 and 2017, please see “Item 4. Information of the Company — A. History and Development of the Company — Capital Investments, Capital Expenditures and Divestitures.”

For the year ended December 31, 2018, net cash flows used in financing activities decreased Ch\$ 10 billion, or 3.3%, compared to the same period in 2017, mainly due to a decrease of Ch\$ 5 billion in dividend payments to third parties and an increase of Ch\$ 3 billion of net collections of loans from related entities

The aggregate cash outflows from financing activities in 2018 were primarily due to:

- Ch\$ 239 billion in dividends payments to third parties, excluding dividends received, of which, Ch\$ 230 billion was paid by us, Ch\$ 6 billion was paid by Pehuenche and Ch\$ 3 billion was paid by GasAtacama; and
- Ch\$ 47 billion in interest expenses payments.

For the year ended December 31, 2017, net cash flows used in financing activities decreased Ch\$ 218 billion, or 42 %, compared to the same period in 2016, mainly due to a non-recurring cash distribution as a result of the separation of the Chilean and non-Chilean businesses on March 1, 2016, net payments of loans from related entities in 2016 and a decrease of payments on loans and bonds by us, partially offset by an increase in dividend payments to third parties.

The aggregate cash outflows from financing activities in 2017 were primarily due to:

- Ch\$ 245 billion in dividends payments to third parties, excluding dividends received, of which, Ch\$ 236 billion was paid by us, Ch\$ 6 billion was paid by Pehuenche and Ch\$ 3 billion was paid by GasAtacama;
- Ch\$ 44 billion in interest expenses payments;
- Ch\$ 6 billion in payments of loans and bonds by us; and
- Ch\$ 5 billion are from derivative instrument payments.

For a description of liquidity risks resulting from the inability of our subsidiaries to transfer funds, please see “Item 3. Key Information — D. Risk Factors — We depend in part on payments from our subsidiaries and associates to meet our payment obligations.”

We coordinate the overall financing strategy of our subsidiaries. However, our subsidiaries independently develop their capital expenditure plans and finance their capital expansion programs through internally generated funds or financings, if necessary. We

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have no legal obligations or other commitments to support our subsidiaries financially. In some cases, we may finance our subsidiaries through intercompany loans. For information regarding our commitments for capital expenditures, see “Item 4. Information on the Company — A. History and Development of the Company — Capital Investments, Capital Expenditures and Divestitures” and our contractual obligations table set forth below under “— F. Tabular Disclosure of Contractual Obligations.”

As of December 31, 2018, our consolidated interest-bearing debt totaled Ch\$ 841 billion and had the following maturity profile:

- Ch\$ 44 billion in 2019;
- Ch\$ 66 billion from 2020 to 2021;
- Ch\$ 69 billion from 2022 to 2023; and
- Ch\$ 662 billion thereafter.

We have accessed the international equity capital markets, with an SEC-registered ADS issuance on August 3, 1994. We have also issued bonds in the United States (“Yankee Bonds”). Since 1996, our subsidiary Pehuenche and we have issued a total of US\$ 2.8 billion in Yankee Bonds.

The following table lists the Yankee Bonds issued by us outstanding as of December 31, 2018. The weighted average annual coupon interest rate for such bonds is 5.8%, without giving effect to each bond’s duration, or put options.

| Issuer | Term | Maturity | Coupon (%) | Aggregate Principal Amount | |
|--------------------|-----------|---------------|-----------------|----------------------------|-------------|
| | | | | Issued | Outstanding |
| | | | | (in millions of US\$) | |
| Enel Generation | 10 years | April 2024 | 4.250 | 400 | 400 |
| Enel Generation(1) | 30 years | February 2027 | 7.875 | 230 | 206 |
| Enel Generation(2) | 40 years | February 2037 | 7.325 | 220 | 71 |
| Enel Generation(1) | 100 years | February 2097 | 8.125 | 200 | 40 |
| Total | | | 5.813(3) | 1,050 | 717 |

- (1) We repurchased some of these bonds in 2001.
- (2) Holders of our 7.325% Yankee Bonds due 2037 exercised a put option on February 1, 2009, for a total amount of US\$ 149.2 million. The remaining US\$ 70.8 million principal amount of the Yankee Bonds mature in February 2037.
- (3) Weighted-average coupon by outstanding amount.

We also have access to the Chilean domestic capital markets where we have issued debt instruments including commercial paper and medium and long-term bonds that are primarily sold to Chilean pension funds, life insurance companies and other institutional investors.

The following table lists UF-denominated Chilean bonds issued by us, outstanding as of December 31, 2018.

| Issuer | Term | Maturity | Coupon (inflation-adjusted rate) (%) | Aggregate Principal Amount | | |
|--------------------------|----------|---------------|--------------------------------------|----------------------------|---------------------|-----------------------|
| | | | | Issued | Outstanding | |
| | | | | (in millions of UF) | (in millions of UF) | (in billions of Ch\$) |
| Enel Generation Series H | 25 years | October 2028 | 6.20 | 4.0 | 2.1 | 59 |
| Enel Generation Series M | 21 years | December 2029 | 4.75 | 10.0 | 10.0 | 276 |
| Total | | | 5.00(1) | 14.0 | 12.1 | 334 |

- (1) Weighted-average coupon by outstanding amount.

For a full description of the local bonds issued by us, see “— Unsecured liabilities detailed by currency and maturity” and “— Secured liabilities breakdown by currency and maturity” in Note 21 of the Notes to our consolidated financial statements.

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We frequently participate in the international commercial bank markets through syndicated senior unsecured loans. As of December 31, 2018, the amounts outstanding or available for these bank loans are listed below.

| <u>Borrower</u> | <u>Type</u> | <u>Maturity</u> | <u>Facility Amount</u> (in millions of US\$) | <u>Amount Drawn</u> (in millions of US\$) |
|-----------------|---------------------------|-----------------|-------------------------------------------------|----------------------------------------------|
| Enel Generation | Syndicated revolving loan | February 2020 | 200 | — |
| Total | | | 200 | — |

This revolving credit facility is governed by the laws of the State of New York and does not contain a condition precedent requirement regarding the non-occurrence of a “Material Adverse Effect” (or MAE, as defined contractually) prior to a disbursement, allowing us full flexibility to draw on it for up to US\$ 200 million in the aggregate as of December 31, 2018, from such committed revolving facility under any circumstances, including situations involving a MAE.

We also borrow from banks in Chile under fully committed facilities under which a potential MAE would not be an impediment to this source of liquidity. In 2016, we entered into a 3-year bilateral revolving loan for an aggregate amount of UF 2.8 million (Ch\$ 79 billion as of December 31, 2018) as set forth in the table below.

| <u>Borrower</u> | <u>Type</u> | <u>Maturity</u> | <u>Facility Amount</u> (in millions of UF) | <u>Amount Drawn</u> (in millions of UF) |
|-----------------|--------------------------|-----------------|-----------------------------------------------|--------------------------------------------|
| Enel Generation | Bilateral revolving loan | March 2019 | 2,8 | — |

This facility matured in March 2019 and was not renewed.

As a result of the foregoing, we have access to fully committed undrawn revolving loans, both international and domestic, for up to Ch\$ 217 billion in the aggregate as of December 31, 2018, and up to Ch\$ 139 billion as of the date of this Report.

We also borrow routinely from uncommitted Chilean bank facilities with approved lines of credit for approximately Ch\$ 23 billion in the aggregate, none of which are currently drawn. Unlike the committed lines described above, which are not subject to MAE conditions precedent prior to disbursements, these facilities are subject to greater risk of not being disbursed in the event of a MAE, and therefore could limit our liquidity under such circumstances.

We may also access the Chilean commercial paper market under programs that need to be registered with the CMF. Finally, we also have access to other types of financing, including supplier credits, leasing, among others.

Except for the SEC-registered Yankee Bonds, which are not subject to financial covenants, our outstanding debt facilities include financial covenants. The types of financial covenants, and their respective limits, vary from one type of debt to another. As of December 31, 2018, the most restrictive financial covenant affecting Enel Generation was the leverage ratio in connection with the bilateral revolving loan facility that matured in March 2019, and the syndicated senior unsecured loan that matures in February 2020. Under such covenants, the maximum additional debt that could be incurred without a breach is Ch\$ 1,956 billion. As of December 31, 2018, and as of the date of this Report, our subsidiaries and we are in compliance with the financial covenants contained in our debt instruments.

As is customary for certain credit and capital market debt facilities, a significant portion of our financial indebtedness is subject to cross default provisions. Each of the revolving credit facilities described above, as well as our Yankee Bonds, have cross default provisions with different definitions, criteria, materiality thresholds, and applicability as to the subsidiaries that could give rise to a cross default.

The cross default provisions for our revolving credit facility that is due in February 2020, governed by the laws of the State of New York, refers to defaults of the borrower, without reference to any of our subsidiaries. Under such credit facility, only matured defaults exceeding US\$ 50 million qualify for a potential cross default when the principal exceeds US\$ 50 million, or its equivalent in other currencies, although our subsidiaries do not have any financial obligation. In the case of a matured default above the materiality threshold, the revolving credit facility’s lenders would have the option to accelerate if the lenders representing more than 50% of the aggregate debt of the outstanding facility choose to do so. All of our Yankee Bonds are unsecured and not subject to any guarantees by any of our subsidiaries or parent companies.

The Yankee Bonds’ cross default provisions may be triggered by our debt. A matured default by either us or any of our subsidiaries could result in a cross default to our Yankee Bonds if such matured default, on an individual basis, has a principal exceeding US\$ 30 million, or its equivalent in other currencies. In the case of the Yankee Bond issued by us in April 2014, due in 2024, the threshold is US\$ 50 million, or its equivalent in other currencies. In the case of a matured default above the materiality

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threshold, holders of Yankee Bonds would have the option to accelerate if either the trustee or bondholders representing no less than 25% of the aggregate debt of a particular series then outstanding choose to do so.

Our local debt facility matured was due in March 2019 and was not renewed.

The payment of dividends and distributions by certain subsidiaries and affiliates are potentially subject to legal restrictions, such as legal reserve requirements, and capital and retained earnings criteria, and other contractual restrictions. We are currently in compliance with the legal restrictions, and therefore, they currently do not affect the payment of dividends or distributions to us. For a description of liquidity risks resulting from our company status, see “Item 3. Key Information — D. Risk Factors — We depend in part on payments from our subsidiaries and associates to meet our payment obligations.”

Our estimated capital expenditures for 2019 through 2021 are expected to amount to Ch\$ 367 billion, which includes maintenance capital expenditures, investment in expansion projects under execution, such as those for Los Cóndores project, as well as water rights, and expansion projects that are still under evaluation, in which case we would undertake them only if deemed profitable.

We do not currently anticipate liquidity shortfalls affecting our ability to satisfy the material obligations described in this Report. We expect to be able to refinance our indebtedness as it becomes due, fund our purchase obligations with internally generated cash and fund capital expenditures with a mixture of internally generated cash and borrowings.

C. Research and Development, Patents and Licenses, etc.

None.

D. Trend Information.

Our subsidiaries are engaged in the generation of electricity in Chile, which is undergoing changes including more restrictive government regulations, the introduction of new technologies and business models, and more competition. Our business is subject to a wide range of conditions that may result in significant variability in our earnings and cash flows from year to year. We seek to establish a conservative and well-balanced commercial policy, which aims at controlling relevant variables, reducing risks and providing stability to our results of operations.

Our operating income is affected by several factors including contracted electricity prices, prevailing hydrological conditions, the price of fuels used to generate thermal electricity, contracted obligations, generation mix, and the electricity prices prevailing in the spot market, among others.

Sales prices and energy costs are among the main drivers of our results of operations of our electricity generation business. The quantity of electricity sold has been generally stable over time, with increases reflecting economic and demographic growth. Our profits from contracted sales rely on our ability to generate or buy electricity at a cost lower than contracted price. However, the applicable price for electricity sales and purchases in the spot market is much harder to predict because the spot generation price is influenced by several factors, including hydrology and fuel prices. Thus, abundant hydrological conditions generally lower spot prices, while dry conditions increase them, although this effect on prices may be partly mitigated with NCRE generation.

Our operating income might not be impacted adversely even when we are required to buy electricity at high prices in the spot market if our commercial policy is appropriately managed. Our goal is to have a conservative and well-balanced commercial policy that controls relevant variables, provides stability to profits, and mitigates our exposure to the volatility of the spot market by contracting a significant portion of our expected electricity generation through long-term electricity supply contracts. The optimal level of electricity supply commitments is one that protects us against low marginal cost conditions, such as those existing during a rainy season, while still taking advantage of high marginal cost conditions, such as higher spot market prices, during dry years. In order to determine the optimal mix of long-term contracts and sales in the spot market we project our aggregate generation taking into consideration our diversified generation mix and the incorporation of new projects under construction and a dry hydrology scenario. We then create demand estimates using standard economic theory and forecast the system’s marginal cost using proprietary stochastic models. We also participate in the energy forward derivatives market, which allows us to negotiate volume and future price, in order to ensure demand and avoid buying in the spot market, which has high volatility and risk.

Our sales contracts to customers not subject to regulated prices are not standardized and the contractual terms and conditions are individually negotiated. When negotiating these contracts, we try to set the price at a premium over future expected spot prices to mitigate the risk of increases in future spot prices. However, the premium can vary substantially depending on several conditions such

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as node values, load profile and the term of the contract. Our contracted sales with regulated customers represent on average more than 68% of our sales, allowing us to maintain steady prices for longer periods, normally 10 to 15 years, which combined with our balanced commercial policy, generally provides for a stable profit. Most of our current regulated tariffs are indexed to the U.S. CPI and, to a lesser extent, to commodity prices. We expect regulated tariffs to remain fairly stable, without material changes before 2021, with a downward trend as a result of the full integration of the two electricity systems, the former SIC (central and southern Chile) and SING (northern Chile), into one interconnected system, the SEN, since November 2017. This integration is expected to increase system generation efficiency, especially under extreme situations, and improve investment and commercialization opportunities in both markets, mainly allowing for a higher dispatch of solar and wind power plants located in northern areas. We expect that Los Cóndores will be completed during 2020, adding an average 600 GWh of annual generation to our consolidated generation capacity. In 2022 and 2024, we expect significant price decreases, mainly due to the start of operations of projects tendered in 2016 and 2017, respectively.

In 2022, distribution company contracts awarded to us in the August 2016 auction will come into effect and, therefore, the tariffs of our regulated contracts will decrease as a consequence of the lower prices offered by NCRE providers. In 2024, contracts awarded in the November 2017 auction, the last such process, will come into effect with an average price of the total awarded energy of US\$ 32.5 per MWh, 32% lower than the average price of the previous tender process. The total amount of energy tendered was based on NCRE offers, representing a milestone in the industry. We were awarded 54% of the total tender of 2,200 GWh per annum, corresponding to 1,180 GWh per annum at an average price of US\$ 34.7 per MWh with a mix of wind, solar and geothermal generation, which will be provided through NCRE projects backed up by conventional energy.

We regularly participate in energy bids and we have been awarded long-term energy sale contracts that incorporate the expected variable costs considering changes to the most relevant variables. These contracts secure the sale of our current and expected new capacity and allow us to stabilize our income. Considering the results of the last two tenders for regulated customers, we expect NCRE market competitiveness to continue increasing. As a result, offered prices will probably continue to decrease, but at a lower rate compared to previous years.

Spot prices could also be affected by international prices of fuel commodities such as fuel oil, coal and LNG, since Chile does not produce those fuels in any significant quantities. Fuel prices directly affect our thermal generation costs, which as of December 31, 2018, represented 44% of our installed capacity. Commodity prices, mainly oil, have significantly increased since their lowest level in the first quarter of 2016, characterized by a high volatility. The trend is expected to continue into 2019.

The government also established a regulated tender framework, which allows the energy market to access this price reduction in the medium and long term. A higher growth rate is expected in upcoming years, as required by the Energy Agenda Program and the country's de-carbonization target.

With respect to the development of new projects to increase our installed capacity, our strategy is to focus in creating synergies with plants in operation and obtaining economies of scale. We expect to continue competing in the future through PPA contracts, in part associated with the migration of regulated customers from the distribution business, mainly mining and large industries. The continuous addition of NCRE power plants to the grid will require further market flexibility and focus on operational efficiency to combine the different technologies while maintaining the security and the system's supply reliability, which is typically a NCRE weakness. Wind and solar sources, the NCRE sources most widely used, have higher intermittency than other non-NCRE facilities since they can only generate electricity when the wind blows or the sun shines. Battery energy solutions will likely play a key role in the next decade, providing a crucial solution for frequency control and grid stability in the context of significant wind and solar penetration.

E. Off-balance Sheet Arrangements.

We are not a party to any off-balance sheet arrangements

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F. Tabular Disclosure of Contractual Obligations.

The table below sets forth our cash payment obligations as of December 31, 2018:

| Ch\$ billion | Payments due by Period | | | | |
|--------------------------------------------|------------------------|--------------|--------------|------------|--------------|
| | Total | 2019 | 2020-2021 | 2022-2023 | After 2024 |
| Purchase obligations(1) | 3,796 | 1,519 | 1,416 | 811 | 50 |
| Interest expense(2) | 565 | 53 | 106 | 95 | 311 |
| Yankee bonds | 498 | — | — | — | 498 |
| Local bonds(3) | 357 | 53 | 62 | 62 | 180 |
| Financial leases | 14 | 2 | 7 | 5 | — |
| Pension and post-retirement obligations(4) | 15 | 3 | 2 | 2 | 8 |
| Total contractual obligations | 5,245 | 1,631 | 1,593 | 975 | 1,047 |

- (1) Of the total contractual obligations of Ch\$ 3.796 billion, 50% corresponds primarily to fuel supply, 21% corresponds to tolls services and the remaining 29% corresponds to miscellaneous services.
- (2) Interest expense includes the interest payments for all outstanding financial obligations, calculated as principal multiplied by the interest rate, as of the date when each interest payment comes due.
- (3) Hedging instruments might substantially affect the outstanding amount of debt.
- (4) We have funded and unfunded pension and post-retirement benefit plans. Our funded plans have contractual annual commitments for contributions, which do not change based on funding status. Cash flow estimates in the table are based on such annual contractual commitments including certain estimable variable factors such as interest. Cash flow estimates in the table relating to our unfunded plans are based on future discounted payments necessary to meet all of our pension and post-retirement obligations.

G. Safe Harbor.

The information contained in Items 5.E and 5.F contains statements that may constitute forward-looking statements. See “Forward-Looking Statements” in the “Introduction” of this information statement, for safe harbor provisions.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management.

Directors

Our Board of Directors consists of nine members who are elected for a three-year term at an Ordinary Shareholders’ Meeting (“OSM”). If a vacancy occurs in the interim, the Board of Directors elects a temporary director to fill the vacancy until the next OSM, at which time the entire Board of Directors will be up for election. Our Executive Officers are appointed and hold office at the discretion of the Board of Directors.

In the Extraordinary Shareholders’ Meeting of Enel Generación Chile SA, held on April 24, 2018, the amendment of article seven of the Company’s bylaws, which would reduce the number of directors from 9 to 5, was approved. The amendment was agreed to take effect at the time of the constitution of the OSM held on April 26, 2019. This amendment seeks to simplify the Company’s

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administration after the 2018 Reorganization, and for economy and corporate efficiency, given the new shareholding structure of the Company.

The members of our Board of Directors as of December 31, 2018, were as follows:

| Directors | Position | Age (1) | Current Position Held Since |
|---------------------------|-----------------|----------------|------------------------------------|
| Giuseppe Conti | Chairman | 40 | 2016 |
| Maria Soledad Arellano S. | Director | 47 | 2019 |
| Fabrizio Barderi | Director | 48 | 2017 |
| Cristiano Bussi | Director | 43 | 2018 |
| Hernán Cheyre V. | Director | 64 | 2018 |
| Francesco Giorgianni | Director | 58 | 2016 |
| Luca Noviello | Director | 46 | 2016 |
| Julio Pellegrini V. | Director | 47 | 2016 |
| Antonio Scala | Director | 39 | 2018 |

(1) As of April 30, 2019.

Messrs Atton, Cibié, Di Carlo and Magrini resigned from their positions as Directors in 2018. As required by Chilean law, the entire Board of Directors was up for election at the OSM held on April 26, 2019, for a new three-year term ending in April 2022

The five members of the Board of Directors as of the date of this Report are:

- Giuseppe Conti (Chairman)
- Maria Soledad Arellano S.
- Fabrizio Barderi
- Cristiano Bussi
- Julio Pellegrini V.

Set forth below are brief biographical descriptions of the members of our Board of Directors, of whom five reside outside Chile and four reside in Chile, as of December 31, 2018:

Giuseppe Conti

Mr. Conti has headed Legal & Corporate Affairs of Enel S.p.A. since 2017 and has held several managerial positions within Enel including heading Legal and Corporate Affairs of Enel Green Power S.p.A. (2014-2017), Enel Litigation and Legal Coordination (2012-2013), and Legal Coordination and Research and Development of Endesa, S.A., an Enel subsidiary in Spain (2009-2012). Mr. Conti holds a law degree from *Università degli Studi di Messina*.

Maria Soledad Arellano S.

Ms. Arellano is the Academic Vice Rector of the *Universidad Adolfo Ibáñez*. In addition, she is Director of the *Caja de Compensación La Araucana* and the *Ecert Chile*. Previously, she assumed the position of Sub secretary of Planning and the position of Sub Secretary of Social Evaluation (2010-2014). Ms. Arellano holds a bachelor's degree in commercial engineering, with mention in economics, a master's degree in economics from the *Pontificia Universidad Católica de Chile* and a Ph.D. in economics from *Massachusetts Institute Technology*.

Fabrizio Barderi

Mr. Barderi heads Planning and Control within the Global Trading Business and Latin America Regional Energy Management for Enel S.p.A. He headed Generation Fleet Management in Enel Produzione S.p.A, and Power Origination and Wholesale position in Enel Trade S.P.A. (2008-2013). Mr. Barderi holds a bachelor's degree in electrical engineering from the *Università di Pisa* and a master's degree in economics and energy and environmental management from the *Scuola Superiore Enrico Mattei*.

Cristiano Bussi

Mr. Bussi heads the Global Thermal Generation Planning & Control department of Enel since September 2018. Previously, he headed several managerial position in Enel: Head of the Operational Performance Optimization (January 2018 — September 2018), Head of the Operational Control in the Planning and Control department (2015-2017), Head of the Planning and Control Generation Italy (2014-2015). Mr. Bussi holds a degree in chemical engineering from the *Università di Pisa*.

Hernán Cheyre V.

Mr. Cheyre is a director of *Telefónica Chile*, *Inversiones Aguas Metropolitanas*, and *Molymet*, among others. In 1985, he founded the consulting company *Econsult*, and served as Chairman. He was Executive VP of Corfo, the state agency, between 2010-2014. He was CEO of the risk-rating agency *Duff and Phelps Chile* (1990-2000), and *Fitch Chile* (2000-2004). Mr. Cheyre holds bachelor's degrees in economic sciences and commercial engineering from the *Pontificia Universidad Católica de Chile*, and a master's degree in economics from the University of Chicago.

Francesco Giorgianni

Mr. Giorgianni has been the Data Protection Officer of Enel S.p.A. since June 2017. He was the Institutional Affairs Officer for Enel Américas since 2014 and the Head of Enel's Institutional Affairs worldwide since 2011. In 2007-2011, he headed Enel's European and Italian Institutional Affairs in Rome. Mr. Giorgianni holds a degree in law from *Università di Roma La Sapienza*, and graduate degrees from the *Scuola Nazionale dell'Amministrazione*, and the London Business School.

Luca Noviello

Mr. Noviello has been the Head of Operations & Maintenance at Enel's Global Thermal Generation since June 2016. He also headed Human Resources at Global Generation (2014-2016). In the past, he headed Oil & Gas Power Generation (2011-2014). He was Head of Generation & Engineering Procurement (2007-2011) and Internal Audit Department for Generation and International Division (2003-2006). Mr. Noviello holds a bachelor's degree in mechanical engineering from *Università degli Studi di Roma La Sapienza* and a master's degree in economics and energy management from *LUISS Scuola di Management*.

Julio Pellegrini V.

Mr. Pellegrini is a partner at *Pellegrini & Cia.*, a Chilean law firm specialized in commercial litigation, arbitration, regulation and antitrust. He has been a member of the *Consejo Consultivo del Centro de Libre Competencia*, an antitrust advisory committee of the *Pontificia Universidad Católica de Chile* since 2012, where he has also taught civil law, antitrust and economics law since 2003. Since 2011, he has been a board member of the Chilean Bar Association and Chairman of its Antitrust Commission. Mr. Pellegrini holds a law degree from *Pontificia Universidad Católica de Chile* and a master's degree in law from the University of Chicago.

Antonio Scala

Mr. Scala is the Head of South America at Enel Green Power S.p.A. He joined Enel in 2009 as Head of Risk Management for Energy Management Italy where he also served as Head of Industrial Development until 2013, when he moved to Enel Energia to become Head of Energy Service Mass Market. He was also the Head of Planning and Control of Global Trading. Mr. Scala holds a degree in business administration in Roma.

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Set forth below are our Executive Officers as of December 31, 2018.

The business address of our Executive Officers is c/o Enel Generación Chile S.A., Santa Rosa 76, Santiago, Chile.

| Executive Officers | Position | Age (2) | First joined Enel or affiliate in | Current Position Held Since |
|---------------------------|--------------------------------------------|----------------|------------------------------------------|------------------------------------|
| Valter Moro | Chief Executive Officer | 52 | 1996 | 2014 |
| Raúl Arteaga E. | Chief Financial Officer | 60 | 1985 | 2016 |
| Bernardo Canales F. | Engineering & Construction Officer | 49 | 1996 | 2016 |
| Juan Candia N.(1) | Planning and Control Officer | 42 | 2007 | 2017 |
| Carlo Carvalho A. | Chilean Hydroelectric Generation Officer | 56 | 1989 | 2016 |
| Humberto Espejo P. | Trading & Marketing Officer | 49 | 1996 | 2015 |
| Claudio Órdenes T. | Thermal Engineering & Construction Officer | 50 | 1996 | 2016 |
| Ignacio Quiñones S. | General Counsel | 56 | 1989 | 2013 |
| Michele Siciliano | Chilean Thermal Generation Officer | 45 | 2001 | 2016 |
| Luis Alberto Vergara A. | Human Resources Officer | 47 | 1996 | 2016 |

(1) Mr. Valter Moro is also the Interim Business Development Officer and the Interim Regulation Officer.

(2) As of April 30, 2019.

Set forth below are brief biographical descriptions of our Executive Officers, all of whom reside in Chile:

Valter Moro: Mr. Moro was headed *La Spezia* Power Plant in Italy (2009-2014), and served in managerial capacities in Generation and Energy Management (2008-2009), Energy Management of *Enel Viesgo* in Spain (2006-2008) and Production Optimization Officer of the power generation at Enel's Energy Management in Italy (2003-2006). Mr. Moro holds a mechanical engineering degree and a Ph.D. in energy engineering from *Università Politécnica delle Marche*.

Raúl Arteaga E.: Mr. Arteaga has served in various managerial positions in finance, treasury and investor relations in Enel affiliates in Chile and Argentina. Mr. Arteaga has also been Chairman of Pehuenche S.A. and GasAtacama, two of our Chilean generation subsidiaries, since 2016. Mr. Arteaga holds a degree in industrial civil engineering from the *Universidad de Chile*.

Juan Candia N.: Mr. Candia is currently Chairman of *Almeyda Solar SpA* and Director of *Pehuenche*. From 2015-2017, he was responsible for P&C Market Chile. Mr. Candia has held several managerial positions in planning and control and finance for our affiliates. Mr. Candia holds a civil engineering degree from *Pontificia Universidad Católica de Valparaíso* and *Universidad Técnica Federico Santa María* (both in Valparaíso, Chile) and an MBA from the *Pontificia Universidad Católica de Chile*.

Bernardo Canales F.: Mr. Canales held the positions of Regional Engineering Officer since November 2010 and director of Canela and HidroAysén. From 2006-2010, he was the Chief Technical Officer of HidroAysén. From 2004-2006, he was CEO of *Enel Generación Piura* (Peru). From 2000-2004, he was Head of Production Projects in Chile and South America. Mr. Canales holds a degree in mechanical engineering from *Universidad de Chile*.

Carlo Carvalho A.: Mr. Carvalho has been the CEO of Pehuenche since 2015, and is the director of Canela and HidroAysén. He has served as Deputy Hydroelectric Generation Officer (2013-2016), Deputy Technical Service Officer (2011-2013), Deputy Southern Hydroelectric Plants Officer (2009-2011) and Deputy Maintenance Officer (2005-2009). Mr. Carvalho holds a degree in industrial engineering from *Universidad de Chile*.

Humberto Espejo P.: Mr. Espejo has held managerial positions in business development, regulatory and commercial areas, including serving on the boards of our affiliates. Mr. Espejo served on the board of the CDEC-SIC, the former operator of the principal Chilean electricity grid. He holds a bachelor's degree in industrial engineering and a master's of science in engineering from *Pontificia Universidad Católica de Chile* and a master's of science degree in economic policy from the University of Illinois.

Claudio Órdenes T.: Mr. Órdenes was Head of Thermal Projects in 2015-2016 and Deputy Thermal Project Officer for the previous four years. He was Head of Mechanical Engineering (2007-2010) of the Thermal Mechanical Engineering Department (2007). He was Project Manager of the *Ventanilla* Thermal Power Plant Conversion (2004-2006). He was Head of Commissioning of *Fortaleza*, Brazil (2001-2004). Mr. Órdenes holds a degree in mechanical engineering from *Universidad de Santiago de Chile*.

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Ignacio Quiñones S.: Mr. Quiñones is a director of several affiliates. He was Chilean General Counsel for Anglo American Chile Ltda., a mining company (2005-2013). He was Head of the Legal Area in *Gasoducto del Pacífico S.A.*, a natural gas transportation company (2004-2005). He worked as a lawyer for Placer Dome Latin America, a mining company (1996-2004), and then as Legal Advisor for *Compañía Minera Zaldívar*. Mr. Quiñones holds a degree in law from *Universidad Diego Portales*.

Michele Siciliano: Mr. Siciliano has held several generation and energy management positions including heading Generation Brazil (2015-2016), Central Maintenance in Italy Generation (2015), *Sulcis* Business Unit (2009-2014), *Piombino* Business Unit (2008-2009), *Bari* Business Unit (2006-2007), and Maintenance at the *Brindisi* Business Unit (2003-06). Mr. Siciliano holds a degree in mechanical engineering from *Università degli Studi della Calabria*.

Luis Alberto Vergara A.: Mr. Vergara was previously the Head of Generation and Energy Management Development of Enel for four years. Mr. Vergara worked for Enel Américas as Head of Organization and Planning of Human Resources at the regional level (2007-2012). Mr. Vergara holds a degree in electronic civil engineering from *Universidad Técnica Federico Santa María* and an MBA from the *Pontificia Universidad Católica de Chile*.

B. Compensation.

At the OSM held on April 24, 2018, our shareholders approved the current compensation policy for our Board of Directors. Director compensation consists of a monthly fixed compensation of UF 174 per month and an additional fee of UF 84 per meeting, up to a maximum of 15 meetings in total, including ordinary and extraordinary meetings, within the respective fiscal year. The Chairman of the Board is entitled to double the compensation compared to other directors.

The members of our Directors' Committee are paid a monthly fee of UF 58 and an additional fee of UF 28 per meeting, up to a maximum of 15 meetings in total, including ordinary and extraordinary meetings.

If a director serves on one or more Boards of Directors of the subsidiaries and/or related companies or serves as director of other companies or corporations in which the economic group holds an interest, whether directly or indirectly, the director can only receive compensation from one of these Boards of Directors.

Executive Officers of our Company and/or of our subsidiaries or related companies will not receive compensation in the case that they serve as director of any subsidiary, related company or are affiliated in any way to our Company.

In 2018, the total compensation paid to each of our directors, including fees for attending Directors' Committee meetings, was as follows:

| Director | Year ended December 31, 2018 | | | | | Total |
|--------------------------|------------------------------|------------------------------------|-------------------------------------------|-----------------------------------------------------------|-----------------------|----------------|
| | Fixed Compensation | Ordinary and Extraordinary Session | Directors' Committee (Fixed Compensation) | Ordinary and Extraordinary Session (Directors' Committee) | Variable Compensation | |
| | (in Th Ch\$) | | | | | |
| Giuseppe Conti (1) | — | — | — | — | — | — |
| Francesco Giorgianni (1) | — | — | — | — | — | — |
| Francesco Buresti (1) | — | — | — | — | — | — |
| Mauro Di Carlo (1) | — | — | — | — | — | — |
| Umberto Magrini (1) | — | — | — | — | — | — |
| Luca Noviello (1) | — | — | — | — | — | — |
| Enrique Cibié B. | 14,043 | 9,038 | 4,681 | 2,259 | — | 30,021 |
| Hernán Cheyre V. | 42,724 | 25,189 | 14,241 | 8,396 | — | 90,550 |
| Jorge Atton P. | 47,181 | 29,600 | 15,727 | 9,113 | — | 101,621 |
| Julio Pellegrini V. | 56,767 | 34,228 | 18,922 | 10,656 | — | 120,573 |
| Total | 160,715 | 98,055 | 53,571 | 30,424 | — | 342,765 |

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- (1) Messrs. Conti, Giorganni, Buresti, Di Carlo, Magrini, Noviello, Bussi and Scala waived their compensation due to their current position as Directors of the Company.

We do not disclose, to our shareholders or otherwise, any information about an individual Executive Officer's compensation. Executive Officers are eligible for variable compensation under a bonus plan. The annual bonus plan is paid to our Executive Officers for achieving company-wide objectives and for their individual contribution to our results and objectives. The annual bonus plan provides for a range of bonus amounts according to seniority level and consists of a certain multiple of gross monthly salaries. For the year ended December 31, 2018, the aggregate gross compensation, paid or accrued, for all of our Executive Officers, attributable to fiscal year 2018, was Ch\$ 2,614 million in fixed compensation and Ch\$ 476 million in variable compensation and benefits.

We entered into severance indemnity agreements with all of our Executive Officers, pursuant to which we will pay a severance indemnity in the event of voluntary resignation or termination by mutual agreement among the parties. The severance indemnity does not apply if the termination is due to willful misconduct, prohibited negotiations, unjustified absences or abandonment of duties, among other causes, as defined in Article 160 of the Chilean Labor Code. All of our employees are entitled to legal severance pay if terminated due to our needs, as defined in Article 161 of the Chilean Labor Code.

No severance indemnity was paid to our Executive Officers in 2018. There are no other amounts set aside or accrued to provide for pension, retirement or similar benefits for our Executive Officers.

C. Board Practices.

Our Board of Directors in office as of December 31, 2018, was elected at the OSM held on April 24, 2018, for a three-year term. However, vacancies occurred due to resignations in November 2018 and therefore, the entire Board of Directors will again be up for election at the OSM to be held in April, 2019. For information about each of the directors and the year that they began their service on the Board of Directors, see "Item 6. — A. Directors and Senior Management" above. Members of the Board of Directors do not have service contracts with us or with any of our subsidiaries that provide them benefits upon termination of their service.

Corporate Governance

Until the OSM held on April 26, 2019, we were managed by a Board of Directors, in accordance with our bylaws, consisting of nine directors who were elected by our shareholders at the 2018 OSM. Subsequent to the April 26, 2019 OSM, we are now managed by a Board of Directors consisting of five directors elected by our shareholders, each of whom serves for a three-year term. Following the end of their terms, they may be re-elected indefinitely or replaced. Staggered terms are not permitted under Chilean law. If a vacancy occurs on the Board of Directors during the three-year term, the Board may appoint a temporary director to fill the vacancy. A vacancy triggers an election for every seat on the Board of Directors at the next OSM.

Chilean corporate law provides that a company's Board of Directors is responsible for the management and representation of a company in all matters concerning its corporate purpose, subject to the provisions of the company's bylaws and the shareholders' resolutions. In addition to the bylaws, our Board of Directors has adopted regulations and policies that guide our corporate governance principles.

Our corporate governance policies are included in the following policies or procedures: the Charter Governing Executives, the Employee Code of Conduct, the Manual for the Management of Information of Interest to the Market (the "Manual"), the Human Rights Policy (Política de Derechos Humanos), the Code of Ethics and a Zero Tolerance Anti-Corruption Plan (the "ZTAC Plan"), the Penal Risk Prevention Model, the "Guidelines 231: Guidelines applicable to non-Italian subsidiaries in accordance with Legislative Decree 231 of June 8, 2001" (the "Guidelines 231") and procedures issued in compliance with General Regulation 385 issued by the CMF.

The Charter Governing Executives and the Employee Code of Conduct explain our principles and ethical values, establish rules governing our contact with customers and suppliers, and establish the principles that should be followed by employees, including ethical conduct, professionalism and confidentiality. They also impose limitations on the activities that our executives and other employees may undertake outside the scope of their employment with us.

In order to ensure compliance with Securities Market Law 18,045 and CMF regulations, our Board of Directors approved the Manual at its meeting held on May 29, 2008. This document addresses applicable standards regarding the information in connection with transactions of our securities and those of our affiliates, entered into by directors, management, principal executives, employees and other related parties, the existence of blackout periods for such transactions undertaken by directors, principal executives and other related parties, the existence of mechanisms for the continuous disclosure of information that is of interest to the market and

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mechanisms that provide protection for confidential information. The Manual was released to the public in 2008 and is posted on our website at www.enelgeneracion.cl. In 2010, the Manual was modified in order to comply with the provisions of Law 20,382 (Corporate Governance Improvement Law). The provisions of this Manual apply to the members of our Board, as well as our executives and employees who have access to confidential information, and especially those who work in areas related to the securities markets.

Our Board of Directors approved a procedure for relationships between Politically Exposed People (*Procedimiento Personas Políticamente Expuestas y Conexas*) and our Company, which established a specific regulation for their commercial and contractual relationships.

The Human Rights Policy incorporates and adapts the United Nations' general principles related to human rights into the corporate reality.

In order to supplement the aforementioned corporate governance regulations, our Board of Directors approved a Code of Ethics and the ZTAC Plan at its meeting held on June 24, 2010. The Code of Ethics is based on general principles such as impartiality, honesty, integrity and other ethical standards of similar importance, all of which are expected from our employees. The ZTAC Plan reinforces the principles included in the Code of Ethics, but with special emphasis on avoiding corruption in the form of bribes, preferential treatment, and other similar matters. At its meeting held on January 25, 2017, our Board of Directors approved the amendment to the Code of Ethics and ZTAC Plan to eliminate the reference to Law 19,885 in connection with political donations and to forbid political donations altogether.

At its meeting held on March 31, 2011, our Board approved the Penal Risk Prevention Model in order to comply with Chilean Law 20,393 of December 2, 2009, which imposes criminal responsibility on legal entities for the crimes of asset laundering, financing of terrorism and bribing of public officials. The law encourages companies to adopt this model, whose implementation involves compliance with managerial and supervision duties. The adoption of the Penal Risk Prevention Model mitigates, and in some cases relieves, the effects of criminal responsibility even when a crime is committed.

On October 27, 2010, our Board of Directors approved the Guidelines 231. The Guidelines 231 is defined by Italian Legislative Decree 231, which was enacted on June 8, 2001. It establishes a compliance program that identifies the behaviors expected of related parties for the non-Italian subsidiaries of Enel. Given that our ultimate controlling shareholder, Enel, complies with Italian Legislative Decree 231, which establishes management responsibility for Italian companies as a consequence of certain crimes committed in Italy or abroad, in the name of or for the benefit of such entities, including those crimes described in Chilean Law 20,393, these guidelines set a group of measures, with standards of behavior expected from all employees, advisers, auditors, officials, directors as well as consultants, contractors, commercial partners, agents and suppliers. Legislative Decree 231 includes various activities of a preventive nature that are coherent with and integral to the requirements and compliance with Chilean Law 20,393, which deals with the criminal responsibility of legal entities. These guidelines are supplementary to the standards included in the Code of Ethics and the ZTAC Plan.

On November 29, 2012, the CMF issued General Regulation 341, which established regulations for the disclosure of information with respect to the standards of corporate governance compliance adopted by publicly held limited liability corporations and set the procedures, mechanisms and policies that are indicated in the Appendix to the regulation. The objective of this regulation is to provide credible information to investors with respect to good corporate governance policies and practices adopted by publicly held limited liability corporations, which include us, and permit entities like stock exchanges to produce their own analyses to help the various market participants to understand and evaluate the commitment of companies. General Regulation 341 was substituted by General Regulation 385, issued by the CMF on June 8, 2015. This regulation has similar objectives than the former General Regulation 341, but includes additional issues, by the way of separating each policy into several more detailed policies. Subjects such as non-discrimination, inclusion and sustainability are particularly important in this new regulation. The Appendix of General Regulation 385 is divided into the following four sections with respect to which companies must report the corporate practices that have been adopted: (i) the functioning and composition of the board, (ii) relations between the company, shareholders and the general public, (iii) risk management and control, and (iv) assessment by a third party. Publicly held limited liability corporations should send the information with respect to corporate governance practices to the CMF no later than March 31 of each year, using the contents of the Appendix to this regulation as criteria. If none of them is adopted, the company must explain its reasons to the CMF. The information should refer to December 31 of the calendar year prior to its dispatch. At the same time, such information should also be at the public's disposal on the company's website and must be sent to the stock exchanges.

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Compliance with the New York Stock Exchange Listing Standards on Corporate Governance

On December 31, 2018, the Company delisted from the NYSE and therefore does not need to comply with the NYSE listing standards.

D. Employees.

The following table sets forth the total number of our personnel (permanent and temporary employees), in Enel Generation and in our subsidiaries as of December 31, 2018, 2017 and 2016:

| Company | 2018 | 2017 | 2016 |
|----------------------------|-------------|-------------|-------------|
| Enel Generation | 678 | 753 | 790 |
| Pehuenche | 2 | 2 | 2 |
| GasAtacama (1) | 87 | 93 | 91 |
| Total personnel (2) | 767 | 848 | 883 |

(1) Includes GasAtacama Argentina S.A.

(2) The total number of temporary employees was not significant.

All Chilean employees who are dismissed for reasons other than misconduct are entitled by law to severance payment. According to Chilean law, permanent employees are entitled to a payment of one-month's salary for each year (or a six-month portion thereof) worked, subject to a limit of a total payment of no more than 11 months' pay for employees hired after August 14, 1981. Severance payments to employees hired prior to that date consist of one-month's salary for each full year worked, not subject to any limitation on the total amount payable. Under our collective bargaining agreements, we are obligated to make severance payments to all covered employees in cases of voluntary resignation or death in specified amounts that increase according to seniority and may exceed the amounts required under Chilean law.

We have the following collective bargaining agreements:

| Company | In Force | |
|-----------------------------------------------------|-----------------|---------------|
| | From | To |
| Enel Generation - Collective Bargaining Agreement 1 | January 2018 | June 2020 |
| Enel Generation - Collective Bargaining Agreement 2 | January 2018 | June 2020 |
| Enel Generation - Collective Bargaining Agreement 3 | January 2018 | December 2020 |
| Enel Generation - Collective Bargaining Agreement 4 | July 2015 | June 2019 |
| Enel Generation - Collective Bargaining Agreement 5 | January 2016 | December 2019 |
| Enel Generation - Collective Bargaining Agreement 6 | July 2016 | June 2020 |
| GasAtacama | January 2018 | December 2020 |

E. Share Ownership.

To the best of our knowledge, none of our directors or officers owns any of our shares nor any stock options. It is not possible to confirm whether any of our directors or officers has a beneficial, rather than direct, interest in our shares. To the best of our knowledge, any share ownership by all of our directors and officers, in the aggregate, amounts to significantly less than 10% of our outstanding shares.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders.

We have only one class of capital stock and Enel Chile, our controlling shareholder, has no different voting rights than our other shareholders. As of March 31, 2019, 13,926 stockholders of record held our 8,201,754,580 shares of common stock outstanding. Enel Chile owned 7,672,584,961 shares of our total common stock, representing a 93.6% direct ownership interest in us. There were three record holders of our ADSs, as of such date.

In connection with analyzing our eligibility to deregister under the Exchange Act, we determined, with the assistance of Nasdaq, that as of March 31, 2019, the number of our ADSs and our shares of common stock beneficially owned in the United States were

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1,620,922 ADS and 48,627,660 shares. Except as described above, we cannot readily determine the domicile of any of our foreign shareholders who hold our common stock, either directly or indirectly.

As of March 31, 2019, Chilean stockbrokers, mutual funds, insurance companies, foreign equity funds, and other Chilean institutional investors collectively held 2.75% of our shares, ADS holders owned 0.59% of our shares and the remaining 3.1% of our shares were held by 13,875 minority shareholders.

The following table sets forth certain information concerning ownership of the common stock as of March 31, 2019, with respect to each stockholder known by us to own more than 5% of the outstanding shares of common stock:

| | Number of Shares Owned | Percentage of Shares Outstanding |
|------------|---------------------------|----------------------------------------|
| Enel Chile | 7,672,584,961 | 93.6% |

Enel Chile is a company primarily engaged, through its subsidiaries and related companies, in the generation and distribution of electricity in Chile. Since June 25, 2009, Enel has been our ultimate parent company and continues to be our ultimate controlling shareholder, and such control is exercised through Enel Chile.

Enel is an energy company with multinational operations in the power and gas markets, with a focus on Europe and Latin America. Enel operates in 34 countries across five continents, produces energy through a managed installed capacity of almost 90 GW, which includes 43 GW of renewable sources, and distributes electricity and gas through a network covering 2.2 million kilometers. With over 73 million users worldwide, Enel has the largest customer base among European competitors and figures among Europe’s leading power companies in terms of installed capacity and reported EBITDA. Enel shares trade on the Milan Stock Exchange.

B. Related Party Transactions.

Article 146 of Law No. 18,046 (the “Chilean Corporations Act”) defines related-party transactions as all transactions involving a company and any entity belonging to the corporate group, its parent companies, controlling companies, subsidiaries or related companies, board members, managers, administrators, senior officers or company liquidators, including their spouses, some of their relatives and all entities controlled by them, in addition to individuals who may appoint at least one member of the company’s board of directors or who control 10% or more of voting capital, or companies in which a board member, manager, administrator, senior officer or company liquidator has been serving in the same position within the last 18 months. The law establishes that in the event that these persons fulfill the requirements established by Article 146, such persons must immediately inform the Board of Directors of their related-party nature, or such other group as the Board of Directors may appoint for that purpose. As required by law, “related-party transactions” must comply with corporate interests, as well as prices, terms and conditions prevailing in the market at the time of their approval. They must also meet all legal requirements, including acknowledgement by the Directors’ Committee and approval of the transaction by the Board of Directors (excluding the affected directors), by the ESM (in some cases, with requisite majority approval) and by any applicable regulatory procedures.

The aforementioned law, which also applies to our affiliates, also provides for some exceptions, stating that in certain cases, Board of Directors approval would suffice for “related-party transactions,” pursuant to certain related-party transaction thresholds and when such transactions are conducted in compliance with the related-party policies defined by the company’s board. At its meetings held on December 17, 2009, and April 23, 2010, our Board of Directors approved a related-party transaction policy (“*política de habitualidad*”) effective as of January 1, 2010. This policy, which was previously amended by our Board of Directors on April 25, 2012, was newly amended at the Board of Directors held on April 24, 2018. The related-party transaction policy is available on our website at www.enelgeneracion.cl.

If a transaction does not comply with Article 146 of the Chilean Corporations Act, this would not affect the transaction’s validity, but we or our shareholders may demand compensation from the individual associated with the infringement as provided under law, and compensation for damages.

Our largest electricity distribution customer is Enel Distribution, a subsidiary of Enel Chile. The terms of our contracts with Enel Distribution are regulated in accordance with the DFL 4.

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Our internal procedure contemplates that all of our subsidiaries' cash inflows and outflows are managed through our centralized cash management mechanism. It is a common practice in Chile to transfer surplus funds from one company to another affiliate that has a cash deficit. These transfers are executed through either short-term transactions or structured inter-company loans. Under Chilean laws and regulations, such transactions must be carried out on an arm's-length basis. All of these transactions are subject to the supervision of our Directors' Committee. As of March 31, 2019, the peso-denominated transactions were priced at TAB 1m (*a Chilean interbank interest rate published on a daily basis*) plus 1.10% when borrowing and TAB 1m plus 0.00% when lending. The US-dollar denominated transactions were priced at Libor plus 0.90% when borrowing and Libor plus 0.15% when lending.

Our subsidiaries Empresa Eléctrica Pehuenche S.A. and Gas Atacama Chile S.A. and we granted short-term intercompany loans to Enel Chile. As of March 31, 2019, the total outstanding balance of the loans amounted Ch\$ 58 million.

We granted short-term intercompany loans to Enel Chile. As of March 31, 2019, the total outstanding balance of the loans amounted Ch\$ 5,011 million.

Our subsidiary Gas Atacama Chile S.A. granted short-term intercompany loan to its subsidiary, GasAtacama Argentina (domiciled in Chile). As of March 31, 2019, the total outstanding balance of the loan amounted Ch\$ 1,429 million.

All these abovementioned intercompanies loans have the purpose to meet the working capital needs.

Starting from January 1, 2019, all intercompany operating lease contracts began to be considered as financial debt between related parties to comply with the new IFRS16 standards. As of March 31, 2019, the intercompany operating lease agreements amounted to Ch\$ 8,468 million.

There are various contractual relationships between Enel Chile and us to provide for intercompany services for us and for our subsidiaries. We entered into intercompany agreements with Enel Chile under which Enel Chile provides a variety of services to us. The services rendered by Enel Chile include certain corporate functions, such as legal, finance, treasury, insurance services, capital markets, financial compliance, accounting, human resources, communications, security, relations with contractors, purchases, IT services, tax services, corporate affairs and other corporate support and administrative services. These services are provided and charged at market prices if there is a comparable service. If there are no comparable services in the market, they will be provided at cost plus a specified percentage. The intercompany services contracts are valid for five years with renewable terms since January 1, 2017.

As of the date of this Report, the abovementioned transactions have not experienced material changes. For more information regarding transactions with related parties, refer to Note 11 of the Notes to our consolidated financial statements.

C. Interests of Experts and Counsel.

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information.

See "Item 18. Financial Statements."

Legal Proceedings

Our subsidiaries and we are parties to legal proceedings arising in the ordinary course of business. We believe it is unlikely that any loss associated with pending lawsuits will significantly affect the normal development of our business.

For detailed information as of December 31, 2018, on the status of the material pending lawsuits that have been filed against us and our subsidiaries, please refer to Note 35.3 of the Notes to our consolidated financial statements. Please note that between March 1, 2016, and December 1, 2016, Endesa Americas was the defendant instead of us for all legal proceedings originating from our former non-Chilean businesses. Since December 1, 2016, and as a consequence of the merger of Endesa Americas with and into Enel Americas, Enel Americas appears as the defendant instead of Endesa Americas for current legal proceedings or those that may arise from our former non-Chilean businesses in South América.

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In relation to the legal proceedings reported in the Notes to our consolidated financial statements, we use the criteria of disclosing lawsuits above a minimum threshold of US\$ 10 million of potential impact to us and, in some cases, qualitative criteria according to the materiality of the plausible impact in the conduct of our business. The lawsuit status includes a general description, the process status and the estimate of the amount involved in each lawsuit.

Dividend Policy

Our Board of Directors proposes annually to the OSM for approval a definitive dividend payable each year, which is accrued in the prior year and cannot be less than the legal minimum of 30% of annual net income, and informs a dividend policy for the current fiscal year. Additionally, our Board of Directors generally establishes an interim dividend for the current fiscal year, to be paid in January of the following year and which is deducted from the definitive dividend to be paid in May of the following year. The interim dividend is established by the Board of Directors and it is not subject to any restrictions under the Chilean law.

For dividends corresponding to fiscal year 2017, the interim and definitive dividend were paid on January 26, 2018, and May 18, 2018, respectively. The interim dividend of Ch\$ 4.93614 per share of common stock was paid as part of the definitive dividend and amounted to 15% of consolidated net income as of September 30, 2017. At the OSM held on April 24, 2018, our shareholders approved the definitive dividend equivalent to Ch\$ 28.06102 per share of common stock, but only Ch\$ 23.12488 was effectively distributed since the interim dividend paid in January 2018 was deducted from it. The definitive dividend amounted to a payout ratio of 55% based on annual consolidated net income for fiscal year 2017.

For dividends corresponding to fiscal year 2018, on November 29, 2018, the Board of Directors agreed to distribute an interim dividend of Ch\$ 11.19557 per share of common stock on January 11, 2019, accrued in fiscal year 2018, amounting to 50% of consolidated net income as of September 30, 2018. At the OSM held on April 26, 2019, our shareholders voted to approve a definitive dividend equivalent to Ch\$ 22.60707 per share of common stock for fiscal year 2018, but only Ch\$ 11.41150 per share will be effectively distributed on May 17, 2019, after deducting the interim dividend paid in January 2019. The definitive dividend amounts to a payout ratio of 60% based on annual net income for fiscal year 2018. For dividends corresponding to fiscal year 2019, our Board of Directors informed to the OSM held on April 26, 2019, the following Dividend Policy:

- An interim dividend, accrued in fiscal year 2019 and amounting to 15% of consolidated net income as of September 30, 2019, to be paid in January 2020.
- A definitive dividend payout equal to 65% of the annual net income for fiscal year 2019, to be paid in May 2020.

This dividend policy is conditional to net profits obtained in each period, as well as to expectations of future profit levels and other conditions that may exist at the time of such dividend declaration. The proposed dividend policy is subject to our Board of Director's right to change the amount and timing of the dividends under the circumstances at the time of the payment.

The payment of dividends is potentially subject to legal restrictions, such as the requirement to pay dividends either from the net income or from retained earnings of the fiscal year. There may be also other contractual restrictions such as the non-default on credit agreements. However, these potential legal and contractual restrictions do not currently affect our ability or any of our subsidiaries' ability to pay dividends. For additional information, see "Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources."

Shareholders at each subsidiary and affiliate agree on the definitive dividend payments. Dividends are paid to shareholders of record as of midnight of the fifth business day prior to the payment date. Holders of ADS on the applicable record dates will be entitled to participate in dividends.

Dividends

The table below sets forth, for each of the years indicated, the per share dividend amounts distributed by us in Chilean pesos and the amount of dividends distributed per ADS (one ADS = 30 shares of common stock) in U.S. dollars for income attributable to 2018. For additional information, see "Item 10. Additional Information — D. Exchange Controls"

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| Year | Dividends distributed(1) | |
|---------|---------------------------|--------------------|
| | Nominal Ch\$ per Share | US\$ per ADS(2) |
| 2018 | 28.06 | 1.21 |
| 2017 | 28.81 | 1.41 |
| 2016(3) | 14.58 | 0.65 |
| 2015 | 20.39 | 0.86 |
| 2014 | 21.58 | 1.07 |
| 2013 | 14.29 | 0.82 |

- (1) This chart details dividends paid and not the dividends accrued. These amounts do not reflect reduction for any applicable Chilean withholding tax.
- (2) The U.S. dollar per ADS amount has been calculated by applying the exchange rates as of December 31 of each year. One ADS = 30 shares of common stock.
- (3) The current company is not necessarily comparable to its predecessor before the 2016 Reorganization.

For a discussion of Chilean withholding taxes and access to the formal currency market in Chile in connection with the payment of dividends and sales of ADSs and the underlying common stock, see “Item 10. Additional Information — E. Taxation” and “Item 10. Additional Information — D. Exchange Controls”.

B. Significant Changes.

None.

Item 9. The Offer and Listing**A. Offer and Listing Details.**

The shares of our common stock and our ADSs currently trade on the Chilean Stock Exchanges and the OTC Pink, respectively, under the trading symbols “ENELGXCH” and “EOCCY”, respectively. Until December 28, 2018, when we voluntarily delisted from the NYSE, our ADSs were listed and traded on the NYSE under the trading symbol “EOCC”.

B. Plan of Distribution.

Not applicable.

C. Markets.

In Chile, our common stock is traded on the following stock exchanges: the Santiago Stock Exchange, the Electronic Stock Exchange, and, until October 8, 2018, the Valparaíso Stock Exchange. The Santiago Stock Exchange, the largest exchange in the country, was established in 1893 as a private company. As of December 31, 2018, more than 200 companies had shares listed on the Santiago Stock Exchange. For 2018, the Santiago Stock Exchange accounted for 98.8% of our total equity traded in Chile and amounted to 1,852,206,276,369 shares. In addition, 1.2% of our equity trading was conducted on the Electronic Stock Exchange, an electronic trading market that was created by banks and non-member brokerage houses, and finally, less than 0.1% was traded on the Valparaíso Stock Exchange.

On October 5, 2018, the Board of the Financial Market Commission (“CMF”) made public its resolution to revoke the existence authorization of the Valparaíso Stock Exchange, after 126 years of operations. The CMF explained that this was the result of the breach of the requirement of having a minimum number of 10 brokers as established in No. 4 of Article 40 of the Securities Market Law No. 18,045. Therefore, since October 8, 2018, the Valparaíso Stock Exchange stopped its operations.

Equities, closed-end funds, fixed-income securities, short-term and money market securities, gold and U.S. dollars are traded on the Santiago Stock Exchange. The Santiago Stock Exchange also trades U.S. dollar futures and stock index futures. The Santiago Stock Exchange also trades U.S. dollar futures and stock index futures. The Santiago Stock Exchange operates on business day from 9:30 a.m. to 4:00 p.m., during winter period from March to October, and from 9:30 a.m. to 5:00 p.m. during the summer period, from November to February, which may differ from New York City time by up to two hours, depending on the season.

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Until early August 2018, there were two main stock price indexes on the Santiago Stock Exchange, the General Shares Price Index, or IGPA, and the Selective Shares Price Index, or IPSA. The IGPA was calculated using the prices of the shares traded during at least 25% of the days of the year, with a total of annual transactions exceeding UF 10,000 (approximately US\$ 396,761 as of December 31, 2018) and a free float representing at least 5%. The IGPA index is rebalanced annually, after the close of the third Friday in March, and also, the number of shares per component of the index is updated quarterly after the close of the third Friday of the months of June, September and December. The IPSA was calculated using the prices of the 30 shares with the highest volume of quarterly transactions, with market presence of at least 90% and with a market capitalization above Ch\$ 200,000 million. The IPSA index is rebalanced every six months, after the closing of the third Friday of March and September, and also, the index is re-weighted quarterly after the close of the third Friday of the months of June and December. The shares included in the IPSA and IGPA were weighted according to the weighted value of the shares traded. Either we or Enersis, from whom we spun off in 2016, have been included in the IPSA since 1988.

In August 2016, the Santiago Stock Exchange and the S&P Dow Jones Indices (“S&P DJI”) signed an Operating Agreement and Index Licensing. The alliance between the Santiago Stock Exchange and S&P DJI, the main global provider of concepts, data and research on indexes, includes the implementation of international methodological standards, as well as the integration of operational processes and business strategies, enhancing the visibility, governance and transparency of the existing indexes. The agreement also enables the development, granting of licenses, distribution and administration of current and future indexes, which will be developed as innovative and practical tools at the service of local and international investors. The indexes of the Santiago Stock Exchange, both new and existing, will use the shared brand “S&P/CLX” and may be used as underlying liquid financial products, thereby contributing to the expansion and depth of the Chilean capital markets. Under this agreement, S&P DJI assumed the tasks of calculation, production, maintenance, licensing and distribution of the indexes on Monday, August 6, 2018. Since that date the IGPA and the IPSA are referred to as the SPCLXIGPA and the SPCLXIPSA, respectively.

The SPCLXIGPA is calculated considering, among other things, the prices of the shares traded during at least 25% of the days of the year, with a total of annual transactions exceeding UF 10,000 (approximately US\$ 396,761 as of December 31, 2018) and a free float representing at least 5%. The SPCLXIGPA index is rebalanced annually, after the close of the third Friday in March, and also, the number of shares per component of the index is updated quarterly after the close of the third Friday of the months of June, September and December. The SPCLXIGPA index at the close of December 2018 was 25,949.84 points.

Shares of our common stock traded in the United States in the form of ADSs on the NYSE and over-the-counter from 1994 until the completion of the spin-off under our predecessor’s ticker symbol “EOC.” From the completion of the spin-off of Endesa Américas in April 2016 until December 28, 2018, our ADSs traded on the NYSE under the ticker symbol “EOCC”. We voluntarily delisted our ADS from the NYSE and since December 31, 2018, our ADSs have been quoted on the OTC Pink under the ticker symbol “EOCCY”. Each ADS represents 30 shares of common stock, with the ADSs in turn evidenced by American Depositary Receipts (“ADRs”). The ADRs were issued under the Amended and Restated Deposit Agreement dated as of September 30, 2010, among us, Citibank, N.A. as Depositary (the “Depositary”), and the holders and beneficial owners from time to time of ADRs issued thereunder (the “Deposit Agreement”). Only persons in whose names ADRs are registered on the books of the Depositary are treated by the Depositary as owners of ADRs.

As of March 31, 2019, ADRs evidencing 1,159,940 ADSs (equivalent to 34,798,200 shares of common stock) were outstanding, representing 0.42% of the total number of outstanding shares. Other than as described under “Item 7. Major Shareholders and Related Party Transaction — A. Major Shareholders”, it is not practicable for us to determine the proportion of ADSs beneficially owned by U.S. final beneficial holders. Trading volume of our shares on the NYSE and other exchanges during 2018 amounted to 18.1 million ADSs, equivalent to US\$ 451.1 million.

Following the corporate reorganization transaction by our parent company, Enel Chile S.A. in 2018, Enel Chile now owns 93.6% of our shares of common stock and our ADSs currently comprise only approximately 0.64% of the total outstanding shares of common stock. We believe that the costs associated with continuing the listing of our ADSs on the NYSE exceed the benefits received by us, as the primary market for our shares not owned by Enel Chile is now the Santiago Stock Exchange. As a result, we decided to file an application for voluntary delisting from the NYSE as part of our effort to reduce operational expenses.

We filed a Form 25 with the SEC on December 31, 2018, to delist our ADSs from the NYSE. As a result, our ADS program has become a Level I — Over-The-Counter ADS Program and is quoted on the OTC Markets. Citibank, N.A. will continue to act as our Depositary pursuant to the existing Deposit Agreement.

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The following table contains information regarding the amount of total traded shares of common stock and the corresponding percentage traded per market during 2018:

| Market | Number of common shares traded | Percent |
|--------------------------------------------------------|-------------------------------------------|--------------------|
| Chile(1) | 3,275,619,785 | 86% |
| United States (One ADS = 30 shares of common stock)(2) | 543,955,680 | 14% |
| Total | <u>3,819,575,465</u> | <u>100%</u> |

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- (1) Includes Santiago Stock Exchange, Electronic Stock Exchange and, until October 8, 2018, Valparaíso Stock Exchange.
(2) Includes the New York Stock Exchange and over-the-counter trading.

D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

Description of Share Capital

Set forth below is certain information concerning our share capital and a brief summary of certain significant provisions of Chilean law and our bylaws.

General

Shareholders' rights in Chilean companies are governed by the company's bylaws (*estatutos*), which have the same purpose as the articles or the certificate of incorporation and the bylaws of a company incorporated in the United States, and by the Chilean Corporations Act, Law No. 18,046. In addition, D.L. 3500, or the Pension Funds' System Law, which permits the investment by Chilean pension funds in stock of qualified companies, indirectly affects corporate governance and prescribes certain rights of shareholders. In accordance with the Chilean Corporations Act, legal actions by shareholders to enforce their rights as shareholders of the company must be brought in Chile in arbitration proceedings or, at the option of the plaintiff, before Chilean courts. Members of the Board of Directors, managers, officers and principal executives of the company, or shareholders that individually own shares with a book value or stock value higher than UF 5,000 (Ch\$ 138 million as of December 31, 2018) do not have the option to bring the procedure to the courts.

The Chilean securities markets are principally regulated by the CMF under Securities Market Law (Law No. 18,045), and the Chilean Corporations Act. These two laws state the disclosure requirements, restrictions on insider trading and price manipulation, and provide protection to minority shareholders. The Securities Market Law sets forth requirements for public offerings, stock exchanges and brokers, and outlines disclosure requirements for companies that issue publicly offered securities. The Chilean Corporations Act and the Securities Market Law, both as amended, state rules regarding takeovers, tender offers, transactions with related parties, qualified majorities, share repurchases, directors' committees, independent directors, stock options and derivative actions.

Public Register

We are a publicly held stock corporation incorporated under the laws of Chile. We were incorporated by public deed issued on December 1, 1943, by the Santiago Notary Public, Mr. Luciano Hiriart C. Our existence and bylaws were approved by Decree 97 of the Ministry of Finance on January 3, 1944. An excerpt of the bylaws was registered on page 61, and the Decree was registered on page 65 of the Commercial Register (*Registro de Comercio del Conservador de Bienes Raíces y Comercio de Santiago*), on January 17, 1944. We are registered with the CMF under the entry number 0114. We are also registered with the United States Securities and Exchange Commission under the commission file number 001-13240 on July 26, 1994.

Reporting Requirements Regarding Acquisition or Sale of Shares

Under Article 12 of the Securities Market Law and General Rule No. 269 of the CMF, certain information regarding transactions in shares of a publicly held stock corporation or in contracts or securities whose price or financial results depend on, or are conditioned in whole or in part on the price of such shares, must be reported to the CMF and the Chilean Stock Exchanges. Since ADSs are deemed to represent the shares of common stock underlying the ADRs, transactions in ADRs will be subject to these reporting requirements and those established in Circular No. 1375 of the CMF. Shareholders of publicly held stock corporations are required to report to the CMF and the Chilean Stock Exchanges:

- any direct or indirect acquisition or sale of shares made by a holder who owns, directly or indirectly, at least 10% of a publicly held stock corporation's subscribed capital;
- any direct or indirect acquisition or sale of contracts or securities whose price or financial results depend on or are conditioned in whole or in part on the price of shares made by a holder who owns, directly or indirectly, at least 10% of a publicly held stock corporation's subscribed capital;

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- any direct or indirect acquisition or sale of shares made by a holder who, due to an acquisition of shares of such publicly held stock company, results in the holder acquiring, directly or indirectly, at least 10% of a publicly held stock company's subscribed capital; and
- any direct or indirect acquisition or sale of shares in any amount, made by a director, receiver, principal executive, general manager or manager of a publicly held stock corporation.

In addition, majority shareholders of a publicly held stock corporation must inform the CMF and the Chilean stock exchanges if such transactions are entered into with the intention of acquiring control of the company or if they are making a passive financial investment instead.

Under Article 54 of the Securities Market Law and General Rule No. 104 enacted by the CMF, any person who directly or indirectly intends to take control of a publicly held stock corporation must disclose this intent to the market at least ten business days in advance of the proposed change of control and, in any event, as soon as the negotiations for the change of control have taken place or reserved information of the publicly held stock corporation has been provided.

Corporate Objectives and Purposes

Article 4 of our bylaws states that our corporate objectives and purposes are, among other things, to engage in the production, transportation, distribution and supply of electric power, as well as to provide engineering consulting services, whether directly or through other companies, in Chile and abroad.

Board of Directors

As of December 31, 2018, our Board of Directors consisted of nine members who were appointed by shareholders at an OSM and are elected for a three-year term, at the end of which they will be re-elected or replaced. However, at the ESM held on April 24, 2018, our bylaws were amended and since the date of our OSM held on April 26, 2019, the Board of Directors has consisted of five members appointed by the shareholders at the OSM for a three-year term.

The five directors elected at the OSM are the five individual nominees who receive the highest majority of the votes. Each shareholder may vote his shares in favor of one nominee or may apportion his shares among any number of nominees.

The effect of these voting provisions is to ensure that a shareholder owning more than 16.67% of our shares is guaranteed to be able to elect a member of the Board, although depending on the distribution of the rest of the votes at the OSM, a director may in some cases be elected with the votes of less than 16.67% of our shares. This number is derived from the reciprocal of the number of directors plus one. In our case, there are five directors, and the reciprocal of six is equal to 16.67%.

The compensation of the directors is established annually at the OSM. See "Item 6. Directors, Senior Management and Employees — B. Compensation".

Agreements entered into by us with related parties can only be executed when such agreements serve our interest, and their price, terms and conditions are consistent with prevailing market conditions at the time of their approval and comply with all the requirements and procedures indicated in Article 147 of the Chilean Corporations Act.

Certain Powers of the Board of Directors

Our bylaws do not contain provisions relating to:

- the directors' power, in the absence of an independent quorum, to vote on compensation for themselves or any members of their body;
- borrowing powers exercisable by the directors and how such borrowing powers can be changed;
- retirement or non-retirement of directors under an age limit requirement; or
- number of shares, if any, required for directors' qualification.

Certain Provisions Regarding Shareholder Rights

As of the date of the filing of this Report, our capital is comprised of only one class of shares, all of which are common shares and have the same rights.

Our bylaws do not contain any provisions relating to:

- redemption provisions;
- sinking funds; or
- liability for capital reductions by us.

Under Chilean law, the rights of our shareholders may only be modified by an amendment to the bylaws that complies with the requirements explained below under “Item 10. Additional Information — B. Memorandum and Articles of Association — Shareholders’ Meetings and Voting Rights”.

Capitalization

Under Chilean law, only the shareholders of a company acting at an ESM have the power to authorize a capital increase. When an investor subscribes shares, these are officially issued and registered under his name, and the subscriber is treated as a shareholder for all purposes, except receipt of dividends and for return of capital in the event that the shares have been subscribed but not paid for. The subscriber becomes eligible to receive dividends only for the shares that he has actually paid for or, if the subscriber has paid for only a portion of such shares, the pro rata portion of the dividends declared with respect to such shares unless the company’s bylaws provide otherwise. If a subscriber does not fully pay for shares for which the subscriber has subscribed on or prior to the date agreed upon for payment, notwithstanding the actions intended by the company to collect payment, the company is entitled to auction the shares on the stock exchange where such shares are traded, for the account and risk of the debtor, the number of shares held by the debtor necessary for the company to pay the outstanding balances and disposal expenses. However, until such shares are sold at auction, the subscriber continues to hold all the rights of a shareholder, except the right to receive dividends and return of capital. The Chief Executive Officer, or the person replacing him, will reduce in the shareholders’ register the number of shares in the name of the debtor shareholder to the number of shares that remain, deducting the shares sold by the company and settling the debt in the amount necessary to cover the result of such disposal after the corresponding expenses. When there are authorized and issued shares for which full payment has not been made within the period fixed by shareholders at the same ESM at which the subscription was authorized (which in no case may exceed three years from the date of such meeting), these shall be reduced in the non-subscribed amount until that date. With respect to the shares subscribed and not paid following the term mentioned above, the Board must proceed to collect payment, unless the shareholders’ meeting authorizes (by two thirds of the voting shares) a reduction of the company’s capital to the amount effectively collected, in which case the capital shall be reduced by force of law to the amount effectively paid. Once collection actions have been exhausted, the Board should propose to the shareholders’ meeting the approval by simple majority of the write-off of the outstanding balance and the reduction of capital to the amount effectively recovered.

As of December 31, 2018, our subscribed and fully paid capital totaled Ch\$ 553 billion and consisted of 8,201,754,580 shares.

Preemptive Rights and Increases of Share Capital

The Chilean Corporations Act requires Chilean companies to grant shareholders preemptive rights to purchase a sufficient number of shares to maintain their existing ownership percentage of such company whenever such company issues new shares.

Under Chilean law, preemptive rights are exercisable or freely transferable by shareholders during a 30-day period. The options to subscribe for shares in capital increases of the company or of any other securities convertible into shares or that confer future rights over these shares, should be offered, at least once, to the shareholders pro rata to the shares held registered in their name at midnight on the fifth business day prior to the date of the start of the preemptive rights period. The preemptive rights offering and the start of the 30-day period for exercising them shall be communicated through the publication of a prominent notice, at least once, in the newspaper that should be used for notifications of shareholders’ meetings. During such 30-day period, and for an additional period of up to 30-days immediately following the initial 30-day period, publicly held stock corporations are not permitted to offer any unsubscribed shares to third parties on terms that are more favorable than those offered to their shareholders. At the end of the second 30-day period, a Chilean publicly held stock corporation is authorized to sell non-subscribed shares to third parties on any terms, provided they are sold on one of the Chilean Stock Exchanges.

Shareholders' Meetings and Voting Rights

An OSM must be held within the first four months following the end of our fiscal year. Our OSM was held on April 26, 2019. An ESM may be called by the Board of Directors when deemed appropriate, or when requested by shareholders representing at least 10% of the issued shares with voting rights, or by the CMF. Our last ESM was held on April 26, 2019. To convene an OSM or an ESM, notice must be given three times in a newspaper located in our corporate domicile. The newspaper designated by our shareholders is *El Mercurio*. The first notice must be published not less than 15-days and no more than 20-days in advance of the scheduled meeting. Notice must also be mailed to each shareholder, to the CMF and to the Chilean Stock Exchanges.

The OSM shall be held on the day stated in the notice and should remain in session until having exhausted all the matters stated in the notice. However, once constituted, upon the proposal of the chairman or shareholders representing at least 10% of the shares with voting rights, the majority of the shareholders present may agree to suspend it and to continue it within the same day and place, with no new constitution of the meeting or qualification of powers being necessary, recorded in one set of minutes. Only those shareholders who were present or represented may attend the recommencement of the meeting with voting rights.

Under Chilean law, a quorum for a shareholders' meeting is established by the presence, in person or by proxy, of shareholders representing at least a majority of the issued shares with voting rights of a company. If a quorum is not present at the first meeting, a reconvened meeting can take place at which the shareholders present are deemed to constitute a quorum regardless of the percentage of the shares represented. This second meeting must take place within 45-days following the scheduled date for the first meeting. Shareholders' meetings adopt resolutions by the affirmative vote of a majority of those shares present or represented at the meeting. An ESM must be called to take the following actions:

- a transformation of the company into a form other than a publicly held stock corporation under the Chilean Corporations Act, a merger or split-up of the company;
- an amendment to the term of duration or early dissolution of the company;
- a change in the company's domicile;
- a decrease of corporate capital;
- an approval of capital contributions in kind and non-monetary assessments;
- a modification of the authority reserved to shareholders or limitations on the Board of Directors;
- a reduction in the number of members of the Board of Directors;
- a disposition of 50% or more of the assets of the company, whether it includes disposition of liabilities or not, as well as the approval or the amendment of the business plan which contemplates the disposition of assets in an amount greater than such percentage;
- the disposition of 50% or more of the assets of a subsidiary, as long as such subsidiary represents at least 20% of the assets of the corporation, as well as any disposition of its shares that results in the parent company losing its position as controlling shareholder;
- the form of distributing corporate benefits;
- issue of guarantees for third-party liabilities which exceed 50% of the assets, except when the third party is a subsidiary of the company, in which case approval of the Board of Directors is deemed sufficient;
- the purchase of the company's own shares;
- other actions established by the bylaws or the laws;
- certain remedies for the nullification of the company's bylaws;
- inclusion in the bylaws of the right to purchase shares from minority shareholders, when the controlling shareholders reaches 95% of the company's shares by means of a tender offer for all of the company's shares, where at least 15% of the shares have been acquired from unrelated shareholders; and
- approval or ratification of acts or contracts with related parties.

Regardless of the quorum present, the vote required for any of the actions above is at least two-thirds of the outstanding shares with voting rights.

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Bylaw amendments for the creation of a new class of shares, or an amendment to or an elimination of those classes of shares that already exist, must be approved by at least two-thirds of the outstanding shares of the affected series.

Chilean law does not require a publicly held stock corporation to provide its shareholders the same level and type of information required by the U.S. securities laws regarding the solicitation of proxies. However, shareholders are entitled to examine the financial statements and corporate books of a publicly held stock corporation within the 15-day period before its scheduled shareholders meetings. Under Chilean law, a notice of a shareholders meeting listing matters to be addressed at the meeting must be mailed at least 15 days prior to the date of such meeting, and, an indication of the way complete copies of the documents that support the matters submitted for voting can be obtained, which must also be made available to shareholders on our website. In the case of an OSM, our annual report of activities, which includes audited financial statements, must also be made available to shareholders and published on our website at: www.enelgeneracion.cl.

The Chilean Corporations Act provides that, upon the request by the Directors' Committee or by shareholders representing at least 10% of the issued shares with voting rights, a Chilean company's annual report must include, in addition to the materials provided by the Board of Directors to shareholders, such shareholders' comments and proposals in relation to the company's affairs. In accordance with Article 136 of the Chilean Corporations Regulation (*Reglamento de Sociedades Anónimas*), the shareholder (s) holding or representing at least of the shares issued with voting rights, may:

- make comments and proposals relating to the progress of the corporate businesses in the corresponding year, no shareholder being able to make individually or jointly more than one presentation. These observations should be presented in writing to the company concisely, responsibly and respectfully, and the respective shareholder(s) should state their willingness for these to be included as an appendix to the annual report. The Board shall include in an appendix to the annual report of the year a faithful summary of the pertinent comments and proposals the interested parties had made, provided they are presented during the year or within 30-days after its ending; or
- make comments and proposals on matters that the Board submits for the knowledge or voting of the shareholders. The Board shall include a faithful summary of those comments and proposals in all information it sends to shareholders, provided the shareholders' proposal is received at the offices of the company at least 10-days prior to the date of dispatch of the information by the company. The shareholders should present their comments and proposals to the company, expressing their willingness for these to be included in the appendix to the respective annual report or in information sent to shareholders, as the case may be. The observations referred to in Article 136 may be made separately by each shareholder holding at least 10% of the shares issued with voting rights or shareholders who together hold that percentage, who should act as one.

Similarly, the Chilean Corporations Act provides that whenever the Board of Directors of a publicly held stock corporation convenes an OSM and solicits proxies for the meeting, or circulates information supporting its decisions or other similar material, it is obligated to include the pertinent comments and proposals that may have been made by the Directors' Committee or by shareholders owning at least 10% of the shares with voting rights who request that such comments and proposals be so included.

Only shareholders registered as such with us as of midnight on the fifth business day prior to the date of a meeting are entitled to attend and vote their shares. A shareholder may appoint another individual, who does not need to be a shareholder, as his proxy to attend the meeting and vote on his behalf. Proxies for such representation shall be given for all the shares held by the owner. The proxy may contain specific instructions to approve, reject, or abstain with respect to any of the matters submitted for voting at the meeting and which were included in the notice. Every shareholder entitled to attend and vote at a shareholders' meeting shall have one vote for every share subscribed.

There are no limitations imposed by Chilean law or our bylaws on the right of nonresidents or foreigners to hold or vote shares of common stock. However, the registered holder of the shares of common stock represented by ADSs, and evidenced by outstanding ADSs, is the custodian of the Depositary, currently Banco Santander-Chile, or any successor thereto. Accordingly, holders of ADSs are not entitled to receive notice of meetings of shareholders directly or to vote the underlying shares of common stock represented by ADS directly. The Deposit Agreement contains provisions pursuant to which the Depositary has agreed to request instructions from registered holders of ADSs as to the exercise of the voting rights pertaining to the shares of common stock represented by the ADSs. Subject to compliance with the requirements of the Deposit Agreement and receipt of such instructions, the Depositary has agreed to endeavor, insofar as practicable and permitted under Chilean law and the provisions of the bylaws, to vote or cause to be voted (or grant a discretionary proxy to the Chairman of the Board of Directors or to a person designated by the Chairman of the Board of Directors to vote) the shares of common stock represented by the ADSs in accordance with any such instruction. The Depositary shall not itself exercise any voting discretion over any shares of common stock underlying ADSs. If no voting instructions are received by the Depositary from a holder of ADSs with respect to the shares of common stock represented by the ADSs, on or before the date

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established by the Depositary for such purpose, the shares of common stock represented by the ADS, may be voted in the manner directed by the Chairman of the Board, or by a person designated by the Chairman of the Board, subject to limitations set forth in the Deposit Agreement.

Dividends and Liquidation Rights

According to the Chilean Corporations Act, unless otherwise decided by unanimous vote of its issued shares eligible to vote, all companies must distribute a cash dividend in an amount equal to at least 30% of their consolidated net income, unless and except to the extent we have carried forward losses. The law provides that the Board of Directors must agree to the dividend policy and inform such policy to the shareholders at the OSM.

Any dividend in excess of 30% of net income may be paid, at the election of the shareholders, in cash, or in our shares, or in shares of publicly held corporations owned by us. Shareholders who do not expressly elect to receive a dividend other than in cash are legally presumed to have decided to receive the dividend in cash.

Dividends, which are declared but not paid within the appropriate time period set forth in the Chilean Corporations Act (as to minimum dividends, 30-days after declaration; as to additional dividends, the date set for payment at the time of declaration), are adjusted to reflect the change in the value of UF, from the date set for payment to the date such dividends are actually paid. Such dividends also accrue interest at the then-prevailing rate for UF-denominated deposits during such period. The right to receive a dividend lapses if it is not claimed within five years from the date such dividend is payable. Payments not collected in such period are transferred to the volunteer fire department.

In the event of our liquidation, the shareholders would participate in the assets available in proportion to the number of paid-in shares held by them, after payment to all creditors.

Approval of Financial Statements

The Board of Directors is required to submit our consolidated financial statements to the shareholders annually for their approval. If the shareholders by a vote of a majority of shares present (in person or by proxy) at the shareholders' meeting reject the financial statements, the Board of Directors must submit new financial statements no later than 60-days from the date of such meeting. If the shareholders reject the new financial statements, the entire Board of Directors is deemed removed from office and a new board is elected at the same meeting. Directors who individually approved such financial statements are disqualified for reelection for the following period. Our shareholders have never rejected the financial statements presented by the Board of Directors.

Change of Control

The Capital Markets Law establishes a comprehensive regulation related to tender offers. The law defines a tender offer as the offer to purchase shares of companies which publicly offer their shares or securities convertibles into shares and which offer is made to shareholders to purchase their shares under conditions that allow the bidder to reach a certain percentage of ownership of the company within a fixed period. These provisions apply to both voluntary and hostile tender offers.

Acquisition of Shares

No provision in our bylaws discriminates against any existing or prospective holder of shares as a result of such shareholder owning a substantial number of shares. However, as established in our bylaws in force until March 24, 2018; no person may directly or indirectly own more than 65% of the outstanding shares of our stock (the foregoing restriction did not apply to the depositary as record owner of shares represented by ADRs, but it did apply to each beneficial ADS holder); And (ii) no shareholder could exercise voting power with respect to more than 65% of the common stock owned by such shareholder or on behalf of others representing more than 65% of the outstanding issued shares with voting rights. Once the 2018 Reorganization was declared success on March 25, 2018, and as agreed in our ESM held on December 20, 2017, on that same date our bylaws were amended and the limitations and restrictions set forth under Title XII of DL 3,500 (see "Investments by AFPs" below) were removed, including among other things, the 65% stock ownership limit applicable to any shareholder and any other related restrictions.

Right of Dissenting Shareholders to Tender Their Shares

The Chilean Corporations Act provides that upon the adoption of any of the resolutions enumerated below at a meeting of shareholders, dissenting shareholders acquire the right to withdraw from the company and to compel the company to repurchase their shares, subject to the fulfillment of certain terms and conditions. In order to exercise such withdrawal rights, holders of ADRs must first withdraw the shares represented by their ADRs pursuant to the terms of the Deposit Agreement.

“Dissenting” shareholders are defined as those who at a shareholders’ meeting vote against a resolution that results in the withdrawal right, or who if absent from such meeting, state in writing their opposition to the respective resolution, within the 30-days following the shareholders’ meeting. Shareholders present or represented at the meeting and who abstain in exercising their voting rights shall not be considered as dissenting. The right to withdraw should be exercised for all the shares that the dissenting shareholder had registered in their name on the date on which the right is determined to participate in the meeting at which the resolution is adopted that motivates the withdrawal and which remains on the date on which their intention to withdraw is communicated to the company. The price paid to a dissenting shareholder of a publicly held stock corporation whose shares are quoted and actively traded on one of the Chilean stock exchanges is the weighted average of the sales prices for the shares as reported on the Chilean stock exchanges on which the shares are quoted for the two-month period between the ninetieth and the thirtieth day before the shareholders’ meeting giving rise to the withdrawal right. If, because of the volume, frequency, number and diversity of the buyers and sellers, the CMF determines that the shares are not actively traded on a stock exchange, the price paid to the dissenting shareholder shall be the book value. Book value for this purpose shall equal paid capital plus reserves and profits, less losses, divided by the total number of subscribed shares, whether entirely or partially paid. For the purpose of making this calculation, the last consolidated statements of financial position is used, as adjusted to reflect inflation up to the date of the shareholders’ meeting which gave rise to the withdrawal right.

Article 126 of the Chilean Corporations Act Regulations establishes that in cases where the right to withdraw arises, the company shall be obliged to inform the shareholders of this situation, the value per share that will be paid to shareholders exercising their right to withdraw and the term for exercising it. Such information should be given to shareholders at the same meeting at which the resolutions are adopted giving rise to the right of withdrawal, prior to its voting. A special communication should be given to the shareholders with rights, within two days following the date on which the rights to withdraw are born. In the case of publicly held companies, such information shall be communicated by a prominent notice in a newspaper with a wide national circulation and on its website, plus a written communication addressed to the shareholders with rights at the address they have registered with the company. The notice of the shareholders meeting that should pronounce on a matter that could originate withdrawal rights should mention this circumstance.

The resolutions that result in a shareholder’s right to withdraw include, among others, the following:

- the transformation of the company into an entity which is not a publicly held stock corporation governed by Chilean Corporations Act;
- the merger of the company with another company;
- disposition of 50% or more of the assets of the company, whether it includes disposition of liabilities or not, as well as the approval or the amendment of the business plan which contemplates the disposition of assets in an amount greater than such percentage;
- the disposition of 50% or more of the assets of a subsidiary, as long as such subsidiary represents at least 20% of the assets of the company, as well as any disposition of its shares that results in the parent company losing its position of controlling shareholder;
- issue of guarantees for third parties’ liabilities which exceed 50% of the assets (if the third party is a subsidiary of the company, the approval of the Board of Directors is sufficient);
- the creation of preferential rights for a class of shares or an amendment to the existing ones. In this case the right to withdraw only accrues to the dissenting shareholders of the class or classes of shares adversely affected;
- certain remedies for the nullification of the corporate bylaws; and
- such other causes as may be established by the law or by the company’s bylaws.

Investments by AFPs

The Pension Funds' System Law permits AFPs to invest their funds in companies that are subject to Title XII of DL 3,500 and these companies are subject to greater restrictions than other companies. The determination of which stocks may be purchased by AFPs is made by the Risk Classification Committee. The Risk Classification Committee establishes investment guidelines and is empowered to approve or disapprove those companies that are eligible for AFP investments. We were a Title XII Company and we approved by the Risk Classification Committee between 1987 and March 24, 2018. As previously indicated, since March 25, 2018, when the amendments to the bylaws came in force in connection with the 2018 Reorganization, we are no longer subject to the limitations and restrictions set forth under Title XII of DL 3,500.

Registrations and Transfers

Shares issued by us are registered with an administrative agent, which is *DCV Registros S.A.* This entity is also responsible for our shareholders registry. In case of jointly-owned shares, an attorney-in-fact must be appointed to represent the joint owners in dealing with us.

C. Material Contracts.

None.

D. Exchange Controls.

The Central Bank of Chile is responsible for, among other things, monetary policies and exchange controls in Chile. Currently applicable foreign exchange regulations are set forth in the Compendium of Foreign Exchange Regulations (the "Compendium") approved by the Central Bank of Chile in 2002. Appropriate registration of a foreign investment in Chile permits the investor access to the Formal Exchange Market. Foreign investments can be registered with the Foreign Investment Committee under D.L. 600 of 1974 or can be registered with the Central Bank of Chile under the Central Bank Act, Law No. 18,840 of October 1989.

a) Foreign Investments Contracts and Chapter XXVI

In connection with our initial public offering of ADSs in 1994, we entered into a foreign investment contract (the "Foreign Investment Contract") with the Central Bank of Chile and the Depositary, pursuant to Article 47 of the Central Bank Act and Chapter XXVI of the former Compendium of Foreign Exchange Regulations ("Chapter XXVI"), which governed the issuance of ADSs by a Chilean company. Pursuant to the Foreign Investment Contract, the foreign exchange for payments and distributions with respect to ADSs could be purchased in either the Formal Exchange Market or the Informal Exchange Market, but such payments needed to be remitted through the Formal Exchange Market.

As of April 19, 2001, Chapter XXVI was eliminated and new investments in ADSs by non-residents of Chile are now governed instead by Chapter XIV of the Compendium. This change was made with the purpose of simplifying and facilitating the flow of capital to and from Chile. As a result of the elimination of Chapter XXVI, access to the Formal Exchange Market is no longer assured. However, because our Foreign Investment Contract was entered into pursuant to Chapter XXVI, the terms of Chapter XXVI still apply. Foreign investors who have purchased their shares under a Foreign Investment Contract pursuant to Chapter XXVI continue to have access to the Formal Exchange Market for the purpose of converting pesos to U.S. dollars and repatriating from Chile amounts received with respect to the deposited shares of common stock or shares of common stock withdrawn from deposit on surrender of ADRs (including amounts received as cash dividends and proceeds from the sale in Chile of the underlying shares of common stock and any rights with respect thereto). However, foreign investors who have not deposited the shares of common stock into our ADS facility will not have the benefits of our Foreign Investment Contract with the Central Bank of Chile but instead will be subject to the normal foreign investment rules.

The following is a summary of certain provisions which were contained in Chapter XXVI and the Foreign Investment Contract, and which therefore remain relevant. This summary does not intend to be complete and is qualified in its entirety by reference to Chapter XXVI and the Foreign Investment Contract.

Under Chapter XXVI and the Foreign Investment Contract, the Central Bank of Chile agreed to grant to the depositary, on behalf of ADR holders, and to any investor not residing or domiciled in Chile who withdraws common stock upon delivery of ADRs

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(such shares of common stock being referred to herein as Withdrawn Shares) access to the Formal Exchange Market to convert pesos into U.S. dollars (and to remit such U.S. dollars outside of Chile), including amounts received as:

- cash dividends;
- proceeds from the sale in Chile of Withdrawn Shares subject to receipt by the Central Bank of Chile of a certificate from the holder of the Withdrawn Shares (or from an institution authorized by the Central Bank of Chile) that such holder's residence and domicile are outside Chile and a certificate from a Chilean stock exchange (or from a brokerage or securities firm established in Chile) that such Withdrawn Shares were sold on a Chilean stock exchange;
- proceeds from the sale in Chile of rights to subscribe for additional shares of Common Stock;
- proceeds from our liquidation, merger or consolidation; and
- other distributions, including, without limitation, those resulting from any recapitalization, as a result of holding shares of Common Stock represented by ADS or Withdrawn Shares.

Transferees of Withdrawn Shares were not entitled to any of the foregoing rights under Chapter XXVI. Investors receiving Withdrawn Shares in exchange for ADRs had the right to redeposit such shares in exchange for ADRs, provided that certain conditions relating to redeposit were satisfied.

Chapter XXVI stated that access to the Formal Exchange Market in connection with dividend payments was conditioned upon certification by us to the Central Bank of Chile that a dividend payment has been made and any applicable tax has been withheld. Chapter XXVI also stated that the access to the Formal Exchange Market in connection with the sale of Withdrawn Shares or distributions thereon was conditioned upon receipt by the Central Bank of Chile of certification by the Depositary (or the Custodian on its behalf) that such shares have been withdrawn in exchange for ADRs and receipt of a waiver of the benefit of the Foreign Investment Contract with respect thereto until such Withdrawn Shares were redeposited.

The Foreign Investment Contract states that a person who brings foreign currency into Chile to purchase shares of common stock with the benefit of the Foreign Investment Contract must convert it into pesos on the same day and has five banking business days within which to invest in shares of common stock in order to receive the benefits of the Foreign Investment Contract. If such person decides within such period not to acquire shares of common stock, such person can access the Formal Exchange Market to reacquire U.S. dollars, provided that the applicable request is presented to the Central Bank of Chile within seven banking business days of the initial conversion into pesos. Shares acquired as described above may be deposited for ADRs and receive the benefits of the Foreign Investment Contract, subject to receipt by the Central Bank of Chile of a certificate from the Depositary (or the Custodian on its behalf) that such deposit has been effected, that the related ADRs have been issued and receipt of a declaration from the person making such deposit waiving the benefits of the Foreign Investment Contract with respect to the deposited shares of common stock.

Access to the Formal Exchange Market under any of the circumstances described above is not automatic. Such access requires approval of the Central Bank of Chile based on a request presented through a banking institution established in Chile. The Foreign Investment Contract states that if the Central Bank of Chile has not acted on such request within seven banking days, the request will be deemed approved.

The Compendium and International Bond Issuances

Chilean issuers may offer bonds issued by the Central Bank of Chile internationally under Chapter XIV of the Compendium.

E. Taxation.

Chilean Tax Considerations

The following discussion summarizes material Chilean income and withholding tax consequences to foreign holders arising from the ownership and disposition of shares and ADSs. The summary that follows does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of shares or ADSs, if any, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. Holders of shares and ADSs are advised to consult their own tax advisors concerning the Chilean and other tax consequences of the ownership of shares or ADSs.

The summary that follows is based on Chilean law, in effect on the date hereof, and is subject to any changes in these or other laws occurring after such date, possibly with retroactive effect. Under Chilean law, provisions contained in statutes such as tax rates

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applicable to foreign investors, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may be amended only by another law. In addition, the Chilean tax authorities enact rulings and regulations of either general or specific application and interpret the provisions of the Chilean Income Tax Law. Chilean tax may not be assessed retroactively against taxpayers who act in good faith relying on such rulings, regulations and interpretations, but Chilean tax authorities may change their rulings, regulations and interpretations in the future. The discussion that follows is also based, in part, on representations of the depositary, and assumes that each obligation in the Deposit Agreement and any related agreements will be performed in accordance with its terms. As of this date, there is currently no applicable income tax treaty in effect between the United States and Chile. However, in 2010 the United States and Chile signed an income tax treaty that will enter into force once the treaty is ratified by both countries, which has not happened as of the date of this Report. There can be no assurance that the treaty will be ratified by either country. The following summary assumes that there is no applicable income tax treaty in effect between the United States and Chile.

As used in this Report, the term “foreign holder” means either:

- In the case of an individual holder, a person who is not a resident of Chile. For purposes of Chilean taxation, (a) an individual is a Chilean resident if he has resided in Chile for more than six months in one calendar year, or a total of more than six months in two consecutive fiscal years; or (b) an individual is domiciled in Chile if he resides in Chile and has the intention of remaining in Chile (such intention to be evidenced by circumstances such as the acceptance of employment in Chile or the relocation of the individual’s family to Chile), or
- In the case of a legal entity holder, an entity that is not organized under the laws of Chile, unless the shares or ADSs are assigned to a branch, agent, representative or permanent establishment of such entity in Chile.

Taxation of Shares and ADSs

Taxation of Cash Dividends and Property Distributions

Cash dividends paid with respect to the shares or ADSs held by a foreign holder will be subject to Chilean withholding tax, which is withheld and paid by the company. The amount of the Chilean withholding tax is determined by applying a 35% rate to a “grossed-up” distribution amount (such amount equal to the sum of the actual distribution amount and the correlative Chilean corporate income tax (“CIT”), paid by the issuer), and then subtracting as a credit 65% of such Chilean CIT paid by the issuer, in case the residence country of the holder of shares or ADSs does not have a tax treaty with Chile. If there is a tax treaty between both countries (in force or signed prior to January 1, 2017) the Foreign Holder can apply 100% of the CIT as a credit. For 2018, the Chilean CIT applicable to us is a rate of 27%, and depending on the circumstances mentioned above, the Foreign Holder may apply 100% or 65% of the CIT as a credit.

There are two alternative mechanisms of shareholder-level income taxation in effect since January 1, 2017: a) accrued income basis (known as attributed-income system in Chile) shareholder taxation and b) cash basis (known as partially-integrated system in Chile) shareholder taxation.

Under the current Chilean Income Tax Law, publicly held limited liability stock companies, such as we, are subject to the latter regime.

Under the cash basis regime (or partially-integrated regime), a company pays CIT on its annual income tax result. Foreign and local individual shareholders will only pay in Chile the relevant tax on effective profit distributions and will be allowed to use the CIT paid by the distributing company as credit, with certain limitations. Only 65% of the CIT is creditable against the 35% shareholder-level tax (as opposed to 100% under the accrued income basis regime). However, in those cases where tax treaties between Chile and the jurisdiction of the shareholder’s residence are signed prior to January 1, 2019 (even if not yet in effect), the CIT is fully creditable against the 35% withholding tax. This is the case with the tax treaty signed between Chile and the United States, which was signed prior to this date, but which is not in effect as of the time of this Report. In the case of treaties signed prior to January 1, 2019, but not enacted as of December 31, 2021, the shareholder may apply 100% of the CIT as a credit if a dividend distribution is made before December 31, 2021, on a transitional basis. Under the Chilean Tax Law in force at the time of this Report, the transitional treatment of applying the full 100% of the CIT as a credit against withholding tax of the U.S. Holders in case of dividend distributions will terminate on December 31, 2021, if the tax treaty between the United States and Chile is not ratified by that date. In that particular case, effective January 1, 2022, only 65% of the CIT will be creditable against the 35% U.S. Holders’ tax. On the other hand, if a tax treaty with a foreign jurisdiction is enacted by December 31, 2021, shareholders from that particular jurisdiction can continue to apply 100% of the CIT as a credit beyond such date.

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The example below illustrates the effective Chilean withholding tax burden on a cash dividend received by a Foreign Holder, assuming a Chilean withholding tax base rate of 35%, an effective Chilean CIT rate of 27% (the CIT rate for 2018 for companies that elected the cash basis regime) and a distribution of 50% of the net income of the company distributable after payment of the Chilean CIT:

| Line | Concept and calculation assumptions | Amount Tax treaty resident | Amount Non- tax treaty resident |
|------|-----------------------------------------------------------------------|-------------------------------|---------------------------------------|
| 1 | Company taxable income (based on Line 1 = 100) | 100 | 100.0 |
| 2 | Chilean corporate income tax : 27% x Line 1 | 27 | 27 |
| 3 | Net distributable income: Line 1—Line 2 | 73 | 73 |
| 4 | Dividend distributed (50% of net distributable income): 50% of Line 3 | 36.5 | 36.5 |
| 5 | Withholding tax: (35% of (the sum of Line 4 and 50% of Line 2)) | 17.5 | 17.5 |
| 6 | Credit for 50% of Chilean corporate income tax : 50% of Line 2 | 13.5 | 13.5 |
| 7 | CIT partial restitution (Line 6 x 35%)(1) | — | 4.7 |
| 8 | Net withholding tax: Line 5 - Line 6 + Line 7 | 4 | 8.7 |
| 9 | Net dividend received: Line 4 - Line 8 | 32.5 | 27,8 |
| 10 | Effective dividend withholding rate : Line 8 / Line 4 | 11.0 | 23.9 |

- (1) Only applicable to non-tax treaty jurisdiction resident. From a practical standpoint, the foregoing means that the CIT is only partially creditable (65%) against the withholding tax (i.e., CIT of 8.7%).

However, for purposes of the foregoing, the tax authority has not clarified whether the taxpayer residence will be the ADS holder's address or the depository's address.

Taxation on sale or exchange of ADSs, outside of Chile

Gains obtained by a foreign holder from the sale or exchange of ADSs outside Chile are not be subject to Chilean taxation.

Taxation on sale or exchange of Shares

The Chilean Income Tax Law includes a tax exemption on capital gains arising from the sale of shares of listed companies traded in stock markets. Although there are certain restrictions, in general terms, the law provides that in order to qualify for the capital gain exemption: (i) the shares must be of a publicly held stock corporation with a "sufficient stock market liquidity" status in the Chilean Stock Exchanges; (ii) the sale must be carried out in a Chilean Stock Exchange authorized by the CMF, or in a tender offer subject to Chapter XXV of the Chilean Securities Market Law or as the consequence of a contribution to a fund as regulated in Section 109 of the Chilean Income Tax Law; (iii) the shares which are being sold must have been acquired on a Chilean Stock Exchange, or in a tender offer subject to Chapter XXV of the Chilean Securities Market Law, or in an initial public offering (due to the creation of a company or to a capital increase), or due to the exchange of convertible publicly offered securities, or due to the redemption of a fund's quota as regulated in Section 109 of the Chilean Income Tax Law; and (iv) the shares must have been acquired after April 19, 2001. For purposes of considering the ADS's as convertible publicly offered securities, they should be registered in the Chilean foreign securities registry (unless expressly excluded from such registry by the CMF).

Shares are considered to have a "high presence" in the Chilean Stock Exchanges when (i) they have been traded for a certain number of days at or beyond a volume threshold specified under Chilean law and regulations or (ii) in case the issuer has retained a market maker, in accordance with Chilean law and regulations. As of this date, our shares are considered to have a high presence in the Chilean Stock Exchanges and no market maker has been retained by us. Should our shares cease to have a "high presence" in the Chilean Stock Exchanges, a transfer of our shares may be subject to capital gains taxes from which holders of "high presence" securities are exempted, and which will apply at varying levels depending on the time of the transfer in relation to the date of loss of sufficient trading volume to qualify as a "high presence" security. If our shares regain a "high presence," the tax exemptions will again be available to holders thereof.

If the shares do not qualify for the exemption, capital gains on their sale or exchange of shares (as distinguished from sales or exchanges of ADSs representing such shares of common stock) could be subject to the general tax regime, with a 27% Chilean CIT, the rate applicable during 2018, and a 35% Chilean withholding tax, the former being creditable against the latter.

The date of acquisition of the ADSs is considered to be the date of acquisition of the shares for which the ADSs are exchanged.

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Taxation of Share Rights and ADS Rights

For Chilean tax purposes and to the extent we issue any share rights or ADS rights, the receipt of share rights or ADS rights by a Foreign Holder of shares or ADSs pursuant to a rights offering is a nontaxable event. In addition, there are no Chilean income tax consequences to Foreign Holders upon the exercise or the expiration of the share rights or the ADS rights.

Any gain on the sale, exchange or transfer of any ADS rights by a Foreign Holder is not subject to taxes in Chile.

Any gain on the sale, exchange or transfer of the share rights by a Foreign Holder is subject to a 35% Chilean withholding tax.

Other Chilean Taxes

There is no gift, inheritance or succession tax applicable to the ownership, transfer or disposition of ADSs by foreign holders, but such taxes will generally apply to the transfer at death or by gift of the shares by a foreign holder. There is no Chilean stamp, issue, registration or similar taxes or duties payable by holders of shares or ADSs.

Material U.S. Federal Income Tax Considerations

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date of this Report. These authorities are subject to change, possibly with retroactive effect. This discussion assumes that the depositary’s activities are clearly and appropriately defined so as to ensure that the tax treatment of ADSs will be identical to the tax treatment of the underlying shares.

The following are the material U.S. federal income tax consequences to U.S. Holders (as defined herein) of receiving, owning, and disposing of shares or ADSs, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person’s decision to hold such securities and is based on the assumption stated above under “— Chilean Tax Considerations” that there is no applicable income tax treaty in effect between the United States and Chile. The discussion applies only if the beneficial owner holds shares or ADSs as capital assets for U.S. federal income tax purposes and it does not describe all of the tax consequences that may be relevant in light of the beneficial owner’s particular circumstances. For instance, it does not describe all the tax consequences that may be relevant to:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities who use a mark-to-market method of tax accounting;
- persons holding shares or ADSs as part of a “straddle” integrated transaction or similar transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes or partners in such partnerships;
- persons liable for the alternative minimum tax;
- tax-exempt organizations;
- persons holding shares or ADSs that own or are deemed to own ten percent or more of our stock; or
- persons holding shares or ADSs in connection with a trade or business conducted outside of the United States.

Persons or entities described above, including partnerships holding shares or ADSs and partners in such partnerships, should consult their tax advisors as to the particular U.S. federal income tax consequences of holding and disposing of shares or ADSs.

You will be a “U.S. Holder” for purposes of this discussion if you become a beneficial owner of our shares or ADSs and if you are, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States; or
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; or

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- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (ii) if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and (B) one or more U.S. persons have the authority to control all substantial decisions of the trust.

For U.S. federal income tax purposes, it is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner for U.S. federal income tax purposes. Accordingly, deposits or withdrawals of shares for ADSs will generally not be subject to U.S. federal income tax.

The U.S. Treasury has expressed concerns that parties to whom ADSs are released before shares are delivered to the depository (pre-release) or intermediaries in the chain of ownership between beneficial owners and the issuer of the security underlying the ADSs may be taking actions that are inconsistent with the claiming of foreign tax credits for beneficial owners of depository shares. Such actions would also be inconsistent with the claiming of the reduced tax rate, described below, applicable to dividends received by certain non-corporate beneficial owners. Accordingly, the analysis of the creditability of Chilean taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described below, could be affected by actions taken by such parties or intermediaries.

This discussion assumes that we will not be a passive foreign investment company, as described below. The discussion below does not address the effect of any U.S. state, local, estate or gift tax law or non-U.S. tax law or tax considerations that arise from rules of general application to all taxpayers on a U.S. Holder of the shares or ADSs, including the effects of any future administrative guidance interpreting provisions thereof.

U.S. Holders should consult their tax advisors with respect to their particular tax consequences of owning or disposing of shares or ADSs, including the applicability and effect of state, local, non-U.S. and other tax laws and the possibility of changes in tax laws, including the effects of any future administrative guidance.

Taxation of Distributions

Distributions received by a U.S. Holder on shares or ADSs, including the amount of any Chilean taxes withheld, other than certain pro rata distributions of shares to all shareholders, will constitute foreign-source income to the extent paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. The amount of dividend income paid in Chilean pesos that a U.S. Holder will be required to include in income will equal the U.S. dollar value of the distributed Chilean peso, calculated by reference to the exchange rate in effect on the date the payment is received, regardless of whether the payment is converted into U.S. dollars on the date of receipt. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder will generally not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of its receipt, which would be ordinary income or loss and would be treated as income from U.S. sources for foreign tax credit purposes. Dividends will be included in a U.S. Holder's income on the date of the U.S. Holder's, or in the case of ADSs, the depository's, receipt of the dividend.

Generally, the U.S. dollar amount of dividends received by a noncorporate U.S. Holder in respect of shares or ADSs generally will be subject to taxation at preferential rates if the dividends are "qualified dividends". Dividends paid on the ADSs generally will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States (ii) we were not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company ("PFIC") and (iii) the holder thereof has satisfied certain holding period requirements. Our ADSs ceased trading on the New York Stock Exchange on December 31, 2018, and were delisted and are now quoted and traded in the over-the-counter market on the Pink Market, which, based on existing guidance, generally is not considered an established securities market in the United States for relevant purposes. Accordingly, dividends we pay with respect to our ADSs generally will not be eligible for "qualified dividend" treatment.

The amount of a dividend generally will be treated as foreign-source dividend income to a U.S. Holder for foreign tax credit purposes. As discussed in more detail below under "—Foreign Tax Credits," it is not free from doubt whether Chilean withholding taxes imposed on distributions on shares or ADSs will be treated as income taxes eligible for a foreign tax credit for U.S. federal income tax purposes. If a Chilean withholding tax is treated as an eligible foreign income tax, subject to generally applicable

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limitations, you may claim a credit against your U.S. federal income tax liability for the eligible Chilean taxes withheld from distributions on shares or ADSs. **The rules relating to foreign tax credits are complex. U.S. Holders are urged to consult their own tax advisors regarding the treatment of Chilean withholding taxes imposed on distributions on shares or ADSs.**

Sale or Other Disposition of Shares or ADSs

If a beneficial owner is a U.S. Holder, for U.S. federal income tax purposes, the gain or loss a beneficial owner realizes on the sale or other disposition of shares or ADSs will be a capital gain or loss, and will be a long term capital gain or loss if the beneficial holder has held the shares or ADSs for more than one year. The amount of a beneficial owner's gain or loss will equal the difference between the beneficial owner's tax basis in the shares or ADSs disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. Such gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. In addition, certain limitations exist on the deductibility of capital losses by both corporate and individual taxpayers.

In certain circumstances, Chilean taxes may be imposed upon the sale of shares (but not ADSs). See "Item 10. Additional Information — E. Taxation — Chilean Tax Considerations — Taxation of Shares and ADSs." If a Chilean tax is imposed on the sale or disposition of shares, a beneficial owner that is a U.S. Holder may be eligible to claim a credit against its U.S. federal income tax liability for the eligible Chilean taxes withheld pursuant to a sale or disposition of shares or ADSs as discussed in "— Foreign Tax Credits" below.

Foreign Tax Credits

Subject to applicable limitations that may vary depending upon a U.S. Holder's circumstances and subject to the discussion above regarding concerns expressed by the U.S. Treasury, you may be eligible to claim a credit against your U.S. tax liability for Chilean income taxes (or taxes imposed in lieu of an income tax) imposed in connection with distributions on and proceeds from the sale or other disposition of our shares or ADSs. Chilean dividend withholding taxes generally are expected to be income taxes eligible for the foreign tax credit. The Chilean capital gains tax is likely to be treated as an income tax (or a tax paid in lieu of an income tax) and thus eligible for the foreign tax credit; however, you generally may claim a foreign tax credit only after taking into account any available opportunity to reduce the Chilean capital gains tax, such as the reduction for the credit for Chilean corporate income tax that is taken into account when calculating Chilean withholding tax. If a Chilean tax is imposed on the sale or disposition of our shares or ADSs, and a U.S. Holder does not receive significant foreign source income from other sources, such U.S. Holder may not be able to credit such Chilean tax against its U.S. federal income tax liability. If a Chilean tax is not treated as an income tax (or a tax paid in lieu of an income tax) for U.S. federal income tax purposes, a U.S. Holder would be unable to claim a foreign tax credit for any such Chilean tax withheld; however, a U.S. Holder may be able to deduct such tax in computing its U.S. federal income tax liability, subject to applicable limitations. In addition, instead of claiming a credit, a U.S. Holder may, at the U.S. Holder's election, deduct such Chilean taxes in computing the U.S. Holder's taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all taxes paid or accrued in the taxable year to foreign countries and possessions of the U.S. The calculation of foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign income taxes, the availability of deductions, involves the application of complex rules that depend on such U.S. Holders' particular circumstances. **U.S. Holders are urged to consult their tax advisors regarding the availability of foreign tax credits in their particular circumstances.**

Passive Foreign Investment Company Rules

We were not a "passive foreign investment company" or PFIC for U.S. federal income tax purposes for our 2018 taxable year and we do not anticipate being a PFIC for our 2019 taxable year. However, because PFIC status depends upon the composition of a company's income and assets and the market value of its assets from time to time, and because it is unclear whether certain types of our income constitute passive income for PFIC purposes, there can be no assurance that we will not be considered a PFIC for any current, prior or future taxable year. If we were to become a PFIC for any taxable year during which a beneficial owner held shares or ADSs, certain adverse consequences could apply to the U.S. Holder, including the imposition of higher amounts of tax than would otherwise apply, and additional filing requirements. In addition, if we were treated as a PFIC in a taxable year in which we pay a dividend or in the prior taxable year, the favorable dividend rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply (see "— Taxation of Distributions" above). U.S. Holders should consult their tax advisors regarding the consequences to them if we were to become a PFIC, as well as the availability and advisability of making any election that might mitigate the adverse consequences of PFIC status.

Required Disclosure with Respect to Foreign Financial Assets

Certain U.S. Holders are required to report information relating to an interest in our shares or ADSs, subject to certain exceptions (including an exception for our shares or ADSs held in accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in our shares or ADSs. U.S. Holders are urged to consult their own U.S. tax advisors regarding information reporting requirements relating to their ownership of our shares or ADSs.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.- related financial intermediaries generally are subject to information reporting and to backup withholding unless:

(i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the beneficial owner provides a correct taxpayer identification number and certifies that the U.S. Holder is not subject to backup withholding.

The amount of any backup withholding from a payment to a beneficial owner will be allowed as a credit against the beneficial owner's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is furnished in a timely fashion to the U.S. Internal Revenue Service.

Medicare Contribution Tax

Legislation enacted in 2010 generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from dividends and net gain attributable to the disposition of certain property, like the shares or ADSs, less certain deductions. A U.S. Holder should consult the holder's own tax advisor regarding the possible application of this legislation in the beneficial owner's particular circumstances.

U.S. Holders should consult their tax advisors with respect to the particular consequences to them owning or disposing of shares or ADSs.

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display.

We are subject to the information requirements of the Exchange Act, except that as a foreign issuer, we are not subject to SEC proxy rules (other than general anti-fraud rules) or the short-swing profit disclosure rules of the Exchange Act. In accordance with these statutory requirements, we file or furnish reports and other information with the SEC. Reports, information statements and other information we file with or furnish to the SEC are available electronically on the SEC's website, which can be accessed at <http://www.sec.gov> and on our website www.enelgeneracion.cl.

I. Subsidiary Information.

For information on our principal subsidiaries, see "Item 4. Information on the Company — C. Organizational Structure — Principal Subsidiaries and Affiliates."

Item 11. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to risks arising from changes in commodity prices, interest rates and foreign exchange rates that affect the generation business in Chile. We monitor and manage these risks in coordination with Enel Chile, our parent company. Our Board of Directors approves risk management policies at all levels.

Commodity Price Risk

In our electricity generation business, we are exposed to market risks arising from the price volatility of electricity, natural gas, diesel oil, and coal. We seek to ensure our fuel supply by securing long-term contracts with our suppliers for periods that are expected to match the lifetime of our generation assets. These contracts generally have provisions that allow us to purchase natural gas with a pricing formula that combines Henry Hub natural gas and Brent diesel oil at market prices prevailing at the time the purchase occurs.

In order to reduce risk under extreme drought conditions, Enel has designed a commercial policy that defines sale commitment levels in line with the capacity of its generating facilities during a dry year, by including risk mitigation clauses with unregulated clients in some contracts. In the case of regulated clients subject to long-term tender processes, indexing polynomials are determined in order to reduce commodity exposure.

Considering the operating conditions faced by the electricity generation market in Chile, drought and volatility of commodity prices in international markets, the Company is constantly evaluating the convenience of contracting hedges to mitigate the impact of price changes on profits.

As of December 31, 2018, the Company held swaps for 432 kTon of Coal API2 to be settled in 2019, for 994 kBbl of Brent oil to be settled in 2019, 225 kTon of BCI7 to be settled in 2019, for 0.2 TBtu of Henry Hub gas to be settled in 2019.

As of December 31, 2017, the Company held swaps for 2.3 million MMBTU of Henry Hub gas to be settled on January 2018.

According to the operating conditions that are constantly being updated, these hedging measures may be modified, or include other commodities.

We are continually analyzing strategies to hedge commodity price risk, including transferring commodity price variations to customers' contract prices, and permanently adjusting commodity indexed price formulas for new Power Purchase Agreements according to our exposure or analyzing ways to mitigate risk through hydrological insurance in dry years. In the future, we may consider using price-sensitive instruments.

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Interest Rate and Foreign Currency Risk

As of December 31, 2018, the carrying values according to maturity and the corresponding fair value of our interest bearing debt are detailed below. Values do not include derivatives.

| For the year ended December 31, | Expected maturity date | | | | | | Total | Fair Value(2) |
|---------------------------------|--------------------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter | | |
| | (in billions of Ch\$(1)) | | | | | | | |
| Fixed Rate | | | | | | | | |
| Ch\$/UF | — | — | — | — | — | — | — | — |
| Weighted average interest rate | — | — | — | — | — | — | — | — |
| US\$ | 2,166 | 2,307 | 2,457 | 2,617 | 4,929 | 498,204 | 512,680 | 578,162 |
| Weighted average interest rate | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% | 13.0% | 12.9% | — |
| Total fixed rate | 2,166 | 2,307 | 2,457 | 2,617 | 4,929 | 498,204 | 512,680 | 578,162 |
| Weighted average interest rate | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% | 13.0% | 12.9% | — |
| Variable Rate | | | | | | | | |
| Ch\$/UF | 30,793 | 30,793 | 30,793 | 30,793 | 30,793 | 180,350 | 334,318 | 405,181 |
| Weighted average interest rate | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | — |
| US\$ | — | — | — | — | — | — | — | — |
| Weighted average interest rate | — | — | — | — | — | — | — | — |
| Total variable rate | 30,793 | 30,793 | 30,793 | 30,793 | 30,793 | 180,350 | 334,318 | 405,181 |
| Weighted average interest rate | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | 7.9% | — |
| Total | 32,960 | 33,101 | 33,251 | 33,410 | 35,723 | 678,554 | 846,998 | 983,343 |

(1) Calculated based on the Observed Exchange Rate as of December 31, 2018, which was Ch\$ 694.77 per US\$ 1.00.

(2) As of December 31, 2018, fair value was calculated based on the discounted value of future cash flows expected to be paid (or received), considering current discount rates that reflect the different risks involved.

As of December 31, 2017, the carrying values according to maturity and the corresponding fair value of our interest bearing debt are detailed below. Values do not include derivatives.

| For the year ended December 31, | Expected maturity date | | | | | | Total | Fair Value(2) |
|---------------------------------|--------------------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter | | |
| | (in billions of Ch\$(1)) | | | | | | | |
| Fixed Rate | | | | | | | | |
| Ch\$/UF | — | — | — | — | — | — | — | — |
| Weighted average interest rate | — | — | — | — | — | — | — | — |
| US\$ | 1,800 | 1,917 | 2,041 | 2,174 | 2,315 | 445,185 | 455,432 | 555,049 |
| Weighted average interest rate | 6.8% | 6.8% | 6.8% | 6.8% | 6.8% | 6.1% | 6.1% | — |
| Total fixed rate | 1,800 | 1,917 | 2,041 | 2,174 | 2,315 | 445,185 | 455,432 | 555,049 |
| Weighted average interest rate | 6.8% | 6.8% | 6.8% | 6.8% | 6.8% | 6.1% | 6.1% | — |
| Variable Rate | | | | | | | | |
| Ch\$/UF | 5,574 | 29,936 | 29,936 | 29,936 | 29,936 | 205,264 | 330,582 | 408,534 |
| Weighted average interest rate | 9.0% | 7.0% | 7.0% | 7.0% | 7.0% | 6.9% | 7.0% | — |
| US\$ | — | — | — | — | — | — | — | — |
| Weighted average interest rate | — | — | — | — | — | — | — | — |
| Total variable rate | 5,574 | 29,936 | 29,936 | 29,936 | 29,936 | 205,264 | 330,582 | 408,534 |
| Weighted average interest rate | 9.0% | 7.0% | 7.0% | 7.0% | 7.0% | 6.9% | 7.0% | — |
| Total | 7,374 | 31,853 | 31,977 | 32,110 | 32,251 | 650,449 | 786,014 | 963,582 |

(1) Calculated based on the Observed Exchange Rate as of December 31, 2017, which was Ch\$ 614.75 per US\$ 1.00.

(2) As of December 31, 2017, fair value was calculated based on the discounted value of future cash flows expected to be paid (or received), considering current discount rates that reflect the different risks involved.

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Interest Rate Risk

Our policy aims to minimize the average cost of debt and reduce the volatility of our financial results. Depending on our estimates and the debt structure, we sometimes manage interest rate risk through the use of interest rate derivatives.

As of December 31, 2018, and 2017, 93% and 92%, respectively, of our total outstanding debt was denominated in fixed terms and 7% and 8% respectively was subject to variable interest rates. Because the exposure to variable interest rate risk was so low, we did not engage in derivative hedging instruments.

Foreign Currency Risk

Our policy seeks to maintain a balance between the currency in which cash flows are indexed and the currency of the debt of each company. Most of our subsidiaries have access to funding in the same currency as their revenues, therefore reducing the exchange rate volatility impact. In some cases, we cannot fully benefit from this, and therefore, we try to manage the exposure with financial derivatives such as cross currency swaps or currency forwards, among others. However, this may not always be possible under reasonable terms due to market conditions.

As of December 31, 2018, the carrying values for financial accounting purposes and the corresponding fair value of the instruments that hedge the foreign exchange risk of our interest bearing debt were as follows:

| For the year ended December 31, | Expected Maturity Date | | | | | | Total | Fair Value(2) |
|---------------------------------|--------------------------|----------|----------|----------|----------|------------|----------------|-----------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter | | |
| | (in billions of Ch\$(1)) | | | | | | | |
| UF to US\$ | 534,547 | — | — | — | — | — | 534,547 | (18,892) |
| US\$ to Ch\$/UF | — | — | — | — | — | — | — | — |
| Ch\$ to US\$ | — | — | — | — | — | — | — | — |
| Total | 534,547 | — | — | — | — | — | 534,547 | (18,892) |

- (1) Calculated based on the Observed Exchange Rate as of December 31, 2018, which was Ch\$ 694.77 per US\$ 1.00.
(2) Fair values were calculated based on the discounted value of future cash flows expected to be paid (or received), considering current discount rates that reflect the different risks involved.

As of December 31, 2017, the carrying values for financial accounting purposes and the corresponding fair value of the instruments that hedge the foreign exchange risk of our interest bearing debt were as follows:

| For the year ended December 31, | Expected Maturity Date | | | | | | Total | Fair Value(2) |
|---------------------------------|--------------------------|----------------|----------|----------|----------|------------|----------------|---------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter | | |
| | (in billions of Ch\$(1)) | | | | | | | |
| UF to US\$ | — | 500,198 | — | — | — | — | 500,198 | 7,696 |
| US\$ to Ch\$/UF | — | — | — | — | — | — | — | — |
| Ch\$ to US\$ | — | — | — | — | — | — | — | — |
| Total | — | 500,198 | — | — | — | — | 500,198 | 7,696 |

- (1) Calculated based on the Observed Exchange Rate as of December 31, 2017, which was Ch\$ 614.75 per US\$ 1.00.
(2) Fair values were calculated based on the discounted value of future cash flows expected to be paid (or received), considering current discount rates that reflect the different risks involved.

(d) Safe Harbor.

The information in this “Item 11. Quantitative and Qualitative Disclosures About Market Risk,” contains information that may constitute forward-looking statements. See “Forward-Looking Statements” in the Introduction of this Report for safe harbor provisions.

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Item 12. Description of Securities Other Than Equity Securities

A. Debt Securities.

Not applicable.

B. Warrants and Rights.

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares.

Depository Fees and Charges

Our ADS program's depository is Citibank, N.A. The Depository collects fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depository fees payable for cash distributions are deducted from the cash being distributed. In the case of distributions other than cash, the Depository will invoice the applicable ADS record date holders. The Depository may generally refuse to provide the requested services until its fees for those services are paid. Under the terms of the Deposit Agreement, an ADS holder may have to pay the following service fees to the Depository:

| <u>Service Fees</u> | <u>Fees</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| (1) Issuance of ADS upon deposit of shares (excluding issuances as a result of distributions described in paragraph (4) below) | Up to US\$ 5 per 100 ADSs (or fraction thereof) issued |
| (2) Delivery of deposited securities against surrender of ADS | Up to US\$ 5 per 100 ADSs (or fraction thereof) surrendered |
| (3) Distribution of cash dividends or other cash distributions (i.e., sale of rights and other entitlements) | Up to US\$5 per 100 ADSs (or fraction thereof) held |
| (4) Distribution of ADS pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADS | Up to US\$5 per 100 ADSs (or fraction thereof) held |
| (5) Distribution of securities other than ADS or rights to purchase additional ADS (i.e., spin-off of shares) | Up to US\$5 per 100 ADSs (or fraction thereof) held |
| (6) Depository services | Up to US\$5 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depository |

The Depository collects fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depository fees payable for cash distributions are deducted from the cash being distributed. In the case of distributions other than cash, the Depository will invoice the applicable ADS record date holders.

Depository Payments for Fiscal Year 2018

The Depository has agreed to reimburse certain expenses incurred by us in connection with our ADS program. In 2018, the Depository reimbursed expenses related primarily to investor relations' activities for a total amount of US\$ 0.2 million (after the deduction of applicable U.S. taxes).

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our senior management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) for the year ended December 31, 2018.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error, and the circumvention or overriding of the controls and procedures. Accordingly, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their control objectives.

Based upon our evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is gathered and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective at that reasonable assurance level.

(b) Management’s Annual Report on Internal Control over Financial Reporting

As required by Section 404 of the Sarbanes-Oxley Act of 2002, our management is responsible for establishing and maintaining “adequate internal control over financial reporting” (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS, as issued by the IASB.

Because of its inherent limitations, internal control over financial reporting may not necessarily prevent or detect some misstatements. It can only provide reasonable assurance regarding financial statement preparation and presentation. Also, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate over time.

Management assessed the effectiveness of its internal control over financial reporting for the year ended December 31, 2018. The assessment was based on criteria established in “Internal Control — Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO 2013 framework”). Based on the assessment, our management has concluded that as of December 31, 2018, our internal control over financial reporting was effective.

(c) Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2018. Their attestation report appears on page F-2.

(d) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) or 15d-15(d) under the Exchange Act that occurred during 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting model.

Item 16. Reserved

Item 16A. Audit Committee Financial Expert

As of December 31, 2018, the Directors' Committee (which performs the functions of the Audit Committee) financial expert was Mr. Hernán Cheyre, as determined by the Board of Directors. Mr. Cheyre is an independent member of the Directors' Committee pursuant to the requirement of both Chilean law and NYSE corporate governance rules.

Item 16B. Code of Ethics

Our standards of ethical conduct are governed by means of the following seven corporate rulings or policies: the Charter Governing Executives ("*Estatuto del Directivo*"), the Employee Code of Conduct, the Code of Ethics, the Zero Tolerance Anti-Corruption Plan (the "ZTAC Plan"), the Human Rights Policy, the Manual for the Management of Information of Interest to the Market (the "Manual") and the Diversity Policy.

The Charter Governing Executives was adopted by the Board of Directors in May 2003 and is applicable to all executives contractually related to us or our subsidiaries in which we are the majority shareholder, including the Chief Executive Officer, the Chief Financial Officer and other senior officers of the Company. The objective of this set of rules is to establish standards for the governance of our management's actions, the behavior of management with respect to the principles governing their actions and the limitations and incompatibilities involved, all within the context of our vision, mission and values. Likewise, the Employee Code of Conduct explains our principles and ethical values, establishes the rules governing our contact with customers and suppliers, and establishes the principles that should be followed by employees, including ethical conduct, professionalism and confidentiality. Both documents also impose limitations on the activities that our executives and other employees may undertake outside the scope of their employment with us.

The Manual, adopted by our Board of Directors in May 2008 and amended in February 2010, addresses the following issues: applicable standards and blackout periods regarding the information in connection with transactions of our securities or those of our affiliates, entered into by directors, management, principal executives, employees and other related parties; the existence of mechanisms for the continuous disclosure of information that is of interest to the market; and mechanisms that provide protection for confidential information.

In addition to the corporate governance rules described above, our Board approved the Code of Ethics and the ZTAC Plan in its meeting held on June 24, 2010. The Code of Ethics is based on general principles such as impartiality, honesty, integrity and other values of similar importance, which are translated into detailed behavioral criteria. The ZTAC Plan reinforces the principles included in the Code of Ethics, but with a special emphasis on avoiding corruption in the form of bribes, preferential treatment, and other similar matters.

On October 30, 2013, the Board approved the Human Rights Policy, which incorporates and adapts the general human rights principles championed by the United Nations into a corporate reality.

The Diversity Policy was approved by the Board of Directors on March 23, 2016. This policy defines the key principles required to spread a culture that focuses on diversity and is based on the respect and promotion of the principles of preventing arbitrary discrimination and encouraging equal opportunities and inclusion, which are fundamental values in the development of the Company's activities. In this sense, the Company seeks to improve the work environment and make possible a better quality of life at work. The Company is committed to creating an inclusive work environment where workers can develop their potential and maximize their contribution.

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A copy of these documents is available on our webpage at www.enelgeneracion.cl as well as upon request, free of charge, by writing or calling us at:

Enel Generación Chile S.A.
Investor Relations Department
Santa Rosa 76, Piso 15
Santiago, Chile
(56-2) 2353-4682

Section 1.01 At its meeting held on January 19, 2017, our Board of Directors approved an amendment to the Code of Ethics and ZTAC Plan to eliminate the reference to Law 19,885, in connection with political donations and to forbid them under all circumstances. During fiscal year 2017, there have been no other amendments to any provisions of the documents described above. No waivers from any provisions of the Charter Governing Executives, the Employee Code of Conduct, the Code of Ethics, the ZTAC Plan or the Manual, were expressly or implicitly granted to the Chief Executive Officer, the Chief Financial Officer or any other senior financial officers of the Company in fiscal year 2017.

Item 16C. Principal Accountant Fees and Services

The following table provides information on the aggregate fees for approved services billed by our independent registered accounting firm, as well as the other member firms and their respective affiliates, by type of services for the periods indicated.

| <u>Services Rendered</u> | <u>2018</u> | <u>2017</u> |
|--------------------------|------------------------------|-------------|
| | <u>(in millions of Ch\$)</u> | |
| Audit fees | 571 | 534 |
| Audit-related fees(1) | 4 | 315 |
| Tax fees | — | — |
| All other fees | — | — |
| Total | 575 | 849 |

(1) 2017 audit-related fees are related to the 2018 Reorganization, mainly for the interim review services as of June 30, 2017, and September 30, 2017, and the audit process under Chilean audit standard as of September 30, 2017, for a total of Ch\$ 310 million.

All of the fees disclosed under audit-related fees and all other fees were pre-approved by the Directors' Committee pre-approval policies and procedures.

Directors' Committee Pre-Approval Policies and Procedures

Our external auditors are appointed by our shareholders at the OSM. Similarly, the shareholders of our subsidiaries appoint their own external auditors according to applicable law and regulation.

Fees payable in connection with recurring audit services are pre-approved as part of our annual budget. Fees payable in connection with non-recurring audit services, once they have been analyzed by the CFO, are submitted to the Board of Directors for approval or rejection.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 16F. Change in Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

Not applicable

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Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

Not Applicable.

Item 18. Financial Statements

Enel Generación Chile S.A. and Subsidiaries

Index to the Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firms:

| | |
|------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Report of KPMG Auditores Consultores Ltda. — Enel Generación Chile S.A. 2018, 2017 and 2016 | F-1 |
| Report of KPMG Auditores Consultores Ltda. — Enel Generación Chile S.A. — Internal Control Over Financial Reporting 2016 | F-2 |

Consolidated Financial Statements:

| | |
|----------------------------------------------------------------------------------------------------------------------|------|
| Consolidated Statements of Financial Position at December 31, 2018, and 2017 | F-7 |
| Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016 | F-8 |
| Consolidated Statements of Changes in Equity for the years ended December 31, 2018, 2017 and 2016 | F-10 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016 | F-12 |
| Notes to the Consolidated Financial Statements | F-13 |

| | |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Ch\$ | Chilean pesos |
| US\$ | U.S. dollars |
| UF | The UF is a Chilean inflation-indexed, peso-denominated monetary unit that is set daily in advance based on the previous month's inflation rate. |
| ThCh\$ | Thousands of Chilean pesos |
| ThUS\$ | Thousands of U.S. dollars |

Section 1.02 **Item 19. Exhibits**

| <u>Exhibit</u> | <u>Description</u> |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| 1.1 | By-laws (<i>Estatutos</i>) of Enel Generación Chile S.A. |
| 8.1 | List of Principal Subsidiaries as of December 31, 2018. |
| 12.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act. |
| 12.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act. |
| 13.1 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

We will furnish to the Securities and Exchange Commission, upon request, copies of any unfiled instruments that define the rights of stakeholders of Enel Generation Chile.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ENEL GENERACION CHILE S.A.

By: /s/ Valter Moro
Name: Valter Moro
Title: Chief Executive Officer

Date: April 30, 2019

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Enel Generación Chile S.A. and its Subsidiaries

Consolidated Financial Statements as of December 31, 2018 and 2017

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Reports of Independent Registered Public Accounting Firms:

| | |
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| | |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Ch\$ | Chilean pesos |
| US\$ | U. S. dollars |
| UF | The UF is a Chilean inflation-indexed, peso-denominated monetary unit that is set daily in advance based on the previous month's inflation rate. |
| ThCh\$ | Thousands of Chilean pesos |
| ThUS\$ | Thousands of U.S. dollars |



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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Enel Generación Chile S.A.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Enel Generación Chile S.A. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 30, 2019, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG

KPMG Auditores Consultores Ltda.

We have served as the Company's auditor since 2008.

Santiago, Chile
April 30, 2019

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Enel Generación Chile S.A.:

Opinion on Internal Control Over Financial Reporting

We have audited Enel Generación Chile S.A. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated April 30, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG

KPMG Auditores Consultores Ltda.

Santiago, Chile

April 30, 2019

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ENEL GENERACIÓN CHILE S.A. AND ITS SUBSIDIARIES

Consolidated Statements of Financial Position
As of December 31, 2018 and 2017
(In thousands of Chilean pesos — ThCh\$)

| | Note | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
|------------------------------------------------------------------|------|----------------------|----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 151,989,905 | 211,027,141 |
| Other current financial assets | 8 | 38,564,527 | 20,523,276 |
| Other current non-financial assets | 9 | 10,838,242 | 13,136,459 |
| Trade and other current receivables, net | 10 | 239,425,507 | 207,208,820 |
| Current accounts receivable from related parties | 11 | 135,105,117 | 109,797,820 |
| Inventories | 12 | 43,770,781 | 31,740,903 |
| Current taxes receivable | 13 | 52,773,274 | 65,164,708 |
| TOTAL CURRENT ASSETS | | 672,467,353 | 658,599,127 |
| NON-CURRENT ASSETS | | | |
| Other non-current financial assets | 8 | 2,362,570 | 33,391,398 |
| Other non-current non-financial assets | 9 | 12,545,299 | 12,853,459 |
| Trade and other non-current receivables, net | 10 | 1,156,638 | 1,032,923 |
| Investments accounted for using the equity method | 14 | 12,826,892 | 16,912,454 |
| Intangible assets other than goodwill, net | 15 | 23,910,977 | 18,607,973 |
| Goodwill | 16 | 24,860,356 | 24,860,356 |
| Property, plant and equipment, net | 17 | 2,919,097,994 | 2,788,204,501 |
| TOTAL NON-CURRENT ASSETS | | 2,996,760,726 | 2,895,863,064 |
| TOTAL ASSETS | | 3,669,228,079 | 3,554,462,191 |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Other current financial liabilities | 19 | 125,350,544 | 18,815,435 |
| Trade and other current payables | 22 | 275,331,618 | 309,883,528 |
| Current accounts payable to related parties | 11 | 152,932,289 | 122,862,944 |
| Current provisions | 23 | 5,182,867 | 5,296,635 |
| Current tax liabilities | 13 | 12,541,174 | 66,933,261 |
| Other current non-financial liabilities | 9 | 22,542,716 | 19,564,698 |
| TOTAL CURRENT LIABILITIES | | 593,881,208 | 543,356,501 |
| NON-CURRENT LIABILITIES | | | |
| Other non-current financial liabilities | 19 | 799,813,225 | 781,978,145 |
| Other non-current payables | 22 | 450,421 | 632,643 |
| Non-current accounts payables to related parties | 11 | — | 318,518 |
| Non-current provisions, other than for employee benefits | 23 | 79,493,801 | 63,992,567 |
| Deferred tax liabilities | 18 | 183,487,402 | 160,293,916 |
| Non-current provisions for employee benefits | 24 | 14,610,975 | 14,875,948 |
| TOTAL NON-CURRENT LIABILITIES | | 1,077,855,824 | 1,022,091,737 |
| TOTAL LIABILITIES | | 1,671,737,032 | 1,565,448,238 |
| EQUITY | | | |
| Issued capital | 25 | 552,777,321 | 552,777,321 |
| Retained earnings | | 1,509,995,045 | 1,398,018,155 |
| Share premium | 25 | 85,511,492 | 85,511,492 |
| Other reserves | 25 | (177,763,273) | (74,789,241) |
| Equity attributable to Shareholders of the Parent Company | | 1,970,520,585 | 1,961,517,727 |
| Non-controlling interests | | 26,970,462 | 27,496,226 |
| TOTAL EQUITY | | 1,997,491,047 | 1,989,013,953 |
| TOTAL LIABILITIES AND EQUITY | | 3,669,228,079 | 3,554,462,191 |

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ENEL GENERACIÓN CHILE S.A. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income, by Nature
For the years ended December 31, 2018, 2017 and 2016
(In thousands of Chilean pesos — ThCh\$)

| | Note | Year ended | | |
|-----------------------------------------------------------------------------------------------|--------------|----------------------|----------------------|----------------------|
| | | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| STATEMENTS OF COMPREHENSIVE INCOME | | | | |
| Profit (loss) | | | | |
| Revenues | 26 | 1,481,554,138 | 1,599,032,140 | 1,639,959,815 |
| Other operating income | 26 | 39,500,045 | 35,904,948 | 19,767,514 |
| Revenues and Other Operating Income from continuing operations | | 1,521,054,183 | 1,634,937,088 | 1,659,727,329 |
| Raw materials and consumables used | 27 | (809,974,152) | (903,978,006) | (895,060,114) |
| Contribution Margin from continuing operations | | 711,080,031 | 730,959,082 | 764,667,215 |
| Other work performed by the entity and capitalized | 17.4.b | 7,449,013 | 7,226,484 | 9,758,304 |
| Employee benefits expense | 28 | (53,800,538) | (54,222,470) | (60,350,072) |
| Depreciation and amortization expense | 29 | (117,765,263) | (117,337,553) | (132,600,381) |
| Impairment loss recognized in the period's profit or loss | 29 | (100,900) | 55,494 | (30,785,531) |
| Other expenses | 30 | (82,478,947) | (102,821,020) | (119,303,215) |
| Operating Income from continuing operations | | 464,383,396 | 463,860,017 | 431,386,320 |
| Other gains, net | 31 | 3,434,503 | 113,088,869 | 121,490,974 |
| Financial income | 32 | 5,778,242 | 5,273,672 | 6,150,751 |
| Financial costs | 32 | (48,189,495) | (50,851,829) | (55,701,778) |
| Share of profit (loss) of associates and joint ventures accounted for using the equity method | 14 | 3,281,453 | (2,696,904) | 7,878,201 |
| Foreign currency exchange differences | 32 | (3,055,807) | 8,822,301 | 13,266,320 |
| Gains from indexed assets and liabilities, net (*) | 32 | (2,480,291) | 145,608 | 606,075 |
| Income from continuing operations before income taxes | | 423,152,001 | 537,641,734 | 525,076,863 |
| Income tax expense, continuing operations | 33 | (104,946,765) | (112,099,519) | (83,216,935) |
| NET INCOME FROM CONTINUING OPERATIONS | | 318,205,236 | 425,542,215 | 441,859,928 |
| Discontinued operations | | | | |
| Profit after tax for the year from discontinued operations | 5.2 | — | — | 79,572,445 |
| NET PROFIT FOR THE YEAR | | 318,205,236 | 425,542,215 | 521,432,373 |
| Net profit for the year attributable to | | | | |
| Shareholders of the parent company | | 309,029,455 | 418,453,814 | 472,558,428 |
| Non-controlling interests | 25.7 | 9,175,781 | 7,088,401 | 48,873,945 |
| NET PROFIT FOR THE YEAR | | 318,205,236 | 425,542,215 | 521,432,373 |
| Basic earnings per share | | | | |
| Basic earnings per share from continuing operations | Ch\$ / share | 37.68 | 51.02 | 52.77 |
| Basic earnings per share from discontinued operations | Ch\$ / share | — | — | 4.85 |
| Total Basic earnings per share | Ch\$ / share | 37.68 | 51.02 | 57.62 |
| Weighted average number of shares of common stock | Thousands | 8,201,754.58 | 8,201,754.58 | 8,201,754.58 |
| Diluted earnings per share | | | | |
| Diluted earnings per share from continuing operations | Ch\$ / share | 37.68 | 51.02 | 52.77 |
| Diluted earnings per share from discontinued operations | Ch\$ / share | — | — | 4.85 |
| Total Diluted earnings per share | Ch\$ / share | 37.68 | 51.02 | 57.62 |
| Weighted average number of shares of common stock | Thousands | 8,201,754.58 | 8,201,754.58 | 8,201,754.58 |

(*) This note includes the effect of hyperinflation in Argentina

ENEL GENERACIÓN CHILE S.A. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income, by Nature (continued)
For the years ended December 31, 2018, 2017 and 2016
(In thousands of Chilean pesos — ThCh\$)

| | Note | Year ended | | |
|------------------------------------------------------------------------------------------------------------------------------------------|----------|----------------------|----------------------|----------------------|
| | | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME | | | | |
| Net income | | 318,205,236 | 425,542,215 | 521,432,373 |
| Components of other comprehensive income (loss) that will not be reclassified subsequently to profit or loss, before income taxes | | | | |
| Remeasurement losses from defined benefit plans | 18/ 24.2 | (325,252) | 251,976 | (1,757,402) |
| Other comprehensive (loss) income that will not be reclassified to income | | (325,252) | 251,976 | (1,757,402) |
| Components of other comprehensive income that will be reclassified to income, before taxes | | | | |
| Foreign currency translation losses, net | 18 | (5,522,334) | (3,690,798) | (139,529,128) |
| Gains (losses) from available-for-sale financial assets, net | 18 | (15) | 8 | 18 |
| Net losses from cash flow hedges | 18 | (157,077,145) | 73,333,487 | 66,502,675 |
| Reclassification adjustments on cash flow hedges | 18 | 18,227,145 | 23,976,029 | 20,456,663 |
| Share of other comprehensive income from investments accounted for using the equity method | | — | — | (11,904,709) |
| Other comprehensive (loss) income that will be reclassified to income | | (144,372,349) | 93,618,726 | (64,474,481) |
| Total other comprehensive loss, before income (loss) taxes | | (144,697,601) | 93,870,702 | (66,231,883) |
| Income taxes related to components of other comprehensive income that will not be reclassified to income | | | | |
| Income tax related to defined benefit plans | 18 | 87,818 | (68,034) | 474,498 |
| Income tax related to components of other comprehensive income that will not be reclassified to income | | 87,818 | (68,034) | 474,498 |
| Income taxes related to components of other comprehensive income that will be reclassified to income | | | | |
| Income tax related to cash flow hedge | | 37,616,791 | (26,139,149) | (20,924,809) |
| Income tax related to available-for-sale financial assets | 18 | 4 | (2) | (5) |
| Income taxes related to components of other comprehensive income that will be reclassified to income | | 37,616,795 | (26,139,151) | (20,924,814) |
| Total other comprehensive (loss) income | | (106,992,988) | 67,663,517 | (86,682,199) |
| TOTAL COMPREHENSIVE INCOME | | 211,212,248 | 493,205,732 | 434,750,174 |
| Comprehensive income (loss) attributable to | | | | |
| Shareholders of the parent company | | 202,172,256 | 486,205,094 | 450,858,649 |
| Non-controlling interests | | 9,039,992 | 7,000,638 | (16,108,475) |
| TOTAL COMPREHENSIVE INCOME | | 211,212,248 | 493,205,732 | 434,750,174 |

ENEL GENERACIÓN CHILE S.A. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2018, 2017 and 2016
(In thousands of Chilean pesos — ThCh\$)

| Statements of Changes in Equity | Issued Capital ThCh\$ | Share Premium ThCh\$ | Changes in Reserves Other than Retained Earnings | | | | | | Total Reserves Other than Retained Earnings ThCh\$ | Retained Earnings ThCh\$ | Equity Attributable to Shareholders of the Parent Company ThCh\$ | Non-controlling Interests ThCh\$ | Total Equity ThCh\$ |
|-------------------------------------------------------------|--------------------------|-------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------|----------------------------------------|------------------------|
| | | | Reserve for Exchange Differences in Foreign Currency Translation ThCh\$ | Reserve for Cash Flow Hedges ThCh\$ | Reserve for Gains and Losses for Defined Benefit Plans ThCh\$ | Reserve for Gains and Losses on Remeasuring Available- for-Sale Financial Assets ThCh\$ | Other Miscellaneous Reserves ThCh\$ | Other Reserves related to assets held for sale and disposal groups ThCh\$ | | | | | |
| Equity as of January 1, 2018 | 552,777,321 | 85,511,492 | 12,608,918 | (52,329,034) | — | (1,027) | (35,068,098) | — | (74,789,241) | 1,398,018,155 | 1,961,517,727 | 27,496,226 | 1,989,013,953 |
| Increase (decrease) from changes in accounting policies (1) | — | — | — | — | — | — | — | — | — | 506,760 | 506,760 | 16,427 | 523,187 |
| Initial Balance Re-expressed | 552,777,321 | 85,511,492 | 12,608,918 | (52,329,034) | — | (1,027) | (35,068,098) | — | (74,789,241) | 1,398,524,915 | 1,962,024,487 | 27,512,653 | 1,989,537,140 |
| Changes in equity | | | | | | | | | | | | | |
| Comprehensive income | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Net income | — | — | — | — | — | — | — | — | — | 309,029,455 | 309,029,455 | 9,175,781 | 318,205,236 |
| Other comprehensive loss | — | — | (5,386,947) | (101,233,208) | (237,033) | (11) | — | — | (106,857,199) | — | (106,857,199) | (135,789) | (106,992,988) |
| Total comprehensive income | — | — | — | — | — | — | — | — | — | — | 202,172,256 | 9,039,992 | 211,212,248 |
| Dividends | — | — | — | — | — | — | — | — | — | (197,322,292) | (197,322,292) | (9,680,615) | (207,002,907) |
| Increase (decrease) from other changes | — | — | — | — | 237,033 | — | 3,646,134 | — | 3,883,167 | (237,033) | 3,646,134 | 98,433 | 3,744,567 |
| Total changes in equity | — | — | (5,386,947) | (101,233,208) | — | (11) | 3,646,134 | — | (102,974,032) | 111,470,130 | 8,496,098 | (542,191) | 7,953,907 |
| Equity as of December 31, 2018 | <u>552,777,321</u> | <u>85,511,492</u> | <u>7,221,971</u> | <u>(153,562,242)</u> | <u>—</u> | <u>(1,038)</u> | <u>(31,421,964)</u> | <u>—</u> | <u>(177,763,273)</u> | <u>1,509,995,045</u> | <u>1,970,520,585</u> | <u>26,970,462</u> | <u>1,997,491,047</u> |

| Statements of Changes in Equity | Issued Capital ThCh\$ | Share Premium ThCh\$ | Changes in Reserves Other than Retained Earnings | | | | | | Total Reserves Other than Retained Earnings ThCh\$ | Retained Earnings ThCh\$ | Equity Attributable to Shareholders of the Parent Company ThCh\$ | Non-controlling Interests ThCh\$ | Total Equity ThCh\$ |
|----------------------------------------|--------------------------|-------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------|----------------------------------------|------------------------|
| | | | Reserve for Exchange Differences in Foreign Currency Translation ThCh\$ | Reserve for Cash Flow Hedges ThCh\$ | Reserve for Gains and Losses for Defined Benefit Plans ThCh\$ | Reserve for Gains and Losses on Remeasuring Available- for-Sale Financial Assets ThCh\$ | Other Miscellaneous Reserves ThCh\$ | Other Reserves related to assets held for sale and disposal groups ThCh\$ | | | | | |
| Equity as of January 1, 2017 | 552,777,321 | 85,511,492 | 16,210,841 | (123,499,401) | — | (1,033) | (32,188,067) | 2,722,113 | (136,755,547) | 1,199,429,221 | 1,700,962,487 | 28,797,762 | 1,729,760,249 |
| Changes in equity | | | | | | | | | | | | | |
| Comprehensive income | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Net income | — | — | — | — | — | — | — | — | — | 418,453,814 | 418,453,814 | 7,088,401 | 425,542,215 |
| Other comprehensive loss | — | — | (3,601,923) | 71,170,367 | 182,830 | 6 | — | — | 67,751,280 | — | 67,751,280 | (87,763) | 67,663,517 |
| Total comprehensive income | — | — | — | — | — | — | — | — | — | — | 486,205,094 | 7,000,638 | 493,205,732 |
| Dividends | — | — | — | — | — | — | — | — | — | (220,047,710) | (220,047,710) | (8,302,174) | (228,349,884) |
| Increase (decrease) from other changes | — | — | — | — | (182,830) | — | (2,880,031) | (2,722,113) | (5,784,974) | 182,830 | (5,602,144) | — | (5,602,144) |
| Total changes in equity | — | — | (3,601,923) | 71,170,367 | — | 6 | (2,880,031) | (2,722,113) | 61,966,306 | 198,588,934 | 260,555,240 | (1,301,536) | 259,253,704 |
| Equity as of December 31, 2017 | <u>552,777,321</u> | <u>85,511,492</u> | <u>12,608,918</u> | <u>(52,329,034)</u> | <u>—</u> | <u>(1,027)</u> | <u>(35,068,098)</u> | <u>—</u> | <u>(74,789,241)</u> | <u>1,398,018,155</u> | <u>1,961,517,727</u> | <u>27,496,226</u> | <u>1,989,013,953</u> |

(1) Considers a charge to retained earnings for ThCh\$141,284 by IFRS 9 adoption and a credit to retained earnings for ThCh\$664,471 by IAS 29 adoption. See notes 2.2.a) impairment of value and 2.7.4 respectively.

ENEL GENERACIÓN CHILE S.A. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2018, 2017 and 2016
(In thousands of Chilean pesos — ThCh\$)

| Statements of Changes in Equity | Issued Capital ThCh\$ | Share Premium ThCh\$ | Changes in Other Reserves | | | | | Total Reserves Other than Retained Earnings ThCh\$ | Retained Earnings ThCh\$ | Equity Attributable to Shareholders of the Parent Company ThCh\$ | Non-controlling Interests ThCh\$ | Total Equity ThCh\$ | |
|-------------------------------------------------|--------------------------|-------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------|----------------------------------------|------------------------|------------------------------------------------------------------------------------------------|
| | | | Reserve for Exchange Differences in Foreign Currency Translation ThCh\$ | Reserve for Cash Flow Hedges ThCh\$ | Reserve for Gains and Losses for Defined Benefit Plans ThCh\$ | Reserve for Gains and Losses on Remeasuring Available- for-Sale Financial Assets ThCh\$ | Other Miscellaneous Reserves ThCh\$ | | | | | | Other Reserves related to assets held for sale and disposal groups ThCh\$ |
| Equity as of January 1, 2016 | 1,331,714,085 | 206,008,557 | 19,691,866 | (205,691,575) | — | (1,046) | (719,716,306) | (202,189,042) | (1,107,906,103) | 2,218,373,368 | 2,648,189,907 | 895,700,172 | 3,543,890,079 |
| Changes in equity | | | | | | | | | | | | | |
| Comprehensive income | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Net profit for the year | — | — | — | — | — | — | — | — | — | 472,558,428 | 472,558,428 | 48,873,945 | 521,432,373 |
| Other comprehensive loss | — | — | (3,527,400) | 67,731,875 | (1,284,713) | 13 | (11,690,790) | (72,928,764) | (21,699,779) | — | (21,699,779) | (64,982,420) | (86,682,199) |
| Total comprehensive income | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Dividends | — | — | — | — | — | — | — | — | — | (184,234,740) | (184,234,740) | (7,405,769) | (191,640,509) |
| Increase (decrease) from distribution to owners | (778,936,764) | (120,497,065) | — | — | — | — | 776,186,804 | 275,117,804 | 1,051,304,608 | (1,305,983,122) | (1,154,112,343) | (839,096,192) | (1,993,208,535) |
| Increase (decrease) from other changes | — | — | 46,375 | 14,460,299 | 1,284,713 | — | (76,967,775) | 2,722,115 | (58,454,273) | (1,284,713) | (59,738,986) | (4,291,974) | (64,030,960) |
| Total changes in equity | (778,936,764) | (120,497,065) | (3,481,025) | 82,192,174 | — | 13 | 687,528,239 | 204,911,155 | 971,150,556 | (1,018,944,147) | (947,227,420) | (866,902,410) | (1,814,129,830) |
| Equity as of December 31, 2016 | 552,777,321 | 85,511,492 | 16,210,841 | (123,499,401) | — | (1,033) | (32,188,067) | 2,722,113 | (136,755,547) | 1,199,429,221 | 1,700,962,487 | 28,797,762 | 1,729,760,249 |

ENEL GENERACIÓN CHILE S.A. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flow, Direct
For the years ended December 31, 2018, 2017 and 2016
(In thousands of Chilean pesos — ThCh\$)

| Statement of Direct Cash Flow | Note | Year ended | | |
|--------------------------------------------------------------------------------------------------------|------|----------------------|----------------------|----------------------|
| | | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Cash flows from operating activities | | | | |
| Types of collection from operating activities | | | | |
| Collections from the sale of goods and services | | 1,907,020,342 | 2,096,113,174 | 2,374,348,805 |
| Collections from royalties, payments, commissions, and other income from ordinary activities | | — | — | 1,967,684 |
| Collections from premiums and services, annual payments, and other benefits from policies held | | 8,229,203 | 6,808,382 | 4,108,308 |
| Other collections from operating activities | | 267,291 | 12,096,424 | 260,080 |
| Types of payment in cash from operating activities | | | | |
| Payments to suppliers for goods and services | | (1,189,827,156) | (1,302,502,517) | (1,432,187,182) |
| Payments to and on behalf of employees | | (53,181,080) | (57,204,085) | (70,830,372) |
| Payments on premiums and services, annual payments, and other obligations from policies held | | (13,217,306) | (14,551,177) | (21,525,259) |
| Other payments for operating activities | | (97,141,445) | (93,435,079) | (185,124,143) |
| Cash generated from operating activities | | | | |
| Income taxes paid | | (96,375,125) | (157,951,053) | (107,229,062) |
| Other outflows of cash | | (501,449) | (1,206,687) | (4,600,270) |
| Net cash provided by operating activities | | 465,273,275 | 488,167,382 | 559,188,589 |
| Cash flows from investment activities | | | | |
| Other collections from the sale of equity or debt instruments belonging to other entities | 7 | — | 115,582,806 | 133,206,429 |
| Other payments to acquire stakes in joint ventures | | — | (1,943,100) | (2,346,000) |
| Loans to related parties | | (83,414,780) | (6,639,995) | (6,457,077) |
| Proceeds from the sale of property, plant and equipment | | 4,640,835 | 4,274,470 | 42,597 |
| Purchases of property, plant and equipment | | (222,327,048) | (206,775,663) | (194,880,395) |
| Payments from future, forward, option and swap contracts | | (1,210,213) | (7,808,837) | (7,860,258) |
| Collections from future, forward, option and swap contracts | | 352,734 | 835,105 | 3,439,049 |
| Collections of loans to related parties | | 68,622,702 | 6,639,996 | 1,907,339 |
| Dividends received | | 1,527,254 | 879,884 | 8,682,538 |
| Interest received | | 3,635,059 | 3,087,687 | 3,686,258 |
| Other inflows (outflows) of cash | | 48,423 | — | — |
| Net cash used in investing activities | | (228,125,034) | (91,867,647) | (60,579,520) |
| Cash flows from financing activities | | | | |
| Total proceeds from loans | | — | — | 257,661,770 |
| Proceeds from long-term loans | | — | — | 249,359,440 |
| Proceeds from short-term loans | | — | — | 8,302,330 |
| Loans from related parties | | 69,204,437 | 31,680,253 | 37,096,734 |
| Payments on borrowings | | (5,654,112) | (5,534,483) | (182,345,064) |
| Payments on financial lease liabilities | | (1,889,685) | (2,592,237) | (1,744,003) |
| Repayments of loans from related parties | | (66,540,959) | (31,680,253) | (204,524,335) |
| Dividends paid | | (239,385,950) | (244,539,407) | (126,718,920) |
| Interest paid | | (47,195,320) | (44,320,297) | (76,403,433) |
| Other outflows of cash | | (478,035) | (4,848,787) | (222,675,977) |
| Net cash used in financing activities | | (291,939,624) | (301,835,211) | (519,653,228) |
| Net (decrease) increase in cash and cash equivalents before the effect of exchange rate changes | | (54,791,383) | 94,464,524 | (21,044,159) |
| Effect of exchange rate changes on cash and cash equivalents | | | | |
| Effect of exchange rate changes on cash and cash equivalents | | (4,245,853) | 2,076,138 | (14,207,725) |
| Net (decrease) increase in cash and cash equivalents | | (59,037,236) | 96,540,662 | (35,251,884) |
| Cash and cash equivalents at the beginning of the year | 7 | 211,027,141 | 114,486,479 | 149,738,363 |
| Cash and cash equivalents at the end of the year | 7 | 151,989,905 | 211,027,141 | 114,486,479 |

ENEL GENERACIÓN CHILE S.A. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**ENEL GENERACIÓN CHILE S.A. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31,
2018**

(In thousands of Chilean pesos — ThCh\$)

1. THE GROUP'S ACTIVITIES AND FINANCIAL STATEMENTS

Enel Generación Chile S.A (hereinafter the “Parent Company” or the “Company”) and its subsidiaries comprise the Enel Generación Chile Group (hereinafter the Enel Generación Chile or the “Group”).

Enel Generación Chile S.A. is a publicly traded corporation with a registered address and head office located at Avenida Santa Rosa, No. 76, in Santiago, Chile. The Company is registered in the securities register of the Financial Market Commission of Chile (“Comisión para el Mercado Financiero” or “CMF”, formerly Chilean Superintendence of Securities and Insurance, “Superintendencia de Valores y Seguros” or “SVS”) under number 114. In addition, the Company is registered with the Securities and Exchange Commission of the United States of America (hereinafter U.S. SEC). The Company’s shares have been listed on the New York Stock Exchange in the period between 1994 to December 31, 2018, date in which the Company requested before the SEC the delisting of the issued securities. As of this date, the American Depositary Shares issued by Enel Generación Chile ceased trading on the NYSE.

Enel Generación Chile S.A. is a subsidiary of Enel Chile S.A. (“Enel Chile”) a company which, in turn, is a subsidiary Enel S.p.A. (hereinafter “Enel”).

The Company was initially incorporated by a public deed dated December 1, 1943 under the name Empresa Nacional de Electricidad S.A. The Treasury Department’s Supreme Decree No. 97 of January 3, 1944 authorized the incorporation of the Company and approved its by-laws. The Company changed its name to Enel Generación Chile S.A. effective October 4, 2016, the date its by-laws were amended in connection with the corporate reorganization of the Group (see Note 5.2). For tax purposes, the Company operates under Chilean tax identification number 91.081.000-6.

As of December 31, 2018 the Group had 767 employees. During the year ended December 31, 2018, the Group averaged a total of 795 employees (see Note 36).

The Company’s corporate purpose consists of generating, transporting, producing, and distributing electrical energy. The purpose also includes investing in financial assets, developing projects, carrying out activities in the energy industry and in other fields in which electrical energy is essential, and participating in public civil or hydraulic infrastructure concessions in which it may participate directly or through subsidiaries or associate companies in Chile or abroad.

1.1 Enel Group Proposed Corporate Reorganization

Enel Generación Chile’s Board of Directors at its Extraordinary Session held on September 1, 2017, unanimously resolved to initiate all work and steps necessary to analyze the corporate reorganization proposed by our parent Enel Chile, in the terms applicable to Enel Generación Chile.

Enel Chile’s proposal consists of a corporate reorganization within Enel, which is intended to incorporate the renewable energy assets in Chile held through Enel Green Power Latin America S.A. (“EGPL”) with Enel Chile. EGPL is a subsidiary of Enel.

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The proposal also implies that the merger is contingent on the success of a Public Tender Offer (“Tender Offer”) to be carried out by Enel Chile for all of the shares of its subsidiary Enel Generación Chile held by non-controlling interests.

The Reorganization involved two principal phases, each of which is conditional on the implementation of the other, as follows:

(i) Public tender offer

Enel Chile presented a public tender offer (the “Tender Offer”) for all of the shares of its subsidiary Enel Generación Chile S.A. (“Enel Generación Chile”) held by non-controlling interests (equivalent to approximately 40% of the share capital). The Tender Offer consideration was paid in cash, subject to the condition that tendering Enel Generación Chile shareholders will have agreed to use a specified portion of the cash consideration to subscribe for shares or American Depositary Shares (“ADSs”) of Enel Chile (the “Share/ADS Subscription Condition”).

(ii) Merger

Once the Tender Offer declared successful, EGPL merged into Enel Chile (the “Merger.”) which was subject to approval by Enel Chile shareholders and the unanimous written consent of the shareholders of EGPL. Consequently, the renewable assets held by EGPL was integrated into Enel Chile.

On December 20, 2017, the Extraordinary Shareholder’s Meeting of Enel Generación Chile, for fulfilling one of the conditions of success of the Tender Offer, approved the amendment of the company’s bylaws to eliminate the limitations and restrictions established in Section XII of Decree No. 3.500.

Finally, on March 25, 2018, the amendments to Enel Chile’s by-laws were approved to reflect the agreements related to the merger, capital increase and expansion of Enel Chile’s corporate purpose, among other provisions. The Tender Offer took place between February 16 and March 22, 2018; the preferred shares were subscribed between February 15 and March 16, 2018 to cover the capital increase; and the reorganization of renewable assets (including the Merger) was completed and became effective as of April 2, 2018 and resulted in an increase of Enel Chile’s ownership in Enel Generación Chile from 59.98% to 93.55% and the merger of Enel Chile with EGPL effective as from this date.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Accounting principles

The consolidated financial statements as of December 31, 2018 of the Group, approved for issuance by the Company’s Board of Directors at its meeting held on April 26, 2019, have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements reflect the financial position of Enel Generación Chile and its subsidiaries at December 31, 2018 and 2017, and the results of its operations, changes in equity and cash flows for the year ended December 31, 2018, 2017, and 2016.

These consolidated financial statements present the figures for 2016 of the consolidated statement of comprehensive income, statement of consolidated cash flows, statement of changes in consolidated equity, and their corresponding notes.

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These consolidated financial statements have been prepared under going concern assumptions on a historical cost basis except, in accordance with IFRS, those assets and liabilities that are measured at a fair value.

These consolidated financial statements are presented in thousands of Chilean pesos (unless expressly stated otherwise), as the Chilean peso is the functional currency of the Company and the presentation currency of the Group. Foreign operations are incorporated in accordance with the accounting policies stated in Notes 2.7.3 and 3.m.

2.2 New accounting pronouncements

a) The following accounting pronouncements have been adopted by the Group effective as of January 1, 2018:

| <u>Standards and Interpretations</u> | <u>Mandatory Effective date</u> |
|-------------------------------------------------------------------|------------------------------------------------------|
| IFRS 9: Financial Instruments | Annual periods beginning on or after January 1, 2018 |
| IFRS 15: Revenue from Contracts with Customers | Annual periods beginning on or after January 1, 2018 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration. | Annual periods beginning on or after January 1, 2018 |

IFRS 9 Financial Instruments

IFRS 9 entered into force effective as of January 1, 2018, replacing IAS 39 “*Financial Instruments: Recognition and Measurement*.” This standard contains requirements in regards to the recognition, classification and measurement of financial assets, financial liabilities and certain purchase or sale contracts of non-financial items.

The Group adopted retrospectively without restating prior periods for transition in the first time application of this standard. The accumulated effect of this application was accounted for as an adjustment to the opening balance of retained earnings as of the initial application date. The Group has applied prospectively the hedge accounting requirements of IFRS 9.

Management conducted a detailed evaluation of the three aspects of the standard and its impact on the consolidated financial statements of the Group, which is summarized as follows:

Classification and measurement.

IFRS 9 introduces a new classification approach for *financial assets*, based on two concepts: the characteristics of the contractual cash flows of the financial assets and the business model of the entity. Under this new approach, the four classification categories of IAS 39 are replaced by the following three categories:

- amortized cost; if the financial assets are held within a business model whose objective is to collect contractual cash flows;

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- fair value through other comprehensive income, if the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; or
- fair value through profit or loss, a residual category which consists of financial instruments that are not held within any of the two business models previously discussed, including those held for trading and those designated at fair value on initial recognition.

For *financial liabilities*, IFRS 9 retains largely the existing requirements in IAS 39, with certain specific modifications, under which most of the financial liabilities are measured at amortized cost, and allowing the designation of a financial liability to be measured at fair value through profit or loss, if certain criteria are met.

However, IFRS 9 introduces new requirements for financial liabilities designated at fair value through profit or loss, which states that under certain circumstances, changes in fair value originated by the variation of an entity's own credit risk will be recognized in other comprehensive income.

Based on the business model and the characteristics of the contractual cash flows, the Group determined that the new classification requirements for financial assets did not have an impact on the consolidated statements. Most of the Group's financial instruments, i.e. loans and trade receivables amortized cost under IFRS 9. Except for equity instruments measured at fair value through other comprehensive income and derivative instruments measured at fair value through profit or loss (general treatment) or through other comprehensive income (hedge accounting), as appropriate.

Impairment.

The new impairment model in IFRS 9 is based on expected credit losses, as opposed to the incurred loss model in IAS 39. Consequently, under IFRS 9 impairment losses will be recognized, as a general rule, earlier than previous practice.

The new impairment model will be applied to financial assets measured at amortized cost and those measured at fair value through other comprehensive income, except for investments in equity instruments. Under IFRS 9, the allowance for impairment losses will be measured based on:

- 12 months expected credit losses; or
- Lifetime expected credit losses if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition.

The standard allows the application of a simplified approach for trade receivables, contract assets and lease receivables so that the impairment is always recognized in reference to the lifetime expected credit losses for the asset. The Group has chosen to apply this policy for the designated financial assets.

As of January 1, 2018, as a result of the application of the new impairment model, the Group recognized a charge, net of taxes, of ThCh\$141,284 to retained earnings.

Hedge accounting.

IFRS 9 introduces a new model for hedge accounting in order to more closely align the accounting treatment with risk management activities of the entities and to establish a new principle-based approach. The new model will enable entities to better reflect risk management activities in the financial statements, and allow more items to be eligible as hedged items, such as: non-financial risk components, net positions, and aggregated exposures (i.e., a combination of derivative and non-derivative exposure).

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The most significant changes in relation to hedging instruments compared to hedge accounting methodology in IAS 39, is the possibility to defer in other comprehensive income the time value of options, forward points in forward contracts, and foreign currency basis spread, until the hedged item impacts profit or loss.

IFRS 9 eliminates the current quantitative requirement for hedge effectiveness test, under which the results must be within a range of 80-125 percent. This will allow aligning hedge effectiveness with risk management by demonstrating the existence of an economic relationship between the hedging instrument and the hedged item, and enables the rebalancing of a hedging relationship if the risk management objective remains unchanged. However, retrospective ineffectiveness should continue to be valued and recognized in profit or loss.

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9, until the time the new requirements on macro-hedging are published and adopted. The Group has chosen to apply the new requirements of IFRS 9 on the date of its adoption.

The Group implemented changes in the systems, internal control, policies and procedures in order to comply with the new disclosures and accounting requirements of IFRS 9.

The application of the new hedge accounting model has not had an impact on the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB published IFRS 15 which is applicable to all contracts with customers, with certain exemptions. (lease and insurance contracts, financial instruments and non-monetary exchanges). The new revenue standard supersedes, effective as of January 1, 2018 all current revenue recognition standards:

- IAS 11 Construction Contracts;
- IAS 18 Revenue;
- IFRIC 13 Customer Loyalty Programs;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC-31 Revenue—Barter Transactions Involving Advertising Services.

This new Standard introduces a general framework for recognition and measurement of revenue, based on the core principle that revenues are recognized for an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to customers. This core principle shall be applied using a five-step approach to revenue recognition: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contracts; and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Group carried out an implementation project, to identify and measure the possible impacts of applying IFRS 15 on its consolidated financial statements. This project involved identifying all of the revenue flows of Enel Chile and its subsidiaries, knowledge of the traditional practices of the business, a comprehensive evaluation of each kind of contract with customers and determining the methodology for recording this revenue under the standards. The

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evaluation was performed paying special attention to those contracts presenting key aspects of IFRS 15 and particular characteristics of interest to the Group, such as identifying contractual obligations; contracts with multiple obligations and recognition timing; contracts with variable compensation; significant financing components; analysis of principal versus agent; existence of service guarantees; and recognition of costs to obtain and fulfill a contract.

Enel Generación Chile Group participates in the electrical energy generation, transmission and distribution business, and related activities. Based on the nature of the goods and services offered and the characteristic of its revenue flows streams, the Group did not identify any impact on the consolidated financial statements on the date of initial application of IFRS 15. For further details about the goods and services provided by the Company and revenue recognition criteria, see Note 3.p.

The Group implemented changes in the systems, internal control, policies and procedures in order to comply with the new disclosures and accounting requirements of IFRS 15.

The Group adopted the new standard on the required effective date using the retrospectively modified method. Prior to the application of IFRS 15 as of January 1, 2018, revenues were recognized according to IAS 18, which mainly stated that revenues were recognized when the risk and rewards inherent to ownership of the goods were transferred to the customer and that corresponds to the moment of the physical deliveries of energy and power, to the prices established in the respective contracts. The application has not had an impact on the Group's consolidated financial statement.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Interpretation clarifies the date of the transaction for the purpose of determining the exchange rate to use in foreign currency transactions when the consideration is paid or received before recognizing related revenues, expenses or assets. For this purposes, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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IFRIC 22 has been implemented by the Group as of January 1, 2018 and it has not generated an impact on the consolidated financial statements of Enel Generación Chile and its subsidiaries.

Amendments and Improvements

| <u>Amendments and Improvements</u> | <u>Mandatory Effective Date:</u> |
|------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Amendment to IFRS 2; <i>Classification and Measurement of Share-based Payment Transactions</i> | Annual periods beginning on or after January 1, 2018 |
| Amendment to IAS 40: <i>Transfers of Investment Property</i> | Annual periods beginning on or after January 1, 2018 |
| Annual Improvements to IFRS: Cycles 2014-2016 IFRS 1 and IAS 28 | Annual periods beginning on or after January 1, 2018 |

- **Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)**

The amendments to IFRS 2, Share-based Payment Transactions, developed through the IFRS Interpretations Committee, address the following issues:

- a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b) the classification of withholding tax obligations for share-based payment transactions with net settlement features; and
- c) the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

The amendments to IFRS 2, applied as of January 1, 2018, have not had any material impact on the consolidated financial statements of the Group.

- **Transfers of Investment Property (Amendments to IAS 40).**

The amendments to IAS 40 Investment Property clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments shall be applied prospectively.

The amendments to IFRS 40, applied as of January 1, 2018, have not had any material impact on the consolidated financial statements of the Group.

- **Annual Improvements to IFRS: Cycles 2014-2016 IFRS 1 and IAS 28**

IFRS 1 First-time Adoption of IFRS: Deletes the short-term exemptions in paragraphs E3—E7 of IFRS 1, because they have now served their intended purpose.

Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each

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investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, it may choose to maintain the fair value measurement applied to its associate or joint venture. Application of these improvements is on a retrospective basis.

The 2014-2016 annual improvements, applied as of January 1, 2018, have not had any material impact on the consolidated financial statements of the Group.

Accounting pronouncements with application effective as of January 1, 2019 and thereafter:

As of the date of issuance of these consolidated financial statements, the following accounting pronouncements had been issued by the IASB, but their application is not mandatorily effective:

New Standards and Interpretations

| Standards and Interpretations | Mandatory Effective date |
|-------------------------------------------------|-------------------------------------------------------|
| IFRS 16: <i>Leases</i> | Annual periods beginning on or after January 01, 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatments | Annual periods beginning on or after January 01, 2019 |
| Conceptual Framework (Revised) | Annual periods beginning on or after January 01, 2020 |

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 which establishes recognition, measurement, presentation and disclosure principles for lease agreements. IFRS 16 supersedes IAS 17 “Leases” and its interpretations, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases—Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The standard is effective for annual periods beginning on or after January 1, 2019.

Although IFRS 16 substantially retains the definition of a lease in IAS 17, the main change is the incorporation of the “control” concept within the new definition. In relation to the accounting treatment for a lessee and a lessor, the new Standard states the following:

- i. Lessee accounting: IFRS 16 requires lessees to account for all leases under a single model, similar to accounting for finance leases under IAS 17. As a result, at the date of commencement of a lease, the lessee will recognize on the statement of financial position a right to use asset and a lease liability for the future payments. Subsequent to initial recognition it will recognize in the statement of profit or loss the depreciation expense of the asset separately from the interest related to the liability. The standard provides two voluntary recognition exceptions for low-value leases and short-term leases.
- ii. Lessor accounting: does not change substantially from the current model of IAS 17. The lessor will continue to classify leases under the same principles of the current standard as operating or financial leases.

The Group carried out an assessment of the potential impact of IFRS 16 on its consolidated financial statements. Conducting this assessment required the use of professional judgment and assumptions, which are summarized below:

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- Analysis of the lease contracts executed by the Group companies in order to identify if they are within the scope of the standard. This analysis included not only the contracts in which Enel Generación Chile acts as a lessee, but also the contracts for the rendering of services and the contracts in which the Company acts as a lessor.
- Analysis that could benefit from the exemption from application of this Standard, because they are contracts with a maturity of less than 12 months or that have underlying assets of low individual value, such as: lease of certain office equipment (personal computers, printers and photocopiers) that are considered low value assets.
- Estimate of the lease terms, based on the non-cancellable period and the periods covered by the renewal options, the exercise of which is in the power of Enel Generación Chile and is considered reasonably certain.
- Estimate of the discount rate to calculate the present value of the lease payments. This is equal to the incremental rate of the lessee's loans when the interest rate implicit in the lease cannot be easily determined. For the transition, the Group has used the incremental borrowing rate from January 2019, defined as the interest rate that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a value similar to the right-of-use asset in a similar economic environment.

The implementation work also required a review of the processes and systems, including the internal control, in order to determine the most appropriate tool for the management of the information required for the application of the new standard, as well as the required disclosures in the consolidated financial statements.

For the transition of the new standard, the Group has decided to apply the following practical expedients:

- The Group decided not to re-evaluate if a contract is, or contains, a lease. Instead, it will apply the standard to contracts that were previously identified as leases by applying IAS 17 and IFRIC 4. Therefore, the Group will not apply the standard to contracts that were not previously identified as containing a lease.
- The Group has determined that it will apply the modified retrospectively transition method, whereby the restatement of comparative periods is not required and the cumulative effect of the initial application of the standard is presented as an adjustment to the opening balance of retained earnings (or another component of equity as applicable) on the date of initial application, recording the asset for the same value as the liability.
- Trust in its assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application and adjust the right-of-use asset at the date of initial application for the amount of any provision for onerous leases recognized in the financial statements immediately before the date of initial application.

The new standard had an impact on all Group entities that have lease contracts. The main issues that arise are those related to the lease of land, buildings and automobiles. As a result of the change of the accounting model for lessees, the Group expects an increase in non-current and current liabilities of approximately ThCh\$1,458,987 as of January 1, 2019, for the recognition of future payment obligations of lease contracts. In accordance with the chosen transition model, an increase in non-current assets for an equal amount is also expected, resulting from the recognition of the rights of use arising from those contracts.

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• IFRIC 23 — Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 to clarify the application of recognition and measurement requirements in IAS 12, *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances.

Uncertainty over income tax treatments can affect both current and deferred taxes. Recognizing the effects of uncertainty depends on whether the tax authority is likely or not to accept an uncertain tax treatment, assuming that the tax authority will examine the amounts that it is entitled to examine and has full knowledge of all the related information.

This interpretation is effective for annual periods beginning on or after January 1, 2019. Retrospective application is permitted. Management has assessed the effects of the application of IFRIC 23 and has determined that its adoption will not have any material impacts of Enel Generación Chile and subsidiaries as of its effective date.

• Conceptual Framework (Revised).

The IASB issued the Conceptual Framework (revised) in March 2018. It incorporates some new pronouncements, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important matters. Revisions to the Conceptual Framework may affect the application of IFRSs when no standard applies to a particular transaction or event.

The IASB has also issued a separate accompanying document, “Amendments to References to the Conceptual Framework in IFRS Standards,” which establishes amendments to other IFRSs in order to update references to the new Conceptual Framework.

The Conceptual Framework (Revised) is effective as of January 1, 2020. Management is assessing the potential impact of the application of the new Conceptual Framework on the consolidated financial statements of the Group.

Amendments and Improvements

| <u>Amendments and Improvements</u> | <u>Mandatory Effective date</u> |
|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| Amendment to IFRS 9; Prepayment Features with Negative Compensation | Annual periods beginning on or after January 01, 2019 |
| Amendment to IAS 28: Long-term interests in Associates and Joint Ventures | Annual periods beginning on or after January 01, 2019 |
| Annual Improvements to IFRS 2015 -2017 Cycle (IFRS 3, IFRS 11, IAS 12 and IAS 23). | Annual periods beginning on or after January 1, 2019. |
| Amendment to IAS 19: Plan Amendment, Curtailment or Settlement | Annual periods beginning on or after January 1, 2019 |
| Amendment to IAS 3: Definition of a Business | Annual periods beginning on or after January 1, 2020 |
| Amendments to IAS 1 and IAS 8 Definition of Material | Annual periods beginning on or after January 1, 2020 |
| IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture | Postponed indefinitely. Available for optional adoption |

- **Amendment to IFRS 9, Financial Instruments: Prepayment Features with Negative Compensation**

This amendment was issued on October 12, 2017. This amendment amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation prepayments.

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through profit or loss in other comprehensive income, provided that the contractual cash flows are only principal and interest payments on the outstanding principal and the instrument is carried out within the business model for that classification. The amendments to IFRS 9 are intended to clarify that a financial asset meets the criterion of “only principal payments plus interest”, regardless of the event or circumstance that causes the early termination of the contract or of which party pays or receives fair value compensation for the early termination of the contract.

The Amendments to IFRS 9 should be applied when the prepayment is close to the unpaid amounts of principal and interest in such a way that it reflects the change in the benchmark interest rate. This implies that prepayments at fair value or for an amount that includes the fair value of the cost of an associated hedging instrument will normally meet the criterion of only principal payments plus interest, only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are not present.

The amendments are applicable from January 1, 2019, retrospectively. Management considers that the application of these amendments will not have an impact on the consolidated financial statements of the Group.

- **Amendments to IAS 28: Long-term interests in Associates and Joint Ventures**

These amendments clarify that IFRS 9 *Financial Instruments* is applicable to an entity’s long-term interests in an associate or joint venture to which the equity method is not applied. This clarification is relevant because it implies that the expected credit loss model, described in IFRS 9, applies to these long-term interests. Entities should apply the amendments retrospectively, with certain exceptions.

The effective application date is January 1, 2019. Management considers that the application of these amendments will not have an impact on the consolidated financial statements of the Group.

- **Annual Improvements to IFRS: 2015 - 2017 Cycle (IFRS 3, IFRS 11, IAS 12 and IAS 23).**

IFRS 3 “*Business Combinations*” and IFRS 11 “*Joint Arrangements*”: clarifies the accounting for increases in ownership interest in a joint operation that meets the definition of a business. If a party maintains (or obtains) joint control, the previously held ownership interest is not remeasured. If a party obtains control, the transaction is a business combination in stages and the acquiring party remeasures the previously held ownership interest in the assets and liabilities of a joint operation, at fair value.

IAS 12 “*Income Taxes*” The amendments clarify that the income tax on dividends generated by financial instruments classified as equity is linked more directly to past transactions or events that generated distributable profits than to distributions to shareholders. Therefore, an entity recognizes income tax on dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those transactions or past events.

IAS 23 “*Borrowing Costs*” clarifies that loans that were specifically intended to finance qualifying assets that are now ready for use or sale (or any non-qualifying asset), become part of the entity’s general loan pool for the purpose of calculating the capitalization rate .

The improvements are effective for annual reporting periods beginning on or after January 1, 2019. Management considers that the application of these improvements will not have an impact on the consolidated financial statements of the Group.

- **Amendment to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 Employee Benefits, issued in February 2018, address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments to IAS 19 clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognized in other comprehensive income.

This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognized before. Changes in the effect of the asset ceiling are not netted against such amounts.

The amendments to IAS 19 apply to a plan amendment, curtailment or settlement that occur from January 1, 2019. Management considers that the application of these improvements will not have an impact on the consolidated financial statements of the Group.

- **Amendments to IFRS 3 “Definition of a Business”**

IFRS 3 *Business Combinations* was amended by the IASB in October 2018, to clarify the definition of business, in order to help entities to determine whether a transaction should be accounted for as a business combination or as the acquisition of an asset. To be considered as a business, an acquired set of activities and assets must include, at least, an input and a substantive process that together contribute significantly to the ability to create output. The amendment also adds guidance and illustrative examples to assess whether a substantial process has been acquired

The amendment is applicable prospectively to business combinations and acquisitions of assets, the acquisition date of which is from January 1, 2020. Earlier application is permitted. Management is evaluating the potential impact of the application of these amendments on the consolidated financial statements of the Group.

- **Amendments to IAS 1 and IAS 8 “Definition of Material or Materiality”**

In October 2018, the IASB amended IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, to improve the definition of “material” and the explanations accompanying the definition. The amendments ensure that the definition of material is consistent in all IFRS. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments will be applicable prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted. Management is evaluating the potential impact of the application of these amendments on the consolidated financial statements of the Group.

- **Amendments to IFRS 10 and IAS 28 “Sales or Contributions of Assets between an Investor and its Associate/Joint Venture”**

The amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, issued in September 2014, address a recognized inconsistency between the requirements of both standards in the treatment of the sale or contribution of assets between an investor and its associate or joint venture. The amendments establish that when the transaction involves a business (whether it is in a subsidiary or not) all the generated profit or loss is recognized. A partial gain or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are housed in a subsidiary.

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The mandatory application date of these amendments is to be determined because the IASB is awaiting the results of its research project on the accounting under the equity method.

These amendments must be applied retrospectively and early adoption is permitted, which must be disclosed. The Group will assess and apply these amendments when they are issued and effective.

2.3 Responsibility for the information, judgments and estimates provided

The Company's Board of Directors is responsible for the information contained in these consolidated financial statements and expressly states that all IFRS principles and standards, have been fully implemented.

In preparing the consolidated financial statements, certain judgments and estimates made by the Company's Management have been used to quantify some of the assets, liabilities, revenue, expenses and commitments recognized.

The most important areas where critical judgment was required are:

- The identification of cash generating units (CGU) for impairment testing (see Note 3.d).
- The hierarchy of information used to measure assets and liabilities at fair value (see Note 3.g).
- Application of the revenue recognition model in accordance with IFRS 15 (see Note 3.p).

The estimates refer basically to:

- The valuations performed to determine the existence of impairment losses in assets and goodwill (see Note 3.d).
- The assumptions used to calculate the actuarial liabilities and obligations with employees, such as discount rates, mortality tables, salary increases, etc. (see Notes 3.1.1 and 24).
- The useful lives of property, plant and equipment, and intangible assets (see Notes 3.a and 3.c).
- The assumptions used to calculate the fair value of financial instruments (see Notes 3.g and 19).
- Certain assumptions inherent in the electricity system affecting transactions with other companies, such as production, customer billings, energy consumption, that allow for estimation of electricity system settlements that occur on the corresponding final settlement dates, but that are pending as of the date of issuance of the consolidated financial statements and could affect the balances of assets, liabilities, income and expenses recognized in the financial statements (see Appendix 5.2).
- The probability that uncertain or contingent liabilities will be incurred and their related amounts (see Note 3.l).
- Future disbursements for closure of facilities and restoration of land, as well as associated discount rates to be used (see Note 3.a).
- The tax results of the various subsidiaries of the Group that will be reported to the respective tax authorities in the future, and that have been used as the basis for recording income taxes in these consolidated financial statements (see Note 3.o).
- The fair value of assets acquired and liabilities assumed, and any pre-existing interest in an entity acquired in a business combination.

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Although these judgments and estimates have been based on the best available information as of the issuance date of these consolidated financial statements, future events may occur that would require a change (increase or decrease) to these judgments and estimates in subsequent periods. This change would be made prospectively, recognizing the effects of this change in judgment and estimation in the corresponding future consolidated financial statements.

2.4 Subsidiaries

Subsidiaries are defined as those entities controlled either directly or indirectly by Enel Generación Chile S.A. Control is exercised if and only if the following conditions are met: the Company has i) power over the subsidiary; ii) exposure, or rights to variable returns from these entities; and iii) the ability to use its power to influence the amount of these returns.

Enel Generación Chile S.A has power over its subsidiaries when it holds the majority of the substantive voting rights or, should that not be the case, when it has rights granting the practical ability to direct the entities' relevant activities, that is, the activities that significantly affect the subsidiary's results.

The Group will reassess whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

Subsidiaries are consolidated as described in Note 2.7.

Appendix 1 "Enel Generación Chile Group Entities" to these consolidated financial statements, describes the relationship of the Company with each of its subsidiaries.

2.4.1 Changes in the scope of consolidation

On March 1, 2016, as part of the corporate reorganization and as a result of the spin-off described in Note 5.2, all subsidiaries that were part of the generation and distribution businesses outside of Chile have been deconsolidated, which are detailed in Appendix 2. The effects of this transaction in the consolidated financial statements of Enel Generación Chile are described in Note 5.2.

2.5 Investments in associates

Associates are those entities in which Enel Generación Chile, either directly or indirectly, exercises significant influence.

Significant influence is the power to participate in the financial and operational policy decisions of the associate but is not control or joint control over those policies. In assessing significant influence, the Group takes into account the existence and effect of potential exercisable voting rights or convertible rights at the end of each reporting period, including potential voting rights held by the Company or other entities. In general, significant influence is presumed to be those cases in which the Group has more than 20% of the voting power of the investee.

Associates are accounted for under equity method as described in Note 3.h.

Appendix 3 "Associates and Joint Ventures" to these consolidated financial statements, describes the relationship of the Company with each of these companies.

2.6 Joint arrangements

Joint arrangements are defined as those entities in which the Group exercises control under an agreement with other shareholders and jointly with them, in other words, when decisions on the entities' relevant activities require the unanimous consent of the parties sharing control.

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Depending on the rights and obligations of the participants, joint agreements are classified as:

- Joint venture: an agreement whereby the parties exercising joint control have rights to the entity's net assets. Joint ventures are incorporated to the consolidated financial statements using the equity method, as described in Note 3.h.
- Joint operation: an agreement whereby the parties exercising joint control have rights to the assets and obligations with respect to the liabilities relating to the arrangement. Joint operations are incorporated to the consolidated financial statements recognizing the interest in the assets and liabilities held in the joint operation. At the end of the reporting period, the Group does not have any joint arrangements that qualify as joint operations.

In determining the type of joint arrangement in which it is involved, the management of the Group assesses its rights and obligations arising from the arrangement by considering the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. If facts and circumstances change, the Group reassesses whether the type of joint arrangement in which it is involved has changed.

Currently, the Company is not involved in any joint arrangement that qualifies as a joint operation.

Appendix 3 "Associates and Joint Ventures" to these consolidated financial statements describes the relationship of the Company and each of these companies.

2.7 Basis of consolidation and business combinations

The subsidiaries are consolidated and all their assets, liabilities, revenues, expenses, and cash flows are included in the consolidated financial statements once the adjustments and eliminations from intra-group transactions have been made.

The comprehensive income of subsidiaries is included in the consolidated statement of comprehensive income from the date when the parent company obtains control of the subsidiary and until the date on which it loses control of the subsidiary.

The operations of the parent company and its subsidiaries have been consolidated under the following basic principles:

1. At the date the parent obtains control, the subsidiary's assets acquired and its liabilities assumed are recorded at fair value, except for certain assets and liabilities that are recorded using valuation principles established in other IFRS standards. If the fair value of the consideration transferred plus the fair value of any non-controlling interests exceeds the fair value of the net assets acquired, this difference is recorded as goodwill. In the case of a bargain purchase, the resulting gain is recognized in profit or loss for the period after reassessing whether all of the assets acquired and the liabilities assumed have been properly identified and following a review of the procedures used to measure the fair value of these amounts.

For each business combination, the Group chooses whether to measure the non-controlling interests in the acquiree at fair value or at the proportional share of the net identifiable assets acquired.

If the fair value of all assets acquired and liabilities assumed at the acquisition date has not been completed, the Group reports the provisional values accounted for in the business combination. During the measurement period, which shall not exceed one year from the acquisition date, the provisional values recognized will be adjusted retrospectively as if the accounting for the business combination had been completed at the acquisition date, and also additional assets or liabilities will be recognized to reflect new information obtained on events and circumstances that existed on the acquisition date, but which were unknown to the management at that time. Comparative information for prior periods presented in the financial statements is revised as needed,

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including making any change in depreciation, amortization or other income effects recognized in completing the initial accounting.

For business combinations achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss.

2. Non-controlling interests in equity and in comprehensive income of the subsidiaries are presented, respectively, under the line items "Total Equity: Non-controlling interests" in the consolidated statement of financial position and "Net income attributable to non-controlling interests" and "Comprehensive income (loss) attributable to non-controlling interests" in the consolidated statement of comprehensive income.
3. The financial statements of the Group companies with functional currencies other than the Chilean peso are translated as follows:
 - a. For assets and liabilities the prevailing exchange rate on the closing date of the financial statements is used.
 - b. For items of the comprehensive income, the average exchange rate for the period is used (unless this average is not a reasonable approximation of the cumulative effect of the exchange rates in effect on the dates of the transactions, in which case the exchange rate in effect on the date of each transaction is used).
 - c. For equity accounts the historical exchange rate from the date of acquisition or contribution is used, and retained earnings are translated at the average exchange rate at the date of origination.
 - d. Exchange differences arising in translation of financial statements are recognized in the item "Foreign currency translation gains (losses)" within the consolidated statement of comprehensive income in other comprehensive income (see Note 25.2).
4. The financial statements of the subsidiaries whose functional currency is that of a hyper-inflationary economy is first adjusted for the inflation effect, and any gain or loss in the net position is recognized in profit or loss; then all the items (assets, liabilities, equity items, expenses and revenue) are translated using the closing exchange rate corresponding to the closing date of the most recent statement of financial position
5. Balances and transactions between consolidated companies were fully eliminated in the consolidation process.
6. Changes in the ownership interests in subsidiaries that do not result in the Group obtaining or losing control are recognized as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to shareholders of the Parent.
7. Business combinations between entities under common control are accounted for using, as a reference, the 'pooling of interest' method. Under this method, the assets and liabilities involved in the transaction remain reflected at the same carrying amounts at which they were recognized in the ultimate controlling company, although subsequent accounting adjustments may need to be made to align the accounting policies of the companies involved.

Any difference between assets and liabilities contributed to the consolidation and the consideration paid is recorded directly in equity, as a charge or credit to "Other reserves". The Group does not restate comparative periods in its financial statements for business combinations under common control.

3. ACCOUNTING POLICIES

The main accounting policies used in preparing the accompanying consolidated financial statements are the following:

a) Property, plant and equipment

Property, plant and equipment are measured at acquisition cost, net of accumulated depreciation and any impairment losses they may have experienced. In addition to the price paid to acquire each item, the cost also includes, where applicable, the following:

- Financing expenses accrued during the construction period that are directly attributable to the acquisition, construction, or production of qualified assets, which require a substantial period of time before being ready for use such as, for example, electricity generation or distribution facilities. The Group defines “substantial period” as one that exceeds 12 months. The interest rate used is that of the specific financing or, if none exists, the weighted average financing rate of the company carrying out the investment (see Note 17.4.a).
- Employee expenses directly related to construction in progress (see Note 17.4.b).
- Future disbursements that the Group will have to make to close their facilities are incorporated into the value of the asset at fair value, recording in the accounting the corresponding provision for dismantling or restoration. The Group reviews its estimate of these future disbursements on a yearly basis, increasing or decreasing the value of the asset based on the results of this estimate (see Note 23).

Items for construction work in progress are transferred to operating assets once the testing period has been completed and they are available for use, at which time depreciation begins.

Expansion, modernization or improvement costs that represent an increase in productivity, capacity or efficiency, or a longer useful life are capitalized as increasing the cost of the corresponding assets.

The replacement or overhaul of entire components that increase the asset’s useful life or economic capacity are recognized as an increase in cost for the respective assets, derecognizing the replaced or overhauled components.

Expenditures for periodic maintenance, conservation and repair are recognized directly as an expense for the period in which they are incurred.

The Group, based on the outcome of impairment testing performed as explained in Note 3.d, considers that the carrying amount of assets does not exceed their recoverable amount.

Property, plant and equipment, net of its residual value, is depreciated by distributing the cost of the different items that comprise it on a straight-line basis over its estimated useful life, which is the period during which the Group companies expect to use the assets. Useful life estimates and residual values are reviewed on an annual basis and if appropriate, adjusted prospectively.

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The following are the main categories of property, plant and equipment with their respective estimated useful lives:

| Categories of Property, plant and equipment | Years of estimated useful lives |
|----------------------------------------------------|----------------------------------------|
| Buildings | 10 – 60 |
| Plant and equipment | 6 – 65 |
| IT equipment | 3 – 15 |
| Fixtures and fittings | 2 – 35 |
| Motor vehicles | 5 – 10 |

Additionally, the following table sets forth more details on the useful lives of plant and equipment items:

| Categories of Property, plant and equipment | Years of estimated useful lives |
|----------------------------------------------------|----------------------------------------|
| Generating facilities: | |
| Hydroelectric plants | |
| Civil engineering works | 10 – 65 |
| Electromechanical equipment | 10 – 45 |
| Coal / fuel plants | 20 – 40 |
| Combined cycle plants | 10 – 25 |
| Renewable energy power plants | 20 |
| Natural gas transport facilities: | |
| Pipelines | 20 |

Land is not depreciated since it has an indefinite useful life.

Gains or losses that arise from the sale or disposal of items of property, plant, and equipment are recognized as “Other gains (losses)” in the comprehensive income statement and are calculated by deducting the net carrying amount of the asset and any sales costs from the consideration received in the sale.

b) Goodwill

Goodwill arising from business combinations, and reflected upon consolidation, represents the excess value of the consideration paid plus the amount of any non-controlling interests over the Group’s share of the net value of the assets acquired and liabilities assumed, measured at fair value at the acquisition date. If the accounting for a business combination is completed within the following year after the acquisition date, and so is the goodwill determination, the entity recognizes the corresponding adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date (see Note 2.7.1).

Goodwill arising from acquisition of companies with functional currencies other than the Chilean peso is measured in the functional currency of the acquired company and translated to Chilean pesos using the exchange rate effective as of the date of the statement of financial position.

Goodwill is not amortized; instead, at the end of each reporting period or when there are indicators that an impairment might have occurred, the Company estimates whether any impairment loss has reduced its recoverable amount to an amount less than the carrying amount and, if so, its impairment loss is immediately recognized in profit or loss (see Note 3.d).

c) Intangible assets other than goodwill

Intangible assets are initially recognized at their acquisition cost or production cost, and are subsequently measured at their cost, net of their accumulated amortization and impairment losses they may have experienced.

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Intangible assets are amortized on a straight line basis during their useful lives, starting from the date when they are ready for use, except for those with an indefinite useful life, which are not amortized. As of December 31, 2018 and 2017, there are no significant amounts in intangible assets with an indefinite useful life.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal.

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The criteria for recognizing these assets' impairment losses and, if applicable, recovery of impairment losses recorded in previous periods are explained in Note 3.d below.

c.1) Research and development expenses

The Group recognizes the costs incurred in a project's development phase as intangible assets in the statement of financial position as long as the project's technical feasibility and future economic benefits have been demonstrated.

Expenditures on research activities are recognized as an expense in the period in which they are incurred.

c.2) Other intangible assets

Other intangible assets correspond to computer software, water rights, and easements. They are initially recognized at acquisition or production cost and are subsequently measured at cost less accumulated amortization and impairment losses, if any.

Computer software is amortized (on average) over four years. Easements and water rights have indefinite useful lives and, therefore, are not amortized.

d) Impairment of non-financial assets

During the period, and principally at the end of each reporting period, the Company evaluates whether there is any indication that an asset has been impaired. If any such indication exists, the Company estimates the recoverable amount of that asset to determine the amount of the impairment loss. In the case of identifiable assets that do not generate cash flows independently, the Company estimates the recoverable amount of the Cash Generating Unit (CGU) to which the asset belongs, which is understood to be the smallest identifiable group of assets that generates independent cash inflows.

Notwithstanding the preceding paragraph, in the case of CGUs to which goodwill or intangible assets with indefinite useful lives have been allocated, a recoverability analysis is performed routinely at each period end.

Recoverable amount is the higher of fair value less costs of disposal and value in use, which is defined as the present value of the estimated future cash flows. In order to calculate the recoverable amount of Property, plant, and equipment, as well as of goodwill, and intangible assets, the Company uses value-in-use criteria in practically all cases.

To estimate value in use, the Group prepares future pre-tax cash flow projections based on the most recent budgets available. These budgets incorporate management's best estimates of a CGUs' revenue and costs using sector projections, past experience and future expectations.

In general, these projections cover the next five years, estimating cash flows for subsequent years by applying reasonable growth rates which, in no case, are increasing rates nor exceed the average long-term growth rates

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for the particular sector and country in which the Group operates. As of December 31, 2018 future cash flows projections were extrapolated using the growth rate 3.1%.

Future cash flows are discounted to calculate their present value at a pre-tax rate that covers the cost of capital for the business activity and the geographic area in which it is being carried out. The time value of money and risk premiums generally used among analysts for the business activity and the geographic zone are taken into account to calculate the pre-tax rate. As of December 31, 2018, the Group applied the pre-tax discount rate 10.6%, expressed in nominal terms.

If the recoverable amount of the CGU is estimated to be less than its carrying amount, an impairment loss is recognized in the consolidated statement of comprehensive income in the line item "Reversal of impairment loss (impairment loss) recognized in profit or loss". The impairment is first allocated to reduce the carrying amount of any goodwill allocated to the CGU, and then on a pro rata basis to the other carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of fair value less costs of disposal, its value in use; or zero.

Impairment losses recognized for an asset (other than goodwill) in prior periods are reversed when there are indications that the impairment loss no longer exists or may have decreased, thus increasing the asset's carrying amount with a credit to earnings. The increase in the asset's carrying amount shall not exceed that carrying amount that would have been determined had no impairment loss been recognized for the asset. Goodwill impairment losses are not reversed in subsequent periods.

e) Leases

In order to determine whether an arrangement is, or contains, a lease, the Group assesses the economic substance of the agreement, in order to determine whether fulfillment of the arrangement depends on the use of a specific asset and whether the agreement conveys the right to use an asset. If both conditions are met, at the inception of the arrangement the Group separates the payments and other considerations relating to the lease, at their fair values, from those corresponding to other components of the agreement.

Leases that substantially transfer all the risks and rewards of ownership to the Group are classified as finance leases. All others leases are classified as operating leases.

Finance leases in which the Group acts as a lessee are recognized at the inception of the arrangement. At that time, the Group records an asset based on the nature of the lease and a liability for the same amount, equal to the fair value of the leased asset or the present value of the minimum lease payments, if the latter is lower. Subsequently, the minimum lease payments are apportioned between finance expenses and reduction of the lease obligation. Finance expenses are recognized immediately in the income statement and allocated over the lease term, so as to achieve a constant interest rate on the remaining balance of the liability. Leased assets are depreciated on the same terms as other similar depreciable assets, as long as there is reasonable certainty that the lessee will acquire ownership of the asset at the end of the lease. If no such certainty exists, the leased assets are depreciated over the shorter of the useful lives of the assets and their lease term.

In the case of operating leases, payments are recognized as an expense in the case of the lessee and as income in the case of the lessor, both on a straight-line basis, over the term of the lease unless another type of systematic basis of distribution is deemed more representative.

f) Financial instruments

Financial instruments are contracts that give rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

f.1) Financial assets other than derivatives

The Group classifies its non-derivative financial assets, whether permanent or temporary, excluding investments accounted for using the equity method (see Notes 3.h and 14) and non-current assets and disposal groups held for sale (see Note 3.j), into three categories.

- **Amortized cost:** This category includes the financial assets that meet the following conditions (i) the business model that supports it aims to maintain the financial assets to obtain the contractual cash flows, and (ii) the contractual terms of financial assets give rise on specific dates to cash flows that are solely payments of principal and interest (SPPI criterion).

Financial assets that meet the conditions established in IFRS 9, to be valued at amortized cost in the Group are: accounts receivable, loans and cash equivalents. These assets are recorded at amortized cost, which is the initial fair value, less repayments of principal, plus uncollected accrued interest, calculated using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and allocating the finance income or financial expenses throughout the relevant period. The effective interest rate is the discount rate that exactly matches the estimated cash flows to be received or paid over the expected useful life of the financial instrument (or, when appropriate, in a shorter period of time), with the net carrying amount of the financial asset or financial liability.

- **Financial Assets Recorded at Fair Value through Other Comprehensive Income:** This category includes the financial assets that meet the following conditions: (i) they are classified in a business model, the purpose of which is to maintain the financial assets both to collect the contractual cash flows and to sell them, and (ii) the contractual conditions comply with the SPPI criterion.

These investments are recognized in the consolidated statement of financial position at fair value when it is possible to determine reliably. In the case of holding in unlisted companies or companies with low liquidity, it is usually not possible to determine the fair value reliably. Therefore, when this circumstance occurs, such holdings are valued at their acquisition cost or for lower amount if there is evidence of their impairment.

Changes in fair value, net of their tax effect, are recorded in the consolidated statement of comprehensive income: Other comprehensive income, until such time as the disposal of these investments takes place, at which time the accumulated amount in this section is fully posted in the profit or loss for the period.

In the event that the fair value is lower than the acquisition cost, if there is objective evidence that the asset has suffered an impairment that cannot be considered as temporary, the difference is recorded directly in the losses for the period.

- **Financial Assets Recorded at Fair Value through Profit or Loss:** This category includes the trading portfolio of the financial assets that have been allocated as such upon their initial recognition and which are administered and assessed according to the fair value criterion, and the financial assets that do not meet the conditions to be classified in the two above categories.

They are valued at fair value in the consolidated statement of financial position and any changes in value are recorded directly in profit or loss when they occur.

f.2) Cash and cash equivalents

This item within the consolidated statement of financial position includes cash and bank balances, time deposits with original maturity of less than or equal to 90 days, and other highly liquid investments (with original

maturity of less or equal to 90 days) that are readily convertible to cash and are subject to insignificant risk of changes in value.

f.3) Impairment of financial assets

Under IFRS 9, the Group applies an impairment model based on expected credit losses. The new impairment model is applied to financial assets measured amortized cost and those measured at fair value through other comprehensive income, except for investments in equity instruments.

Under IFRS 9, the allowance for impairment losses are measured based on:

- 12 months expected credit losses; or
- Lifetime expected credit losses if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition.

The Group applies a simplified approach for trade receivables, contract assets and lease receivables so that the impairment is always recognized in reference to the lifetime expected credit losses for the asset.

f.4) Financial liabilities other than derivatives

Financial liabilities are recognized based on cash received, net of any costs incurred in the transaction. In subsequent periods, these obligations are measured at their amortized cost using the effective interest method (see Note 3.f.1).

In the particular case that a liability is the hedged item in a fair value hedge, as an exception, such liability is measured at its fair value for the portion of the hedged risk.

In order to calculate the fair value of debt, both when it is recognized in the statement of financial position and for fair value disclosure purposes as shown in Note 21, debt has been divided into fixed interest rate debt (hereinafter “fixed-rate debt”) and variable interest rate debt (hereinafter “floating-rate debt”). Fixed-rate debt is that on which fixed-interest coupons established at the beginning of the transaction are paid explicitly or implicitly over its term. Floating-rate debt is that debt issued at a variable interest rate, i.e., each coupon is established at the beginning of each period based on the reference interest rate. All debt has been measured by discounting expected future cash flows with a market interest rate curve based on the payment currency.

f.5) Derivative financial instruments and hedge accounting

Derivatives held by the Group are transactions entered into to hedge interest and/or exchange rate risk, intended to eliminate or significantly reduce these risks in the underlying transactions being hedged.

Derivatives are recognized at fair value at the end of each reporting period as follows: if their fair value is positive, they are recognized within “Other financial assets”; and if their fair value is negative, they are recognized within “Other financial liabilities”. For derivatives on commodities, the positive fair value is recognized in “Trade and other receivables”, and negative fair values are recognized in “Trade and other payables”.

Changes in fair value are recognized directly in profit or loss, except when the derivative has been designated for hedge accounting purposes as a hedge instrument (in a cash flow hedge) and all of the conditions for

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applying hedge accounting established by IFRS are met, including that the hedge be highly effective. In this case, changes are recognized as follows:

- **Fair value hedges:** The underlying portion for which the risk is being hedged (hedged risk) and the hedge instrument are measured at fair value, and any changes in value of both items are recognized in the consolidated statement of comprehensive income by offsetting the effects in the same comprehensive income statement account.
- **Cash flow hedges:** Changes in the fair value of the effective portion of the hedged item and hedge instrument are recognized in other comprehensive income and accumulated in an equity reserve known as “Reserve for cash flow hedges”. The cumulative loss or gain in this reserve is transferred to the consolidated statement of comprehensive income to the extent that the hedged item impacts the consolidated statement of comprehensive income because of the hedged risk, offsetting the effect in the same comprehensive income statement account. Gains or losses from the ineffective portion of the hedging relationship are recognized directly in the consolidated statement of comprehensive income.

Hedge accounting is discontinued only when the hedging relationship (or a part of the relationship) fails to meet the required criteria, after making any rebalancing of the hedging relationship, if applicable. If it is not possible to continue the hedging relationship, including when the hedging instrument expires, is sold, settled or exercised, any gain or loss accumulated in equity at that date remains in the equity until the projected transaction affects the statement of income. When a projected transaction is no longer expected to occur, the gain or loss accumulated in equity is immediately transferred to the income statement.

As a general rule, long-term commodity purchase or sale agreements are recognized in the consolidated statement of financial position at their fair value at the end of each reporting period, recognizing any differences in value directly in profit or loss, except for, when all of the following conditions are met:

- The sole purpose of the agreement is for its own use, which is understood as: (i) in the case of fuel purchase agreements its used to generate electricity; (ii) in the case of electrical energy purchased for sale, its sale to the end-customers; and, (iii) in the case of electricity sales its sale to the end-customers.
- The Group’s future projections evidence the existence of these agreements for its own use.
- Past experience with agreements evidence that they have been utilized for its own use, except in certain isolated cases when for exceptional reasons or reasons associated with logistical issues have been used beyond the control and projection of the Group.
- The agreement does not stipulate settlement of differences and the parties have not made it a practice to settle similar contracts with differences in the past.

The long-term commodity purchase or sale agreements maintained by the Group, which are mainly for electricity, fuel, and other supplies, meet the conditions described above. Thus, the purpose of fuel purchase agreements is to use them to generate electricity, electricity purchase contracts are used to sell to end-customers, and electricity sale contracts are used to sell its own products.

The Group also evaluates the existence of derivatives embedded in contracts or financial instruments to determine if their characteristics and risk are closely related to the principal contract, provided that when taken as a whole they are not being accounted for at fair value. If they are not closely related, they are recognized separately and changes in value are accounted for directly in the statement of comprehensive income.

f.6) Derecognition of financial assets and liabilities

Financial assets are derecognized when:

- The contractual rights to receive cash flows from the financial asset expire or have been transferred or, if the contractual rights are retained, the Company has assumed a contractual obligation to pay these cash flows to one or more recipients.
- The Group has substantially transferred all the risks and rewards of ownership of the financial asset, or, if it has neither transferred nor retained substantially all the risks and rewards, when it does not retain control of the financial asset.

Transactions in which the Group retains substantially all the inherent risks and rewards of ownership of the transferred asset, it continues recognizing the transferred asset in its entirety and recognizes a financial liability for the consideration received. Transactions costs are recognized in profit and loss by using the effective interest method (see Note 3.f.1).

Financial liabilities are derecognized when they are extinguished, that is, when the obligation arising from the liability has been paid or cancelled, or has expired.

f.7) Offsetting of financial assets and liabilities

The Group offsets financial assets and liabilities, and the net amount is presented in the statement of financial position only when:

- there is a legally binding right to offset recognized amounts; and
- the company intends to settle them on a net basis, or to simultaneously realize the asset and settle the liability.

The right of offset may only be legally enforceable in the normal course of business, or in the event of default, or in the event of insolvency or bankruptcy, of one or all of the counterparties.

f.8) Financial guarantees

The financial guarantee contracts, defined as the guarantees issued by the Company and its subsidiaries to third parties, are initially measured at their fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, financial guarantee contracts are recognized at the higher of:

- The amount determined in accordance with the accounting policy in Note 3.1; and
- The amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the revenue recognition policies described in Note 3.p.

g) Fair value measurement

The fair value of an asset or liability is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market, namely, the market with the greatest volume and level of activity for that asset or liability. In the

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absence of a principal market, it is assumed that the transaction is carried out in the most advantageous market available to the entity, namely, the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability.

In estimating fair value, the Group uses valuation techniques that are appropriate for the circumstances and for which there is sufficient data to conduct the measurement, maximizes the use of relevant observable data and minimizes the use of unobservable data.

Given the hierarchy of the entry data used in the valuation techniques, assets and liabilities measured at fair value can be classified at the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The methods and assumptions used to determine the fair values at Level 2 by type of financial assets or financial liabilities take into consideration estimated future cash flows discounted at market rates. Future cash flows for financial assets and financial liabilities are discounted with the zero coupon interest rate curves for each currency (these valuations are carried out using external tools such as Bloomberg); and

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). When measuring fair value, the Group takes into account the characteristics of the asset or liability, particularly:

- For non-financial assets, fair value measurement takes into account the ability of a market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use;
- For liabilities and equity instruments, the fair value measurement assumes that the liability would not be settled and an equity instrument would not be cancelled or otherwise extinguished on the measurement date. The fair value of the liability reflects the effect of non-performance risk, namely, the risk that an entity will not fulfill the obligation, which includes, but is not limited to, the Company's own credit risk;
- For derivatives not traded on active markets, the fair value is determined by using the discounted cash flow method and generally accepted options valuation models, based on current and future market conditions as of the close of the financial statements. This methodology also adjusts the value based on the Company's own credit risk (Debt Valuation Adjustment, DVA), and the counterparty risk (Credit Valuation Adjustment, CVA). These CVA and DVA adjustments are measured on the basis of the potential future exposure of the instrument (creditor or borrower position) and the risk profile of both the counterparties and the Group itself;
- For financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risks, it is permitted to measure the fair value on a net basis. However, this must be consistent with the manner in which market participants would price the net risk exposure at the measurement date.

Financial assets and liabilities measured at fair value are presented in Note 21.

h) Investments accounted for using the equity method

The Group's interests in joint ventures and associates are recognized using the equity method.

Under the equity method, an investment in an associate or joint venture is initially recognized at cost. As of the acquisition date, the investment is recognized in the statement of financial position based on the share of its

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equity that the Group's interest represents in its capital, adjusted for, if appropriate, the effect of transactions with subsidiaries plus any goodwill generated in acquiring the company. If the resulting amount is negative, zero is recognized for that investment in the statement of financial position, unless the Group has a present obligation (either legal or implicit) to support the company's negative equity position, in which case a provision is recognized.

Goodwill from the associate or joint venture is included in the carrying amount of the investment. It is not amortized but is subject to impairment testing as part of the overall investment carrying amount when there are indicators of impairment.

Dividends received from these companies are deducted from the value of the investment, and any profit or loss obtained from them to which the Group is entitled based on its interest is recognized under "Share of profit (loss) of investments accounted for using equity method".

Appendix 3 "Associates and Joint Ventures" to these consolidated financial statements, describes the relationship of the Company with each of these companies.

i) Inventories

Inventories are measured at their weighted average acquisition cost or the net realizable value, whichever is lower. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories includes all costs of purchase and all necessary costs incurred in bringing the inventories to their present location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

j) Non-current assets and disposal groups and liabilities associated held for sale or distribution to owners and discontinued operations

Non-current assets (including property, plant and equipment, intangible assets, investments accounted for using the equity method and joint ventures) and disposal groups (a group of assets to be disposed of and the liabilities directly associated with those assets) are classified as:

- held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use; or
- held for distribution to owners when the entity is committed to distribute the assets (or disposal groups) to the owners.

For this to be the case, the assets must be available for immediate sale or distribution in their present condition and the sale or distribution must be highly probable. For the sale or distribution to be highly probable, actions to complete the sale or distribution must have been initiated and should be expected to be completed within one year from the date of classification.

Actions required to complete the sale or distribution should indicate that it is unlikely that significant changes to the sale or distribution will be made or that the sale or distribution will be withdrawn. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the sale or distribution is highly probable.

Non-current assets or disposal groups held-for-sale or held for distribution to owners are measured at the lower of their carrying amount and fair value less costs to sell or costs to distribute, as appropriate.

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Depreciation and amortization on these assets cease when they meet the criteria to be classified as non-current assets held for sale or held for distribution to owners.

Assets that are no longer classified as held for sale or held for distribution to owners, or are no longer part of a disposal group, are measured at the lower of their carrying amounts before being classified as held for sale or held for distribution less any depreciations, amortizations or revaluations that would have been recognized if they had not been classified as held for sale or held for distribution to owners and their recoverable amount at the date of subsequent decision where would be reclassified as non-current assets.

Non-current assets held for sale or held for distribution to owners and the components of the disposal groups classified as held for sale or held for distribution to owners are presented in the consolidated statement of financial position as a line item entitled “Non-current assets and disposal groups held for sale or distribution to owners”, and the respective liabilities are presented as a line item entitled “Liabilities associated with disposal groups held for sale or distribution to owners”.

The Group classifies as discontinued operations those component of the Group that either have been disposed of, or are classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The components of profit or loss after taxes from discontinued operations and the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or groups constituting the discontinued operation are presented as a single line item in the consolidated comprehensive income statement as “Income after tax from discontinued operations”.

k) Treasury shares

Treasury shares are deducted from equity in the consolidated statement of financial position and measured at acquisition cost.

Gains and losses from the disposal of treasury shares are recognized directly in “Equity — Retained earnings”, without affecting profit or loss for the period.

l) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). The unwinding of the discount is recognized as a finance cost. Incremental legal cost expected to be incurred in resolving a legal claim is included in measuring of the provision.

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Provisions are reviewed at the end of each reporting period and adjusted to reflect the current, best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A contingent liability does not result in the recognition of a provision. Legal costs expected to be incurred in defending a legal claim are expensed as they are incurred. Significant contingent liabilities are disclosed unless the likelihood of an outflow of resources embodying economic benefits is remote.

l.1) Provisions for post-employment benefits and similar obligations

The Company and some of the subsidiaries have pension and similar obligations with their employees. These obligations, which can be defined benefits and defined contributions, are basically formalized through pension plans, except for certain non-monetary benefits, mainly electricity supply commitments, which, due to their nature, have not been externalized and are covered by the related in-house provisions.

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Past service costs relating to changes in benefits are recognized immediately.

The defined benefit plan obligations in the statement of financial position represent the present value of the accrued obligations, adjusted, once the fair value of the different plans' assets has been deducted, if any.

Actuarial gains and losses arising in measurement of both the plan liabilities and the plan assets are recognized directly in other comprehensive income.

m) Translation of foreign currency balances

Transactions carried out by each entity in a currency other than its functional currency are recognized using the exchange rates prevailing as of the date of the transactions. During the period, any differences that arise between the prevailing exchange rate at the date of the transaction and the exchange rate as of the date of collection or payment are recognized as "Foreign currency exchange losses, net" in the consolidated statement of comprehensive income.

Likewise, at the end of each reporting period, receivable or payable balances denominated in a currency other than each entity's functional currency are translated using the closing exchange rate. Any differences are recognized as "Foreign currency exchange losses, net" in the consolidated statement of comprehensive income.

The Group has established a policy to hedge the portion of revenue from its subsidiaries that is directly linked to variations in the U.S. dollar, through obtaining financing in such currency. Exchange differences related to this debt, which is regarded as the hedging instrument in cash flow hedge transactions, are recognized, net of taxes, in other comprehensive income and are accumulated in an equity reserve and reclassified to profit or loss when the hedged cash flows impact profit or loss. This term has been estimated at ten years.

n) Current/non-current classification

In these consolidated statements of financial position, assets and liabilities expected to be recovered or settled within twelve months are presented as current items, except for post-employment and other similar obligations. Those assets and liabilities expected to be recovered or settled in more than twelve months are presented as non-current items. Deferred income tax assets and liabilities are classified as non-current.

When the Group has any obligations that mature in less than twelve months but can be refinanced over the long term at the Group's discretion, through unconditionally available credit agreements with long-term maturities, such obligations are classified as long-term liabilities.

o) Income taxes

Income tax expense for the period is determined as the sum of current taxes from the Group's different subsidiaries and results from applying the tax rate to the taxable income for the period, after permitted deductions have been made, plus any changes in deferred tax assets and liabilities and tax credits, both for tax losses and deductions. Differences between the carrying amount and tax basis of assets and liabilities generate deferred tax assets and liabilities, which are calculated using the tax rates expected to apply when the assets and liabilities are realized or settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized for all deductible temporary differences, tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits exist to recover the deductible temporary differences and make use of the tax credits. Such deferred tax asset is not recognized if the deductible temporary difference arises from the initial recognition of an asset or liability that:

- Did not arise from a business combination; and
- At initial recognition affected neither accounting profit nor taxable profit (loss).

With respect to deductible temporary differences associated with investments in subsidiaries, associates and joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilized.

Deferred tax liabilities are recognized for all temporary differences, except those derived from the initial recognition of goodwill and those that arose from investments in subsidiaries, associates and joint ventures in which the Group can control their reversal and where it is probable that they will not be reversed in the foreseeable future.

Current tax and changes in deferred tax assets or liabilities are recognized in profit or loss or in equity, depending on where the gains or losses that triggered these tax entries have been recognized.

Any tax deductions that can be applied to current tax liabilities are credited to earnings within the line item "Income tax expenses", except when doubts exist about their tax realization, in which case they are not recognized until they are effectively realized, or when they correspond to specific tax incentives, in which case they are recognized as government grants.

At the end of each reporting period, the Group reviews the deferred taxes assets and liabilities recognized, and makes, if any, necessary corrections based on the results of its review.

Deferred tax assets and deferred tax liabilities are offset in the consolidated statement of financial position if has a legally enforceable right to set off current taxes receivable against current tax liabilities, and only when the deferred taxes relate to income taxes levied by the same taxation authority.

p) Revenue and expense recognition

Revenue is recognized when (or as) the control over a good or service is transferred to the customer. Revenue is measured based on the consideration to which it is expected to be entitled for said transfer of control, excluding the amounts collected on behalf of third parties.

The Group analyzes and takes into consideration all relevant facts and circumstances for revenue recognition, applying the five step of the model established by IFRS 15: 1) Identifying the contract with a customer; 2) Identifying the performance obligations; 3) Determining the transaction price; 4) Allocating the transaction price; and 5) Recognizing revenue.

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The following are the criteria for revenue recognition by type of good or service provided by the Group:

- Electricity supply (sale and transportation): Corresponds to a single performance obligation that transfers to the customer a number of different goods/services that are substantially the same and that have the same transfer pattern. Since the customer receives and simultaneously consumes the benefits provided by the Company, it is considered a performance obligation satisfied over time. In these cases, Enel Chile applies an output method to recognize revenue in the amount to which it is entitled to bill for electricity supplied to date.

Revenue is recorded according to the physical deliveries of energy and power, at the prices established in the respective contracts; at the prices stipulated in the electricity market by the current regulations; or at the marginal cost of energy and power, depending on whether free customers, regulated customers or energy trading in the spot market, are involved, respectively.

These revenues include an estimate of the service provided and not billed, until the closing date of the financial statements (see Note 2.3 , Note 26 and Appendix 5.2).

- Sale and Transportation of Gas: Revenue is recognized over time, based on the actual physical deliveries of gas in the period of consumption, at the prices established in the respective contracts.
- Other services: mainly the provision of supplementary services to the electricity business, construction of works and engineering and consulting services. Customers control committed assets as they are created or improved. Therefore, the Company recognizes this revenue over time based on the progress, measuring progress through output methods (performance completed to date, milestones reached, etc.), or costs incurred (resources consumed, hours of labor spent, etc.), as appropriate in each case.

In contracts in which multiple committed goods and services are identified, the recognition criteria will be applied to each separately identifiable performance obligation of the transaction, based on the control transfer pattern of each such separable good or service and an independent selling price allocated to each of them, or to two or more transactions jointly, when these are linked to contracts with customers that are negotiated with a single commercial purpose and the goods and services committed represent a single performance obligation and their selling prices are not independent.

Enel Generación Chile, determines the existence of significant financing components in its contracts, adjusting the value of the consideration if applicable, to reflect the effects of the time value of money. However, the Group applies the practical expedient provided by IFRS 15, and will not adjust the value of the consideration committed for the purpose of a significant financing component since the Company expects, at the beginning of the contract, that the period between the payment and the transfer of goods or service to the customer is one year or less.

The Group excludes the gross revenue of economic benefits received when acting as an agent or broker on behalf of third parties from the revenue figure. The Group only records as revenue the payment or commission to which it expects to be entitled.

Given that the Company mainly recognizes revenue for the amount to which it has the right to invoice, it has decided to apply the practical disclosure solution provided in IFRS 15, through which it is not required to disclose the aggregate amount of the transaction price allocated to the obligations of performance not met (or partially not met) at the end of the reporting period.

In addition, the Group evaluates the existence of incremental costs of obtaining a contract and costs directly related to the fulfillment of a contract. These costs are recognized as an asset, if their recovery is expected, and amortized in a manner consistent with the transfer of the related goods or services. The incremental costs of obtaining a contract are recognized as an expense, if the amortization period of such would have been

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recognized is one year or less. Costs that do not qualify for capitalization are recognized as expenses at the time they are incurred, unless they are explicitly attributable to the customer.

Interest revenue (expenses) is (are) recorded considering the effective interest, rate applicable to the remaining unpaid principal during the corresponding accrual period.

q) Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to shareholders of the Parent (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period, excluding the average number of shares of the Parent held by the Group.

Total basic earnings per share are calculated as the ratio of the net profit for the year after tax from continuing and discontinued operations, less the corresponding portion attributable to non-controlling interests, and the weighted average number of common shares of the parent company outstanding during the period, excluding the average number of shares of the parent held by the Group.

r) Dividends

Article No. 79 of the Chilean Corporations Act Law No.18,046 establishes that, unless unanimously agreed otherwise by the shareholders of all issued shares, listed corporations must distribute a cash dividend to shareholders on an annual basis, pro rata to the shares owned or the proportion established in the company's by-laws if there are preferred shares, of at least 30% of profit for each year, except when accumulated deficit from prior years must be absorbed.

As it is practically impossible to achieve a unanimous agreement given the Group's highly fragmented share capital, at the end of each reporting period the amount of the minimum statutory dividend obligation to its shareholders is determined, net of dividends approved during the period, and then accounted for in "Trade and other payables" and "Accounts payable to related parties", as appropriate, and recognized in Equity.

The provisional and final dividends are deducted from Equity when approved by the competent body, which in the first case is normally the Board of Directors and in the second case is the shareholders as agreed at an Ordinary Shareholders' Meeting.

s) Statement of cash flows

The statement of cash flows reflects changes in cash and cash equivalents that took place during the period, determined with the direct method. It uses the following expressions and corresponding meanings:

- **Cash flows:** inflows and outflows of cash or cash equivalents, which are defined as highly liquid investments maturing in less than three months with a low risk of changes in value.
- **Operating activities:** the principal revenue-producing activities of the Group and other activities that cannot be considered investing or financing activities.
- **Investing activities:** the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- **Financing activities:** activities that result in changes in the size and composition of the total equity and borrowings of the Group.

4. SECTOR REGULATIONS AND ELECTRICITY SYSTEM OPERATIONS

1) Regulatory framework

The electricity sector is regulated by the General Law of Electrical Services No. 20,018 (Chilean Electricity Law), also known as DFL No. 1 of 1982, of the Ministry of Mining — whose compiled and coordinated text was established in DFL No. 4 issued in 2006 by the Ministry of Economy (the Electricity Law) — as well as by an associated Regulation (D.S. No. 327 issued in 1998).

The main authority in energy matters is the Ministry of Energy, which is responsible for proposing and driving public policies for energy matters, strengthening coordination and expediting a comprehensive look at the sector. It was born on February 1, 2010 as an autonomous agency, after years of being part of the Ministry of Mines.

Answering to the Ministry of Energy are the regulatory agency of the power sector (the National Energy Commission) and the regulatory and administrative agency (Superintendency of Electricity and Fuels). The Ministry also has the Chilean Nuclear Energy Commission (CChEN), with Agency of Energy Sustainability.

The CNE, which has the authority to propose regulated tariffs (node prices) and to approve plans for the construction of new generating units. Besides, the SEF, supervises and oversees compliance with the laws, regulations, and technical standards that govern the generation, transmission, and distribution of electricity, as well as liquid fuels, and gas.

Furthermore, the law considers a Panel of Experts, made up of experts whose main function is to resolve any discrepancies occurring with regard to matters stipulated in the Electricity Law and in the application of other laws involving energy matters, by means of binding decrees.

The law establishes a National Electric Coordinator, independent figure from the public law, in command of the operation and coordination of the Chilean electric system, which main objectives are: i) Preserve the security of the service, ii) Guarantee the economic operation of the interconnected facilities of the electric system and iii) Guarantee the free access to the transmission systems. Among its main activities are: Electric Market coordination, connection authorization, complementary management, public information implementation system, competition and payment chain audit, among others.

From a physical viewpoint, the Chilean electrical sector is divided into three electrical grids: the *Sistema Eléctrico Nacional* (“SEN”), and two separate medium-size grids located in southern Chile, one in Aysén and the other in Magallanes. The SEN was created in November 2017 with the interconnection of the Sistema Interconectado Central (“SIC”) and Sistema Interconectado del Norte Grande (“SING”). Until the interconnection, the SIC constituted the main electrical grid of Chile, which extended longitudinally 2,400 km and connected the country from Taltal in the north to Quellón, on the island of Chiloé in the south. Besides, the SING covered the northern part of the country, from Arica down to Coloso a length of some 700 km.

The Chilean power industry has basically three activities — Generation, Transmission and Distribution. Power facilities associated with these three activities are obligated to operate in an interconnected, coordinated manner, with the main purpose of providing the market with electrical energy at minimum cost and within the standards of service quality and safety required by the electricity regulations.

As essential services, the power transmission and distribution businesses are natural monopolies; these segments are regulated as such by the Electricity Law, which requires free access to networks and regulates rates.

Two products (Energy and Power) and sundry services are provided in the electricity market. In particular, the National Electricity Coordinator is in charge of making the balances, determining the respective transfers

between generating companies and calculating the marginal hourly cost, at which price the energy transfers are valued. For its part, the CNE determines the Power prices.

Consumers are classified according to the size of their demand into regulated or unregulated customers. Regulated customers are those that have a connected capacity of less than 5,000 kW. Without detriment to the above, customers with a connected power of between 500 kW and 5,000 kW may opt for a regulated or unregulated rates system.

Limits on integration and concentration

Chile has legislation in effect that defends free competition and, together with specific regulations that apply to the electricity market, defines criteria to avoid certain levels of economic concentration and/or abusive market practices.

In principle, the regulator allows the participation of companies in different activities (e.g. generation, distribution, and transmission) as long as there is an adequate separation of each activity, for both accounting and company purposes. Nevertheless, most of the restrictions imposed involve the transmission sector mainly due to its nature and to the need to guarantee adequate access to all agents. The Chilean Electricity Law establishes limits for participation of generation or distribution companies in the Trunk Transmission Systems and prohibits participation of Trunk Transmission Systems companies in the generation and distribution segment.

1.1. Generation segment

Generation companies must comply with the operation plan of the CISEN. However, each generation company is free to decide whether to sell its energy and capacity to regulated or unregulated customers. Any surplus or deficit between a company's sales to its customers and its energy supply is sold to, or purchased from, other generators at the spot market price.

A power generation company may have the following types of customers:

- (i) Unregulated customers: Are customers mainly industrial and mining companies, with a connected capacity higher than 5,000 kW. These consumers can freely negotiate prices for electrical supply with generators and/or distributors.
- (ii) Distribution companies that supply power to regulated customers: distinguishing supply from its regulated and free customers. For the supply of their regulated customers, the distribution companies buy energy from the generating companies through Participation in public tenders regulated by the CNE for the supply to their free customers through bilateral contracts.
- (iii) Other Generation Companies in Spot market: The relationship between generating companies can occur through bilateral contracts or due to transfers. This represents energy and capacity transactions among generating companies that result from the CISEN's coordination to keep the system running as economically as possible, where the surpluses (deficits) between a generator's energy supply and the energy it needs to comply with business commitments are transferred through sales (purchases) to (from) other generators in the CISEN, valued at the marginal cost, while node prices for capacity are set every semester by the regulators.

In Chile, the capacity that must be paid to each generator depends on an annual calculation performed according to current regulations by the CISEN, to determine the sufficiency capacity of each power plant, a value that depends mainly on the availability both of the facilities as such, and of the generation resource according to the technology.

Non-Conventional Renewable Energy

Law No. 20,257 was enacted in April of 2008 to encourage the use of Non-Conventional Renewable Energy (“NCRE”). The principal aspect of this law is that at least 5% of the energy sold by generation companies to their customers must come from renewable sources between years 2010 and 2014. This requirement progressively increases by 0.5% from 2015 until 2024, when a 10% renewable energy requirement will be reached. This law was amended in 2013 by Law No. 20,698, dubbed the “20/25 law,” as it establishes that by 2025, 20% of energy supplied will be generated by NCRE. It does not change the previous law’s plan for supplying energy under agreements in effect in July 2013.

1.2. Transmission segment

The transmission segment is comprised of a combination of lines, substations and equipment for the transmission of electricity from the production points (generators) to the centers of consumption or distribution, which do not correspond to distribution facilities. The transmission segment is divided into National Transmission System, Development Poles Transmission System, Zonal Transmission System, Dedicated Transmission System and International Interconnection Systems.

The transmission system is open access, and transmission companies may impose rights of way over the available transmission capacity under non-discriminatory conditions. The fees of the existing facilities of the National Transmission System and Zonal Transmission System is determined through a tariff setting process that is carried out every four years. In that process, the Annual Value of the Transmission is determined, which comprises efficient operation and maintenance costs and the annuity of the investment value, determined on the basis of a discount rate fixed by the authority on a quarterly basis (minimum 7% after tax) and the economic useful life of the facilities.

The planning of the National and Zonal Transmission Systems corresponds to a regulated and centralized process, where the CISEN annually issues an expansion plan, which must be approved by the CNE.

The expansions of both systems are carried out through open tenders, distinguishing between new projects and expansion of existing facilities projects. For new projects open tenders are considered, being the successful bidder the owner of the facilities. In the case of expansion of existing facilities, the owner of the original facilities is also the owner of its extension and has the obligation to tender its construction, but it has to be tendered. Both types of tenders are managed by the Coordinator.

The bids correspond to the value resulting from the tender, which constitutes the income for the first 20 years from the start of operation. On the other hand, the fees from the new facilities compose by the investment value resulting from the tender offer and the operation and maintenance applicable cost. As of the year 21, the fees of such transmission facilities are determined as if they were existing facilities.

The current regulations define that the transmission is remunerated by the sum of the tariff revenues and the collection of a single charge for the use of the transmission system. This charge is defined (ChP\$ / kWh) by the CNE, on a half-yearly basis.

1.3. Distribution segment

The distribution segment is defined for regulatory purposes as all electricity supplied to end customers at a voltage no higher than 23 kV.

Distribution companies operate under a public service concession regime, having the obligation to provide service to all customers and clients submitted to regulated tariffs (clients with a connected capacity inferior to 5,000 kW, except for clients between 500 and 5,000 kW- connected capacity who exercise their option to opt for an unregulated tariff). It should be noted, that clients with an unregulated tariff could negotiate their supply

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with any supplier (distribution or generation company) by paying a regulated usage charge for the use of the distribution network.

Regarding price regulation, the Chilean Electricity Law establishes that the distribution companies must permanently have available energy supply, on the basis of open, non-discriminatory and transparent public tenders. These bidding processes are managed by the CNE and are carried out at least five years in advance. The result of the process is a “pay as bid” contract, with an extension up to 20 years. In case of unforeseen deviations in the projections of demand, the regulator has the authority to carry out a short-term tenders. In addition, a reimbursement mechanism exists allowing supply without contract.

The tariffs setting for this segment are set every four years on the basis of costs studies in order to determine the distribution value added (VAD). VAD determination is based on an enterprise outline efficient model and concept of typical area.

Certainly, for the process of determining VAD, the CNE classifies companies with similar distribution costs by groups named “typical areas”. For each typical area both, the CNE and the distribution companies, commission studies to independent consultants to determine the associated costs with an efficient model company considering fixed costs, average energy and power losses and standard investment, maintenance and operating costs associated with the distribution. The calculation of the annual investment costs considers the New Replacement Value (NRV) of the facilities adapted to the demand, their useful life and an update rate equal to a real annual 10%.

The VAD is obtained by weighting the results of the commissioned studies by the CNE and the companies with a ratio of 2:3 and 1:3, respectively. Based on this result, the CNE structures basic tariffs and verifies that the aggregate profitability of the industry is within the established range of 10% with a margin of $\pm 4\%$.

Additionally, every four years a review of Services Associated with the calculation of VAD is carried out, which do not represent energy supply and which the Free Competition Court qualifies as subject to tariff regulation.

The Chilean distribution tariff model is a robust model, which already had eight cycles of tariff settings since the enactment of the General Electric Services Law in 1982.

2) Regulatory Developments in 2018

CNE 2018 Regulatory Plan

By means of Exempt Resolution No. 20 dated January 12, 2018, in accordance with the provisions of Article 72-19 of the General Electric Services Law, CNE published its Annual Work Plan for the preparation of the technical regulations for 2018. The document defines the general guidelines and the programmatic priorities of the CNE’s Regulatory Work Plan 2018 and the pending regulatory procedures of the , the preparation of which will continue being performed during 2018.

CNE 2019 Regulatory Plan

By means of Exempt Resolution No. 790 dated December 10, 2018, in accordance with the provisions of Article 72-19 of the General Electric Services Law, CNE published its Annual Work Plan for the preparation of the technical regulations for 2019. The document defines the general guidelines and the programmatic priorities of the CNE’s Regulatory Work Plan 2019 and the pending regulatory procedures of the 2018 Plan, the preparation of which will continue being performed during 2019.

Regulations Published in 2018

Panel of Experts Regulations On January 5, 2018, the Chilean Department of Energy published new Regulations for the Panel of Experts in the Official Gazette. The purpose of these regulations is to establish provisions for the operation, financing and competencies of the Panel of Experts, as well as the procedures necessary for the proper performance of its functions.

Regulations of the Electrical Coordinator On April 3, 2018, the Chilean Department of Energy approved the Regulations of the Independent Coordinator of the National Electricity System. The purpose of these regulations is to establish provisions for the organization, composition and operation of the Independent Coordinator of the National Electricity System, as well as the procedures necessary for the proper performance of its functions.

Safety Regulations of Complementary Services, Storage and Distribution of Electric Power On June the Chilean Department of Energy approved the Safety Regulations for Electrical Facilities for the production, transportation, provision of complementary services, storage systems and distribution of electric power.

3) Energy Tenders

Under the new law for energy tenders, three bidding processes have been carried out: Supply Bidding No. 2015/01, Supply Bidding No. 2015/02 and Supply Bidding No. 2017/01.

Supply Bidding No. 2015/02 was launched in June 2015 and finalized in October 2015. The final outcome of the process resulted in three energy blocks awarded for a total of 1.2 TWh (100%) per year at a weighted average price of US\$79.3 per MWh.

Supply Bidding No. 2015/01 was launched in May 2015 and finalized in July 2016. The final outcome of the process resulted for a total of 12.4 TWh/year (100%) to 84 companies at a weighted average price of US\$47.6 per MWh, with new players being incorporated into the market.

The main award of Supply Bidding No. 2015/01 was Enel Generación Chile with 5.918 TWh per year, which represents a 47.6% of the total energy awarded.

Supply Bidding No. 2017/01 was launched in January 2017 and finalized in November 2017. The final outcome of the process resulted in five blocks awarded for a total of 2.2 TWh/year (100%) to 5 companies at a weighted average price of US\$32.5 per MWh.

As in the previous process, the main successful bidder was Enel Generación Chile, which was awarded supply contracts of 1.2 TWh/year, representing 54% of the total awarded.

5. NON-CURRENT ASSETS OR GROUPS OF ASSETS FOR DISPOSAL CLASSIFIED AS HELD FOR SALE OR HELD FOR DISTRIBUTION TO OWNERS

5.1 Sale of Electrogas S.A. - Non-current assets and disposal groups held for sale

On December 16, 2016, Enel Generación Chile signed a share purchase agreement with Aerio Chile SpA (hereinafter “Aerio Chile”), which is indirectly wholly-owned subsidiary of Redes Energeticas Nacionais, S.G.P.S. S.A. (“REN”). In accordance with the agreement Enel Generación Chile agreed to sell its entire ownership interest in Electrogas S.A., representing 42.5% of the issued capital of that company. The total price was US\$180 million, which was paid on the transaction closing date. Finally, the amount collected was ThCh\$115,582,806 and originated a pre-tax gain of ThCh \$ 105,311,912.

The sale of this investment to Aerio Chile was subject to satisfaction of customary conditions precedent for this type of transactions, which includes, among others, the non-exercise by the other shareholders of Electrogas S.A. of the preferential acquisition rights, which they were entitled to in accordance with the terms and conditions established in the shareholders agreement.

At the end of the fiscal year 2016, the investment made by Enel Generación Chile in Electrogas was ThCh\$12,993,008 and following the criteria described in Note 3.j, was classified as a non-current asset available for sale.

The closing of the transaction and transfer of the investment occurred in February 7, 2017. The cash consideration received was ThCh\$115,582,806 and was recognized a gain on sale before taxes of ThCh\$105,311,912 (see Notes 7.c and 31, respectively).

Electrogas S.A.’s corporate purpose is to provide services of transportation of natural gas and other fuels, on its own and on behalf of third parties. In order to provide its services, it can build, operate and maintain gas and oil pipelines, polyducts and supplementary facilities.

5.2 Corporate reorganization

I. General background

On April 28, 2015, the Company informed the SVS Commission for the Financial Market through a significant event notice, that the Board of Directors of its direct parent at that time, Enersis S.A. (currently named Enel Américas S.A.), communicated that it had decided to initiate an analysis of a corporate reorganization aimed at the separation of the activities of power generation and distribution in Chile from other activities conducted outside of Chile by Enersis S.A. (currently named Enel Américas S.A.) and its subsidiaries Empresa Nacional de Electricidad S.A. (the Company, currently named Enel Generación Chile S.A.) and Chilectra S.A. (currently named Enel Distribución Chile S.A.), while maintaining its inclusion in the Enel S.p.A. Group.

In the same significant event notice, the Board of Directors of the Company reported that it had agreed to initiate studies to analyze a possible corporate reorganization consisting of the spin-off of its businesses in Chile from those outside of Chile, and the subsequent merger of the latter into a single company. Furthermore, it indicated that the objective of this reorganization was to create value for all of its shareholders, as none of these operations require the contribution of additional resources from shareholders. The possible corporate reorganization would take into account the best interests as well as all shareholders’ interests, with special attention paid to minority interests, and if it were approved, it would be subject to approval at an Extraordinary Shareholders’ Meeting.

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This corporate reorganization consisted of two steps:

- Each of Enersis S.A. (currently Enel Américas S.A.) and its subsidiaries Endesa Chile and Chilectra S.A. would effect a spin-off, resulting in separation (the “Spin-off”) of the businesses in Chile and outside of Chile.
- Once the previously mentioned spin-off transactions were completed, Enersis S.A. (currently named Enel Américas S.A.) would absorb by merger the newly created companies, Endesa Américas S.A. and Chilectra Américas S.A., to which the businesses outside of Chile would be allocated, and would dissolve them without liquidation.

On December 18, 2015, the Extraordinary Shareholders’ Meeting of the Company approved the demerger, subject to the conditions precedent consistent in approving the demergers of Enersis S.A. (currently Enel Américas S.A.) and Chilectra S.A. (currently Enel Distribución Chile S.A.) by their respective Extraordinary Shareholders’ Meetings, in addition to the relevant legal procedures and related matters. Also, it was agreed that the demerger would take effect from the first calendar day of the month following that in which a deed of compliance with conditions of the demerger is granted.

On March 1, 2016, having satisfied all conditions precedent, the demerger of the Company became effective and the new entity Endesa Américas S.A. began to exist, to which were allocated the shareholdings and other associated assets and liabilities of the businesses outside of Chile. Consequently, the corresponding capital decrease of the Company and other amendments to its by-laws were verified (see Note 23). On the same date, all of Enersis S.A. ownership interest in the Company were transferred to Enersis Chile S.A. (currently named Enel Chile S.A.) the new entity created from the demerger of Enersis S.A. (currently named Enel Américas S.A.) to which were allocated the generation and distribution businesses in Chile.

II. Accounting aspects

As of December 31, 2015, upon compliance with the criteria in IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, the following financial accounting treatment was applied:

i) Assets and liabilities

All assets and liabilities related to the generation and distribution business outside of Chile (including Enel Brasil, and distribution subsidiaries) were classified as “non-current assets and disposal groups held for sale or distribution to owners” or “liabilities associated with non-current assets and disposal groups held for sale or distribution to owners”, as appropriate, according to the accounting policy indicated in Note 3.j.

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ii) Profit and loss

All income and expenses related to generation and distribution business located outside of Chile (Enel Brasil, distribution subsidiaries), subject to distribution to owners, represent discontinued operations and are presented in the “Income after tax from discontinued operations” line within the consolidated statement of comprehensive income.

The following table sets forth the breakdown by nature of the line item “Income from discontinued operations, net of taxes” for the two months ended February 29, 2016:

| | <u>Discontinued operations</u> <u>For 2 months ended</u> <u>02-29-2016</u> <u>ThCh\$</u> |
|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| STATEMENTS OF COMPREHENSIVE INCOME | |
| Revenues | 229,074,809 |
| Other operating income | 6,648,363 |
| Revenues and Other Operating Income | 235,723,172 |
| Raw materials and consumables used | (95,953,531) |
| Contribution Margin | 139,769,641 |
| Other work performed by the entity and capitalized | 1,187,538 |
| Employee benefits expense | (11,608,563) |
| Impairment losses | (906,638) |
| Other expenses | (16,295,714) |
| Operating Income | 112,146,264 |
| Other gains, net | 41,806 |
| Financial income | 2,779,987 |
| Financial costs | (21,056,624) |
| Share of profit and losses of investments accounted for using the equity method | 6,375,719 |
| Foreign currency exchange gains (losses), net | 25,485,086 |
| Profit before income taxes | 125,772,238 |
| Income tax expense | (46,199,793) |
| NET PROFIT for the year from discontinued operations | 79,572,445 |
| Income from discontinued operations Attributable to | |
| Shareholders of the parent | 39,759,035 |
| Non-controlling interests | 39,813,410 |
| TOTAL COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS | 79,572,445 |

iii) Accumulated other comprehensive loss in equity

The accumulated other comprehensive loss amounts in equity reserves associated with assets and liabilities held for distribution to owners is as follows:

| | <u>Discontinued operations</u> <u>For 2 months ended</u> <u>02-29-2016</u> <u>ThCh\$</u> |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Reserves originated from | |
| Exchange differences in foreign currency translation | (263,741,101) |
| Cash flow hedges | (8,696,789) |
| Gains and losses on remeasuring available-for-sale financial assets | (118,662) |
| Other miscellaneous reserves | (2,561,252) |
| Total | (275,117,804) |

As a result of the classification of the generation and distribution activities located outside of Chile as discontinued operations, these business lines are not disclosed in Note 34 “Information by Segment”.

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iv) Cash flows

The following table sets forth the net cash flows from operating, investing and financing activities attributable to discontinued operations for the two month period ended February 29, 2016:

| | <u>Discontinued operations</u> <u>For 2 months ended</u> <u>02-29-2016</u> <u>ThCh\$</u> |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Summary of the net cash flows | |
| Net cash provided by operating activities | 69,011,031 |
| Net cash used in investing activities | (25,947,761) |
| Net cash provided by (used in) financing activities | 80,160,648 |
| Net increase (decrease) in cash and cash equivalents before the effect of exchange rate changes | 123,223,918 |
| Effect of exchange rate changes on cash and cash equivalents | (24,284,612) |
| Net increase in cash and cash equivalents | 98,939,306 |
| Cash and cash equivalents at the beginning of the year | 112,313,130 |
| Cash and cash equivalents at the end of the year | 211,252,436 |

III. Other information

The Spin-off by the Company triggered the Company's obligation to pay taxes in Peru for a total amount of 577 million Peruvian Soles (ThCh\$ 116,053,255). This tax, paid during March 2016, was generated as a result of the application of the Peruvian Income Tax Law to the transfer of the ownership interests, which the Group held in Peru, to Endesa Américas S.A. The tax is calculated as the difference between the disposal value and the acquisition cost of the ownership interests.

Because this payment was directly linked to the Spin-off, the effect has been recognized directly in equity, specifically in other reserves, following the nature of the principal transaction (transaction with shareholders in their capacity as owners).

6. ARGENTINA'S HYPERINFLATIONARY ECONOMY

Since July 2018 Argentina's economy is considered hyper-inflationary under the provisions of International Accounting Standard No. 29 - Financial Reporting in Hyperinflationary Economies. A number of qualitative and quantitative criteria led to this qualification; chief among them is the cumulative inflation rate over three years exceeding 100%.

In accordance with the provisions of IAS 29, the financial statements of the Argentine branch owned by GasAtacama Group in which Enel Generación Chile has an interest have been retrospectively restated by applying a general price index to the historical cost, in order to reflect changes in the purchasing power of the Argentine currency as of the closing date of these financial statements.

Considering that Enel Generación Chile functional and presentation currency is not that of a hyper-inflationary economy, according to the guidelines of IAS 29, the restatement of comparative periods is not required in the Group's consolidated financial statements.

The general price indices used at the close of the reporting periods are as follows:

| | <u>General price index (*)</u> |
|-----------------------------------------------------------|--------------------------------|
| Historical inflation accumulated up to December 31, 2017. | 82.52% |
| From January to December 2018 | 47.83% |

(*) Source National Institute of Statistics and Censuses of Argentina (INDEC, in its Spanish acronym).

Following, a summary of the effect on consolidated comprehensive income of Enel Generación:

| | <u>12-31-2018</u> <u>ThCh\$</u> |
|------------------------------------------|------------------------------------|
| Hyperinflation results | |
| Intangible assets other than goodwill | 180 |
| Property, plant and equipment | 1,035,084 |
| Equity | (3,743,959) |
| Other Services Provision | (1,189,452) |
| Other Variable Provisioning and Services | 21,503 |
| Employee benefits expenses | 143,148 |
| Other Fixed Operating Expenses | 147,975 |
| Financial income | (268,511) |
| Financial costs | 67,707 |
| Total Hyperinflation (*) | <u>(3,786,325)</u> |

(*) Corresponds to the financial effect from the application of IAS 29 "Financial Reporting in Hyperinflationary Economies", which arises from gain/loss on the net position of monetary assets and liabilities, as defined by IAS 29. This profit or loss is determined by restating non-monetary assets and liabilities, as well as those income statement accounts that have not already been updated (see Note 32).

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7. CASH AND CASH EQUIVALENTS

a) The detail of cash and cash equivalents as of December 31, 2018 and 2017, is as follows:

| | Balance as of | |
|----------------------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Cash and cash equivalents | | |
| Cash balances | 7,372 | 37,174 |
| Bank balances | 25,684,852 | 29,018,083 |
| Time deposits | 5,778,935 | 5,963,417 |
| Other fixed-income instruments | 120,518,746 | 176,008,467 |
| Total | 151,989,905 | 211,027,141 |

Time deposits included in cash and cash equivalents represent interest-bearing time deposits with original maturity of less or equal to 90 days. Other fixed-income investments are mainly comprised of repurchase agreements with original maturities of less than or equal to 90 days. There is no significant available cash held by the Group that is restricted.

b) The detail of cash and cash equivalents by currency is as follows:

| | Balance as of | |
|-----------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Currency | | |
| Chilean peso | 137,208,062 | 190,978,864 |
| Argentine peso | 6,057,793 | 6,263,344 |
| U.S. dollar | 8,670,454 | 13,784,933 |
| Euros | 53,596 | — |
| Total | 151,989,905 | 211,027,141 |

c) The following table presents the proceeds received from the sale of ownership interest in the associate Electrogas S.A.:

| | 31-12-2018 M\$ | 31-12-2017 M\$ |
|------------------------------------------------------|-------------------|--------------------|
| Loss of significant influence in Associate | | |
| Amounts received for the sale of Electrogas S.A. (*) | — | 115,582,806 |
| Total | — | 115,582,806 |

(*) See Note 5.1

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d) Reconciliation of liabilities arising from financing activities:

| | Balance as of 01-01-2018 ThCh\$ | Financing Cash Flows | | | | Non-Cash Changes | | | | Balance as of 12-31-2018 ThCh\$ |
|------------------------------------------------------|---------------------------------------|----------------------|---------------------|-------------------------|---------------------|------------------------------------|-------------------------------------------|---------------------------|-------------------------|---------------------------------------|
| | | From ThCh\$ | Used ThCh\$ | Interest paid ThCh\$ | Total ThCh\$ | Changes in fair value ThCh\$ | Foreign exchange differences ThCh\$ | Financial costs ThCh\$ | Other changes ThCh\$ | |
| Liabilities arising from financing activities | | | | | | | | | | |
| Bank loans | 109 | — | — | (22,681) | (22,681) | — | — | 22,576 | — | 4 |
| Unsecured obligations | 763,579,585 | — | (5,654,112) | (42,860,557) | (48,514,669) | — | 66,096,234 | 45,333,098 | — | 826,494,248 |
| Finance leases | 14,608,914 | — | (1,889,685) | (739,070) | (2,628,755) | — | 1,757,221 | 739,070 | — | 14,476,450 |
| Financial derivatives for hedging | (29,478,642) | — | — | (3,496,889) | (3,496,889) | 48,389,489 | 34,349,104 | 3,569,025 | (7,676,501) | 45,655,586 |
| Loans to related parties | 985 | 69,204,437 | (66,540,959) | (76,123) | 2,587,355 | — | — | 543,601 | (755,371) | 2,376,570 |
| Other obligations | — | — | (478,035) | — | (478,035) | — | — | 478,035 | — | — |
| Total | 748,710,951 | 69,204,437 | (74,562,791) | (47,195,320) | (52,553,674) | 48,389,489 | 102,202,559 | 50,685,405 | (8,431,872) | 889,002,858 |

| | Balance as of 01-01-2017 ThCh\$ | Financing Cash Flows | | | | Non-Cash Changes | | | | Balance as of 12-31-2017 ThCh\$ |
|------------------------------------------------------|---------------------------------------|----------------------|---------------------|-------------------------|---------------------|------------------------------------|-------------------------------------------|---------------------------|-------------------------|---------------------------------------|
| | | From ThCh\$ | Used ThCh\$ | Interest paid ThCh\$ | Total ThCh\$ | Changes in fair value ThCh\$ | Foreign exchange differences ThCh\$ | Financial costs ThCh\$ | Other changes ThCh\$ | |
| Liabilities arising from financing activities | | | | | | | | | | |
| Bank loans | 4,172 | — | (4,156) | (169) | (4,325) | — | — | 262 | — | 109 |
| Unsecured obligations | 802,306,161 | — | (5,530,327) | (43,514,578) | (49,044,905) | — | (33,226,098) | 43,544,427 | — | 763,579,585 |
| Finance leases | 17,749,647 | — | (1,781,064) | (811,172) | (2,592,236) | — | (1,359,668) | 811,171 | — | 14,608,914 |
| Financial derivatives for hedging | 23,640,893 | — | — | (3,543,399) | (3,543,399) | (25,059,561) | (23,488,915) | 3,473,938 | (4,501,598) | (29,478,642) |
| Loans to related parties | 39,211 | 31,680,253 | (31,680,253) | (805,551) | (805,551) | — | — | 767,325 | — | 985 |
| Other obligations | — | — | — | (1,305,388) | (1,305,388) | — | — | 1,305,388 | — | — |
| Total | 843,740,084 | 31,680,253 | (38,995,800) | (49,980,257) | (57,295,804) | (25,059,561) | (58,074,681) | 49,902,511 | (4,501,598) | 748,710,951 |

8. OTHER FINANCIAL ASSETS

The detail of other financial assets as of December 31, 2018 and 2017 is as follows:

| | Balance as of | | | |
|--------------------------------------------------------------------------|-------------------|-----------------------|-------------------|-----------------------|
| | 12-31-2018 | | 12-31-2017 | |
| | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ |
| Other Financial Assets | | | | |
| Financial assets at fair value with change in profit or loss | — | — | — | 6,353 |
| Financial assets at fair value with change in other comprehensive income | 269,031 | 2,326,484 | — | 2,595,342 |
| Hedging derivatives (*) | 38,169,894 | — | 20,038,433 | 30,789,703 |
| Non- hedging derivatives | 41,022 | 36,086 | 402,716 | — |
| Financial assets measured at amortized cost | 84,580 | — | 82,127 | — |
| Total | 38,564,527 | 2,362,570 | 20,523,276 | 33,391,398 |

(*) See Note 21.2.a.

9. OTHER NON-FINANCIAL ASSETS AND LIABILITIES**a. Other non-financial assets**

Details of other non-financial assets as of December 31, 2018 and 2017 are as follows:

| | Balance as of | |
|------------------------------------------------------|-------------------|-------------------|
| | 12-31-2018 | 12-31-2017 |
| | ThCh\$ | ThCh\$ |
| Other current non-financial assets | | |
| VAT Tax Credit and Other Taxes | 7,780,245 | 10,913,120 |
| Other | 3,057,997 | 2,223,339 |
| Total | 10,838,242 | 13,136,459 |
| Other non-current non-financial assets | | |
| PPM water rights | 5,763,496 | 5,300,052 |
| Spare parts with consumption schedule over 12 months | 4,324,153 | 5,444,789 |
| Deposits in guarantee | 1,379,970 | 1,379,970 |
| Other | 1,077,680 | 728,648 |
| Total | 12,545,299 | 12,853,459 |

b. Other non-financial liabilities

Details of other non-financial liabilities as of December 31, 2018 and 2017 are as follows:

| | Balance as of | |
|-------------------------------------------------------|-------------------|-------------------|
| | 12-31-2018 | 12-31-2017 |
| | ThCh\$ | ThCh\$ |
| Other current non-financial liabilities | | |
| VAT Dedit Tax and Other Taxes | 22,542,716 | 12,721,365 |
| Tax for the payment of the Central Eólica Canela S.A. | — | 6,795,376 |
| Other | — | 47,957 |
| Total | 22,542,716 | 19,564,698 |

10. TRADE AND OTHER RECEIVABLES

i. The detail of trade and other receivables as of December 31, 2018 and 2017 is as follows:

| Trade and Other Receivables, Gross | Balance as of | | | |
|-------------------------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | 12-31-2018 | | 12-31-2017 | |
| | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ |
| Trade and other receivables, gross | 240,978,763 | 1,156,638 | 208,467,637 | 1,032,923 |
| Trade receivables, gross | 205,542,774 | 21,255 | 195,570,350 | 62,563 |
| Other receivables, gross | 35,435,989 | 1,135,383 | 12,897,287 | 970,360 |

| Trade and Other Receivables, Net | Balance as of | | | |
|-----------------------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | 12-31-2018 | | 12-31-2017 | |
| | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ |
| Trade and other receivables, net | 239,425,507 | 1,156,638 | 207,208,820 | 1,032,923 |
| Trade receivables, net | 203,989,518 | 21,255 | 194,311,533 | 62,563 |
| Other receivables, net | 35,435,989 | 1,135,383 | 12,897,287 | 970,360 |

The balances in this account do not generally accrue interest.

The Group did not have any customers for which it had sales representing 10% or more of the Group's total consolidated revenues for the years ended December 31, 2018 and 2017.

Refer to Note 11.1 for detailed information on amounts, terms and conditions associated with accounts receivable from related parties.

ii. As of December 31, 2018 and 2017 the balance of unimpaired past due trade receivables is as follows:

| Trade Receivables Past Due But Not Impaired | Balance as of | |
|---------------------------------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Less than three months | 4,601,076 | 3,670,172 |
| Between three and six months | 46,499 | 386,333 |
| Between six and twelve months | 887,726 | 1,121,940 |
| Total | 5,535,301 | 5,178,445 |

The reconciliation of changes in the allowance for impairment of trade receivables is as follows:

| Trade Receivables Past Due and Impaired | Current and Non-current ThCh\$ |
|------------------------------------------|-----------------------------------|
| Balance as of January 1, 2017 | 1,314,311 |
| Increases (decreases) for the year | (55,494) |
| Balance as of December 31, 2017 | 1,258,817 |
| Initial Balance Adjustment by IFRS 9 | 193,538 |
| Increases (decreases) for the year | 100,900 |
| Foreign currency translation differences | 1 |
| Balance as of December 31, 2018 | 1,553,256 |

Write-offs of bad debt

Past-due debt is written off once all collection measures and legal proceedings have been exhausted and the debtors' insolvency has been demonstrated. In our power generation business, this process normally takes at least one year of procedures.

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iii. **Additional information:**

- Additional statistical information required under Official Bulletin 715 of the CMF of February 3, 2012, XBRL Taxonomy: see Appendix 5.
- Supplemental information on trade receivables: see Appendix 5.1.

11. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related party transactions are performed at current market conditions.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not itemized in this note.

As of the date of these consolidated financial statements, no guarantees have been given or received nor has any allowance for bad or doubtful accounts been recognized with respect to receivable balances for related party transactions.

11.1 Balances and transactions with related parties

The balances of accounts receivable and payables between the Company and its non-consolidated related parties are as follows:

a) Receivables from related parties:

| Taxpayer ID No. | Company | Description of the transaction | Term of the transaction | Relationship | Currency | Country | Receivables from related parties | | | |
|-----------------|-----------------------------------------------|--------------------------------|-------------------------|----------------|--------------------|----------------|----------------------------------|----------|--------------------|----------|
| | | | | | | | Balance as of | | | |
| | | | | | | | 12-31-2018 | | 12-31-2017 | |
| | | | | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ | | | |
| 96.800.570-7 | Enel Distribución Chile S.A. | Energy sales | Less than 90 days | Common control | CHS | Chile | 76,767,486 | — | 42,378,091 | — |
| 96.800.570-7 | Enel Distribución Chile S.A. | Tolls | Less than 90 days | Common control | CHS | Chile | 19,880 | — | 10,673 | — |
| 96.800.570-7 | Enel Distribución Chile S.A. | Dividends | Less than 90 days | Common control | CHS | Chile | — | — | — | — |
| 96.800.570-7 | Enel Distribución Chile S.A. | Other services | Less than 90 days | Common control | CHS | Chile | 567,261 | — | 94,981 | — |
| Foreign | Enel Generación Piura S.A. | Other services | Less than 90 days | Common control | CHS | Peru | 89,545 | — | 165,875 | — |
| 96.783.910-8 | Empresa Eléctrica de Colina Ltda. | Energy sales | Less than 90 days | Common control | CHS | Chile | — | — | — | — |
| 96.783.910-8 | Empresa Eléctrica de Colina Ltda. | Tolls | Less than 90 days | Common control | CHS | Chile | 8,207 | — | 33 | — |
| 96.783.910-8 | Empresa Eléctrica de Colina Ltda. | Other services | Less than 90 days | Common control | CHS | Chile | 576 | — | 111 | — |
| 94.271.000-3 | Enel Américas S.A. | Other services | Less than 90 days | Common control | CHS | Chile | 106,878 | — | 54,949 | — |
| 76.536.353-5 | Enel Chile S.A. | Current account | Less than 90 days | Parent | CHS | Chile | 14,440,679 | — | — | — |
| 76.536.353-5 | Enel Chile S.A. | Other services | Less than 90 days | Parent | CHS | Chile | 806,932 | — | 188,902 | — |
| 76.091.595-5 | Aysen Energía S.A | Other services | Less than 90 days | Common control | CHS | Chile | 14,286 | — | — | — |
| 76.041.891-9 | Aysen Transmisión S.A | Other services | Less than 90 days | Common control | CHS | Chile | 14,286 | — | — | — |
| 76.722.488-5 | Empresa de Transmisión Chena S.A | Tolls | Less than 90 days | Common control | CHS | Chile | 6 | — | — | — |
| 94.271.000-3 | Enel Américas S.A | Dividends | Less than 90 days | Common control | CHS | Chile | 193 | — | — | — |
| Foreign | Generalima S.A. | Other services | Less than 90 days | Common control | CHS | Peru | — | — | — | — |
| 76.418.940-K | GNL Chile S.A. | Anticipated gas purchase | Less than 90 days | Associate | US\$ | Chile | 14,666,414 | — | 18,793,098 | — |
| 76.418.940-K | GNL Chile S.A. | Dividends | Less than 90 days | Associate | US\$ | Chile | 788,336 | — | — | — |
| 76.788.080-4 | GNL Quintero S.A. | Energy sales | Less than 90 days | Associate | CHS | Chile | — | — | — | — |
| 76.107.186-6 | Servicios Informáticos e Inmobiliarios Ltda. | Other services | Less than 90 days | Common control | CHS | Chile | — | — | — | — |
| 96.800.460-3 | Luz Andes Ltda. | Energy sales | Less than 90 days | Common control | CHS | Chile | — | — | — | — |
| 96.800.460-3 | Luz Andes Ltda. | Tolls | Less than 90 days | Common control | CHS | Chile | 3,351 | — | 9 | — |
| Foreign | Enel Generación El Chocon S.A | Other services | Less than 90 days | Common control | US\$ | Argentina | 13,367 | — | — | — |
| 96.806.130-5 | Electrogas S.A. | Dividends | Less than 90 days | Associate | CHS | Chile | — | — | — | — |
| 96.524.140-K | Empresa Eléctrica Panguipulli S.A. | Energy sales | Less than 90 days | Common control | CHS | Chile | 9,094 | — | 1,031,122 | — |
| 96.524.140-K | Empresa Eléctrica Panguipulli S.A. | Other services | Less than 90 days | Common control | CHS | Chile | 251,237 | — | — | — |
| 96.880.800-1 | Empresa Eléctrica Puyehue S.A. | Energy sales | Less than 90 days | Common control | CHS | Chile | — | — | — | — |
| Foreign | Enel Brasil S.A. | Other services | Less than 90 days | Associate | CHS | Brazil | 68,318 | — | 2,068,594 | — |
| Foreign | PH Chucas S.A. | Other services | Less than 90 days | Common control | CHS | Costa Rica | — | — | 432,233 | — |
| Foreign | Enel Generación Costanera S.A | Other services | Less than 90 days | Common control | US\$ | Argentina | 32,264 | — | — | — |
| Foreign | Endesa Generación S.A. | Commodity derivatives | Less than 90 days | Common control | CHS | Spain | — | — | — | — |
| Foreign | Endesa Generación S.A. | Other services | Less than 90 days | Common control | UF | Spain | 41,820 | — | 36,067 | — |
| Foreign | Endesa Energía S.A. | Other services | Less than 90 days | Common control | CHS | Spain | — | — | — | — |
| 76.126.507-5 | Parque Eólico Talinay Oriente S.A. | Energy sales | Less than 90 days | Common control | CHS | Chile | 28,260 | — | 16,994 | — |
| 76.126.507-5 | Parque Eólico Talinay Oriente S.A. | Tolls | Less than 90 days | Common control | CHS | Chile | — | — | — | — |
| 76.126.507-5 | Parque Eólico Talinay Oriente S.A. | Other services | Less than 90 days | Common control | CHS | Chile | — | — | 21,075 | — |
| Foreign | Endesa España S.A. | Other services | Less than 90 days | Common control | CHS | Spain | 13,684 | — | 13,077 | — |
| 76.179.024-2 | Parque Eólico Tal Tal S.A. | Energy sales | Less than 90 days | Common control | CHS | Chile | 169,547 | — | 41,487 | — |
| 76.179.024-2 | Parque Eólico Tal Tal S.A. | Other services | Less than 90 days | Common control | CHS | Chile | 30,087 | — | 23,182 | — |
| 76.321.458-3 | Almeyda Solar S.p.A. | Energy sales | Less than 90 days | Common control | CHS | Chile | 20,046 | — | 50,594 | — |
| 76.321.458-3 | Almeyda Solar S.p.A. | Other services | Less than 90 days | Common control | CHS | Chile | 10,941 | — | 8,430 | — |
| 76.052.206-6 | Parque Eólico Valle de los Vientos S.A. | Energy sales | Less than 90 days | Common control | CHS | Chile | 1,240 | — | 75,956 | — |
| 76.052.206-6 | Parque Eólico Valle de los Vientos S.A. | Other services | Less than 90 days | Common control | CHS | Chile | 27,352 | — | 21,075 | — |
| Foreign | Compania Energetica Veracruz S.A.C. | Other services | Less than 90 days | Common control | CHS | Peru | — | — | 758,841 | — |
| Foreign | Enel Italia Servizi SRL | Other services | Less than 90 days | Common control | CHS | Italy | 8,524 | — | 8,144 | — |
| Foreign | Enel S.p.A | Other services | Less than 90 days | Parent | CHS | Italy | 153,249 | — | 125,960 | — |
| Foreign | Enel Trade S.p.A | Commodity derivatives | Less than 90 days | Common control | CHS | Italy | 3,671,446 | — | 20,751,713 | — |
| Extranjera | Enel Trade S.p.A | Gas Sales | Less than 90 days | Common control | US\$ | Italy | 18,565,698 | — | 21,484,590 | — |
| Extranjera | Enel Trade S.p.A | Other services | Less than 90 days | Common control | US\$ | Italy | 44,675 | — | 8,511 | — |
| Foreign | Emgesa S.A. | Other services | Less than 90 days | Common control | CHS | Colombia | 703,368 | — | 13,746 | — |
| Foreign | Enel Generación Perú S.A. | Other services | Less than 90 days | Common control | CHS | Peru | — | — | — | — |
| Foreign | Enel Generación Perú S.A. | Other services | Less than 90 days | Common control | US\$ | Peru | 914,115 | — | — | — |
| Foreign | Energía Nueva Energía Limpia Mexico Srl de Cv | Other services | Less than 90 days | Common control | US\$ | México | 35,739 | — | — | — |
| Foreign | Proyecto y Soluciones Renovables S.A.C | Other services | Less than 90 days | Common control | US\$ | Brazil | 29,054 | — | — | — |
| 76.412.562-2 | Enel Green Power del Sur S.p.A | Energy sales | Less than 90 days | Common control | CHS | Chile | 6,323 | — | 28,835 | — |
| 76.412.562-2 | Enel Green Power del Sur S.p.A | Other services | Less than 90 days | Common control | CHS | Chile | 170,790 | — | 131,594 | — |
| 96.920.110-0 | Enel Green Power Chile Ltda. | Other services | Less than 90 days | Common control | CHS | Chile | 381,077 | — | 162,594 | — |
| Extranjera | Enel Green Power Colombia SAS | Other services | Less than 90 days | Common control | US\$ | Colombia | — | — | 46,557 | — |
| Extranjera | Chinango S.A.C. | Other services | Less than 90 days | Common control | US\$ | Perú | — | — | 17,410 | — |
| Extranjera | Enel Green Power Brasil | Other services | Less than 90 days | Common control | US\$ | Brazil | 52,215 | — | 47,124 | — |
| Extranjera | Enel Green Power Mexico | Other services | Less than 90 days | Common control | US\$ | México | 98,519 | — | 152,495 | — |
| Extranjera | Enel Green Power Perú | Other services | Less than 90 days | Common control | US\$ | Perú | 223,188 | — | 177,478 | — |
| Extranjera | Enel Green Power Italia | Other services | Less than 90 days | Common control | CHS | Italy | 979,121 | — | 262,694 | — |
| 96.971.330-6 | Geotérmica del Norte | purchase of energy | Less than 90 days | Common control | CHS | Chile | 18 | — | — | — |
| 96.971.330-6 | Geotérmica del Norte | Energy sales | Less than 90 days | Common control | CHS | Chile | 56,425 | — | 10,096 | — |
| 96.971.330-6 | Geotérmica del Norte | Other services | Less than 90 days | Common control | US\$ | Chile | — | — | 82,830 | — |
| | | Total | | | | | 135,105,117 | — | 109,797,820 | — |

b) Accounts payable to related parties:

| Payables to related parties | | | | | | | Balance as of | | | |
|-----------------------------|-----------------------------------------|--------------------------------|-------------------------|----------------|----------|-----------|--------------------|-------------------|--------------------|-------------------|
| | | | | | | | 12-31-2018 | | 12-31-2017 | |
| Taxpayer ID No. | Company | Description of the transaction | Term of the transaction | Relationship | Currency | Country | Current ThChS | Non-Current ThChS | Current ThChS | Non-Current ThChS |
| 96.800.570-7 | Enel Distribución Chile S.A. | Other services | Less than 90 days | Common control | CHS | Chile | 75,850 | — | 50,929 | — |
| 96.800.570-7 | Enel Distribución Chile S.A. | Tolls | Less than 90 days | Common control | CHS | Chile | 634,197 | — | 5,469,480 | — |
| 76.536.353-5 | Enel Chile S.A. | Other services | Less than 90 days | Parent | CHS | Chile | 9,780,125 | — | 762,725 | — |
| 76.536.353-5 | Enel Chile S.A. | Dividends | Less than 90 days | Parent | CHS | Chile | 86,727,349 | — | 75,296,956 | — |
| 76.536.353-5 | Enel Chile S.A. | Mercantile current account | Less than 90 days | Parent | CHS | Chile | 2,376,570 | — | 985 | — |
| 94.271.000-3 | Enel Américas S.A. | Other services | Less than 90 days | Parent | CHS | Chile | 1,987 | — | 1,987 | — |
| 76.418.940-K | GNL Chile S.A. | Other services | Less than 90 days | Associate | CHS | Chile | 12,389 | — | — | — |
| 76.418.940-K | GNL Chile S.A. | Gas purchase | Less than 90 days | Associate | CHS | Chile | 5,935,652 | — | 8,100,426 | — |
| 96.783.910-8 | Empresa Eléctrica Colina Ltda. | Tolls | Less than 90 days | Common control | CHS | Chile | 64 | — | — | — |
| 96.524.140-K | Empresa Eléctrica Panguipulli S.A. | Energy purchase | Less than 90 days | Common control | CHS | Chile | 1,019,252 | — | 2,568,900 | — |
| Foreign | Endesa Generación S.A. | Other services | Less than 90 days | Common control | CHS | Spain | 702,702 | — | 236,925 | — |
| Foreign | Enel Iberoamérica SRL | Other services | Less than 90 days | Parent | Euro | Spain | — | — | 97,601 | — |
| Foreign | Enel Iberoamérica SRL | Other services | Less than 90 days | Parent | Euro | Italy | 97,601 | — | — | — |
| Foreign | Enel Produzione S.p.A. | Other services | Less than 90 days | Common control | Euro | Italy | 6,631,834 | — | 10,039,203 | 318,518 |
| 77.017.930-0 | Transmisora Eléctrica de Quillota Ltda. | Tolls | Less than 90 days | Joint Ventures | CHS | Chile | 13,887 | — | 143,949 | — |
| 76.126.507-5 | Parque Eólico Talinay Oriente S.A. | Energy purchase | Less than 90 days | Common control | CHS | Chile | 103,022 | — | 65,826 | — |
| Foreign | Enel Brasil S.A. | Other services | Less than 90 days | Associate | CHS | Brazil | 74,949 | — | 77,680 | — |
| Foreign | Enel Global Thermal Gx | Other services | Less than 90 days | Common control | Euro | Italy | 2,199,811 | — | — | — |
| 76.179.024-2 | Parque Eólico Tal Tal S.A. | Energy purchase | Less than 90 days | Common control | CHS | Chile | 1,637,333 | — | 2,105,036 | — |
| 76.321.458-3 | Almevda Solar S.p.A | Energy purchase | Less than 90 days | Common control | CHS | Chile | 540 | — | 9,365 | — |
| 76.052.206-6 | Parque Eólico Valle de los Vientos S.A. | Energy purchase | Less than 90 days | Common control | CHS | Chile | 1,303,508 | — | 1,261,153 | — |
| Foreign | Enel S.p.A | Other services | Less than 90 days | Parent | Euro | Italy | 1,463,990 | — | 128,811 | — |
| Foreign | Enel Trade S.p.A | Commodity derivatives | Less than 90 days | Common control | CHS | Italy | 9,849,260 | — | 4,184,469 | — |
| Foreign | Enel Trade S.p.A | Other services | Less than 90 days | Common control | CHS | Italy | 2,123,546 | — | 798,030 | — |
| 76.412.562-2 | Enel Green Power del Sur S.p.A | Energy purchase | Less than 90 days | Common control | CHS | Chile | 13,431,566 | — | 10,323,525 | — |
| 76.722.488-5 | Empresa de Transmisión Chena S.A. | Energy purchase | Less than 90 days | Common control | CHS | Chile | — | — | 43,457 | — |
| 76.722.488-5 | Empresa de Transmisión Chena S.A. | Tolls | Less than 90 days | Common control | CHS | Chile | 20,757 | — | 174,766 | — |
| 76.250.019-1 | Enel Green Power Chile Ltda. | Other services | Less than 90 days | Common control | CHS | Chile | — | — | 80,231 | — |
| 96.920.110-0 | Enel Green Power Chile Ltda. | Other services | Less than 90 days | Common control | CHS | Chile | 441,510 | — | — | — |
| Foreign | Enel Green Power Italia | Other services | Less than 90 days | Common control | CHS | Italy | 2,416,756 | — | 357,579 | — |
| Foreign | Enel Trading Argentina S.R.L. | Other services | Less than 90 days | Associate | ARS | Argentina | 13,574 | — | 13,574 | — |
| 96.971.330-6 | Geotermica del Norte | Energy purchase | Less than 90 days | Common control | CHS | Chile | 2,824 | — | — | — |
| 96.800.460-3 | Luz Andes Ltda | Tolls | Less than 90 days | Common control | CHS | Chile | 7 | — | — | — |
| Foreign | Cesi S.P.A | Other services | Less than 90 days | Common control | Euro | Italy | 458,228 | — | — | — |
| Foreign | Tecnatom S.A | Other services | Less than 90 days | Common control | Euro | Spain | 102,962 | — | — | — |
| Foreign | Enel Italia Servizi SRL | Other services | Less than 90 days | Common control | CHS | Italy | 3,278,687 | — | 469,376 | — |
| Total | | | | | | | 152,932,289 | — | 122,862,944 | 318,518 |

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c) Significant transactions and effects on income/expenses:

Transactions with related parties that are not consolidated and their effects on profit or loss are as follows:

| Taxpayer ID No. | Transactions with effects on income/expenses | | | | For the years ended | | |
|-----------------|-----------------------------------------------------------|----------------|----------------------------|-----------|----------------------|----------------------|----------------------|
| | Company | Relationship | Description of Transaction | Country | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| 76.052.206-6 | Parque Eólico Valle de los Vientos S.A. | Common control | Energy purchase | Chile | (14,098,262) | (16,630,421) | (14,802,199) |
| 76.052.206-6 | Parque Eólico Valle de los Vientos S.A. | Common control | Energy sales | Chile | 21,172 | 144,589 | 697,970 |
| 76.052.206-6 | Parque Eólico Valle de los Vientos S.A. | Common control | Services provided | Chile | 23,613 | 17,710 | — |
| 76.107.186-6 | Servicios Informáticos e Inmobiliarios Ltda. | Common control | Services provided | Chile | — | 210,198 | 159,606 |
| 76.107.186-6 | Servicios Informáticos e Inmobiliarios Ltda. | Common control | Services received | Chile | — | (490,193) | (925,095) |
| 76.126.507-5 | Parque Eólico Talinay Oriente SA | Common control | Electricity tolls | Chile | 46 | 54 | — |
| 76.126.507-5 | Parque Eólico Talinay Oriente SA | Common control | Energy purchase | Chile | (582,467) | (538,067) | (471,210) |
| 76.126.507-5 | Parque Eólico Talinay Oriente SA | Common control | Energy sales | Chile | 21,358 | 128,626 | 129,418 |
| 76.126.507-5 | Parque Eólico Talinay Oriente SA | Common control | Services provided | Chile | 23,613 | 17,710 | — |
| 76.179.024-2 | Parque Eólico Tal Tal S.A. | Common control | Electricity tolls | Chile | 48,511 | 123 | — |
| 76.179.024-2 | Parque Eólico Tal Tal S.A. | Common control | Energy purchase | Chile | (19,377,885) | (25,957,247) | (26,796,385) |
| 76.179.024-2 | Parque Eólico Tal Tal S.A. | Common control | Energy sales | Chile | 260,698 | 109,643 | 49,477 |
| 76.179.024-2 | Parque Eólico Tal Tal S.A. | Common control | Services provided | Chile | 25,975 | 19,481 | — |
| 76.321.458-3 | Almeyda Solar S.P.A | Common control | Electricity tolls | Chile | 7 | 17 | — |
| 76.321.458-3 | Almeyda Solar S.P.A | Common control | Energy purchase | Chile | (17,467) | (53,357) | (35,362) |
| 76.321.458-3 | Almeyda Solar S.P.A | Common control | Energy sales | Chile | 80,357 | 149,146 | 98,994 |
| 76.321.458-3 | Almeyda Solar S.P.A | Common control | Services provided | Chile | 9,445 | 7,084 | 52,524 |
| 76.412.562-2 | Enel Green Power del Sur S.p.A | Common control | Energy purchase | Chile | (122,475,791) | (104,860,690) | (34,954,457) |
| 76.412.562-2 | Enel Green Power del Sur S.p.A | Common control | Energy sales | Chile | 78,932 | 528,740 | 48,337 |
| 76.412.562-2 | Enel Green Power del Sur S.p.A | Common control | Services provided | Chile | 147,444 | 110,583 | — |
| 76.412.562-2 | Enel Green Power del Sur S.p.A | Common control | Tolls | Chile | (12,540) | 288 | — |
| 76.418.940-K | GNL Chile S.A. | Associate | Gas consumption | Chile | (81,890,342) | (146,507,374) | (116,391,269) |
| 76.418.940-K | GNL Chile S.A. | Associate | Gas transportation | Chile | (49,631,647) | (47,656,018) | (49,418,058) |
| 76.418.940-K | GNL Chile S.A. | Associate | Loans | Chile | — | — | (436) |
| 76.418.940-K | GNL Chile S.A. | Associate | Services provided | Chile | (71,770) | 85,274 | 82,762 |
| 76.536.351-9 | Endesa Américas S.A. | Common control | Services provided | Chile | — | — | 641,087 |
| 76.536.353-5 | Enel Chile S.A. (*) | Parent | financial expense | Chile | (543,476) | — | — |
| 76.536.353-5 | Enel Chile S.A. (*) | Parent | financial income | Chile | 185,047 | — | — |
| 76.536.353-5 | Enel Chile S.A. (*) | Parent | Loans | Chile | — | (754,401) | (420,867) |
| 76.536.353-5 | Enel Chile S.A. (*) | Parent | Services provided | Chile | — | — | 1,134,766 |
| 76.536.353-5 | Enel Chile S.A. (*) | Parent | Services received | Chile | (11,635,262) | (11,433,038) | (5,148,683) |
| 76.722.488-5 | Empresa de Transmisión Chena S.A. | Common control | Energy purchase | Chile | (268,681) | (218,223) | — |
| 76.788.080-4 | GNL Quintero S.A. | Associate | Electricity tolls | Chile | — | — | (71,599) |
| 76.788.080-4 | GNL Quintero S.A. | Associate | Energy sales | Chile | — | — | 2,356,971 |
| 76.788.080-4 | GNL Quintero S.A. | Associate | Services provided | Chile | — | — | 960,390 |
| 76.788.080-4 | GNL Quintero S.A. | Associate | Services received | Chile | — | — | (37,162) |
| 77.017.930-0 | Transmisora Eléctrica de Quillota Ltda. | Associate | Tolls | Chile | (242,887) | (1,383,710) | (1,537,963) |
| 94.271.000-3 | Enel Américas S.A. | Parent | Loans | Chile | — | — | (1,589,749) |
| 94.271.000-3 | Enel Américas S.A. | Parent | Services provided | Chile | 298,161 | 387,924 | 498,284 |
| 94.271.000-3 | Enel Américas S.A. | Parent | Services received | Chile | — | — | (979,655) |
| 96.524.140-K | Empresa Eléctrica Panguipulli S.A. | Common control | Energy purchase | Chile | (6,462,747) | (5,095,279) | (5,064,692) |
| 96.524.140-K | Empresa Eléctrica Panguipulli S.A. | Common control | Energy sales | Chile | 270,998 | 914,613 | 248,136 |
| 96.524.140-K | Empresa Eléctrica Panguipulli S.A. | Common control | Services provided | Chile | — | 162,672 | — |
| 96.524.140-K | Empresa Eléctrica Panguipulli S.A. | Common control | Tolls | Chile | 16,128 | (75,145) | (67,341) |
| 96.783.910-8 | Empresa Eléctrica de Colina Ltda. | Common control | Electricity tolls | Chile | 60,300 | 59,105 | 42,779 |
| 96.783.910-8 | Empresa Eléctrica de Colina Ltda. | Parent | Services provided | Chile | 1,140 | 652 | 2,233 |
| 96.800.460-3 | Luz Andes Ltda. | Common control | Electricity tolls | Chile | 5,519 | 6,585 | 6,294 |
| 96.800.570-7 | Enel Distribución Chile S.A. | Common control | Energy sales | Chile | 388,037,272 | 374,922,466 | 374,962,639 |
| 96.800.570-7 | Enel Distribución Chile S.A. | Common control | Services provided | Chile | 1,603,224 | 1,592,105 | 12,453 |
| 96.800.570-7 | Enel Distribución Chile S.A. | Common control | Tolls | Chile | (5,215,145) | 4,884,387 | 4,995,271 |
| 96.806.130-5 | Electrogas S.A. | Associate | Fuel consumption | Chile | — | (25,025) | (553,905) |
| 96.806.130-5 | Electrogas S.A. | Associate | Gas Tolls | Chile | — | (251,099) | (3,625,100) |
| 96.880.800-1 | Empresa Eléctrica Puyehue S.A. | Common control | Tolls | Chile | — | — | 95,813 |
| 96.920.110-0 | Enel Green Power Chile Ltda. | Common control | Services provided | Chile | 58,840 | 132,577 | — |
| 96.920.110-0 | Enel Green Power Chile Ltda. | Common control | Services received | Chile | (184,246) | — | — |
| 96.971.330-6 | Geotérmica del Norte | Common control | Energy purchase | Chile | (1,500) | (456) | — |
| 96.971.330-6 | Geotérmica del Norte | Common control | energy sale | Chile | 137,152 | — | — |
| 96.971.330-6 | Geotérmica del Norte | Common control | Services provided | Chile | — | 80,157 | — |
| Foreign | Central Dock Sud S.A. | Common control | Services provided | Argentina | — | — | 454 |
| Foreign | Chinango S.A.C. | Common control | Services provided | Perú | 39,759 | 18,516 | — |
| Foreign | Comercializadora de Energía del Mercosur S.A. | Associate | Services received | Argentina | — | — | (56,368) |
| Foreign | Compania Energetica Veracruz S.A.C. | Common control | Services provided | Perú | — | 283,346 | — |
| Foreign | Compañía de Transmisión del Mercosur S.A. | Common control | Electricity tolls | Argentina | — | — | (95,813) |
| Foreign | Compañía Distribuidora y Comercializadora de Energía S.A. | Common control | Electricity tolls | Colombia | — | — | (3,864,016) |
| Foreign | Compañía Distribuidora y Comercializadora de Energía S.A. | Common control | Energy purchase | Colombia | — | — | (128,794) |
| Foreign | Compañía Distribuidora y Comercializadora de Energía S.A. | Common control | Energy sales | Colombia | — | — | 19,901,620 |
| Foreign | Compañía Distribuidora y Comercializadora de Energía S.A. | Common control | Loans | Colombia | — | — | 11,355 |
| Foreign | Compañía Distribuidora y Comercializadora de Energía S.A. | Common control | Services provided | Colombia | 13,637 | — | 15,714 |
| Foreign | Compañía Distribuidora y Comercializadora de Energía S.A. | Common control | Services received | Colombia | — | 3,844 | (17,587) |
| Foreign | Emgesa S.A. E.S.P. | Common control | Services provided | Colombia | 622,686 | 1,866 | — |
| Foreign | Empresa de Distribución Eléctrica de Lima Norte S.A.A. | Common control | Electricity tolls | Peru | — | — | (102,171) |

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|---------|--------------------------------------------------------|----------------|-----------------------|------------|-------------------|-------------------|--------------------|
| Foreign | Empresa de Distribución Eléctrica de Lima Norte S.A.A. | Common control | Energy sales | Peru | — | — | 16,304,643 |
| Foreign | Empresa de Distribución Eléctrica de Lima Norte S.A.A. | Common control | Services provided | Peru | — | — | 4,889,644 |
| Foreign | Empresa de Energía de Cundinamarca S.A. | Common control | Electricity tolls | Colombia | — | — | (194,805) |
| Foreign | Empresa de Energía de Cundinamarca S.A. | Common control | Energy sales | Colombia | — | — | 1,161,383 |
| Foreign | Empresa Distribuidora Sur S.A. | Common control | Energy sales | Argentina | — | — | 1,879 |
| Foreign | Empresa Distribuidora Sur S.A. | Common control | Services received | Argentina | — | — | (151,365) |
| Foreign | Endesa Energía S.A. | Common control | Fuel purchase | Spain | — | (8,946,259) | (134,393) |
| Foreign | Endesa Energía S.A. | Common control | Gas Sales | Spain | — | 10,394,146 | 18,655,911 |
| Foreign | Endesa España S.A. | Common control | Services received | Spain | — | — | (7,528) |
| Foreign | Endesa Generación S.A. | Common control | Fuel consumption | Spain | — | — | (66,297,066) |
| Foreign | Endesa Generación S.A. | Common control | Services provided | Spain | (158,128) | — | — |
| Foreign | Endesa Latinoamericana S.A. | Common control | Services received | Spain | — | — | (12,388) |
| Foreign | Enel Argentina S.A. (ex - Endesa Argentina S.A.) | Common control | Services received | Argentina | — | — | (972) |
| Foreign | Enel Brasil S.A. | Associate | Financial Expenses | Brazil | (56) | — | — |
| Foreign | Enel Brasil S.A. | Associate | Services provided | Brazil | — | — | 2,044,935 |
| Foreign | Enel Brasil S.A. | Associate | Services received | Brazil | (207,966) | — | — |
| Foreign | Enel Generacion Chocon S.A | Common control | Services provided | Argentina | 10,176 | — | — |
| Foreign | Enel Generación Costanera S.A | Common control | Services provided | Argentina | 28,106 | — | — |
| Foreign | Enel Generación Perú S.A. | Common control | Loans | Peru | — | (349) | — |
| Foreign | Enel Generación Perú S.A. | Common control | Services provided | Peru | 1,139,809 | 745,818 | — |
| Foreign | Enel Generación Piura S.A. | Common control | Energy purchase | Peru | — | — | (308,224) |
| Foreign | Enel Generación Piura S.A. | Common control | Energy sales | Peru | — | — | 34,935 |
| Foreign | Enel Generación Piura S.A. | Common control | Financial Expenses | Peru | (57) | — | — |
| Foreign | Enel Generación Piura S.A. | Common control | Loans | Peru | — | (135) | (520) |
| Foreign | Enel Generación Piura S.A. | Common control | Services provided | Peru | (57,180) | 98,421 | 222,826 |
| Foreign | Enel Global Thermal Gx | Common control | Services received | Italy | (1,845,425) | — | — |
| Foreign | Enel Global Trading S.p.A. | Common control | Services received | Italy | — | — | (13,114) |
| Foreign | Enel Green Power Brasil | Common control | Services provided | Brazil | — | 37,936 | — |
| Foreign | Enel Green Power Brasil Participacoes Ltda. | Common control | Financial Income | Brazil | 5,426 | — | — |
| Foreign | Enel Green Power Brasil Participacoes Ltda. | Common control | Services provided | Brazil | — | 9,188 | — |
| Foreign | Enel Green Power Colombia SAS | Common control | Services provided | Colombia | — | 46,557 | — |
| Foreign | Enel Green Power Colombia SAS | Common control | Services received | Colombia | (4,797) | — | — |
| Foreign | Enel Green Power Italia | Common control | Services provided | Italy | — | 262,694 | — |
| Foreign | Enel Green Power Italia | Common control | Services provided | Italy | (730,968) | — | — |
| Foreign | Enel Green Power Mexico | Common control | Services provided | Mexico | — | 152,495 | — |
| Foreign | Enel Green Power Mexico | Common control | Services provided | Mexico | (53,976) | — | — |
| Foreign | Enel Green Power Perú | Common control | Services provided | Peru | 45,710 | — | — |
| Foreign | Enel Green Power Perú | Common control | Services provided | Peru | — | 177,478 | — |
| Foreign | Enel Iberoamérica SRL | Parent | Services received | Spain | — | (6,115) | (167,186) |
| Foreign | Enel Italia Servizi Srl | Common control | Services received | Italy | (2,484,835) | — | — |
| Foreign | Enel Perú S.A.C. | Common control | Services received | Peru | — | (181) | (125,069) |
| Foreign | Enel Produzione S.p.A. | Common control | Services received | Italy | — | 94,045 | (812,261) |
| Foreign | Enel S.p.A | Parent | Services received | Italy | (1,110,545) | — | (511,350) |
| Foreign | Enel Trade S.p.A | Common control | Commodity derivatives | Italy | 10,565,377 | 19,941,617 | 7,012,879 |
| Foreign | Enel Trade S.p.A | Common control | Services received | Italy | — | — | — |
| Foreign | Enel Trading S.p.A | Common control | Financial Expense | Italy | (13) | — | — |
| Foreign | Enel Trading S.p.A | Common control | Services received | Italy | (1,213,116) | — | — |
| Foreign | Energía Nueva Energía Limpia Mexico Sri de Cv | Common control | Services provided | Mexico | 35,739 | — | — |
| Foreign | Generalima S.A. | Common control | Services provided | Peru | 8,832 | 7,405 | 108,817 |
| Foreign | PH Chucas Costa Rica | Common control | Services provided | Costa Rica | (79,327) | — | — |
| Foreign | PH Chucas S.A. | Common control | Loans | Costa Rica | — | (162,177) | — |
| Foreign | PH Chucas S.A. | Common control | Services provided | Costa Rica | — | 6,629 | 425,604 |
| | Total | | | | 83,271,705 | 45,909,551 | 122,176,626 |

Transfers of short-term funds between related parties are treated as current accounts changes, with variable interest rates based on market conditions used for the monthly balance. The resulting amounts receivable or payable are usually at 30 day terms, with automatic rollover for the same periods and amortization in line with cash flows.

Enel Generation Chile S.A. received short-term loans from its parent Enel Chile S.A. As of December 31, 2018; the balance of the loans is ThCh\$ 2,376,570 (ThCh\$ 985 as of December 31, 2017). This debt accrues interest at a rate of TAB + 1.10% per annum (TIP + 0.05% per month as of December 31, 2017).

11.2 Board of directors and key management personnel

The Company is managed by a Board of Directors which consists of nine members. Each director serves for a three-year term being able to reelection.

The current Board of Directors correspond to the one elected on Ordinary Shareholders' Meeting held on April 24, 2018

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On November 29, 2018, the director Mauro Di Carlo resigned. He was replaced by Mr. Cristiano Bussi effective as of November 29, 2018.

On November 21, 2018, the director Jorge Atton Palma resigned.

The Board of Directors, for year ended 2018 is integrated with the following members:

- Mr. Giuseppe Conti (Chairman)
- Mr. Hernán Cheyre Valenzuela
- Julio Pellegrini Vial
- Mr. Francesco Giorgianni
- Mr. Luca Noviello
- Mr. Fabrizio Barderi
- Mr. Antonio Scala
- Mr. Cristiano Bussi

Also, at a Board meeting held on April 24, 2018, Mr. Giuseppe Conti was appointed as Chairman of the Board and Mr. Ignacio Quiñones Sotomayor as Secretary.

a) Accounts receivable and payable and other transactions

- Accounts receivable and payable

There are no outstanding amounts receivable or payable between the Company and the members of the Board of Directors and key management personnel.

- Other transactions

No transactions other than transactions in the normal course of business-electricity supply have taken place between the Company and the members of the Board of Directors and key management personnel.

b) Compensation for Directors

In accordance with Article 33 of Law No. 18,046 governing stock corporations, the compensation of Directors is established each year at the Ordinary Shareholders Meeting of the Company. The methodology to determining the compensation, described below, was established at the 2018 Annual Shareholders Meeting of the Company.

The remuneration is detailed as follows:

- a) UF 174 as a fixed monthly fee, and
- b) UF 84 per diem for each Board meeting attended.

In accordance with the bylaws, the remuneration of the Chairman shall be double that of a Director, while that of the Vice-Chairman shall be 50% twice than that of a Director.

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If any Director of the Company is a member of more than one Board in any Chilean or foreign subsidiaries and/or associates or holds the position of Director or advisor in other Chilean or foreign companies or legal entities in which the Company has a direct or indirect ownership interest, that Director can be compensated for his/her participation in only one of those Boards or Management Committees.

The Executive Officers the Company and/or any of its Chilean or foreign subsidiaries or associates will not receive any compensation or per diem if they hold the position of Director in any of the Chilean or foreign subsidiaries or associates of the Company.

c) Directors' Committee

Each member of the Directors' Committee receives monthly remuneration, a portion of which is for each session attended and a portion of which is a fixed monthly payment for every meeting. This remuneration is as follows:

- a. UF 58 monthly remuneration as a fixed payment, and
- b. UF 28 for each session attended with an unlimited number of sessions.

The enactment of Law No. 20,382 on improved Corporate Governance resulted in the merger of the Directors' Committee and the Audit Committee.

The following tables show details of the remuneration paid to the members of the Board of Directors for the years ended December 31, 2018, 2017 and 2016:

| Name | Position | Period in Position | For the year ended 12-31-2018 | | |
|------------------------------|----------|--------------------------|-------------------------------|------------------------------|-----------------------------|
| | | | Enel Generación Board ThCh\$ | Board of Subsidiaries ThCh\$ | Directors' Committee ThCh\$ |
| Giuseppe Conti (*) | Chairman | 01-01-2018 to 12-31-2018 | — | — | — |
| Francesco Giorgianni (*) | Director | 01-01-2018 to 12-31-2018 | — | — | — |
| Hernan Cheyre Valenzuela (1) | Director | 04-24-2018 to 12-31-2018 | 67,914 | — | 22,638 |
| Jorge Atton Palma (2) | Director | 01-01-2018 to 12-31-2018 | 76,781 | — | 24,841 |
| Julio Pellegrini Vial | Director | 01-01-2018 to 12-31-2018 | 90,996 | — | 29,579 |
| Mauro Di Carlo (*) (3) | Director | 01-01-2018 to 09-30-2018 | — | — | — |
| Umberto Magrini (*) (1) | Director | 01-01-2018 to 04-24-2018 | — | — | — |
| Luca Noviello (*) | Director | 01-01-2018 to 12-31-2018 | — | — | — |
| Fabrizio Barderi (*) | Director | 01-01-2018 to 12-31-2018 | — | — | — |
| Enrique Cibié Bluth (1) | Director | 01-01-2018 to 04-24-2018 | 23,082 | — | 6,941 |
| Antonio Scala (1) (*) | Director | 04-24-2018 to 12-31-2018 | — | — | — |
| Cristiano Bussi (*) (3) | Director | 11-29-2018 to 12-31-2018 | — | — | — |
| Total | | | 258,773 | — | 83,999 |

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| Name | Position | Period in Position | For the year ended 12-31-2017 | | |
|---------------------------|----------|--------------------------|-------------------------------|------------------------------|-----------------------------|
| | | | Enel Generación Board ThCh\$ | Board of Subsidiaries ThCh\$ | Directors' Committee ThCh\$ |
| Giuseppe Conti (*) | Chairman | 01-01-2017 to 12-31-2017 | — | — | — |
| Francesco Giorgianni (*) | Director | 01-01-2017 to 12-31-2017 | — | — | — |
| Francesco Buresti (3) (*) | Director | 01-01-2017 to 06-27-2017 | — | — | — |
| Enrique Cibié Bluth | Director | 01-01-2017 to 12-31-2017 | 95,729 | — | 32,648 |
| Jorge Atton Palma | Director | 01-01-2017 to 12-31-2017 | 95,729 | — | 32,648 |
| Julio Pellegrini Vial | Director | 01-01-2017 to 12-31-2017 | 95,729 | — | 32,648 |
| Mauro Di Carlo (*) | Director | 01-01-2017 to 12-31-2017 | — | — | — |
| Umberto Magrini (*) | Director | 01-01-2017 to 12-31-2017 | — | — | — |
| Luca Noviello (*) | Director | 01-01-2017 to 12-31-2017 | — | — | — |
| Fabrizio Barderi (4) (*) | Director | 01-01-2017 to 12-31-2017 | — | — | — |
| Total | | | 287,187 | — | 97,944 |

| Name | Position | Period in Position | For the year ended 12-31-2016 | | |
|----------------------------|---------------|--------------------------|-------------------------------|------------------------------|----------------------------|
| | | | Company Board ThCh\$ | Board of Subsidiaries ThCh\$ | Directors Committee ThCh\$ |
| Giuseppe Conti | Chairman | 04-27-2016 to 12-31-2016 | — | — | — |
| Enrico Viale | Chairman | 01-01-2016 to 04-27-2016 | — | — | — |
| Francesco Giorgianni | Vice-Chairman | 04-27-2016 to 12-31-2016 | — | — | — |
| Ignacio Mateo Montoya | Vice-Chairman | 01-01-2016 to 04-27-2016 | — | — | — |
| Francesco Buresti | Director | 01-01-2016 to 12-31-2016 | — | — | — |
| Enrique Cibié Bluth | Director | 01-01-2016 to 12-31-2016 | 98,102 | — | 29,796 |
| Jorge Atton Palma | Director | 01-01-2016 to 12-31-2016 | 98,102 | — | 29,796 |
| Julio Pellegrini Vial | Director | 04-27-2016 to 12-31-2016 | 73,864 | — | 23,162 |
| Mauro Di Carlo | Director | 04-27-2016 to 12-31-2016 | — | — | — |
| Umberto Magrini | Director | 04-27-2016 to 12-31-2016 | — | — | — |
| Luca Noviello | Director | 04-27-2016 to 12-31-2016 | — | — | — |
| Felipe Lamarca Claro | Director | 01-01-2016 to 04-27-2016 | 28,744 | — | 6,634 |
| Isabel Marshall Lagarrigue | Director | 01-01-2016 to 04-27-2016 | 28,744 | — | — |
| Vittorio Vagliasindi | Director | 01-01-2016 to 04-27-2016 | — | — | — |
| Francesca Gostinelli | Director | 01-01-2016 to 04-27-2016 | — | — | — |
| TOTAL | | | 327,556 | — | 89,388 |

- (1) Hernán Cheyre Valenzuela and Mr. Antonio Scala took over as Directors effective as of April 24, 2018 on the same date that Mr. Enrique Cibié Bluth and Mr. Umberto Magrini stepped down as directors.
- (2) Mr. Jorge Atton Palma ceased being a Director on November 29, 2018.
- (3) Mr. Cristiano Bussi took over as Director effective as of November 19, 2018 on the same date that Mr. Mauro Di Carlo stepped down as directors.
- (4) Mr. Francesco Buresti ceased being a Director on June 27, 2017.
- (5) Mr. Fabrizio Barderi took over as Director on August 28, 2017.

(*) Mr. Giuseppe Conti, Francesco Giorgianni, Francesco Buresti, Mauro Di Carlo, Umberto Magrini, Luca Noviello, Vagliasindi, Antonio Scala, Cristiano Bussi and Fabrizio Barderi waived the compensation and fees for attending meetings they received as a result of being members of the Board of Directors of Enel Generación Chile S.A.

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d) Guarantees established by the Company in favor of the Directors

During the years ended December 31, 2018 and 2017, no guarantees have been granted to the Directors.

11.3 Compensation for the Group's executives

a) Compensation received by key management personnel

| Chilean ID No. | Company Executives | |
|----------------|---------------------------------|----------------------------------------------|
| | Name | Position |
| 24.789.926-K | Valter Moro | Chief Executive Officer |
| 13.226.963-7 | Juan Alejandro Candia Narvaez | Planning and Control Officer |
| 7.012.475-0 | Raúl Arteaga Errazuriz | Chief Financial Officer |
| 8.586.744-K | Luis Alberto Vergara Adamides | Human Resources Officer |
| 7.776.718-5 | Luis Ignacio Quiñones Sotomayor | General Counsel |
| 11.629.179-7 | Humberto Espejo Paluz | Marketing and Trading Officer |
| 24.789.926-K | Valter Moro (1) | Business Development Manager (Interim) |
| 11.565.097-1 | Bernardo Canales Fuenzalida | Engineering and Construction Officer |
| 25.467.930-5 | Michele Siciliano | Chilean Thermal Generation Officer |
| 10.939.381-9 | Claudio Ordenes Tirado | Engineering and Thermal Construction Officer |
| 8.803.928-9 | Carlo Carvallo Artigas | Chilean Hydroelectric Generation Officer |
| 24.789.926-k | Valter Moro (2) | Regulation Manager (Interim) |

- (1) Valter Moro took over as Business Development Manager effective April 1, 2018 on an interim basis from Mr. Claudio Helfmann Soto.
- (2) Mr. Valter Moro took over as Regulatory Manager effective August 13, 2018 on an interim basis, replacing Ms. Paola Hartung Martínez.

b) Incentive plans for key management personnel

Enel Generación Chile S.A has implemented an annual bonus plan for its executives based on meeting company-wide objectives and on the level of their individual contribution in achieving the overall goals of the Company. The plan provides for a range of bonus amounts according to seniority level. The bonuses paid to the executives consist of a certain number of monthly gross remunerations.

The compensation of key management personnel for the years ended December 31, 2018, 2017 and 2016 is detailed as follows:

| Remuneration of the Key Management Personnel | For the year ended | | |
|----------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Cash compensation | 1,975,478 | 2,057,900 | 1,865,334 |
| Short-term benefits for employees | 454,564 | 550,238 | 553,550 |
| Other long-term benefits | 115,499 | 321,692 | 252,533 |
| TOTAL | 2,545,541 | 2,929,830 | 2,671,417 |

c) Guarantees established by the Company in favor of the Group's executives

During the years ended December 31, 2018 and 2017, no guarantees have been granted to the Group's executives.

11.4 Compensation plans linked to share price

As of December 31, 2018 and 2017, there were no compensation plans linked to the share price.

12. INVENTORIES

As of December 31, 2018 and 2017, this inventories is composed of the following:

| Classes of Inventories | Balance as of | |
|---------------------------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Supplies for Production | 34,384,583 | 16,879,260 |
| Gas | 5,712,979 | 2,301,172 |
| Oil | 2,684,688 | 2,593,805 |
| Coal | 25,986,916 | 11,984,283 |
| Supplies for projects and spare parts | 9,386,198 | 14,861,643 |
| Total | 43,770,781 | 31,740,903 |

As of December 31, 2018 and 2017, there were no inventories pledged as collateral to hedge any liability.

For the year ended December 31, 2018, the amount for raw materials and consumables recognized as fuel consumption for continuing operations was ThCh\$ 230,993,754 (ThCh\$ 280,739,362 for the years ended December 31, 2017). See Note 27.

As of December 31, 2018 and 2017, “Other non-current non-financial assets” includes an amount of ThCh\$12,545,299 and ThCh\$12,853,459 respectively, ThCh\$4,324,153 (ThCh\$ 5,444,789 for the year ended December 31, 2017) corresponding to spare parts and materials that will be used over a twelve-month period.

During the years ended December 31, 2018 and 2017, no inventories have been written down due to obsolescence or impairment.

13. CURRENT TAX RECEIVABLES AND PAYABLES

The detail of current tax receivables as of December 31, 2018 and 2017 is as follows:

| Tax Receivables | Balance as of | |
|----------------------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Monthly provisional tax payments | 37,544,939 | 54,863,660 |
| Tax credit for absorbed profits | 15,037,217 | 10,177,809 |
| Minimum presumed income | 191,118 | 5,000 |
| Other | — | 118,239 |
| Total | 52,773,274 | 65,164,708 |

The detail of current tax payables as of December 31, 2018 and 2017 is as follows:

| Tax Payables | Balance as of | |
|--------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Income tax | 12,541,174 | 66,933,261 |
| Total | 12,541,174 | 66,933,261 |

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

14.1 Investments accounted for using the equity method

a) The following tables present the changes in investments accounted for with the equity method for the years ended December 31, 2018 and 2017:

| Changes in Investments in Associates | Relationship | Country | Functional Currency | Ownership Interest % | Balance as of 1-1-2018 ThCh\$ | Additions ThCh\$ | Share of Profit (Loss) (*) ThCh\$ | Dividends Declared ThCh\$ | Foreign Currency Translation ThCh\$ | Other Comprehensive Income ThCh\$ | Other Increase (Decrease) ThCh\$ | Balance as of 12-31-2018 ThCh\$ |
|-------------------------------------------------------|---------------|-----------|---------------------|----------------------|-------------------------------|------------------|-----------------------------------|---------------------------|-------------------------------------|-----------------------------------|----------------------------------|---------------------------------|
| GNL Chile S.A. | Associate | Chile | U.S. dollar | 33.33% | 3,783,316 | — | 805,972 | (1,884,140) | 347,835 | — | — | 3,052,983 |
| Centrales Hidroeléctricas de Aysén S.A. (*) | Joint venture | Chile | Chilean peso | 0.00% | 4,205,233 | — | 1,734,508 | — | — | — | (5,939,741) | — |
| Transmisora Eléctrica de Quillota Ltda. | Joint venture | Chile | Chilean peso | 50.00% | 8,818,759 | — | 654,952 | — | — | — | — | 9,473,711 |
| Enel Argentina (formerly named Endesa Argentina S.A.) | Associate | Argentina | Argentine peso | 0.08% | 105,146 | — | 86,021 | — | (108,069) | — | 217,100 | 300,198 |
| TOTAL | | | | | 16,912,454 | — | 3,281,453 | (1,884,140) | 239,766 | — | (5,722,641) | 12,826,892 |

| Changes in Investments in Associates | Relationship | Country | Functional Currency | Ownership Interest % | Balance as of 1-1-2017 ThCh\$ | Additions ThCh\$ | Share of Profit (Loss) (*) ThCh\$ | Dividends Declared ThCh\$ | Foreign Currency Translation ThCh\$ | Other Comprehensive Income ThCh\$ | Other Increase (Decrease) ThCh\$ | Balance as of 12-31-2017 ThCh\$ |
|-------------------------------------------------------|---------------|-----------|---------------------|----------------------|-------------------------------|------------------|-----------------------------------|---------------------------|-------------------------------------|-----------------------------------|----------------------------------|---------------------------------|
| GNL Chile S.A. | Associate | Chile | U.S. dollar | 33.33% | 3,982,934 | — | 841,957 | (743,734) | (297,841) | — | — | 3,783,316 |
| Centrales Hidroeléctricas de Aysén S.A. (*) | Joint venture | Chile | Chilean peso | 51.00% | 6,441,166 | 1,943,100 | (4,179,034) | — | — | — | 1 | 4,205,233 |
| Transmisora Eléctrica de Quillota Ltda. | Joint venture | Chile | Chilean peso | 50.00% | 8,222,763 | — | 595,996 | — | — | — | — | 8,818,759 |
| Enel Argentina (formerly named Endesa Argentina S.A.) | Associate | Argentina | Argentine peso | 0.12% | 91,335 | — | 44,177 | — | (29,199) | (1,490) | 323 | 105,146 |
| TOTAL | | | | | 18,738,198 | 1,943,100 | (2,696,904) | (743,734) | (327,040) | (1,490) | 324 | 16,912,454 |

(*) See Note 14.b and Appendix 3.

b) Centrales Hidroeléctricas de Aysén S.A. (Hydroaysén)

In May 2014, the Committee of Ministers revoked the Environmental Qualification Resolution (“RCA”) of the Centrales Hidroeléctricas de Aysén S.A. project, in which the Company participates by accepting some of the claims filed against this project. It is a public information that this decision was resorted before the Environmental Courts in Valdivia and Santiago. On January 28, 2015, it was made public that the water rights request made in 2008 by Centrales Hidroeléctricas de Aysén S.A. has been partially rejected.

The Company has expressed its intention to promote at Centrales Hidroeléctricas de Aysén S.A. the defense for water rights and the environmental qualification granted to the project in the corresponding instances, continuing with the judicial actions already started or implementing new administrative or judicial actions that are necessary to this end, and it maintains the belief that hydric resources of the Aysén region are important for the energy development of the country.

Nevertheless, given the current situation, there is uncertainty on the recoverability of the investment made so far at Centrales Hidroeléctricas de Aysén S.A., since it depends both on judicial decisions and on definitions in the energy agenda which cannot be foreseen at present, consequently the investment is not included in the portfolio of the Company’s immediate projects. Consequently, at closing date of fiscal year 2014, the Company recognized an impairment of its participation in Centrales Hidroeléctricas de Aysén S.A. amounting to ThCh\$ 69,066,857.

At an Extraordinary Meeting of Hidroaysén shareholders of Centrales Hidroeléctricas de Aysén S.A. held on December 7, 2017, it was decided to proceed to the early dissolution of this company, and an agreement was reached on how to liquidate the company’s assets. The liquidation process contemplated an allocation of assets to the shareholders Enel Generación and Colbún pro rata of their ownership interest which are 51% and 49%, respectively. This liquidation process and the associated allocation took place on September 7, 2018.

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The following is the stand-alone balance sheet considered for the liquidation process:

CENTRALES HIDROELECTRICAS DE AYSEN S.A.

| ASSETS | Liquidation Balance 09-07-2018 M\$ | Recognized by Enel Generation (51%) 09-07-2018 M\$ |
|-------------------------------------|---------------------------------------------|-------------------------------------------------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 72,339 | 36,892 |
| Trade and other current receivables | 56,021 | 28,571 |
| TOTAL CURRENT ASSETS | 128,360 | 65,463 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 11,603,281 | 5,917,673 |
| TOTAL NON-CURRENT ASSETS | 11,603,281 | 5,917,673 |
| TOTAL ASSETS | 11,731,641 | 5,983,136 |
| CURRENT LIABILITIES | | |
| Other current provisions | 83,403 | 42,535 |
| TOTAL CURRENT LIABILITIES | 83,403 | 42,535 |
| EQUITY | | |
| Issued capital | 188,855,665 | 96,316,389 |
| Retained earnings | (177,207,427) | (90,375,788) |
| TOTAL EQUITY | 11,648,238 | 5,940,601 |
| TOTAL LIABILITIES AND EQUITY | 11,731,641 | 5,983,136 |

c) Sale of GNL Quintero S.A.

On June 9, 2016, the Company entered into a share purchase agreement with Enagás Chile S.p.A. (“Enagás Chile”), a wholly-owned subsidiary of Enagás S.A., under which Enagás Chile would acquire the entire 20% ownership interest held by the Company in the associated company GNL Quintero S.A..

The sale of this investment to Enagás Chile was subject to satisfaction of customary conditions precedent for this type of transaction, which included, among others, non-exercising by the other shareholders of GNL Quintero S.A. of the preferential acquisition rights, which they possess in accordance with the terms and conditions of the shareholders agreement.

On September 14, 2016, upon satisfaction of the conditions precedent, the Company transferred the shares it held in GNL Quintero S.A. to Enagás Chile. The purchase price was US\$ 197,365,113.2 (ThCh\$ 132,820,800). Cash received for GNL Quintero S.A. is included in “Other collections from the sale of equity or debt instruments belonging to other entities” of the Consolidated Statements of Cash Flows at year ended December 31, 2016.

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GNL Quintero S.A. operates a storage and regasification of Liquefied Natural Gas (LNG) plant and its related land-based Terminal for loading and unloading LNG, including facilities and network necessary to deliver LNG, through a LNG truck loading facility and delivery point's pipelines.

14.2 Additional financial information on investments in associated companies

The following tables show financial information as of December 31, 2018 and 2017 from the financial statements of the investments in associates where the Group has significant influence:

| As of and for the year ended December 31, 2018 | | | | | | | | | | |
|------------------------------------------------|----------------------|-----------------------|---------------------------|----------------------------|--------------------------------|-----------------|-----------------|----------------------|-----------------------------------|-----------------------------|
| Investments with Significant Influence | Ownership Interest % | Current Assets ThCh\$ | Non-current Assets ThCh\$ | Current Liabilities ThCh\$ | Non-current Liabilities ThCh\$ | Revenues ThCh\$ | Expenses ThCh\$ | Profit (Loss) ThCh\$ | Other Comprehensive Income ThCh\$ | Comprehensive Income ThCh\$ |
| GNL Chile S.A. | 33.33% | 75,571,058 | 267,884 | 66,679,077 | — | 707,597,382 | (705,179,225) | 2,418,157 | 1,043,609 | 3,461,766 |

| As of and for the year ended December 31, 2017 | | | | | | | | | | |
|------------------------------------------------|----------------------|-----------------------|---------------------------|----------------------------|--------------------------------|-----------------|-----------------|----------------------|-----------------------------------|-----------------------------|
| Investments with Significant Influence | Ownership Interest % | Current Assets ThCh\$ | Non-current Assets ThCh\$ | Current Liabilities ThCh\$ | Non-current Liabilities ThCh\$ | Revenues ThCh\$ | Expenses ThCh\$ | Profit (Loss) ThCh\$ | Other Comprehensive Income ThCh\$ | Comprehensive Income ThCh\$ |
| GNL Chile S.A. | 33.33% | 71,254,956 | 148,950 | 63,340,564 | — | 687,399,254 | (684,873,130) | 2,526,124 | (24,472) | 2,501,652 |

None of our associates have published price quotations.

Appendix 3 to these consolidated financial statements provides information on the main activities of our associated companies and the ownership interest the Group holds in them.

14.3 Additional financial information on investments in joint ventures

The following tables present information from the financial statements as of December 31, 2018 and 2017, on the main joint ventures:

| Investments in Joint Ventures | Centrales Hidroeléctricas de Aysén S.A. | | Transmisora Eléctrica de Quillota Ltda. | |
|---------------------------------------|-----------------------------------------|--------------------------|-----------------------------------------|--------------------------|
| | 51.00% 12-31-2018 (*) ThCh\$ | 51.00% 12-31-2017 ThCh\$ | 50.00% 12-31-2018 ThCh\$ | 50.00% 12-31-2017 ThCh\$ |
| Total current assets | — | 355,835 | 9,360,553 | 7,793,702 |
| Total non-current assets | — | 8,030,172 | 11,530,788 | 12,036,201 |
| Total current liabilities | — | 139,182 | 235,264 | 440,426 |
| Total non-current liabilities | — | — | 1,708,660 | 1,751,963 |
| Cash and cash equivalents | — | 355,446 | 8,185,391 | 7,310,296 |
| Revenues | — | — | 3,003,757 | 2,813,493 |
| Depreciation and amortization expense | — | — | (758,607) | (782,322) |
| Other fixed operating expenses | (125,697) | (8,144,855) | (784,364) | (525,471) |
| Interest income | — | 24,829 | — | — |
| Other income | 3,526,179 | — | 187,601 | — |
| Income tax expense | — | — | (349,848) | (313,709) |
| Profit (loss) | 3,400,997 | (8,193,670) | 1,309,903 | 1,191,991 |
| Comprehensive income (loss) | 3,400,997 | (8,193,670) | 1,309,903 | 1,191,991 |

(*) See Note 14 and Appendix 3.

• **Restrictions on funds transfers from associated companies and joint ventures**

As of December 31, 2018 and 2017, there were no restrictions on funds transfers from associates or joint ventures.

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14.4 Commitments and contingencies

As of December 31, 2018 and 2017, associated companies and joint ventures did not have significant commitments and contingencies.

15. INTANGIBLE ASSETS OTHER THAN GOODWILL, NET

Intangible assets as of December 31, 2018 and 2017 are detailed as follows:

| | Balance as of | |
|------------------------------------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Intangible Assets, Net | | |
| Easements and water rights | 5,664,621 | 6,338,591 |
| Computer software | 17,792,405 | 9,242,490 |
| Other identifiable intangible assets | 453,951 | 3,026,892 |
| Total | 23,910,977 | 18,607,973 |
| | | |
| | Balance as of | |
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Intangible Assets, Gross | | |
| Easements and water rights | 6,281,675 | 6,920,897 |
| Computer software | 39,370,957 | 24,658,245 |
| Other identifiable intangible assets | 3,212,927 | 5,762,166 |
| Total | 48,865,559 | 37,341,308 |
| | | |
| | Balance as of | |
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Accumulated Amortization and Impairment | | |
| Easements and water rights | (617,054) | (582,306) |
| Computer software | (21,578,552) | (15,415,755) |
| Other identifiable intangible assets | (2,758,976) | (2,735,274) |
| Total | (24,954,582) | (18,733,335) |

The reconciliation of the carrying amounts of intangible assets for the years ended December 31, 2018 and 2017 is as follows:

| | Easements and Water Rights ThCh\$ | Computer Software ThCh\$ | Other Identifiable Intangible Assets, Net ThCh\$ | Intangible Assets, Net ThCh\$ |
|----------------------------------------------------------------|-----------------------------------------|--------------------------------|--------------------------------------------------------------|-------------------------------------|
| Changes in Intangible Assets | | | | |
| Opening Balance as of January 1, 2018 | 6,338,591 | 9,242,490 | 3,026,892 | 18,607,973 |
| Changes in identifiable intangible assets | | | | |
| Increases other than those from business combinations | 2,721 | 11,231,076 | — | 11,233,797 |
| Increase (decrease) from net foreign exchange differences, net | — | (143) | — | (143) |
| Amortization | — | (6,255,236) | (2,130) | (6,257,366) |
| Increases (decreases) from transfers and other changes | | | | |
| Increases (decreases) from transfers | — | 2,571,157 | (2,571,157) | — |
| Disposals and withdrawals from service | (509,981) | — | — | (509,981) |
| Disposals | (509,981) | — | — | (509,981) |
| Increases (decreases) | (166,710) | 1,003,061 | — | 836,351 |
| Argentine companies hyperinflation | — | — | 346 | 346 |
| Total changes in identifiable intangible assets | (673,970) | 8,549,915 | (2,572,941) | 5,303,004 |
| Closing Balance as of December 31, 2018 | 5,664,621 | 17,792,405 | 453,951 | 23,910,977 |

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| Changes in Intangible Assets | Easements and Water Rights ThCh\$ | Computer Software ThCh\$ | Other Identifiable Intangible Assets, Net ThCh\$ | Intangible Assets, Net ThCh\$ |
|----------------------------------------------------------------|-----------------------------------------|--------------------------------|--------------------------------------------------------------|-------------------------------------|
| Opening Balance as of January 1, 2017 | 6,043,003 | 10,189,162 | 3,034,709 | 19,266,874 |
| Changes in identifiable intangible assets | | | | |
| Increases other than those from business combinations | 295,588 | 2,179,883 | — | 2,475,471 |
| Increase (decrease) from net foreign exchange differences, net | — | — | (114) | (114) |
| Amortization | — | (3,126,555) | (7,703) | (3,134,258) |
| Increases (decreases) from transfers and other changes | | | | |
| Increases (decreases) from transfers | — | — | — | — |
| Disposals and withdrawals from service | | | | |
| Disposals (*) | — | — | — | — |
| Increases (decreases) | — | — | — | — |
| Argentine companies hyperinflation | — | — | — | — |
| Total changes in identifiable intangible assets | 295,588 | (946,672) | (7,817) | (658,901) |
| Closing Balance as of December 31, 2017 | 6,338,591 | 9,242,490 | 3,026,892 | 18,607,973 |

| Changes in Intangible Assets | Easements and Water Rights ThCh\$ | Computer Software ThCh\$ | Other Identifiable Intangible Assets, Net ThCh\$ | Intangible Assets, Net ThCh\$ |
|----------------------------------------------------------------|-----------------------------------------|--------------------------------|--------------------------------------------------------------|-------------------------------------|
| Opening Balance as of January 1, 2016 | 8,052,525 | 12,373,049 | 479,852 | 20,905,426 |
| Changes in identifiable intangible assets | | | | |
| Increases other than those from business combinations | 540,052 | — | 2,571,273 | 3,111,325 |
| Increase (decrease) from net foreign exchange differences, net | — | — | 2,897 | 2,897 |
| Amortization (*) | — | (2,183,887) | (18,961) | (2,202,848) |
| Increases (decreases) from transfers and other changes | | | | |
| Increases (decreases) from transfers | 352 | — | (352) | — |
| Disposals and withdrawals from service | | | | |
| Disposals | (2,549,926) | — | — | (2,549,926) |
| Total changes in identifiable intangible assets | (2,009,522) | (2,183,887) | 2,554,857 | (1,638,552) |
| Closing Balance as of December 31, 2016 | 6,043,003 | 10,189,162 | 3,034,709 | 19,266,874 |

As of December 31, 2018 and December 31, 2017, the Group does not have significant intangible assets with an indefinite useful life.

16. GOODWILL

The following table shows goodwill by the CGU or group of CGUs to which it belongs and changes for the years ended December 31, 2018 and 2017:

| <u>Company</u> | <u>Cash-Generating Unit</u> | <u>Balance as of 1-1-2018 ThCh\$</u> | <u>Transfer on mergers ThCh\$</u> | <u>Balance as of 12-31-2018 ThCh\$</u> |
|-----------------------|-----------------------------|----------------------------------------------|-------------------------------------------|------------------------------------------------|
| GasAtacama Chile S.A. | Generación Chile | 24,860,356 | — | 24,860,356 |
| Total | | 24,860,356 | — | 24,860,356 |

| <u>Company</u> | <u>Cash-Generating Unit</u> | <u>Balance as of 1-1-2017 ThCh\$</u> | <u>Transfer on mergers ThCh\$</u> | <u>Balance as of 12-31-2017 ThCh\$</u> |
|-----------------------|-----------------------------|----------------------------------------------|-------------------------------------------|------------------------------------------------|
| GasAtacama Chile S.A. | Generación Chile | 24,860,356 | — | 24,860,356 |
| Total | | 24,860,356 | — | 24,860,356 |

The origin of goodwill as detailed below is a result of the acquisitions of the following entities, subsequently merged directly or indirectly into GasAtacama Chile S.A.:

On July 12, 2002, the Company acquired 2.51% of the shares of Empresa Eléctrica Pangué S.A. through a put option held by the minority shareholder International Finance Corporation (IFC).

On August 11, 2005, the Company acquired interest of Inversiones Lo Venecia Ltda., which held as its only asset 25% interest in the company San Isidro S.A.

Subsequently, Empresa Eléctrica Pangué S.A. and the company San Isidro S.A. were merged into Compañía Eléctrica Tarapacá S.A., the latter being the legal successor company.

On April 22, 2014, the Company purchased the 50% interest in Inversiones GasAtacama Holding Ltda. held by Southern Cross Latin America Private Equity Fund III L.P. at that time.

On October 1, 2016, Inversiones GasAtacama Holding Ltda. was merged into Compañía Eléctrica Tarapacá S.A., the latter being the legal successor company.

On November 1, 2016, Compañía Eléctrica Tarapacá S.A. was merged into GasAtacama Chile S.A., the latter being the legal successor company.

According to the Group management's estimates and projections, the expected future cash flows projections attributable to the Cash-Generating Units or groups of Cash-Generating Units, to which the acquired goodwill has been allocated, allow recovering of its carrying amount as of December 31, 2018 and 2017 (see Note 3.b).

17. PROPERTY, PLANT AND EQUIPMENT, NET

17.1 Property, plant, and equipment as of December 31, 2018 and 2017:

| Classes of Property, Plant and Equipment, Net | Balance as of | |
|-----------------------------------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Construction in progress | 654,854,659 | 554,424,935 |
| Land | 57,932,689 | 52,063,679 |
| Buildings | 8,438,832 | 9,029,526 |
| Plant and equipment | 2,146,295,618 | 2,117,017,034 |
| Fixtures and fittings | 33,921,524 | 37,160,396 |
| Finance leases | 17,654,672 | 18,508,931 |
| Property, plant and equipment, net | 2,919,097,994 | 2,788,204,501 |

| Classes of Property, Plant and Equipment, Gross | Balance as of | |
|-------------------------------------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Construction in progress | 654,854,659 | 554,424,935 |
| Land | 57,932,689 | 52,063,679 |
| Buildings | 22,243,315 | 22,251,858 |
| Plant and equipment | 4,670,987,645 | 4,666,169,339 |
| Fixtures and fittings | 98,898,677 | 104,888,965 |
| Finance leases | 28,760,031 | 28,760,031 |
| Property, plant and equipment, gross | 5,533,677,016 | 5,428,558,807 |

| Classes of Accumulated Depreciation and Impairment of Property, Plant and Equipment | Balance as of | |
|---------------------------------------------------------------------------------------|------------------------|------------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Buildings | (13,804,483) | (13,222,332) |
| Plant and equipment | (2,524,692,027) | (2,549,152,305) |
| Fixtures and fittings | (64,977,153) | (67,728,569) |
| Finance leases | (11,105,359) | (10,251,100) |
| Total Accumulated Depreciation and Impairment in Property, Plant and Equipment | (2,614,579,022) | (2,640,354,306) |

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17.2 The detail of, and changes in, property, plant, and equipment, net for the years December 31, 2018, 2017 and 2016 are as follows:

| | Construction in Progress ThCh\$ | Land ThCh\$ | Buildings, Net ThCh\$ | Plant and Equipment, Net ThCh\$ | Fixtures and Fittings, Net ThCh\$ | Other Property, Plant and Equipment under Finance Leases, Net ThCh\$ | Property, Plant and Equipment, Net ThCh\$ |
|---------------------------------------------------------------------------------|------------------------------------|-------------------|--------------------------|------------------------------------|--------------------------------------|-------------------------------------------------------------------------|----------------------------------------------|
| Changes in the year ended December 31, 2018 | | | | | | | |
| Opening Balance as of January 1, 2018 | 554,424,935 | 52,063,679 | 9,029,526 | 2,117,017,034 | 37,160,396 | 18,508,931 | 2,788,204,501 |
| Increase (decrease) from net foreign exchange differences | (129,401) | (35,406) | (61,194) | (790,755) | 106,382 | — | (910,374) |
| Depreciation | — | — | (611,036) | (108,405,979) | (1,636,624) | (854,258) | (111,507,897) |
| Increases (decreases) from transfers and other changes | (135,136,356) | — | 81,534 | 135,214,591 | (159,769) | — | — |
| Change Increases (decreases) from transfers from construction in process | (135,136,356) | — | 81,534 | 135,214,591 | (159,769) | — | — |
| Disposals and withdrawals from service | 763 | — | — | (527,470) | (1) | — | (526,708) |
| Disposals | — | — | — | (527,469) | — | — | (527,469) |
| Write-offs (*) | 763 | — | — | (1) | (1) | — | 761 |
| Argentine companies hyperinflation | — | — | — | 1,912,829 | — | — | 1,912,829 |
| Other increases/decreases | 12,540,398 | 10,677 | 2 | 1,829,141 | (1,548,860) | (1) | 12,831,357 |
| Total changes | 100,429,724 | 5,869,010 | (590,694) | 29,278,584 | (3,238,872) | (854,259) | 130,893,493 |
| Closing balance as of December 31, 2018 | 654,854,659 | 57,932,689 | 8,438,832 | 2,146,295,618 | 33,921,524 | 17,654,672 | 2,919,097,994 |
| | | | | | | | |
| | Construction in Progress ThCh\$ | Land ThCh\$ | Buildings, Net ThCh\$ | Plant and Equipment, Net ThCh\$ | Fixtures and Fittings, Net ThCh\$ | Other Property, Plant and Equipment under Finance Leases, Net ThCh\$ | Property, Plant and Equipment, Net ThCh\$ |
| Changes in the year ended December 31, 2017 | | | | | | | |
| Opening Balance as of January 1, 2017 | 588,700,578 | 51,342,724 | 9,703,906 | 2,033,720,809 | 24,007,331 | 19,363,189 | 2,726,838,537 |
| Increase (decrease) from net foreign exchange differences | (101,444) | (25,624) | (44,699) | (336,622) | 253,596 | — | (254,793) |
| Depreciation | — | — | (629,681) | (110,391,381) | (2,327,975) | (854,258) | (114,203,295) |
| Increases (decreases) from transfers and other changes | (207,314,070) | 776,932 | — | 191,406,850 | 15,130,288 | — | — |
| Change Increases (decreases) from transfers from construction in process | (207,314,070) | 776,932 | — | 191,406,850 | 15,130,288 | — | — |
| Disposals and withdrawals from service | (30,206,357) | (30,353) | — | (1,723,479) | 38,212 | — | (31,921,977) |
| Disposals | (5,099,800) | (30,353) | — | (453,882) | 38,212 | — | (5,545,823) |
| Write-offs (*) | (25,106,557) | — | — | (1,269,597) | — | — | (26,376,154) |
| Argentine companies hyperinflation | — | — | — | — | — | — | — |
| Other increases/decreases | (55,163) | — | — | 4,340,857 | — | — | 4,285,694 |
| Total changes | (34,275,643) | 720,955 | (674,380) | 83,296,225 | 13,153,065 | (854,258) | 61,365,964 |
| Closing balance as of December 31, 2017 | 554,424,935 | 52,063,679 | 9,029,526 | 2,117,017,034 | 37,160,396 | 18,508,931 | 2,788,204,501 |

(*) See Note 17.7.8

17.3 Principal investments

Material investments in the electricity generation business in Chile include developments in the program to create new capacity, including progress on the construction of the Central Hidroeléctrica Los Cóndores Plant, which will use the resources of the Laguna del Maule and will have approximately 150 MW of installed capacity. The construction involved additions of ThCh\$ 142,578,993 for the year ended December 31, 2018 (ThCh\$ 102,515,924 for the years ended December 31, 2017).

17.4 Capitalized costs

a) Capitalized borrowing costs:

Borrowing costs capitalized during the years ended December 31, 2018, 2017 and 2016, amounted to ThCh\$6,523,443, ThCh\$4,078,463 and ThCh\$3,001,211 respectively. Weighted average capitalization rate varied from 7.71% to 7.12% for the year ended December 31, 2018, from 7.12% to 7.95% for the year ended December 31, 2017 and 7.95% to 9% for the year ended December 31, 2016 (see Note 32).

b) Capitalized personnel expenses:

Personnel expenses directly related to the construction capitalized during the years ended December 31, 2018, 2017 and 2016 amounted to ThCh\$7,449,013, ThCh\$7,226,484 and ThCh\$9,758,304, respectively.

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17.5 Finance leases

As of December 31, 2018 and December 31, 2017, property, plant and equipment includes ThCh\$17,654,672 and ThCh\$18,508,931, respectively, in leased assets classified as finance leases.

The present value of future lease payments derived from these finance leases is as follows:

| | 12-31-2018 | | | 12-31-2017 | | |
|------------------------|-------------------|--------------------------------|----------------------------|-------------------|--------------------------------|----------------------------|
| | Gross ThCh\$ | Unearned Interest ThCh\$ | Present Value ThCh\$ | Gross ThCh\$ | Unearned Interest ThCh\$ | Present Value ThCh\$ |
| Less than one year | 2,779,081 | 612,806 | 2,166,275 | 2,459,000 | 659,212 | 1,799,788 |
| From one to five years | 13,284,596 | 974,421 | 12,310,175 | 9,836,000 | 1,244,808 | 8,591,192 |
| More than five years | — | — | — | 4,377,544 | 159,610 | 4,217,934 |
| Total (*) | 16,063,677 | 1,587,227 | 14,476,450 | 16,672,544 | 2,063,630 | 14,608,914 |

Leased assets primarily relate to:

The Company: a lease agreement for Electric Transmission Lines and Installations (Ralco-Charrúa 2X220 KV) entered into between the Company and Abengoa Chile S.A. The lease agreement has a 20-year maturity and bears interest at an annual rate of 6.5%.

17.6 Operating leases

The consolidated statements of comprehensive income for the years ended December 31, 2018, 2017 and 2016 include ThCh\$ 5,011,340, ThCh\$ 3,606,514 and ThCh\$ 1,229,779, respectively, related to accrual during these periods of operating lease contracts.

As of December 31, 2018 and 2017 the total future lease payments under these contracts are as follows:

| | Balance as of | |
|------------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Less than one year | 279,253 | 871,520 |
| From one to five years | 523,116 | 3,331,037 |
| More than five years | 1,093,022 | 754,503 |
| Total | 1,895,391 | 4,957,060 |

17.7 Other information

- As of December 31, 2018 and 2017 the Group had contractual commitments for the acquisition of property, plant and equipment amounting to ThCh\$ 166,392,958 and ThCh\$ 281,814,599, respectively.
- As of December 31, 2018, and 2017 the Group does not have property, plant and equipment that was pledged as security for liabilities.
- The Company and its domestic subsidiaries have insurance contracts in place that provide policies covering against all risks, earthquakes and machinery breakdowns, with a limit of € 1,000 million, including insurance against damages from business interruption. Additionally, the company has Civil Liability insurance in place to cover third-party claims with a limit of € 200 million, and with a limit of € 500 million to cover claims resulting from overflows of dams owned by the Company or its Subsidiaries, and with a limit of € 10 million in the case of Environmental Civil Liability. The premiums associated with these policies are recorded proportionally in each company under pre-paid expenses.

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4. The condition of certain assets of the Company changed, primarily works and infrastructure for facilities built to support power generation in the SIC grid in 1998, due primarily to the installation in the SIC of new thermoelectric plants, the arrival of LNG, and new other projects. As such, a new supply configuration for the upcoming years, in which it is expected that these facilities will not be used. Therefore, in 2009, Enel Generación Chile S.A. recognized an impairment loss of ThCh\$ 43,999,600 for these assets, which is still has not reversed. (see Note 3.d).
5. At the end of 2014, Enel Generación Chile S.A. recognized an impairment loss of ThCh\$ 12,581,947 related to the Punta Alcalde project. This impairment loss was triggered because the current definition of the project is not fully aligned with the strategy that the Company is reformulating; particularly, with regard to technological leadership, and to community and environmental sustainability. Enel Generación Chile S.A. has decided to suspend the project as its profitability is still unclear (see Note 3.d).
6. As of December 31, 2015, Enel Generación Chile S.A. recognized an impairment loss of ThCh\$ 2,522,445 related to the wind project Waiwen. This impairment loss was a result of new assessment of the feasibility of the project performed by the Company and a conclusion that, under existing conditions to date, profitability is uncertain.
7. In line with its sustainability strategy and in order to develop community relations, the Company has decided to research new design alternatives for the Neltume project, in particular regarding the question of the discharge of Lake Neltume, which has been raised by the communities in the various instances of dialogue.

To start a new phase of research of an alternative project, which includes the discharge of water on the Fuy River in late December 2015, the Company withdrew the Environmental Impact Study. This decision applies only to the Neltume project and not to the transmission project, which continues its course on handling in the Environmental Assessment Service.

As a result of the above, as of December 31, 2015, the Group recognized a loss of ThCh\$2,706,830, associated with the write down of certain assets related to Environmental Impact Study, which had been withdrawn and to other studies directly linked to the old design of assets.

Consequently, in line with the new sustainability strategy and as a result of sustained dialog with the communities, the Company's projects in the territory, namely Neltume and Choshuenco, have good prospects from the social point of view. However, given the current conditions of the Chilean electricity market, expected profitability of the Neltume and Choshuenco projects is lower than the total capitalized investment in them. As a result, at the end of 2016, the Group recognized an impairment loss of ThCh\$ 20,459,461 associated with the Neltume project and ThCh\$ 3,748,124 associated with the Choshuenco project.

At the end of the fiscal year 2017, following an analysis during the last months, Enel Generación Chile determined to abandon the Neltume project; a decision justified mainly by the high-sustained competitiveness in the Chilean electricity market, which in November 2017 was ratified with the result of the last tender of Electric Distributors. Added to the above, there is the time associated with developing the alternative water discharge, considering a period of no less than 5 years, given the necessity to request and obtain a transfer of the current Water Right and commission a new study for environmental impact. The abandonment implied the recognition of a ThCh\$ 21,975,641 loss, with the purpose of reducing to zero the net book value of the assets associated with the project.

Additionally, the Company also decided to abandon the Choshuenco project, mainly because the strong synergies considered with the Neltume hydroelectric project would not exist anymore and make it not viable. This decision involved recognizing a loss of ThCh\$3,130,270, with the purpose of reducing the net book value of the assets associated with the project to zero.

8. As of August 31, 2016, the Company decided to withdraw from the water rights associated with the hydroelectric projects Bardón, Chillan 1, Chillan 2, Futaleufú, Hechún and Puelo. This decision was taken

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because of, among other aspects evaluated, the high annual maintenance cost of these unused water rights, lack of technical and economic feasibility and insufficient local community support. As a result, the Group wrote-off a total amount of ThCh\$ 32,834,160 of property, plant and equipment and ThCh\$ 2,549,926 of intangible assets, which represent 100% of the related costs previously capitalized.

9. As of December 31, 2016, the Group recognized an impairment loss of ThCh\$ 6,577,946 associated with certain Non-Conventional Renewable Energy (“NCRE”) initiatives, such as wind, mini-hydro, biomass and solar projects. These initiatives deal with collection of natural resources data (wind speed, solar radiation, etc.) as well as engineering studies enabling the Company to perform and support technical and economical assessments in order to visualize their perspectives and decide on future steps. The results of the studies have not been entirely satisfactory, mainly due to the current conditions in the Chilean electricity market, as future viability of the NCRE projects is uncertain. As a result the Group recognized an impairment of 100% of the capitalized investments to date in NCRE projects.

On the other hand, the Group decided to write off 100% of capitalized investment in two thermal projects that until now were held in its portfolio. These are the Tames 2 and Totalillo projects, which were being developed within the framework of the public land concessions provided by the National Heritage Ministry in 2013. The amount of the write-off was ThCh\$ 1,096,137 and arose as a result of the current conditions in the Chilean electricity market, lack of future viability of this type of technology (steam-coal) and high development costs, which make these projects unfeasible.

Additionally, at the end of fiscal year 2016, the Company recorded an account payable for ThCh\$2,244,900, from penalties that it should pay for waiving the concessions related to these projects. During fiscal year 2017, the Ministry of National Assets and Enel Generación Chile, agreed to extinguish onerous concessions and not imposed any penalties.

18. DEFERRED TAXES

a) The following is the analysis of deferred income tax assets/(liabilities) presented in the consolidated statements of financial position as of December 31, 2018 and 2017

| Deferred tax assets/(liabilities) | Net balance as of January 1, 2018 | Effects first application IFRS 9 and IAS 29 | Net balance restated as of January 1, 2018 | Movements | | | | Net balance as of December 31, 2018 | Balance as of December 31, 2018 | |
|-----------------------------------------------------------|-----------------------------------|---------------------------------------------|--------------------------------------------|------------------------------|------------------------------------|-----------------------------------------|-----------------------------|-------------------------------------|---------------------------------|--------------------------|
| | | | | Recognized in profit or loss | Recognized in comprehensive income | Foreign currency translation difference | Other increases (decreases) | | Deferred tax assets | Deferred Tax Liabilities |
| Depreciation | (232,741,069) | — | (232,741,069) | 20,382,971 | — | — | — | (212,358,098) | 11,567 | (212,795,353) |
| Obligations for post-employment benefits | 1,478,416 | — | 1,478,416 | (192,839) | 87,818 | — | — | 1,373,395 | 1,474,757 | (101,362) |
| Tax loss | 9,536,102 | — | 9,536,102 | (9,536,102) | — | — | — | — | — | — |
| Provisions | 20,314,110 | 52,255 | 20,366,365 | 4,503,006 | — | — | — | 24,869,371 | 24,869,371 | — |
| Dismantling Provision | 17,277,993 | — | 17,277,993 | 4,185,333 | — | — | — | 21,463,326 | 21,463,326 | — |
| Provision for doubtful trade accounts | 555,914 | 52,255 | 608,169 | (107,757) | — | — | — | 500,412 | 500,412 | — |
| Provision of Human Resources accounts | 2,373,725 | — | 2,373,725 | 388,183 | — | — | — | 2,761,908 | 2,761,908 | — |
| Other Provisions | 106,478 | — | 106,478 | 37,247 | — | — | — | 143,725 | 143,725 | — |
| Other Deferred tax | 41,118,525 | (213,442) | 40,905,083 | (27,785,843) | 4 | — | (10,491,314) | 2,627,930 | 8,695,342 | (5,641,724) |
| Tax Credit | 10,491,314 | — | 10,491,314 | — | — | — | (10,491,314) | — | — | — |
| Deferred income | (673,896) | — | (673,896) | 1,059,308 | — | — | — | 385,412 | 385,412 | — |
| Assets classified as held to distribute to owners (*) | 30,938,736 | — | 30,938,736 | (30,938,736) | — | — | — | — | 1,398,289 | — |
| Monetary Correction - Argentina | — | (213,442) | (213,442) | (212,246) | — | — | — | (425,688) | — | — |
| Other Deferred Taxes | 362,371 | — | 362,371 | 2,305,831 | 4 | — | — | 2,668,206 | 6,911,641 | (5,641,724) |
| Deferred tax asses/(liabilities) | (160,293,916) | (161,187) | (160,455,103) | (12,628,807) | 87,822 | — | (10,491,314) | (183,487,402) | 35,051,037 | (218,538,439) |
| Offsetting of deferred tax assets/(liabilities) | — | — | — | — | — | — | — | — | (35,051,037) | 35,051,037 |
| Deferred tax assets/(liabilities) after offsetting | — | — | — | — | — | — | — | (183,487,402) | — | (183,487,402) |

| Deferred tax assets/(liabilities) | Net balance as of January 1, 2017 | Effects first application IFRS 9 and IAS 29 | Net balance restated as of January 1, 2017 | Movements | | | | Net balance as of December 31, 2017 | Balance as of December 31, 2017 | |
|-----------------------------------------------------------|-----------------------------------|---------------------------------------------|--------------------------------------------|------------------------------|------------------------------------|-----------------------------------------|-----------------------------|-------------------------------------|---------------------------------|--------------------------|
| | | | | Recognized in profit or loss | Recognized in comprehensive income | Foreign currency translation difference | Other increases (decreases) | | Deferred tax assets | Deferred Tax Liabilities |
| Depreciation | (209,128,557) | — | (209,128,557) | (23,672,231) | — | 61,221 | (1,502) | (232,741,069) | 146,622 | (232,887,691) |
| Obligations for post-employment benefits | 1,639,108 | — | 1,639,108 | 249,625 | (68,034) | — | (342,283) | 1,478,416 | 1,504,434 | (26,018) |
| Tax loss | 11,911,396 | — | 11,911,396 | (2,375,294) | — | — | — | 9,536,102 | 9,536,102 | — |
| Provisions | 20,198,527 | — | 20,198,527 | (226,700) | — | — | 342,283 | 20,314,110 | 20,314,110 | — |
| Dismantling Provision | 15,477,997 | — | 15,477,997 | 1,799,996 | — | — | — | 17,277,993 | 17,277,993 | — |
| Provision for doubtful trade accounts | 513,049 | — | 513,049 | 42,865 | — | — | — | 555,914 | 555,914 | — |
| Provision of Human Resources accounts | 2,405,948 | — | 2,405,948 | (32,223) | — | — | — | 2,373,725 | 2,373,725 | — |
| Other Provisions | 1,801,533 | — | 1,801,533 | (2,037,338) | — | — | 342,283 | 106,478 | 106,478 | — |
| Other Deferred tax | 8,798,644 | — | 8,798,644 | 28,678,438 | (2) | (28,356) | 3,669,801 | 41,118,525 | 45,901,164 | (4,782,639) |
| Tax Credit | 10,295,696 | — | 10,295,696 | — | — | — | 195,618 | 10,491,314 | 10,491,314 | — |
| Deferred income | 463,768 | — | 463,768 | (1,137,664) | — | — | — | (673,896) | (673,896) | — |
| Assets classified as held to distribute to owners | — | — | — | 30,938,736 | — | — | — | 30,938,736 | 30,938,736 | — |
| Other Deferred Taxes | (1,960,820) | — | (1,960,820) | (1,122,634) | (2) | (28,356) | 3,474,183 | 362,371 | 5,145,010 | (4,782,639) |
| Deferred tax asses/(liabilities) | (166,580,882) | — | (166,580,882) | 2,653,838 | (68,036) | 32,865 | 3,668,299 | (160,293,916) | 77,402,432 | (237,696,348) |
| Offsetting of deferred tax assets/(liabilities) | — | — | — | — | — | — | — | — | (77,402,432) | 77,402,432 |
| Deferred tax assets/(liabilities) after offsetting | — | — | — | — | — | — | — | (160,293,916) | — | (160,293,916) |

(*) See Note 14.b

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Recovery of deferred tax assets will depend on whether sufficient tax profits will be obtained in the future. The Group believes that the future profit projections for its subsidiaries will allow these assets to be recovered.

b) As of December 31, 2018, the Group does not have unrecognized deferred tax assets related to tax losses carry forward (see Note 3.o).

The Group has not recognized deferred tax liabilities for taxable temporary differences associated with investment in subsidiaries and joint ventures, as it is able to control the timing of the reversal of the temporary differences and considers that it is probable that such temporary differences will not reverse in the foreseeable future. The aggregate amount of taxable temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax liabilities have not been recognized totaled ThCh\$ 11,313,612 as of December 31, 2018 (ThCh\$ 59,530,551 as of December 31, 2017).

Additionally, the Group has not recognized deferred tax assets for deductible temporary differences, associated with investment in subsidiaries and joint ventures, as it is able to control the timing of the reversal of the temporary differences and considers that it is probable that such temporary differences will not reverse in the foreseeable future, which as of December 31, 2018, totaled ThCh\$ 242,676,148 (ThCh\$ 238,424,357 as of December 31, 2017).

The Group companies are potentially subject to income tax audits by the tax authorities in Chile. Such tax audits are limited to a number of annual tax periods and once these have expired audits of these periods can no longer be performed. Tax audits by nature are often complex and can require several years to complete. Tax periods potentially subject to examination correspond to fiscal years 2015-2017.

Given the range of possible interpretations of tax standards, the results of any future inspections carried out by tax authorities for the years subject to audit can give rise to tax liabilities that cannot currently be quantified objectively. Nevertheless, the Company Management estimates that the liabilities, if any, that may arise from such audits, would not significantly impact the Company's future results.

The effects of deferred tax on the components of Other Comprehensive Income are as follows:

| | For the year ended December 31, 2018 | | | For the year ended December 31, 2017 | | | For the year ended December 31, 2016 | | |
|----------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|-----------------------------------|--------------------------------------|----------------------------------------|-----------------------------------|--------------------------------------|----------------------------------------|-----------------------------------|
| | Amount Before Income Tax ThCh\$ | Income Tax Expense (Benefit) ThCh\$ | Amount After Income Tax ThCh\$ | Amount Before Income Tax ThCh\$ | Income Tax Expense (Benefit) ThCh\$ | Amount After Income Tax ThCh\$ | Amount Before Income Tax ThCh\$ | Income Tax Expense (Benefit) ThCh\$ | Amount After Income Tax ThCh\$ |
| Effects of Deferred Tax on the Components of Other Comprehensive Income | | | | | | | | | |
| Available-for-sale financial assets | (15) | 4 | (11) | 8 | (2) | 6 | 18 | (5) | 13 |
| Cash flow hedge | (138,850,000) | 37,616,791 | (101,233,209) | 97,309,516 | (26,139,149) | 71,170,367 | 86,959,338 | (20,924,809) | 66,034,529 |
| Foreign currency translation | (5,522,334) | — | (5,522,334) | (3,690,798) | — | (3,690,798) | (139,529,128) | — | (139,529,128) |
| Investments accounted for using the equity method | — | — | — | — | — | — | (11,904,709) | — | (11,904,709) |
| Actuarial income on defined-benefit pension plans | (325,252) | 87,818 | (237,434) | 251,976 | (68,034) | 183,942 | (1,757,402) | 474,498 | (1,282,904) |
| Income tax related to components of other income and expenses debited or credited to Equity | (144,697,601) | 37,704,613 | (106,992,988) | 93,870,702 | (26,207,185) | 67,663,517 | (66,231,883) | (20,450,316) | (86,682,199) |

The reconciliation of deferred tax movements between balance sheet and comprehensive income for the years 2018, 2017 and 2016 is as follows:

| | For the years ended | | |
|-------------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Increase (decrease) of the deferred taxes related to continuing operations | 87,822 | (68,036) | 474,493 |
| Deferred taxes on hedge movements (revenue and derivatives hedge) | 37,616,791 | (26,139,149) | (21,528,043) |
| Increase (decrease) of the deferred taxes related to discontinuing operations | — | — | 603,234 |
| Total | 37,704,613 | (26,207,185) | (20,450,316) |

Law No. 20,780 was published in the Diario Oficial (the Official Gazette) on September 29, 2014, modifying the income tax and other tax systems. The law stipulates that, starting in 2017, the current income tax system will be replaced with two alternative tax systems: the attributed income system and the partially integrated system.

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This Law gradually increases the rate of income tax on corporate income. Thus, it are increased to 21% in 2014, to 22.5% in 2015, and 24% in 2016. From 2017 taxpayers choosing the attributed income system are subject to a rate of 25%, while companies choosing the partially integrated system are subject to a rate of 25.5% in 2017 and 27% in 2018.

The Law also states that corporations will automatically be subject to the partially integrated system unless a future Special Shareholders' Meeting agrees to select the attributed income system.

Law No. 20,899 was published on February 8, 2016, simplifying the income tax system. This law among its main modifications, imposes a partially integrated system as mandatory for corporations, cancelling previously available attributed income system option.

19. OTHER FINANCIAL LIABILITIES

The balance of other financial liabilities as of December 31, 2018 and 2017 is as follows:

| Other Financial Liabilities | For the years ended | | | |
|------------------------------|---------------------|-----------------------|-------------------|-----------------------|
| | 12-31-2018 | | 12-31-2017 | |
| | Current ThCh\$ | Non-current ThCh\$ | Current ThCh\$ | Non-current ThCh\$ |
| Interest-bearing borrowings | 43,946,822 | 797,023,880 | 17,255,679 | 760,932,929 |
| Hedging derivatives (*) | 81,195,765 | 2,629,715 | 304,278 | 21,045,216 |
| Non-hedging derivatives (**) | 207,957 | 159,630 | 1,255,478 | — |
| Total | 125,350,544 | 799,813,225 | 18,815,435 | 781,978,145 |

(*) See Note 21.2.a.

(**) See Note 21.2.b.

19.1 Interest-bearing borrowings

The detail of current and non-current interest-bearing borrowings as of December 31, 2018 and 2017 is as follows:

| Interest-bearing borrowings | Balance as of | | | |
|-----------------------------|-------------------|-----------------------|-------------------|-----------------------|
| | 12-31-2018 | | 12-31-2017 | |
| | Current ThCh\$ | Non-current ThCh\$ | Current ThCh\$ | Non-current ThCh\$ |
| Bank loans | 4 | — | 109 | — |
| Unsecured liabilities | 41,780,543 | 784,713,705 | 15,455,782 | 748,123,803 |
| Finance leases | 2,166,275 | 12,310,175 | 1,799,788 | 12,809,126 |
| Total | 43,946,822 | 797,023,880 | 17,255,679 | 760,932,929 |

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19.2 Bank loans by currency and contractual maturity as of December 31, 2018 and 2017 are as follows:

• Summary of bank loans by currency and contractual maturity

| | | | | | Balance as of 12-31-2018 | | | | | | | | |
|--------------|----------|-------------------------|-----------------------|--------------------|--------------------------|--------------------------|--------------|-------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|--------------|
| | | | | | Current | | | Non-Current | | | | | |
| Country | Currency | Effective Interest Rate | Nominal Interest Rate | Secured (Yes / No) | Less than 90 days ThCh\$ | More than 90 days ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ |
| Chile | Ch\$ | 6.00% | 6.00% | No | 4 | — | 4 | — | — | — | — | — | — |
| Total | | | | | 4 | — | 4 | — | — | — | — | — | — |
| | | | | | Balance as of 12-31-2017 | | | | | | | | |
| | | | | | Current | | | Non-Current | | | | | |
| Country | Currency | Effective Interest Rate | Nominal Interest Rate | Secured (Yes / No) | Less than 90 days ThCh\$ | More than 90 days ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ |
| Chile | Ch\$ | 6.00% | 6.00% | No | 109 | — | 109 | — | — | — | — | — | — |
| Total | | | | | 109 | — | 109 | — | — | — | — | — | — |

• Identification of Bank Loans by Company

| | | | | | | | | | | Balance as of 12-31-2018 | | |
|-----------------------|----------------------------|---------|-----------------------|--------------------------------|---------------|----------|-------------------------|-----------------------|------------------|--------------------------|--------------------------|----------------------|
| | | | | | | | | | | Current | | |
| Taxpayer ID No. (RUT) | Company | Country | Taxpayer ID No. (RUT) | Financial Institution | Country | Currency | Effective Interest Rate | Nominal Interest Rate | Interest payment | Less than 90 days ThCh\$ | More than 91 days ThCh\$ | Total Current ThCh\$ |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | 97.036.000-k | Banco Santander | Chile | Ch\$ | 6.00% | 6.00% | At maturity | 4 | — | 4 |
| Total | | | | | ThCh\$ | | | | | 4 | — | 4 |
| | | | | | | | | | | Balance as of 12-31-2017 | | |
| | | | | | | | | | | Current | | |
| Taxpayer ID No. (RUT) | Company | Country | Taxpayer ID No. (RUT) | Financial Institution | Country | Currency | Effective Interest Rate | Nominal Interest Rate | Interest payment | Less than 90 days ThCh\$ | More than 91 days ThCh\$ | Total Current ThCh\$ |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | 97.006.000-6 | Banco de Crédito e Inversiones | Chile | Ch\$ | 6.00% | 6.00% | At maturity | 97 | — | 97 |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | 97.036.000-k | Banco Santander | Chile | Ch\$ | 6.00% | 6.00% | At maturity | 12 | — | 12 |
| Total | | | | | ThCh\$ | | | | | 109 | — | 109 |

19.3 Unsecured liabilities

The detail of unsecured liabilities by currency and maturity as of December 31, 2018 and 2017 is as follows:

| | | | | | | Balance as of 12-31-2018 | | | | | | | | |
|--------------|----------|-------------------------|-----------------------|------------------|--|----------------------------|-------------------------------|-------------------|-------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|--------------------|
| | | | | | | Current | | | Non-current | | | | | |
| Country | Currency | Effective Interest Rate | Nominal Interest Rate | Secured (Yes/No) | | One to three months ThCh\$ | Three to twelve months ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ |
| Chile | US\$ | 6.99% | 6.90% | No | | 7,144,997 | 2,493,452 | 9,638,449 | — | — | — | — | 487,595,270 | 487,595,270 |
| Chile | UF | 6.00% | 5.48% | No | | — | 32,142,094 | 32,142,094 | 30,793,493 | 30,793,493 | 30,793,493 | 30,793,493 | 173,944,463 | 297,118,435 |
| Total | | | | | | 7,144,997 | 34,635,546 | 41,780,543 | 30,793,493 | 30,793,493 | 30,793,493 | 30,793,493 | 661,539,733 | 784,713,705 |

| | | | | | | Balance as of 12-31-2017 | | | | | | | | |
|--------------|----------|-------------------------|-----------------------|------------------|--|----------------------------|-------------------------------|-------------------|-------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|--------------------|
| | | | | | | Current | | | Non-current | | | | | |
| Country | Currency | Effective Interest Rate | Nominal Interest Rate | Secured (Yes/No) | | One to three months ThCh\$ | Three to twelve months ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ |
| Chile | US\$ | 6.99% | 6.90% | No | | 6,322,081 | 2,206,269 | 8,528,350 | — | — | — | — | 430,228,859 | 430,228,859 |
| Chile | UF | 6.00% | 5.48% | No | | — | 6,927,432 | 6,927,432 | 5,574,013 | 5,574,013 | 5,574,013 | 5,574,013 | 295,598,892 | 317,894,944 |
| Total | | | | | | 6,322,081 | 9,133,701 | 15,455,782 | 5,574,013 | 5,574,013 | 5,574,013 | 5,574,013 | 725,827,751 | 748,123,803 |

19.4 Secured liabilities

The detail of secured liabilities by currency and maturity as of December 31, 2018 and 2017 is as follows:

- **Summary of secured liabilities by currency and maturity**

There are no secured liabilities as of December 31, 2018 and 2017.

- **Fair value measurement and hierarchy**

The fair value of current and non-current bond obligations, both secured and unsecured, as of December 31, 2018 and 2017 totaled ThCh\$ 966,998,354 and ThCh\$ 947,565,989 respectively. During both periods, the obligations have been classified as Level 2 fair values based on the inputs from the valuation techniques used (see Note 3.g). Notably, these financial liabilities are measured at amortized cost. (See Note 3.f.4).

- **Secured and Unsecured Liabilities by Company**

| | | | | | | | | | | | Balance as of 12-31-2018 | | | | | | | | |
|-----------------|----------------------------|---------|-----------------|------------------------|---------|----------|-------------------------|-----------------------|------------------|--|--------------------------|--------------------------|-------------------|-------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|--------------------|
| | | | | | | | | | | | Current | | | Non-current | | | | | |
| Taxpayer ID No. | Company | Country | Taxpayer ID No. | Company | Country | Currency | Effective Interest Rate | Nominal Interest Rate | Secured (Yes/No) | | Less than 90 days ThCh\$ | More than 90 days ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | Foreign | BNY Mellon S-1 | US | US\$ | 7.96% | 7.88% | No | | 4,693,498 | — | 4,693,498 | — | — | — | — | 142,300,747 | 142,300,747 |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | Foreign | BNY Mellon S-2 | US | US\$ | 7.40% | 7.33% | No | | 1,500,880 | — | 1,500,880 | — | — | — | — | 48,131,124 | 48,131,124 |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | Foreign | BNY Mellon S-3 | US | US\$ | 8.26% | 8.13% | No | | 950,619 | — | 950,619 | — | — | — | — | 22,694,249 | 22,694,249 |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | Foreign | BNY Mellon 24296 | US | US\$ | 4.32% | 4.25% | No | | — | 2,493,452 | 2,493,452 | — | — | — | — | 274,469,150 | 274,469,150 |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | 97.036.000-k | H Banco Santander 317- | Chile | U.F. | 7.17% | 6.20% | No | | — | 6,513,162 | 6,513,162 | 5,733,684 | 5,733,684 | 5,733,684 | 5,733,684 | 25,386,928 | 48,321,664 |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | 97.036.000-k | M Banco Santander 522- | Chile | U.F. | 4.82% | 4.75% | No | | — | 25,628,932 | 25,628,932 | 25,059,809 | 25,059,809 | 25,059,809 | 25,059,809 | 148,557,535 | 248,796,771 |
| Total | | | | | | | | | | | 7,144,997 | 34,635,546 | 41,780,543 | 30,793,493 | 30,793,493 | 30,793,493 | 30,793,493 | 661,539,733 | 784,713,705 |

| | | | | | | | | | | | Balance as of 12-31-2017 | | | | | | | | |
|-----------------|----------------------------|---------|-----------------|------------------------|---------|----------|-------------------------|-----------------------|------------------|--|--------------------------|--------------------------|-------------------|-------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|--------------------|
| | | | | | | | | | | | Current | | | Non-current | | | | | |
| Taxpayer ID No. | Company | Country | Taxpayer ID No. | Company | Country | Currency | Effective Interest Rate | Nominal Interest Rate | Secured (Yes/No) | | Less than 90 days ThCh\$ | More than 90 days ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | Foreign | BNY Mellon S-1 | US | US\$ | 7.96% | 7.88% | No | | 4,152,926 | — | 4,152,926 | — | — | — | — | 125,566,611 | 125,566,611 |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | Foreign | BNY Mellon S-2 | US | US\$ | 7.40% | 7.33% | No | | 1,328,023 | — | 1,328,023 | — | — | — | — | 42,902,198 | 42,902,198 |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | Foreign | BNY Mellon S-3 | US | US\$ | 8.26% | 8.13% | No | | 841,132 | — | 841,132 | — | — | — | — | 19,398,499 | 19,398,499 |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | Foreign | BNY Mellon 24296 | US | US\$ | 4.32% | 4.25% | No | | — | 2,206,269 | 2,206,269 | — | — | — | — | 242,361,551 | 242,361,551 |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | 97.036.000-k | H Banco Santander 317- | Chile | U.F. | 7.17% | 6.20% | No | | — | 6,374,051 | 6,374,051 | 5,574,013 | 5,574,013 | 5,574,013 | 5,574,013 | 30,872,536 | 53,168,588 |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | 97.036.000-k | M Banco Santander 522- | Chile | U.F. | 4.82% | 4.75% | No | | — | 553,381 | 553,381 | — | — | — | — | 264,726,356 | 264,726,356 |
| Total | | | | | | | | | | | 6,322,081 | 9,133,701 | 15,455,782 | 5,574,013 | 5,574,013 | 5,574,013 | 5,574,013 | 725,827,751 | 748,123,803 |

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• **Detail of Finance Lease Obligations**

| | | | | | | | Balance as of December 31, 2018 | | | | | | | | | | |
|-----------------|----------------------------|---------|-----------------|---------------|---------|----------|---------------------------------|--------------------------|--------------------------|------------------|-------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|--------------|-------------------|
| | | | | | | | Current | | | Non-current | | | | | | | |
| Taxpayer ID No. | Company | Country | Taxpayer ID No. | Name | Country | Currency | Nominal Interest Rate | Less than 90 days ThCh\$ | More than 90 days ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ | |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | 76.555.400-4 | Transelec S.A | Chile | US\$ | 6.50% | 528,847 | 1,637,428 | 2,166,275 | 2,307,082 | 2,457,043 | 2,616,750 | 4,929,300 | — | 12,310,175 | |
| Total | | | | | | | | | | 2,166,275 | | | | | | | 12,310,175 |

| | | | | | | | Balance as of December 31, 2017 | | | | | | | | | | |
|-----------------|----------------------------|---------|-----------------|---------------|---------|----------|---------------------------------|--------------------------|--------------------------|------------------|-------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|--------------|-------------------|
| | | | | | | | Current | | | Non-current | | | | | | | |
| Taxpayer ID No. | Company | Country | Taxpayer ID No. | Name | Country | Currency | Nominal Interest Rate | Less than 90 days ThCh\$ | More than 90 days ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ | |
| 91.081.000-6 | Enel Generación Chile S.A. | Chile | 76.555.400-4 | Transelec S.A | Chile | US\$ | 6.50% | 439,377 | 1,360,411 | 1,799,788 | 2,459,000 | 1,916,774 | 2,041,364 | 2,174,053 | 4,217,935 | 12,809,126 | |
| Total | | | | | | | | | | 1,799,788 | | | | | | | 12,809,126 |

19.5 Hedged debt

Of the U.S. dollar denominated debt held by the Group as of December 31, 2018, ThCh 498,203,587 is related to future cash flow hedges for the Group’s U.S. dollar-linked operating income (see Note 3.m). As of December 31, 2017, this amount was ThCh\$ 440,823,086.

The following table details changes in “Reserve for cash flow hedges” for the years ended December 31, 2018, 2017 and 2016 due to exchange differences corresponding to this debt:

| HEDGING RESERVE | 12-31-2018 | 12-31-2017 | 12-31-2016 |
|--------------------------------------------------------------------------|---------------------|---------------------|----------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ |
| Balance in hedging reserves (hedging income) at beginning of year | (44,278,685) | (85,790,673) | (122,448,724) |
| Foreign currency exchange differences recorded in net equity | (41,257,222) | 28,878,949 | 23,870,051 |
| Recognition of foreign currency exchange differences in profit (loss) | 11,321,589 | 12,633,039 | 12,788,000 |
| Balance in hedging reserves (hedging income) at year end | (74,214,318) | (44,278,685) | (85,790,673) |

19.6 Other information

As of December 31, 2018 and 2017 the Group had long-term lines of credit unconditionally available for use totaling ThCh\$ 138,954,000 and ThCh\$ 199,271,103 respectively.

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19.7 Future undiscounted debt flows

The following table shows the estimates of undiscounted cash flows by type of financial debt:

- Summary of bank loans by currencies and maturities

| | | Balance as of 12-31-2018 | | | | | | | | | | |
|---------|----------|--------------------------|--------------------|--------------------------|--------------------------|--------------|-------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|--------------|
| | | Current | | | | | Non-Current | | | | | |
| Country | Currency | Nominal Interest Rate | Secured (Yes / No) | Less than 90 days ThCh\$ | More than 90 days ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ |
| Chile | Ch\$ | 6.00% | No | 4 | — | 4 | — | — | — | — | — | — |
| | | | Total | 4 | — | 4 | — | — | — | — | — | — |

| | | Balance as of 12-31-2017 | | | | | | | | | | |
|---------|----------|--------------------------|--------------------|--------------------------|--------------------------|--------------|-------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|--------------|
| | | Current | | | | | Non-Current | | | | | |
| Country | Currency | Nominal Interest Rate | Secured (Yes / No) | Less than 90 days ThCh\$ | More than 90 days ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ |
| Chile | Ch\$ | 6.00% | No | 109 | — | 109 | — | — | — | — | — | — |
| | | | Total | 109 | — | 109 | — | — | — | — | — | — |

- Summary of secured and unsecured liabilities by currency and maturity

| | | Balance as of 12-31-2018 | | | | | | | | | | | |
|---------|----------|--------------------------|-----------------------|------------------|----------------------------|-------------------------------|-------------------|-------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|----------------------|
| | | Current | | | | | Non-current | | | | | | |
| Country | Currency | Effective Interest Rate | Nominal Interest Rate | Secured (Yes/No) | One to three months ThCh\$ | Three to twelve months ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ |
| Chile | US\$ | 6.00% | 6.90% | No | 7,557,992 | 22,673,976 | 30,231,968 | 30,231,967 | 30,231,967 | 30,231,967 | 30,231,967 | 763,227,018 | 884,154,886 |
| Chile | UF | 6.00% | 5.48% | No | 6,603,562 | 49,871,556 | 56,475,118 | 54,036,540 | 51,597,963 | 49,159,386 | 46,720,808 | 224,787,689 | 426,302,386 |
| | | | | Total | 14,161,554 | 72,545,532 | 86,707,086 | 84,268,507 | 81,829,930 | 79,391,353 | 76,952,775 | 988,014,707 | 1,310,457,272 |

| | | Balance as of 12-31-2017 | | | | | | | | | | | |
|---------|----------|--------------------------|-----------------------|------------------|----------------------------|-------------------------------|-------------------|-------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|----------------------|
| | | Current | | | | | Non-current | | | | | | |
| Country | Currency | Effective Interest Rate | Nominal Interest Rate | Secured (Yes/No) | One to three months ThCh\$ | Three to twelve months ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ |
| Chile | US\$ | 6.00% | 6.90% | No | 6,697,979 | 20,093,935 | 26,791,914 | 26,791,913 | 26,791,913 | 26,791,913 | 26,791,913 | 703,872,066 | 811,039,718 |
| Chile | UF | 6.00% | 5.48% | No | 5,775,038 | 22,689,438 | 28,464,476 | 51,927,014 | 49,837,566 | 47,748,117 | 45,658,669 | 256,892,562 | 452,063,928 |
| | | | | Total | 12,473,017 | 42,783,373 | 55,256,390 | 78,718,927 | 76,629,479 | 74,540,030 | 72,450,582 | 960,764,628 | 1,263,103,646 |

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- Summary of finance lease obligations

| | | | | Balance as of December 31, 2018 | | | | | | | | |
|--------------|----------|-----------------------|------------------|---------------------------------|--------------------------|------------------|-------------------------|---------------------------|----------------------------|---------------------------|-----------------------------|-------------------|
| | | | | Current | | | Non-current | | | | | |
| Country | Currency | Nominal Interest Rate | Secured (Yes/No) | Less than 90 days ThCh\$ | More than 90 days ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ |
| Chile | US\$ | 6.50% | No | 760,090 | 2,278,842 | 3,038,932 | 3,034,977 | 3,030,765 | 3,026,279 | 5,044,764 | — | 14,136,785 |
| Total | | | | 760,090 | 2,278,842 | 3,038,932 | 3,034,977 | 3,030,765 | 3,026,279 | 5,044,764 | — | 14,136,785 |
| | | | | Balance as of December 31, 2017 | | | | | | | | |
| | | | | Current | | | Non-current | | | | | |
| Country | Currency | Nominal Interest Rate | Secured (Yes/No) | Less than 90 days ThCh\$ | More than 90 days ThCh\$ | Total ThCh\$ | One to two years ThCh\$ | Two to three years ThCh\$ | Three to four years ThCh\$ | Four to five years ThCh\$ | More than five years ThCh\$ | Total ThCh\$ |
| Chile | US\$ | 6.50% | No | 685,232 | 2,052,448 | 2,737,680 | 2,728,693 | 2,719,123 | 2,708,931 | 2,698,076 | 4,473,883 | 15,328,706 |
| Total | | | | 685,232 | 2,052,448 | 2,737,680 | 2,728,693 | 2,719,123 | 2,708,931 | 2,698,076 | 4,473,883 | 15,328,706 |

20. RISK MANAGEMENT POLICY

The Group's companies are exposed to certain risks that are managed by systems that identify, measure, limit concentration of, and monitor these risks. The main principles in the Group's risk management policy include the following:

- Compliance with good corporate governance standards.
- Strict compliance with all the Group's internal policies.
- Each business and corporate area determines:
 - The markets in which it can operate based on its knowledge and ability to ensure effective risk management,
 - Criteria regarding counterparts; and
 - Authorized operators.
- Business and corporate areas establish their risk tolerance in a manner consistent with the defined strategy for each market in which they operate.
- All of the operations of the businesses and corporate areas are conducted within the limits approved for each case.
- Businesses, corporate areas, lines of business and companies design the risk management controls necessary to ensure that transactions in the markets are conducted in accordance with the Group policies, standards, and procedures.

20.1 Interest rate risk

Changes in interest rates affect the fair value of assets and liabilities bearing fixed interest rates, as well as the expected future cash flows of assets and liabilities subject to floating interest rates.

The objective of managing interest rate risk exposure is to achieve a balance in the debt structure to minimize the cost of debt with reduced volatility in profit or loss.

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Depending on the Group's estimates and on the objectives of the debt structure, hedging transactions are performed by entering into derivatives contracts that mitigate interest rate risk.

The financial debt structure of the Group detailed by fixed and/or hedged and floating interest rate on total net debt, net of hedging derivative instruments, is as follows:

Gross position

| | Balance as of | |
|---------------------|-----------------|-----------------|
| | 12-31-2018 % | 12-31-2017 % |
| Fixed interest rate | 93% | 92% |

20.2 Exchange rate risk

Exchange rate risks principally involve the following transactions:

- Debt taken on by the Group's companies that is denominated in a currency other than that in which its cash flows are indexed.
- Payments to be made for the acquisition of project-related materials in a currency other than that in which its cash flows are indexed.
- Revenues in Group companies directly linked to changes in currencies other than those of its cash flows.

In order to mitigate exchange rate risk, the Group's foreign currency risk management policy is based on cash flows and includes maintaining a balance between U.S. dollar flows and the levels of assets and liabilities denominated in this currency. The objective is to minimize the exposure to variability in cash flows that are attributable to foreign exchange risk.

The hedging instruments currently being used to comply with the policy are currency swaps and forward exchange contracts. In addition, the policy seeks to refinance debt in the functional currency of each of the Group's companies.

20.3 Commodities risk

The Group has a risk exposure to price changes in certain commodities, due basically to:

- Purchases of fuel used to generate electricity.
- Energy purchase/sale transactions that take place in local markets.

In order to reduce the risk in situations of extreme drought, the Company has designed a commercial policy that defines the levels of sales commitments in line with the capacity of its generating power plants in a dry year. It also includes risk mitigation terms in certain contracts with unregulated customers and, in the case of regulated customers subject to long-term tender agreements, it determines indexation polynomials that help reduce exposure to commodity risk.

Considering the operating conditions faced by the power generation market in Chile, with drought and highly volatile commodity prices on international markets, the Company is constantly verifying the advisability of using hedging to lessen the impacts that these price swings have on its results. As of December 31, 2018 there were current operations for 432 kTon of API2 to be settled in 2019, 994 kBbl of Brent to be settled in 2019, 225 kTon of BCI7 to be settled in 2019 and 0.2 TBtu of HH to be settled in 2019 (figures considered net hedged position).

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As of December 31, 2017, the Group had swap hedges for 2.3 million MMBTU to be settled at January 2018.

Depending on operating conditions, which are constantly being updated, these hedges may be modified or may cover other commodities.

20.4 Liquidity risk

The Group's liquidity risk management policy consists of entering into long-term committed banking facilities and temporary financial investments for amounts that cover the projected needs over a period of time that is determined based on the situation and expectations for debt and capital markets.

The projected needs mentioned above include maturities of financial debt, net of financial derivatives. For further details regarding the features and conditions of financial obligations and financial derivatives (see Notes 19 and 21).

As of December 31, 2018 the Group has liquidity of cash and cash equivalent totaling ThCh\$ 151,989,905 and unconditionally available lines of long-term credit totaling ThCh\$ 138,954,000. As of December 31, 2017 the Group has liquidity of cash and cash equivalent totaling ThCh\$ 211,027,141 and unconditionally available lines of long-term credit totaling ThCh\$ 199,271,103.

20.5 Credit risk

The Group closely monitors its credit risk.

Trade receivables:

The credit risk for receivables from the Group's commercial activity has historically been very low, due to the short-term period of collections from customers, resulting in non-significant cumulative receivables amounts.

Energy service to customers with outstanding payments is suspended, and most contracts have termination clauses for payment default. The Company monitors its credit risk on an ongoing basis and measures its maximum exposure to payment default risk, which, as stated above, is very limited.

Financial assets, other than trade receivables:

Cash surpluses are invested in the highest-rated local and foreign financial entities (with risk rating equivalent to investment grade whenever possible) with thresholds established for each entity.

Banks having investment grade ratings from the three main international rating agencies (Moody's, S&P and Fitch) are considered in the investment selection process.

Investments may be backed with Chilean treasury bonds and/or with commercial paper issued by the highest rated banks; the latter are preferred, as they offer higher returns (always in line with current investment policies).

20.6 Risk measurement

The Group measures the Value at Risk (VaR) of its debt positions and financial derivatives in order to monitor the risk assumed by the Company, thereby reducing volatility in the income statement.

The portfolio of positions included in calculating the current VaR consists of the following:

- Financial debt.
- Hedge derivatives for debt, dividends and projects.

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The VaR determined represents the potential variation in value of the portfolio of positions described above within a quarter with a 95% confidence level. To determine the VaR, we take into account the volatility of the risk variables affecting the value of the portfolio of positions including:

- U.S. dollar Libor interest rate.
- The exchange rates of the various currencies used in the calculation.

The calculation of VaR is based on generating possible future scenarios (at one quarter) of market values for the risk variables, using scenarios based on actual observations for 5 years of the same period (quarter).

The quarterly 95%-confidence VaR number is calculated as the 5% percentile of the potential quarterly variations in the fair value of the portfolio.

Given the aforementioned assumptions, the quarterly VaR of the positions discussed above corresponds to ThCh\$ 36,993,336.

These values represent the potential increase of the Debt and Derivatives' Portfolio, thus these VaR are inherently related, among other factors, to the Portfolio's value at each quarter's end.

21. FINANCIAL INSTRUMENTS

21.1 Financial instruments, classified by type and category

a) **The detail of financial assets, less cash and cash equivalents, classified by type and category, as of December 31, 2018 and 2017 is as follows:**

| Balance as of 12-31-2018 | Financial assets at fair value with changes in results ThCh\$ | Financial assets measured at amortized cost ThCh\$ | Financial assets at fair value with changes in other comprehensive income ThCh\$ | Financial derivatives designated for hedging ThCh\$ |
|---------------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| Equity instruments | — | — | 269,031 | — |
| Trade and other receivables | — | 371,656,536 | — | — |
| Derivative instruments | 1,491,497 | — | 1,423,613 | 38,169,894 |
| Other financial assets | — | 84,580 | — | — |
| Total current | 1,491,497 | 371,741,116 | 1,692,644 | 38,169,894 |
| Equity instruments | — | — | 2,326,484 | — |
| Trade and other receivables | — | 1,156,638 | — | — |
| Derivative instruments | 36,086 | — | — | — |
| Total non-current | 36,086 | 1,156,638 | 2,326,484 | — |
| Total | 1,527,583 | 372,897,754 | 4,019,128 | 38,169,894 |

| Balance as of 12-31-2017 | Financial assets at fair value with changes in results ThCh\$ | Financial assets measured at amortized cost ThCh\$ | Financial assets at fair value with changes in other comprehensive income ThCh\$ | Financial derivatives designated for hedging ThCh\$ |
|---------------------------------|--------------------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| Trade and other receivables | — | 301,379,119 | — | — |
| Derivative instruments | 10,343,671 | — | 5,742,633 | 20,038,433 |
| Other financial assets | — | 82,127 | — | — |
| Total current | 10,343,671 | 301,461,246 | 5,742,633 | 20,038,433 |
| Equity instruments | 6,353 | — | 2,595,342 | — |
| Trade and other receivables | — | 1,032,923 | — | — |
| Derivative instruments | — | — | — | 30,789,703 |
| Total non-current | 6,353 | 1,032,923 | 2,595,342 | 30,789,703 |
| Total | 10,350,024 | 302,494,169 | 8,337,975 | 50,828,136 |

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b) The detail of financial liabilities, classified by type and category, as of December 31, 2018 and 2017 is as follows:

| Balance as of 12-31-2018 | Financial liabilities at fair value with changes in results ThCh\$ | Financial liabilities measured at amortized cost ThCh\$ | Financial liabilities at fair value with changes in other comprehensive income ThCh\$ | Financial derivatives designated for hedging ThCh\$ |
|----------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------------------------------|--------------------------------------------------------|
| Interest-bearing loans | — | 43,946,822 | — | — |
| Trade and other current payables | — | 419,006,236 | — | — |
| Derivative instruments | 756,005 | — | 7,161,949 | 81,195,765 |
| Other financial liabilities | — | — | — | — |
| Total current | 756,005 | 462,953,058 | 7,161,949 | 81,195,765 |
| Interest-bearing loans | — | 797,023,880 | — | — |
| Trade and other current payables | — | 450,421 | — | — |
| Derivative instruments | 159,630 | — | — | 2,629,715 |
| Total non-current | 159,630 | 797,474,301 | — | 2,629,715 |
| Total | 915,635 | 1,260,427,359 | 7,161,949 | 83,825,480 |

| Balance as of 12-31-2017 | Financial liabilities held for trading ThCh\$ | Loans and payables ThCh\$ | Financial liabilities at fair value with changes in other comprehensive income ThCh\$ | Financial derivatives designated for hedging ThCh\$ |
|----------------------------------|--------------------------------------------------|------------------------------|------------------------------------------------------------------------------------------|--------------------------------------------------------|
| Interest-bearing loans | — | 17,255,679 | — | — |
| Trade and other current payables | — | 429,451,249 | — | — |
| Derivative instruments | 1,255,478 | — | — | 304,278 |
| Other financial liabilities | 889,026 | — | — | — |
| Total current | 2,144,504 | 446,706,928 | — | 304,278 |
| Interest-bearing loans | — | 760,932,929 | — | — |
| Trade and other current payables | — | 951,161 | — | — |
| Derivative instruments | — | — | — | 21,045,216 |
| Total non-current | — | 761,884,090 | — | 21,045,216 |
| Total | 2,144,504 | 1,208,591,018 | — | 21,349,494 |

21.2 Derivative instruments

The risk management policy of the Group primarily uses interest rate and foreign exchange rate derivatives to hedge its exposure to interest rate and foreign currency risks.

The Company classifies its derivatives as follows:

- Derivatives designated for Cash flow hedges: Those that hedge the cash flows of the underlying hedged item.
- Derivatives designated for Fair value hedges: Those that hedge the fair value of the underlying hedged item.
- Non-hedge derivatives: Financial derivatives that do not meet the requirements established by IFRS to be designated as hedge instruments are recognized at fair value with changes in net profit (assets held for trading).

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a) Assets and liabilities for hedge derivative instruments

As of December 31, 2018 and 2017, financial derivative transactions qualifying as hedge instruments resulted in recognition of the following assets and liabilities in the consolidated statement of financial position:

| | Balance as of | | | | | | | |
|----------------------|-------------------|-----------------------|-------------------|-----------------------|-------------------|-----------------------|-------------------|-----------------------|
| | 12-31-2018 | | | | 12-31-2017 | | | |
| | Assets | | Liabilities | | Assets | | Liabilities | |
| | Current ThCh\$ | Non-current ThCh\$ | Current ThCh\$ | Non-current ThCh\$ | Current ThCh\$ | Non-current ThCh\$ | Current ThCh\$ | Non-current ThCh\$ |
| Exchange rate hedge: | 38,169,894 | — | 81,195,765 | 2,629,715 | 20,038,433 | 30,789,703 | 304,278 | 21,045,216 |
| Cash flow hedge | 38,169,894 | — | 81,195,765 | 2,629,715 | 20,038,433 | 30,789,703 | 304,278 | 21,045,216 |
| Total | 38,169,894 | — | 81,195,765 | 2,629,715 | 20,038,433 | 30,789,703 | 304,278 | 21,045,216 |

• **General information on hedge derivative instruments**

Hedge derivative instruments and their corresponding hedged instruments are shown in the following table:

| Type of hedging instrument | Description of hedging instrument | Description of hedged item | Fair value of hedged item 12-31-2018 ThCh\$ | Fair value of hedged item 12-31-2017 ThCh\$ | Type of risks hedged |
|----------------------------|-----------------------------------|-------------------------------|---------------------------------------------------|---------------------------------------------------|----------------------|
| SWAP | Exchange rate | Unsecured liabilities (bonds) | (18,892,399) | 7,696,061 | Cash flow |
| FORWARD | Exchange rate | Revenues | (26,763,187) | 21,782,581 | Cash flow |

For the years ended December 31, 2018 and 2017, the Group has not recognized gains or losses for ineffective cash flow hedges, based in results of hedge effectiveness test.

b) Financial derivative instrument assets and liabilities at fair through profit or loss

As of December 31, 2018 and 2017, financial derivative transactions recognized at fair value through profit or loss, resulted in the recognition of the following assets and liabilities in the statement of financial position:

| | Balance as of | | | | | | | |
|------------------------------------|-------------------|-----------------------|-------------------|-----------------------|-------------------|-----------------------|-------------------|-----------------------|
| | 12-31-2018 | | | | 12-31-2017 | | | |
| | Asset | | Liabilities | | Asset | | Liabilities | |
| | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ |
| Non-hedging derivative instruments | 41,023 | 36,086 | 207,957 | 159,630 | 402,716 | — | 1,255,478 | — |
| Total | 41,023 | 36,086 | 207,957 | 159,630 | 402,716 | — | 1,255,478 | — |

These derivative instruments correspond to forward contracts entered into by the Group, whose purpose is to hedge the exchange rate risk related to future obligations arising from civil works contracts linked to the construction of the Los Cóndores Plant. Although these hedges have an economic background, they do not qualify as accounting hedge because they do not strictly comply with the accounting hedge requirements established in NIIF 9 “Financial Instruments: Recognition and Measurement”.

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c) **Other disclosures on financial derivatives**

The following tables present the fair value of hedging and non-hedging financial derivatives entered into by the Group as well as the remaining contractual maturities as of December 31, 2018 and 2017:

| Balance as of 12-31-2018 | | | | | |
|------------------------------------------------------------|------------------------------|------------------------------------------|-------------------------------|-------------------------------|-------------------------|
| Notional value | | | | | |
| Financial derivatives | Fair value ThCh\$ | Less than one year ThCh\$ | 1 - 2 years ThCh\$ | 2 - 3 years ThCh\$ | Total ThCh\$ |
| Exchange rate hedges: | (45,655,586) | 1,227,557,071 | 76,355,223 | — | 1,303,912,294 |
| Cash flow hedges | (45,655,586) | 1,227,557,071 | 76,355,223 | — | 1,303,912,294 |
| Derivatives not designated for hedge accounting | (290,478) | 34,525,045 | 29,457,793 | 1,913,220 | 65,896,058 |
| Total | (45,946,064) | 1,262,082,116 | 105,813,016 | 1,913,220 | 1,369,808,352 |
| Balance as of 12-31-2017 | | | | | |
| Notional value | | | | | |
| Financial derivatives | Fair value ThCh\$ | Less than one year ThCh\$ | 1 - 2 years ThCh\$ | 2 - 3 years ThCh\$ | Total ThCh\$ |
| Exchange rate hedges: | 29,478,642 | 306,350,419 | 525,812,635 | — | 832,163,054 |
| Cash flow hedges | 29,478,642 | 306,350,419 | 525,812,635 | — | 832,163,054 |
| Derivatives not designated for hedge accounting | (852,762) | 19,682,638 | — | — | 19,682,638 |
| Total | 28,625,880 | 326,033,057 | 525,812,635 | — | 851,845,692 |

The hedging and non-hedging derivatives contractual maturities do not represent the Group's total risk exposure, as the amounts recorded in the above tables have been drawn up based on undiscounted contractual cash inflows and outflows for their settlement.

21.3 Fair value hierarchy

Financial instruments recognized at fair value in the consolidated statement of financial position are classified based on the hierarchy described in Note 3.g above.

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The following table presents financial assets and liabilities measured at fair value as of December 31, 2018 and 2017:

| Financial instruments measured at fair value | Balance as of 12-31-2018 ThCh\$ | Fair value measured at end of reporting period using: | | |
|--------------------------------------------------------------------------------|---------------------------------------|----------------------------------------------------------|-------------------|-------------------|
| | | Level 1 ThCh\$ | Level 2 ThCh\$ | Level 3 ThCh\$ |
| Financial Assets | | | | |
| Financial derivatives designated as cash flow hedges | 38,169,894 | — | 38,169,894 | — |
| Financial derivatives not designated for hedge accounting | 77,109 | — | 77,109 | — |
| Commodity derivatives designated as non-cash flow hedge | 1,450,474 | — | 1,450,474 | — |
| Commodity derivatives designated as cash flow hedges | 1,423,613 | — | 1,423,613 | — |
| Available-for-sale financial assets, non-current | — | — | — | — |
| Equity instruments at fair value with changes in other comprehensive income | 2,595,515 | 2,326,484 | 269,031 | — |
| Total | 43,716,605 | 2,326,484 | 41,390,121 | — |
| Financial Liabilities | | | | |
| Financial derivatives designated as cash flow hedges | 83,825,480 | — | 83,825,480 | — |
| Financial derivatives not designated for hedge accounting | 367,587 | — | 367,587 | — |
| Commodity derivatives designated as non-cash flow hedge | 548,048 | — | 548,048 | — |
| Commodity derivatives designated as fair value hedge | 7,161,949 | — | 7,161,949 | — |
| Total | 91,903,064 | — | 91,903,064 | — |

| Financial instruments measured at fair value | Balance as of 12-31-2017 ThCh\$ | Fair value measured at end of reporting period using: | | |
|--------------------------------------------------------------|---------------------------------------|----------------------------------------------------------|-------------------|-------------------|
| | | Level 1 ThCh\$ | Level 2 ThCh\$ | Level 3 ThCh\$ |
| Financial Assets | | | | |
| Financial derivatives designated as cash flow hedges | 50,828,136 | — | 50,828,136 | — |
| Financial derivatives not designated for hedge accounting | 402,716 | — | 402,716 | — |
| Commodity derivatives designated as non-cash flow hedge | 9,940,955 | — | 9,940,955 | — |
| Commodity derivatives designated as cash flow hedges | 5,472,633 | — | 5,742,633 | — |
| Available-for-sale financial assets, non-current | 6,353 | 6,353 | — | — |
| Total | 66,650,793 | 6,353 | 66,914,440 | — |
| Financial Liabilities | | | | |
| Financial derivatives designated as cash flow hedges | 21,349,494 | — | 21,349,494 | — |
| Financial derivatives not designated for hedge accounting | 1,255,478 | — | 1,255,478 | — |
| Commodity derivatives designated as non-cash flow hedge | 889,026 | — | 889,026 | — |
| Commodity derivatives designated as fair value hedge | — | — | — | — |
| Total | 23,493,998 | — | 23,493,998 | — |

22. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables as of December 31, 2018 and 2017 is as follows:

| | Balance as of | | | |
|---------------------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | 12-31-2018 | | 12-31-2017 | |
| | Current ThCh\$ | Non-current ThCh\$ | Current ThCh\$ | Non-current ThCh\$ |
| Trade and other payables | | | | |
| Trade payables | 106,415,197 | — | 94,132,901 | — |
| Other payables | 168,916,421 | 450,421 | 215,750,627 | 632,643 |
| Total trade and other payables | 275,331,618 | 450,421 | 309,883,528 | 632,643 |

The detail of trade and other payables as of December 31, 2018 and 2017 is as follows:

| | Balance as of | | | |
|-------------------------------------------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | 12-31-2018 | | 12-31-2017 | |
| | Current ThCh\$ | Non-current ThCh\$ | Current ThCh\$ | Non-current ThCh\$ |
| Trade and other payables | | | | |
| Energy suppliers | 66,627,358 | — | 80,832,851 | — |
| Fuel and gas suppliers | 39,787,839 | — | 13,300,050 | — |
| Payables to tax authorities other than Corporate Income Tax | 1,547,674 | — | 2,353,000 | — |
| Payables for goods and services | 32,379,106 | 6,765 | 56,004,450 | 5,431 |
| Asset Purchases | 111,336,945 | — | 90,585,971 | — |
| Deposits in guarantee | 183,514 | — | 194,193 | — |
| Dividends payable to non-controlling interests | 9,357,160 | — | 53,139,347 | — |
| Mitsubishi contract (LTSA) | 710,477 | — | 1,227,656 | — |
| Other employee Benefits | 12,745,222 | — | 11,741,237 | — |
| Other payables | 656,323 | 443,656 | 504,773 | 627,212 |
| Total trade and other payables | 275,331,618 | 450,421 | 309,883,528 | 632,643 |

See Note 20.4 for the description of the liquidity risk management policy.

The detail of payments due and paid as of December 31, 2018 and 2017 is presented in Appendix 6.

23. PROVISIONS

a) The breakdown of provisions as of December 31, 2018 and 2017 is as follows:

| | Balance as of | | | |
|------------------------------------|-------------------|-----------------------|-------------------|-----------------------|
| | 12-31-2018 | | 12-31-2017 | |
| | Current ThCh\$ | Non-current ThCh\$ | Current ThCh\$ | Non-current ThCh\$ |
| Provisions | | | | |
| Provision for legal proceedings | 3,884,018 | — | 3,497,786 | — |
| Decommissioning or restoration (*) | — | 79,493,801 | — | 63,992,567 |
| Other provisions | 1,298,849 | — | 1,798,849 | — |
| Total | 5,182,867 | 79,493,801 | 5,296,635 | 63,992,567 |

(*) See Note 3.a.

Provision for legal proceedings mainly consist of the contingencies related to the lawsuits on administrative sanctions.

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The ultimate timing and amount of the cash outflows related to the above provisions depends on the final resolution of the provisioned matters. For example, in the specific case of the legal proceedings it depends on the final resolution of the related legal claim. The Administration considers that the provisions recognized in the financial statements adequately cover the corresponding risks.

b) Changes in provisions for the years ended December 31, 2018, and 2017 are as follows:

| Changes in Provisions | Legal Proceedings ThCh\$ | Decommissioning and Restoration ThCh\$ | Other Provisions ThCh\$ | Total ThCh\$ |
|-----------------------------------------------------|-----------------------------|----------------------------------------------|-------------------------------|-------------------|
| Opening balance as of January 1, 2018 | 3,497,786 | 63,992,567 | 1,798,849 | 69,289,202 |
| Changes in Provisions | | | | |
| Increase (decrease) in existing provisions | 991,032 | 12,485,197 | — | 13,476,229 |
| Provisions used | (315,412) | — | (500,000) | (815,412) |
| Reversal of Not Used Provision (*) | (259,419) | — | — | (259,419) |
| Increase for adjustment to value of money over time | — | 3,016,037 | — | 3,016,037 |
| Foreign currency translation | (29,969) | — | — | (29,969) |
| Total changes in provisions | 386,232 | 15,501,234 | (500,000) | 15,387,466 |
| Closing Balance as of December 31, 2018 | 3,884,018 | 79,493,801 | 1,298,849 | 84,676,668 |

| Changes in Provisions | Legal Proceedings ThCh\$ | Decommissioning and Restoration ThCh\$ | Other Provisions ThCh\$ | Total ThCh\$ |
|-----------------------------------------------------|-----------------------------|----------------------------------------------|-------------------------------|-------------------|
| Opening balance as of January 1, 2017 | 4,694,579 | 57,325,915 | 1,798,849 | 63,819,343 |
| Changes in Provisions | | | | |
| Increase (decrease) in existing provisions | 309,749 | 4,340,858 | — | 4,650,607 |
| Provisions used | (495,166) | — | — | (495,166) |
| Reversal of Not Used Provision (*) | (1,016,300) | — | — | (1,016,300) |
| Increase for adjustment to value of money over time | — | 2,325,794 | — | 2,325,794 |
| Foreign currency translation | 4,924 | — | — | 4,924 |
| Total changes in provisions | (1,196,793) | 6,666,652 | — | 5,469,859 |
| Closing Balance as of December 31, 2017 | 3,497,786 | 63,992,567 | 1,798,849 | 69,289,202 |

(*) Corresponds to reversals of provisions for Litigation.

24. EMPLOYEE BENEFIT OBLIGATIONS

24.1 General information

The Company and GasAtacama Chile S.A. provide various post-employment benefits for all or some of their active or retired employees. These benefits are calculated and recognized in the financial statements according to the criteria described in Note 3.1.1, and include primarily the following:

• **Defined benefit plans:**

Complementary pension: The beneficiary is entitled to receive a monthly amount that supplements the pension obtained from the respective social security system.

Employee severance indemnities: The beneficiary receives a certain number of contractual salaries upon retirement. Such benefit is subject to a required minimum service vesting requirement period, which depending on the company, varies within a range from 5 to 15 years.

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Electricity: The beneficiary receives a monthly bonus to cover a portion of their billed residential electricity consumption.

Health benefit: The beneficiary receives health coverage in addition to that to which they are entitled to under applicable social security system.

24.2 Details, changes and presentation in financial statements

a) The post-employment obligations associated with the defined benefits plan as of December 31, 2018 and 2017 are as follows:

| | Balance as of | |
|------------------------------------|-------------------|-------------------|
| | 12-31-2018 | 12-31-2017 |
| | ThCh\$ | ThCh\$ |
| Post-employment obligations | | |
| Post-employment obligations | 14,610,975 | 14,875,948 |
| Total | 14,610,975 | 14,875,948 |
| Non-current portion | 14,610,975 | 14,875,948 |

b) The balance and changes in post-employment defined benefit obligations as of and for the years ended December 31, 2018, 2017 and 2016 are as follows:

| Actuarial Value of Post-employment Obligations | ThCh\$ |
|-------------------------------------------------------|-------------------|
| Closing balance as of December 31, 2016 | 15,820,557 |
| Current service cost | 790,850 |
| Net interest cost | 691,075 |
| Actuarial gains from changes in financial assumptions | (310,557) |
| Actuarial gains from changes in seniority adjustments | 58,581 |
| Contributions paid by the Company | (1,993,830) |
| Transfer of personnel | (180,728) |
| Closing balance as of December 31, 2017 | 14,875,948 |
| Current service cost | 680,467 |
| Net interest cost | 695,935 |
| Actuarial gains from changes in financial assumptions | 145,338 |
| Actuarial gains from changes in seniority adjustments | 179,914 |
| Contributions paid by the Company | (1,925,219) |
| Past service costs | (39,060) |
| Transfer of personnel | (2,348) |
| Closing balance as of December 31, 2018 | 14,610,975 |

The Group companies make no contributions to funds for financing the payment of these benefits.

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c) The following amounts were recognized in the consolidated statement of comprehensive income for continuing and discontinued operations for the years ended December 31, 2018, 2017 and 2016:

| Expense Recognized in Comprehensive Income Statement | For the year ended | | |
|-------------------------------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Current service cost for defined benefits plan | 680,467 | 790,850 | 802,823 |
| Interest cost for defined benefits plan | 695,935 | 691,075 | 705,211 |
| Past service costs | (39,060) | — | — |
| Expenses recognized in the Statement of Income | 1,337,342 | 1,481,925 | 1,508,034 |
| Losses from rereasurement of defined benefit plans | 325,252 | (251,976) | 1,757,402 |
| Total expense recognized in Comprehensive Income Statement | 1,662,594 | 1,229,949 | 3,265,436 |

24.3 Other disclosures

Actuarial assumptions

As of December 31, 2018 and 2017 the following assumptions were used in the actuarial calculation of defined benefits:

| Actuarial assumptions | Chile | |
|-----------------------------------|-----------------------|-----------------------|
| | 12-31-2018 | 12-31-2017 |
| Discount rates used | 4.70% | 5.00% |
| Expected rate of salary increases | 3.80% | 4.00% |
| Mortality tables | CB-H-2014 y RV-M-2014 | CB-H-2014 y RV-M-2014 |
| Expected rotation rate | 4.0% | 3.8% |

Sensitivity

As of December 31, 2018, the sensitivity of the value of the actuarial liability for post-employment benefits to variations of 100 basis points in the discount rate assumes a decrease of ThCh\$ 905,602 (ThCh\$ 923,224 as of December 31, 2017) if the rate rises and an increase of ThCh\$ 1,034,800, (ThCh\$ 1,076,294 as of December 31, 2018 and 2017 respectively) if the rate falls.

Future disbursements

The estimates available indicate that disbursements for defined benefit plans will increase to ThCh\$ 2,047,818 for the current year.

Term of commitments

The Group's benefit obligations have a weighted average term of 6.93 years, and the flow for benefits for the next 10 years and more is expected to be as follows:

| Years | ThCh\$ |
|-------------|-----------|
| 1 | 2,047,818 |
| 2 | 1,122,495 |
| 3 | 1,604,246 |
| 4 | 1,280,802 |
| 5 | 1,205,286 |
| More than 5 | 6,551,575 |

25. TOTAL EQUITY

25.1 Equity attributable to the Parent

25.1.1 Subscribed and paid-up capital and number of shares

As of December 31, 2018 is ThCh\$ 552,777,321, divided into 8,201,754,580 fully subscribed and paid no par value shares listed at the Bolsa de Comercio de Santiago de Chile, Bolsa Electrónica de Chile and New York Stock Exchange (NYSE).

As a result of the Spin-off, share premium, raised from capital contributions made in 1986 and 1994, which amounted to ThCh\$ 206,008,557 as of December 31, 2015, as of December 31, 2016 decreased to ThCh \$ 85,511,492.

During the years ended December 31, 2018 and 2017, the Group did not engage in any transaction of any kind with potential dilutive effects leading to diluted earnings per share that could differ from basic earnings per share.

25.1.2 Dividends

The shareholders at the Ordinary Shareholders' Meeting held on April 25, 2017 approved the dividend policy for 2017. This policy established the distribution as final dividends of an amount equal to 55% of net profits for 2017, of which up to 15% of net profit for the nine month period ended September 30, 2016, as shown in the financial statements at that date, represent provisional interim dividends to be paid in January 2018. Since the aforementioned interim dividend No. 63 was paid on January 26, 2018, the Ordinary General Shareholders' Meeting held on April 24, 2018 approved and paid the remainder of the final dividend No. 64, amounting to Ch\$ 23,12488 per share, which was paid on May 18, 2018.

The General Shareholders' Meeting of Enel Generación Chile, held on April 24, 2018 approved, as Dividend Policy, which the Board plans to implement during the 2018 fiscal year, the distribution as a final dividend of an amount equivalent to 60% of the net profits for the year 2018. It also approved the distribution of an interim dividend of up to 50% of the net profits as per the financial statements as of September 30, 2018, to be paid in January 2019.

Compliance with the aforementioned dividend plan is subject to the actual net profit earned by the Company during the applicable year, and to the results of the Company's periodic income projections or to the existence of certain conditions, as applicable.

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The following table details the dividends paid by the Company in recent years:

| <u>Number</u> | <u>Type of Dividends</u> | <u>Payment date</u> | <u>Pesos per Share</u> | <u>Effecting the year</u> |
|---------------|--------------------------|---------------------|------------------------|---------------------------|
| 49 | Interim | 1-26-2011 | 6.42895 | 2010 |
| 50 | Final | 5-11-2011 | 26.09798 | 2010 |
| 51 | Interim | 1-19-2012 | 5.08439 | 2011 |
| 52 | Final | 5-17-2012 | 22.1582 | 2011 |
| 53 | Interim | 1-24-2013 | 3.04265 | 2012 |
| 54 | Final | 5-9-2013 | 11.24302 | 2012 |
| 55 | Interim | 1-31-2014 | 3.87772 | 2013 |
| 56 | Final | 5-15-2014 | 17.69856 | 2013 |
| 57 | Interim | 1-27-2015 | 3.44046 | 2014 |
| 58 | Final | 5-25-2015 | 16.95495 | 2014 |
| 59 | Interim | 1-29-2016 | 3.55641 | 2015 |
| 60 | Final | 5-24-2016 | 11.02239 | 2015 |
| 61 | Interim | 1-27-2017 | 7.24787 | 2016 |
| 62 | Final | 05-26-2017 | 21.5605 | 2016 |
| 63 | Interim | 01-26-2018 | 4.93614 | 2017 |
| 64 | Final | 05-18-2018 | 23.12488 | 2017 |
| 65 | Interim | 01-05-2019 | 11.19557 | 2018 |

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25.2 Foreign currency translation reserves

The following table details currency translation adjustments attributable to the shareholders of the Parent in the consolidated statement of financial position for the years ended December 31, 2018, 2017 and 2016:

| | For the years ended | | |
|------------------------------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Reserves for Accumulated Currency Translation Differences | | | |
| GasAtacama Chile S.A. | 6,674,136 | 11,688,351 | 14,979,960 |
| Others | 547,835 | 920,567 | 1,230,881 |
| Total | 7,221,971 | 12,608,918 | 16,210,841 |

25.3 Capital management

The Company's objective is to maintain an adequate level of capitalization in order to be able to secure its access to the financial markets, so as to fulfill its medium- and long-term goals while maximizing the return to its shareholders and maintaining a solid financial position.

25.4 Restrictions on subsidiaries transferring funds to the parent

As of December 31, 2018 and 2017, there were no restrictions on funds transfers from subsidiaries to the parent.

25.5 Other reserves

Other reserves within equity attributable to shareholders of the Parent for the years ended December 31, 2018, 2017 and 2016 are as follows:

| | Balance as of 1-1-2018 ThCh\$ | Changes ThCh\$ | Balance as of 12-31-2018 ThCh\$ |
|------------------------------------------------------------------------------------|-------------------------------------|----------------------|---------------------------------------|
| Other Reserves | | | |
| Exchange differences on translation | 12,608,918 | (5,386,947) | 7,221,971 |
| Cash flow hedges | (52,329,034) | (101,233,208) | (153,562,242) |
| Remeasurement of available-for-sale financial assets | (1,027) | (11) | (1,038) |
| Other comprehensive income from non-current assets held for distribution to owners | — | — | — |
| Other miscellaneous reserves | (35,068,098) | 3,646,134 | (31,421,964) |
| Total | (74,789,241) | (102,974,032) | (177,763,273) |

| | Balance as of 1-1-2017 ThCh\$ | Changes ThCh\$ | Balance as of 12-31-2017 ThCh\$ |
|------------------------------------------------------------------------------------|-------------------------------------|-------------------|---------------------------------------|
| Other Reserves | | | |
| Exchange differences on translation | 16,210,841 | (3,601,923) | 12,608,918 |
| Cash flow hedges | (123,499,401) | 71,170,367 | (52,329,034) |
| Remeasurement of available-for-sale financial assets | (1,033) | 6 | (1,027) |
| Other comprehensive income from non-current assets held for distribution to owners | 2,722,113 | (2,722,113) | — |
| Other miscellaneous reserves | (32,188,067) | (2,880,031) | (35,068,098) |
| Total | (136,755,547) | 61,966,306 | (74,789,241) |

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| Other Reserves | Balance as of 1-1-2016 ThCh\$ | Changes ThCh\$ | Balance as of 12-31-2016 ThCh\$ |
|------------------------------------------------------------------------------------|----------------------------------------------|---------------------------|------------------------------------------------|
| Exchange differences on translation | 19,691,866 | (3,481,025) | 16,210,841 |
| Cash flow hedges | (205,691,575) | 82,192,174 | (123,499,401) |
| Remeasurement of available-for-sale financial assets | (1,046) | 13 | (1,033) |
| Other comprehensive income from non-current assets held for distribution to owners | (202,189,042) | 204,911,155 | 2,722,113 |
| Other miscellaneous reserves | (719,716,306) | 687,528,239 | (32,188,067) |
| Total | (1,107,906,103) | 971,150,556 | (136,755,547) |

- **Reserves for Exchange differences on translation:** These arise primarily from exchange differences relating to:
 - Translation of the financial statements of our foreign operations from their functional currencies to our presentation currency (i.e. Chilean peso) (see Note 2.7.3);
 - Translation of goodwill arising from the acquisition of foreign operations with a functional currency other than the Chilean peso (see Note 3.b).
- **Cash flow hedges reserves:** These represent the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges (see Notes 3.f.5 and 3.m).
- **Remeasurement of available-for-sale financial assets:** These represent variations in fair value, net of their effect on the available-for-sale investments (see Note 3.f.1).

25.6 Other miscellaneous reserves:

The main items of other miscellaneous reserves and their effects for the nine month periods ended December 31, 2018 and 2017, are the following:

| Other Miscellaneous Reserves | Balance as of 12-31-2018 ThCh\$ | Balance as of 12-31-2017 ThCh\$ |
|-------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| Reserve for corporate reorganization (“Spin-Off”) (1) | 458,265,366 | 458,265,366 |
| Reserve for transition to IFRS (2) | (493,425,043) | (493,425,043) |
| Reserve for subsidiaries transactions (3) | (4,047,287) | (4,047,287) |
| Other miscellaneous reserves (4) | 7,785,000 | 4,138,866 |
| Total miscellaneous reserves | (31,421,964) | (35,068,098) |

- (1) Reserve for corporate reorganization (Spin-Offs of companies) completed on March 1, 2016. Corresponds to the effects from the reorganization of the Company and the separation of the Chilean business into a new entity, Endesa Américas S.A. (see Note 5.2).
- (2) Reserve for transition to IFRS. In accordance with Official Bulletin No. 456 from the CMF, included in this line item is the price-level restatement of paid-in capital from the date of transition to IFRS, January 1, 2004, to December 31, 2008. Also, it is included the foreign currency translation difference at the date of transition to IFRS.

Please note that, while the Company adopted the IFRS as its statutory accounting standards on January 1, 2009, the date of transition to that international standard used was January 1, 2004. This results from applying the exemption for that purpose in IFRS 1, “First Time Adoption”.

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- (3) Reserve from transactions with our subsidiaries. Corresponds to the effect of purchases of equity interests in subsidiaries that were accounted for as transactions between entities under common control.

25.7 Non-controlling interests

The details of non-controlling interests are as follows:

| Non-Controlling Interests Company | Non-Controlling Interests | % financial interest | | | |
|-----------------------------------|---------------------------|----------------------|----------------------|----------------------|----------------------|
| | | Equity | | Profit (loss) | |
| | | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Empresa Eléctrica Pehuenche S.A. | 7.35% | 10,310,215 | 9,963,472 | 6,885,422 | 5,649,253 |
| GasAtacama Chile S.A. (*) | 2.63% | 16,660,247 | 17,532,754 | 2,290,359 | 1,439,148 |
| Total | | 26,970,462 | 27,496,226 | 9,175,781 | 7,088,401 |

26. REVENUE AND OTHER INCOME

The detail of revenues presented in the statement of comprehensive income for the years ended December 31, 2018, 2017 and 2016 is as follows:

| Revenues | For the years ended | | |
|-------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Energy sales | 1,369,333,310 | 1,457,671,722 | 1,516,688,442 |
| Generation | 1,369,333,310 | 1,457,671,722 | 1,516,688,442 |
| Regulated customers | 997,315,635 | 1,101,089,106 | 1,180,042,597 |
| Non-regulated customers | 337,748,542 | 285,623,737 | 234,641,908 |
| Spot market sales | 34,269,133 | 70,958,879 | 102,003,937 |
| Other sales | 103,745,285 | 94,452,287 | 64,638,599 |
| Natural gas sales | 103,717,558 | 91,652,707 | 64,443,715 |
| Sales of products and services | 27,727 | 2,799,580 | 194,884 |
| Other services provided | 8,475,543 | 46,908,131 | 58,632,774 |
| Tolls and transmission | 3,267,012 | 38,850,596 | 50,437,592 |
| Engineering and consulting services | 231,373 | — | — |
| Other services | 4,977,158 | 8,057,535 | 8,195,182 |
| Total operating revenue | 1,481,554,138 | 1,599,032,140 | 1,639,959,815 |
| | ThCh\$ | ThCh\$ | ThCh\$ |
| Other operating income | | | |
| Commodity derivatives | 9,819,777 | 20,328,649 | 10,794,682 |
| Other income (1) | 29,680,268 | 15,576,299 | 8,972,832 |
| Total Other operating income | 39,500,045 | 35,904,948 | 19,767,514 |

(1) For the year ended December 31, 2018, this includes Central Tarapacá indemnization for ThCh\$ 21,987,899 (ThCh\$ 0 for 2017).

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27. RAW MATERIALS AND CONSUMABLES USED

The detail of raw materials and consumables presented in profit or loss for the years ended December 31, 2018, 2017 and 2016 is as follows:

| | For the years ended | | |
|--------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Raw Materials and Consumables | | | |
| Energy purchases | (326,365,798) | (346,954,692) | (335,731,822) |
| Fuel consumption | (230,993,754) | (280,739,362) | (295,148,838) |
| Transportation costs | (141,551,194) | (152,869,838) | (192,502,995) |
| Other raw materials and consumables | (111,063,406) | (123,414,114) | (71,676,459) |
| Total raw materials and consumables | (809,974,152) | (903,978,006) | (895,060,114) |

28. EMPLOYEE BENEFITS EXPENSE

Employee expenses recognized in profit or loss for the years ended December 31, 2018, 2017 and 2016 are as follows:

| | For the years ended | | |
|---------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Employee Benefits Expense | | | |
| Wages and salaries | (44,154,344) | (44,367,982) | (47,845,074) |
| Post-employment benefit obligations expense | (641,407) | (790,850) | (802,823) |
| Social security and other contributions | (5,797,834) | (6,524,962) | (7,031,344) |
| Other staff expenses | (3,206,953) | (2,538,676) | (4,670,831) |
| Total employee benefits expense | (53,800,538) | (54,222,470) | (60,350,072) |

29. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

The detail of depreciation, amortization and impairment losses recognized in profit or loss for the years ended December 31, 2018, 2017 and 2016 is as follows:

| | For the years ended | | |
|---------------------------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Depreciation, amortization and impairment losses | | | |
| Depreciation | (111,507,897) | (114,203,295) | (130,397,533) |
| Amortization | (6,257,366) | (3,134,258) | (2,202,848) |
| Subtotal | (117,765,263) | (117,337,553) | (132,600,381) |
| (Impairment)/Reversal of impairment (*) | (100,900) | 55,494 | (30,785,531) |
| Total depreciation, amortization and impairment losses | (117,866,163) | (117,282,059) | (163,385,912) |

| | For the years ended | | |
|----------------------------------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| (1) (Impairment)/Reversal of impairment | | | |
| (Impairment)/Reversal of impairment | (100,900) | 55,494 | — |
| (Impairment)/Reversal of impairment of property, plant and equipment | — | — | (30,785,531) |
| Total | (100,900) | 55,494 | (30,785,531) |

(*) See Note 10.c and Appendix 5.b.

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30. OTHER EXPENSES BY NATURE

Other operating expenses for the years ended December 31, 2018, 2017 and 2016 are as follows:

| Other expenses by nature | For the years ended | | |
|----------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Professional, outsourced and other services | (21,459,861) | (27,666,155) | (31,529,339) |
| Other supplies and services | (19,184,762) | (18,746,799) | (16,538,925) |
| Insurance premiums | (13,270,568) | (12,479,501) | (15,963,457) |
| Taxes and charges | (2,549,959) | (3,411,239) | (3,589,932) |
| Repairs and maintenance | (7,386,375) | (2,183,793) | (2,467,908) |
| Marketing, public relations and advertising | (205,114) | (388,562) | (713,691) |
| Leases and rental costs | (5,011,340) | (3,606,514) | (1,229,779) |
| Environmental expenses | (6,024,405) | (3,862,251) | (1,341,773) |
| Huechún and Chillán projects written-off (*) | — | — | (2,549,926) |
| Current projects written-off (**) | — | (25,105,910) | (33,930,297) |
| Other supplies | (5,738,384) | (2,720,780) | (4,680,233) |
| Travel expenses | (1,321,048) | (1,925,277) | (1,974,202) |
| Indemnities and fines | (327,131) | (724,239) | (2,793,753) |
| Total other expenses by nature | (82,478,947) | (102,821,020) | (119,303,215) |

(*) See Note 17.7.8.

(**) See Note 17.7.8, 8 and 9.

31. OTHER GAINS, NET

Other gains, net for the years ended December 31, 2018, 2017 and 2016 are as follows:

| Other gains (losses) | For the years ended | | |
|----------------------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Gain on disposal of Electrogas (*) | — | 105,311,912 | — |
| Gain on disposal of Lineas de Transmision Pangué Duqueco | 3,024,549 | — | — |
| Gain on disposal of GNL Quintero (**) | — | — | 121,325,018 |
| Gain on sale of land | — | 7,626,100 | — |
| Other | 409,954 | 150,857 | 165,956 |
| Total other gains, net | 3,434,503 | 113,088,869 | 121,490,974 |

(*) See Notes 5.1.

(**) See Note 14.1.c.

32. FINANCIAL RESULTS

Financial income and costs for the years ended December 31, 2018, 2017 and 2016 are as follows:

| Financial Income | For the years ended | | |
|-------------------------------|----------------------------|-------------------|-------------------|
| | 12-31-2018 | 12-31-2017 | 12-31-2016 |
| | ThCh\$ | ThCh\$ | ThCh\$ |
| Cash and cash equivalents | 5,527,543 | 3,077,708 | 2,150,797 |
| Other financial income | 250,699 | 2,195,964 | 3,999,954 |
| Total financial income | 5,778,242 | 5,273,672 | 6,150,751 |

| Financial Costs | For the years ended | | |
|-----------------------------------------------------------|----------------------------|---------------------|---------------------|
| | 12-31-2018 | 12-31-2017 | 12-31-2016 |
| | ThCh\$ | ThCh\$ | ThCh\$ |
| Financial Costs | (48,189,495) | (50,851,829) | (55,701,778) |
| Bank loans | (22,576) | (261) | (2,033,835) |
| Secured and unsecured obligations | (43,965,839) | (42,708,253) | (44,268,489) |
| Valuation of financial derivatives | — | (1,067,820) | (824,922) |
| Post-employment benefit obligations | (695,935) | (691,075) | (705,211) |
| Capitalized borrowing costs (*) | 6,523,443 | 4,078,463 | 3,001,211 |
| Formalization of debts and other associated expenses | — | (836,174) | — |
| Other | (10,028,588) | (9,626,709) | (10,870,532) |
| Gains from indexed assets and liabilities, net (a) | (2,480,291) | 145,608 | 606,075 |
| Foreign currency exchange differences (a) | (3,055,807) | 8,822,301 | 13,266,320 |
| Positive | 18,458,283 | 19,563,838 | 48,546,664 |
| Negative | (21,514,090) | (10,741,537) | (35,280,344) |
| Total financial costs | (53,725,593) | (41,883,920) | (41,829,383) |
| Total financial results | (47,947,351) | (36,610,248) | (35,678,632) |

(*) See Note 17.4.a.

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The effects on financial results from exchange differences and the application of indexed assets and liabilities originated from the following:

| | For the years ended | | |
|-------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Gains from indexed assets and liabilities, net (a) | | | |
| Other financial assets (derivative instruments) | 7,676,500 | 4,657,016 | 7,188,900 |
| Other non-financial assets | — | — | — |
| Trade and other accounts receivable | — | — | 452,440 |
| Current tax receivables and liabilities | 3,020,250 | 1,039,755 | 1,979,594 |
| Other financial liabilities (financial debt and derivative instruments) | (9,390,716) | (5,551,163) | (9,014,859) |
| Total Gains from indexed | 1,306,034 | 145,608 | 606,075 |
| Total Hyperinflation (*) | (3,786,325) | — | — |
| Total gains from indexed assets and liabilities, net | (2,480,291) | 145,608 | 606,075 |

(*) See Note 6.

| | For the years ended | | |
|-------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Foreign currency exchange differences (b) | | | |
| Cash and cash equivalents | (938,799) | 3,109,046 | 183,225 |
| Other financial assets (derivative instruments) | 5,973,179 | 10,895,862 | 25,048,205 |
| Other non-financial assets | 55,196 | — | — |
| Trade and other accounts receivable | 4,105,799 | 363,325 | 2,541,385 |
| Current tax receivables and liabilities | — | (188,270) | — |
| Other financial liabilities (financial debt and derivative instruments) | (7,440,825) | (4,358,937) | (18,217,515) |
| Trade and other accounts payable | (4,810,357) | (998,725) | 3,711,020 |
| Total foreign currency exchange differences | (3,055,807) | 8,822,301 | 13,266,320 |

33. INCOME TAXES

The following table presents the components of the income tax expense/(benefit) recognized in the accompanying Consolidated Statement of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016:

| | For the years ended | | |
|----------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ | 12-31-2016 ThCh\$ |
| Current Income Tax and Adjustments to Current Income Tax for Previous Periods | | | |
| Current income tax | (47,840,814) | (133,038,125) | (135,594,643) |
| Adjustments to current tax from the previous period | (5,882,343) | (24,409) | (295,585) |
| Current tax income/(expense) related to hedge accounting | (38,594,801) | 18,309,177 | 23,630,564 |
| Current tax expense, net | (92,317,958) | (114,753,357) | (112,259,664) |
| Expense from deferred taxes for origination and reversal of temporary differences | (17,447,105) | 2,653,838 | 29,042,729 |
| Expense for deferred income tax due to changes in tax rates or the introduction of new taxes | 4,818,298 | — | — |
| Total deferred tax benefit | (12,628,807) | 2,653,838 | 29,042,729 |
| Income tax expense, continuing operations | (104,946,765) | (112,099,519) | (83,216,935) |

The principal temporary differences are detailed in Note 16.a.

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The following table reconciles computed income tax expense resulting from applying the applicable statutory tax rate to “Profit before income taxes” and the actual income tax expense recognized in the accompanying Consolidated Statement of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016:

| Reconciliation of Tax Expense | Rate % | 12-31-2018 ThCh\$ | Rate % | 12-31-2017 ThCh\$ | Rate % | 12-31-2016 ThCh\$ |
|-----------------------------------------------------------------|-----------------|----------------------|-----------------|----------------------|-----------------|----------------------|
| ACCOUNTING PROFIT | | | | | | |
| BEFORE INCOME TAX | | 423,152,001 | | 537,641,734 | | 525,076,863 |
| Total tax income (expense) using statutory rate | (27.00)% | (114,251,041) | (25.50)% | (137,098,643) | (24.00)% | (126,018,446) |
| Tax effect of rates applied in other countries | — | — | 0.06% | 328,968 | 0.06% | 330,353 |
| Tax effect of non-taxable revenues | 0.19% | 801,347 | 6.43% | 34,547,907 | 7.51% | 39,421,280 |
| Tax effect of non-tax-deductible expenses | (0.32)% | (1,370,485) | (3.09)% | (16,589,585) | (1.95)% | (10,216,591) |
| Tax effect of adjustments to deferred taxes in previous periods | (1.39)% | (5,882,343) | (0.00)% | (24,409) | (0.05)% | (295,585) |
| Deferred tax adjustments from previous years | 1.14% | 4,818,298 | — | — | — | — |
| Price level restatement for tax purposes (equity investments) | 2.58% | 10,937,459 | 1.25% | 6,736,243 | 2.58% | 13,562,054 |
| Total adjustments to tax expense using statutory rates | 2.20% | 9,304,276 | 4.65% | 24,999,124 | 8.15% | 42,801,511 |
| Actual income tax expense | (24.80)% | (104,946,765) | (20.85)% | (112,099,519) | (15.85)% | (83,216,935) |

34. SUPPLEMENTAL DISAGGREGATED FINANCIAL INFORMATION

In the development of its activity, the organization of Enel Generación Chile was previously organized on the basis of the priority focus on its main business, consisting of the generation of electrical energy. Bearing in mind the differentiated information that is analyzed by the Administration for decision making, the information by segments had been presented following a geographical distribution by country:

- Chile.
- Argentina. (discontinued)
- Perú. (discontinued)
- Colombia. (discontinued)

However, since the corporate reorganization was carried out (see note 5.2.), and operations outside Chile are presented as discontinued operations in the consolidated financial statements, the Group no longer has operating segments as defined by IFRS 8 “Segments”. The financial information currently provided to the Administration for decision making is the same included in the Group’s consolidated financial statements. The Company, for comparative purposes, has chosen to voluntarily present supplementary disaggregated information of the net results and cash flows related to discontinued operations, on a geographical basis. The accounting policies used to determine this supplementary disaggregated financial information are the same as those used in the preparation of the Group’s consolidated financial statements.

The Group generates substantially all of its income from continuing operations in Chile. Likewise, in Chile there are substantially all non-current assets.

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Supplementary financial information disaggregated (detail):

| Country | Chile As of 31, December | | | Argentina As of 31, December | | | Colombia As of 31, December | | | Perú As of 31, December | | | Eliminations As of 31, December | | | Total As of 31, December | | |
|-----------------------------------------------------------------------------------------------|-----------------------------|---------------------|---------------------|---------------------------------|----------------|-------------------|--------------------------------|----------------|-------------------|----------------------------|----------------|----------------|------------------------------------|----------------|----------------|-----------------------------|---------------------|---------------------|
| | 2018 ThCh\$ | 2017 ThCh\$ | 2016 ThCh\$ | 2018 ThCh\$ | 2017 ThCh\$ | 2016 ThCh\$ | 2018 ThCh\$ | 2017 ThCh\$ | 2016 ThCh\$ | 2018 ThCh\$ | 2017 ThCh\$ | 2016 ThCh\$ | 2018 ThCh\$ | 2017 ThCh\$ | 2016 ThCh\$ | 2018 ThCh\$ | 2017 ThCh\$ | 2016 ThCh\$ |
| STATEMENT OF INCOME | | | | | | | | | | | | | | | | | | |
| REVENUES AND OTHER OPERATING INCOME | | | | | | | | | | | | | | | | | | |
| INCOME | 1,521,054,183 | 1,634,937,088 | 1,659,727,329 | — | — | — | — | — | — | — | — | — | — | — | — | 1,521,054,183 | 1,634,937,088 | 1,659,727,329 |
| Revenues | 1,481,554,138 | 1,599,032,140 | 1,639,959,815 | — | — | — | — | — | — | — | — | — | — | — | — | 1,481,554,138 | 1,599,032,140 | 1,639,959,815 |
| Energy sales | 1,369,333,310 | 1,457,671,722 | 1,516,688,442 | — | — | — | — | — | — | — | — | — | — | — | — | 1,369,333,310 | 1,457,671,722 | 1,516,688,442 |
| Other sales | 103,745,285 | 94,452,287 | 64,638,599 | — | — | — | — | — | — | — | — | — | — | — | — | 103,745,285 | 94,452,287 | 64,638,599 |
| Other services rendered | 8,475,543 | 46,908,131 | 58,632,774 | — | — | — | — | — | — | — | — | — | — | — | — | 8,475,543 | 46,908,131 | 58,632,774 |
| Other operating income | 39,500,045 | 35,904,948 | 19,767,514 | — | — | — | — | — | — | — | — | — | — | — | — | 39,500,045 | 35,904,948 | 19,767,514 |
| RAW MATERIALS AND CONSUMABLES USED | | | | | | | | | | | | | | | | | | |
| USED | (809,974,152) | (903,978,006) | (895,060,114) | — | — | — | — | — | — | — | — | — | — | — | — | (809,974,152) | (903,978,006) | (895,060,114) |
| Energy purchases | (326,365,798) | (346,954,692) | (335,731,822) | — | — | — | — | — | — | — | — | — | — | — | — | (326,365,798) | (346,954,692) | (335,731,822) |
| Fuel consumption | (230,993,754) | (280,739,362) | (295,148,838) | — | — | — | — | — | — | — | — | — | — | — | — | (230,993,754) | (280,739,362) | (295,148,838) |
| Transportation expenses | (141,551,194) | (152,869,838) | (192,502,995) | — | — | — | — | — | — | — | — | — | — | — | — | (141,551,194) | (152,869,838) | (192,502,995) |
| Other miscellaneous supplies and services | (111,063,406) | (123,414,114) | (71,676,459) | — | — | — | — | — | — | — | — | — | — | — | — | (111,063,406) | (123,414,114) | (71,676,459) |
| CONTRIBUTION MARGIN | 711,080,031 | 730,959,082 | 764,667,215 | — | — | — | — | — | — | — | — | — | — | — | — | 711,080,031 | 730,959,082 | 764,667,215 |
| Other work performed by the entity and capitalized | 7,449,013 | 7,226,484 | 9,758,304 | — | — | — | — | — | — | — | — | — | — | — | — | 7,449,013 | 7,226,484 | 9,758,304 |
| Employee benefit expense | (53,800,538) | (54,222,470) | (60,350,072) | — | — | — | — | — | — | — | — | — | — | — | — | (53,800,538) | (54,222,470) | (60,350,072) |
| Other expenses | (82,478,947) | (102,821,020) | (119,303,215) | — | — | — | — | — | — | — | — | — | — | — | — | (82,478,947) | (102,821,020) | (119,303,215) |
| GROSS OPERATING INCOME | 582,249,559 | 581,142,076 | 594,772,232 | — | — | — | — | — | — | — | — | — | — | — | — | 582,249,559 | 581,142,076 | 594,772,232 |
| Depreciation and amortization expense | (117,765,263) | (117,337,553) | (132,600,381) | — | — | — | — | — | — | — | — | — | — | — | — | (117,765,263) | (117,337,553) | (132,600,381) |
| Impairment losses (reversals of impairment losses) recognized in profit or loss | (100,900) | 55,494 | (30,785,531) | — | — | — | — | — | — | — | — | — | — | — | — | (100,900) | 55,494 | (30,785,531) |
| OPERATING INCOME | 464,383,396 | 463,860,017 | 431,386,320 | — | — | — | — | — | — | — | — | — | — | — | — | 464,383,396 | 463,860,017 | 431,386,320 |
| FINANCIAL RESULT | | | | | | | | | | | | | | | | | | |
| Financial income | (47,947,351) | (36,610,248) | (35,678,632) | — | — | — | — | — | — | — | — | — | — | — | — | (47,947,351) | (36,610,248) | (35,678,632) |
| Income from deposits and other financial instruments | 5,527,543 | 3,077,708 | 2,150,797 | — | — | — | — | — | — | — | — | — | — | — | — | 5,527,543 | 3,077,708 | 2,150,797 |
| Other financial income | 250,699 | 2,195,964 | 3,999,954 | — | — | — | — | — | — | — | — | — | — | — | — | 250,699 | 2,195,964 | 3,999,954 |
| Financial costs | (48,189,495) | (50,851,829) | (55,701,778) | — | — | — | — | — | — | — | — | — | — | — | — | (48,189,495) | (50,851,829) | (55,701,778) |
| Bank borrowings | (22,576) | (261) | (2,033,835) | — | — | — | — | — | — | — | — | — | — | — | — | (22,576) | (261) | (2,033,835) |
| Secured and unsecured obligations | (43,965,839) | (42,708,253) | (44,268,489) | — | — | — | — | — | — | — | — | — | — | — | — | (43,965,839) | (42,708,253) | (44,268,489) |
| Other | (4,201,080) | (8,143,315) | (9,399,454) | — | — | — | — | — | — | — | — | — | — | — | — | (4,201,080) | (8,143,315) | (9,399,454) |
| Gains (losses) from indexed assets and liabilities | (2,480,291) | 145,608 | 606,075 | — | — | — | — | — | — | — | — | — | — | — | — | (2,480,291) | 145,608 | 606,075 |
| Foreign currency exchange differences | (3,055,807) | 8,822,301 | 13,266,320 | — | — | — | — | — | — | — | — | — | — | — | — | (3,055,807) | 8,822,301 | 13,266,320 |
| Positive | 18,458,283 | 19,563,838 | 48,546,664 | — | — | — | — | — | — | — | — | — | — | — | — | 18,458,283 | 19,563,838 | 48,546,664 |
| Negative | (21,514,090) | (10,741,537) | (35,280,344) | — | — | — | — | — | — | — | — | — | — | — | — | (21,514,090) | (10,741,537) | (35,280,344) |
| Share of profit (loss) of associates and joint ventures accounted for using the equity method | 3,281,453 | (2,696,904) | 7,878,201 | — | — | — | — | — | — | — | — | — | — | — | — | 3,281,453 | (2,696,904) | 7,878,201 |
| Other gains (losses) | 3,434,503 | 113,088,869 | 121,490,974 | — | — | — | — | — | — | — | — | — | — | — | — | 3,434,503 | 113,088,869 | 121,490,974 |
| Gain (loss) from other investments | 409,954 | 105,462,769 | 121,457,430 | — | — | — | — | — | — | — | — | — | — | — | — | 409,954 | 105,462,769 | 121,457,430 |
| Gain (loss) from the sale of property, plant and equipment | 3,024,549 | 7,626,100 | 33,544 | — | — | — | — | — | — | — | — | — | — | — | — | 3,024,549 | 7,626,100 | 33,544 |
| INCOME BEFORE TAX | 423,152,001 | 537,641,734 | 525,076,863 | — | — | — | — | — | — | — | — | — | — | — | — | 423,152,001 | 537,641,734 | 525,076,863 |
| Income tax | (104,946,765) | (112,099,519) | (83,216,935) | — | — | — | — | — | — | — | — | — | — | — | — | (104,946,765) | (112,099,519) | (83,216,935) |
| Net income from continuing operations | 318,205,236 | 425,542,215 | 441,859,928 | — | — | — | — | — | — | — | — | — | — | — | — | 318,205,236 | 425,542,215 | 441,859,928 |
| Net income from discontinued operations | — | — | 5,889,236 | — | — | 15,063,586 | — | — | 32,152,791 | — | — | — | — | — | — | — | — | 79,572,445 |
| NET INCOME | 318,205,236 | 425,542,215 | 447,749,164 | — | — | 15,063,586 | — | — | 32,152,791 | — | — | — | — | — | — | 318,205,236 | 425,542,215 | 521,432,373 |
| Net income attributable to: | — | 425,542,215 | 447,749,164 | — | — | 15,063,586 | — | — | 32,152,791 | — | — | — | — | — | — | 318,205,236 | 425,542,215 | 521,432,373 |
| Shareholders of Enel Chile | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 309,029,455 | 418,453,814 | 472,558,428 |

Non-controlling interests

| Country | Chile | | | Argentina | | | Colombia | | | Peru | | | Eliminations | | | 9,175,781 | 7,088,401 | 48,873,945 |
|-----------------------------------------------------|---------------|---------------|---------------|------------|------------|--------------|------------|------------|--------------|------------|------------|--------------|--------------|------------|------------|---------------|---------------|---------------|
| | 12-31-2018 | 12-31-2017 | 12-31-2016 | 12-31-2018 | 12-31-2017 | 12-31-2016 | 12-31-2018 | 12-31-2017 | 12-31-2016 | 12-31-2018 | 12-31-2017 | 12-31-2016 | 12-31-2018 | 12-31-2017 | 12-31-2016 | 12-31-2018 | 12-31-2017 | 12-31-2016 |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| STATEMENT OF CASH FLOW | | | | | | | | | | | | | | | | | | |
| Net cash provided by (used in) operating activities | 465,273,275 | 488,167,382 | 490,177,558 | — | — | 13,638,776 | — | — | 47,055,127 | — | — | 8,317,128 | — | — | — | 465,273,275 | 488,167,382 | 559,188,589 |
| Net cash (used in) provided by investing activities | (228,125,034) | (91,867,647) | (34,631,759) | — | — | (5,901,336) | — | — | (16,448,412) | — | — | (3,598,013) | — | — | — | (228,125,034) | (91,867,647) | (60,579,520) |
| Net cash (used in) provided by financing activities | (291,939,624) | (301,835,211) | (388,561,440) | — | — | (17,813,237) | — | — | (90,476,446) | — | — | (22,802,105) | — | — | — | (291,939,624) | (301,835,211) | (519,653,228) |

35. THIRD PARTY GUARANTEES, OTHER CONTINGENT ASSETS AND LIABILITIES, AND OTHER COMMITMENTS

35.1 Direct guarantees

As of December 31, 2018 and 2017 no property, plant and equipment was pledged as security for liabilities.

As of December 31, 2018, the Group does not have future energy purchase commitments (ThCh\$ 3,938,524,357 as of December 31, 2017).

35.2 Indirect guarantees

There were no indirect guarantees as of December 31, 2018 and 2017.

35.3 Litigation and arbitration

As of the date of these consolidated financial statements, the most relevant litigation involving the Group are as follows:

Pending lawsuits of the Company and Subsidiaries

1. Inversiones Tricahue S.A., a minority shareholder of Empresa Eléctrica Pehuenche S.A., requested in the 20th Civil Court of Santiago the designation of an arbitrator, to hear and resolve the arbitration claim that Inversiones Tricahue S.A. seeks to bring against Empresa Eléctrica Pehuenche S.A., Enel Generación Chile S.A., Enel Chile S.A., and the directors of these three companies, for the alleged damages that the Pehuenche management allegedly inflicted on the minority shareholders, as a result of the Project Elqui reorganization and the development of Pehuenche's electricity generation business.

Once the request for the appointment of an arbitrator was presented, the three defendant companies and their directors submitted numerous objections, all of which were rejected by the ruling of June 25, 2018. The defendants filed an appeal to the ruling, which to date is pending a decision. Subsequently, Mr. Nelson Contador was designated as a referee judge whom accepted the position. The companies and their directors appealed the appointment of arbitrator judge, granting said recourse in the only devolutive effect. Against this resolution, the defendants filed an appeal to the ruling claiming that said appeal should have been granted in both cases ordering the suspension of the sentence while the appeals are resolved. For its part, the plaintiff also filed an appeal in the ruling. Both resources are pending resolution.

2. GasAtacama Chile S.A.: By means of ORD No. 5,705 of May 23, 2016, the Superintendency of Electricity and Fuels, filed charges against GasAtacama Chile S.A. for providing allegedly erroneous information to the centralized operating agent of the national CDEC-SING with respect to the Technical Minimum (MT) and Average Time of the Operation parameters (TMO) during the period between January 1, 2011 and October 29, 2015, GasAtacama Chile S.A. presented its objections, which were rejected by the Superintendency's Resolution No. 014606 of August 4 of 2016, which imposed a fine of 120,000 UTM (ThCh \$5,802,360). In opposition to the above mentioned resolution of the Superintendency that applied the fine, GasAtacama Chile S.A. submitted a request for reconsideration before the Superintendency, which was rejected through Resolution No. 15908, dated November 2, 2016, which confirms the totality of the fine imposed. In opposition to the resolution, GasAtacama Chile S.A. filed a claim of illegality before the Court of Appeals of Santiago, recognizing a provision for 25% of the fine. The Court of Appeals of Santiago, meanwhile, on April 9, 2019, issued a ruling that reduced the fine imposed from 10,000 UTA (120,000 UTM) to 500 UTA. Both the Superintendency of Electricity and Fuels and GasAtacama Chile S.A. filed appeals before the Supreme Court against this ruling, which is pending admissibility, hearing and resolution.

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The management of Enel Generación Chile S.A. considers that the provisions recorded in the consolidated financial statements are adequate to cover the risks resulting from litigation because it does not consider there to be any additional liabilities other than those specified. In relation to the litigation described above, the Group has established provisions for ThCh \$2,901,180.

Given the characteristics of the risks covered by these provisions, it is not possible to determine a reasonable schedule of payment dates if there are any.

35.4 Financial restrictions

A number of the Group's loan agreements include the obligation to comply with certain financial covenants, which is normal for the contracts of this nature. There are also affirmative and negative ratios requiring the monitoring of these commitments. In addition, there are restrictions in the events-of-default clauses of the agreements which require compliance.

1) Cross Default

Some of the financial debt contracts of Enel Generación Chile S.A. contain cross default clauses. The domestic credit line agreement governed by Chilean law, which Enel Generación Chile S.A. signed in March 2016 and that expires in March 2019, for UF 2.8 million, stipulate that cross default arises only in the event of non-compliance by the borrower itself, with no reference made to its subsidiaries; i.e., Enel Generación Chile S.A. In order to accelerate payment of the debt in this credit line due to cross default originating from other debt, the amount overdue of a debt must exceed US\$ 50 million, or the equivalent in other currencies, and other additional conditions must be met such as the expiry of grace periods. This credit line has not been drawn upon. Enel Generación Chile S.A. international credit line governed by New York State law, which was signed in February 2016 expiring in February 2020, also makes no reference to its subsidiaries, thus, cross default is only triggered in the event of non-compliance by the borrower itself. For the repayment of debt to be accelerated under these credit lines due to cross default regardless of whether at the level of individual or aggregated debt, the amount in default must exceed US\$50 million or its equivalent in other currencies, and other additional conditions must be met, including the expiration of grace periods (if any), and a formal notice of intent to accelerate the debt repayment must have been served by creditors representing more than 50% of the amount owed or committed in the contract. As of December 31, 2018, these credit lines have not been drawn upon.

Regarding the bond issues of Enel Generación Chile S.A. registered with the United States Securities and Exchange Commission (the "SEC"), commonly called "Yankee bonds", a cross default can be triggered by another debt of the Company or of any of its Chilean subsidiaries, for any amount overdue provided that the principal of the debt giving rise to the cross default exceeds US\$ 30 million or its equivalent in other currencies. Debt acceleration due to cross default does not occur automatically but has to be demanded by the holders of at least 25% of the bonds of a certain series of Yankee bonds. In addition, events of bankruptcy or insolvency of foreign subsidiaries have no contractual effects on the Company's Yankee bonds. The Company's Yankee bonds mature in 2024, 2027, 2037 and 2097. Specifically for those maturing in 2024 (issued in April 2014), the threshold for triggering cross default increased to US\$ 50 million or its equivalent in other currencies. As of December 31, 2018, the outstanding amount of Yankee bonds totals ThCh\$ 497,233,719.

The bonds of Enel Generación Chile S.A. issued in Chile state that cross default can be triggered only by the default of the issuer in cases where the amount overdue exceeds US\$50 million or its equivalent in other currencies. Debt acceleration requires the agreement of at least 50% of the bondholders of a certain series. As of December 31, 2018, the outstanding amount owed of domestic bonds totals ThCh\$ 329,260,529.

2) Financial covenants

Financial covenants are contractual commitments with respect to minimum or maximum financial ratios that Enel Generación Chile S.A. is obliged to meet at certain periods of time (quarterly, annually, etc.). Most of the Group's financial covenants limit the level of indebtedness and evaluate the ability to generate cash flows in order to service the companies' debts. Various companies are also required to certify these covenants periodically. The types of covenants and their respective limits vary according to the type of debt.

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Enel Generación Chile S.A bonds issued in Chile include the following financial covenants whose definitions and calculation formulas are established in the respective indentures:

Series H

- **Consolidated Debt Ratio:** The consolidated debt ratio, which is Financial debt to Capitalization, must be no more than 0.64. Financial debt is the sum of Interest-bearing loans, current; Interest-bearing loans, non-current; Other financial liabilities, current; Other financial liabilities, non-current; and Other obligations guaranteed by the issuer or its subsidiaries; while Capitalization is the sum of Financial liabilities, Equity attributable to the shareholders of the Company, and Non-controlling interests. As of December 31, 2018, the ratio was 0.30.
- **Consolidated Equity:** A minimum Equity of Ch\$ 761,661 million must be maintained; this limit is adjusted at the end of each year as established in the indenture. Equity corresponds to Equity attributable to the shareholders of the parent company. As of December 31, 2018, the equity attributable to shareholders of Enel Generación Chile S.A. was Ch\$ 1,970,521 million.
- **Financial Expense Coverage:** A financial expense coverage ratio of at least 1.85 must be maintained. Financial expense coverage is the quotient between i) the Gross margin plus Financial income and Dividends received from associates, and ii) Financial expenses; both items refer to the period of four consecutive quarters ending at the close of the quarter being reported. For the year ended December 31, 2018, this ratio was 12.23.
- **Net Asset Position with Related Parties:** A net asset position must be maintained with related parties of no more than a hundred million dollars. The Net asset position with related parties is the difference between i) the sum of Accounts receivable from related entities, Current, accounts receivable from related entities, non-current, less transactions in the ordinary course of business of less than 180 days term, short-term transactions of associates of Enel Generación Chile S.A. in which Enel Américas S.A. has no participation, and long-term transactions of associates of Enel Generación Chile S.A. in which Enel Américas S.A. has no participation, and ii) the sum of Accounts payable to related entities, current, Accounts payable to related entities, non-current, less transactions in the ordinary course of business at less than 180 days term, short-term transactions of associates of Enel Generación Chile S.A. in which Enel Américas S.A. has no participation, and long-term transactions of associates of Enel Generación Chile S.A. in which Enel Américas S.A. has no participation. As of December 31, 2018, using the exchange rate prevailing on that date, the net asset position with related parties was a negative US\$ 125 million, indicating that Enel Américas S.A. is a net debtor of Enel Generación Chile S.A..

Series M

- **Consolidated Debt Ratio:** The consolidated debt ratio, which is Financial debt to Capitalization, must be no more than 0.64. Financial debt is the sum of Interest-bearing loans, current; Interest-bearing loans, non-current; Other financial liabilities, current; and Other financial liabilities, non-current; while Capitalization is the sum of Financial liabilities and Equity. As of December 31, 2018, the debt ratio was 0.30.
- **Consolidated Equity:** Same as for Series H.
- **Financial Expense Coverage Ratio:** Same as for Series H.

The Company's domestic (governed by Chilean law, maturity in April 2019) and international (governed by New York State law, maturity in February 2020) credit lines include the following covenants whose definitions and formulas, identical to each other, are established in the respective contracts:

- **Debt Equity Ratio:** The debt equity ratio, which is Financial debt to Net Equity, must be no more than 1.4. Financial debt is the sum of Interest-bearing loans, current; Interest-bearing loans, non-current; while Net

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Equity is the sum of the Equity attributable to the shareholders of the Company, and Non-controlling interests. As of December 31, 2018, the ratio was 0.42.

- Debt Repayment Capacity (Debt/EBITDA Ratio): The ratio between Financial Debt and EBITDA must be no more than 6.5. Financial Debt is the sum of interest-bearing loans, current; and interest-bearing loans, non-current; while EBITDA is the operating income excluding depreciation and amortization expense and impairment losses/(reversal of impairment losses) for the four mobile quarters ended on the calculation date. As of December 31, 2018, the Debt/EBITDA ratio was 1.44.

Yankee Bonds are not subject to financial covenants.

As of December 31, 2018, the most restrictive financial covenant was the Debt Equity Ratio requirement for two credit lines.

The other Group companies not mentioned in this Note, are not subject to compliance with financial covenants.

Lastly, in most of the contracts, debt acceleration for non-compliance with these covenants does not occur automatically, but is subject to certain conditions, such as a cure period.

As of December 31, 2018 and 2017, no company of the Group was in default under their financial obligations summarized herein or other financial obligations whose defaults might trigger the acceleration of their financial commitments.

36. PERSONNEL FIGURES

The Group personnel, including that of subsidiaries and jointly-controlled companies in the five Latin American countries where the Group is present, is distributed as follows as of December 31, 2018 and 2017:

| Country | As of and for the year ended 12-31-2018 | | | | Average for the Year |
|--------------|-----------------------------------------|-------------------------------|--------------------|------------|----------------------|
| | Managers and Main Executives | Professionals and Technicians | Workers and Others | Total | |
| Chile | 20 | 653 | 68 | 741 | 769 |
| Argentina | — | 7 | 19 | 26 | 26 |
| Total | 20 | 660 | 87 | 767 | 795 |

| Country | As of and for the year ended 12-31-2017 | | | | Average for the Year |
|--------------|-----------------------------------------|-------------------------------|--------------------|------------|----------------------|
| | Managers and Main Executives | Professionals and Technicians | Workers and Others | Total | |
| Chile | 24 | 772 | 27 | 823 | 842 |
| Argentina | — | 23 | 2 | 25 | 25 |
| Total | 24 | 795 | 29 | 848 | 867 |

It is important to note that the Group's operations outside of Chile, beginning on March 1, 2016, are part of the new company named Endesa Américas S.A. (See Notes 3.j and 5.2 and Appendix 2).

37. SANCTIONS

The following Group's subsidiaries have received sanctions from administrative authorities:

37.1. Enel Generación Chile

As of December 31, 2018, the illegality claims against Resolution No. 2658 of Biobío's Secretary of Health Ministry imposing a fine of UTM 500 for alleged infractions of Enel Generación Chile S.A. related to asbestos removal approved by the Health authority are still pending.

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The request for reconsideration of the sanctioning process before the Bío Bío Regional Health Ministry, initiated by Act 180566, for an amount of 500 UTM, for alleged infringements in compliance with obligations related to waste disposal regulations in the Cantarrana landfill is also pending.

Likewise the Valparaíso Regional Health Ministry initiated sanction proceedings for inspection report No. 1705213, for alleged breaches of obligations and regulations related to the Noise Exposure Protocols and other health surveillance regulations at the Quintero plant. The amount of this sanction is 500 UTM.

37.2. GasAtacama Chile S.A.

There are pending two requests for reconsideration claimed against the Tarapacá Regional Health Ministry's resolutions, through inspection records Nos. 011599 and 766, that imposed fines on GasAtacama Chile S.A. for 500 UTM each.

In addition, there is pending resolution before the Coquimbo Regional Health Ministry a health summary for an amount of 500 UTM.

37.3. Empresa Eléctrica Pehuenche S.A.

There are no sanctions.

In relation to the sanctions described above, the Group has established provisions for ThCh\$ 120,883 as of December 31, 2018. Although there are other sanctions that also have associated provisions but are not described in this note because they individually represent immaterial amounts, the management of the Company considers that the provisions recorded in the consolidated financial statements are adequate to cover the risks resulting from sanctions because it does not consider there to be any additional liabilities other than those specified.

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38. ENVIRONMENT

Environmental expenses for the years ended December 31, 2018, 2017 and 2016, are as follows:

| Company | Project Name | Project Description | Project Status (Terminated, In Process) | 12-31-2018 | | | 12-31-2017 | | |
|-------------------|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|---------------------|---------------------|------------------|---------------------|-------------------------------------|-------|
| | | | | Total Disbursements | Amounts Capitalized | Expenses | Total Disbursements | Total disbursements previous period | ThChS |
| Gas Atacama Chile | Environmental monitoring | Environmental monitoring | In process | 797,543 | — | 797,543 | 797,543 | 1,463,204 | |
| | Hydraulic power stations | Studies, monitoring, laboratory analysis, removal and final disposal of solid waste in hydroelectric plants (Hydroelectric Power Plant) | In process | 11,567 | — | 11,567 | 11,567 | — | |
| | Normalization CEMS | Warehouse standardization, environmental management | In process | 645,302 | 645,302 | — | 645,302 | 1,021,630 | |
| Pehuenche | Hydro Power Plants | Studies, monitoring, laboratory analysis, removal and disposal of solid waste from hydropower (Hydroelectric Power Plant) | In process | 62,560 | — | 62,560 | 62,560 | 6,787 | |
| | Environmental Costs | Hydroelectric Power Plant Pehuenche S.A. Supply of flow measurement equipment. | In process | 48,574 | 48,574 | — | 48,574 | — | |
| Enel Generación | | Principal incurred expenses: Bocamina U1-2: Operation and maintenance of air monitoring and meteorological stations, Environmental audit monitoring network, CEMS Annual Validation, Biomass Protocol Service, Environment Materials (magazine, books), Isocinetic Measurements , SGI Works (NC Objective, Inspections, Audits and Audit) ISO 14001, OHSAS Certification, Operation and Maintenance Service CEMS. | In process | 2,102,056 | — | 2,102,056 | 2,102,056 | 1,252,355 | |
| | Environmental costs in combined cycle plants | Studies, monitoring, laboratory analysis, removal and final disposal of solid waste in thermoelectric plants. | In process | 2,867,523 | — | 2,867,523 | 2,867,523 | 870,281 | |
| | Environmental costs in hydroelectric plants | Studies, monitoring, laboratory analysis, withdrawal and final disposal of solid waste in hydroelectric plants. | In process | 183,156 | — | 183,156 | 183,156 | 251,277 | |
| | Ralco Hydroelectric Plant | Reforestation according to Agreement with the Catholic University and Electrification of housing in Ayin Maipu | In process | 4,542,216 | 4,542,216 | — | 4,542,216 | 5,075,137 | |
| | Central Quintero | Engineering, Civil Works and Permits | In process | 417,194 | 417,194 | — | 417,194 | — | |
| | | Total | | 11,677,691 | 5,653,286 | 6,024,405 | 11,677,691 | 9,940,671 | |

| Company | Project Name | Project Description | Project Status (Terminated, In Process) | 12-31-2017 | | | 12-31-2016 | | |
|---------------------------|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|---------------------|---------------------|------------------|---------------------|-------------------------------------|-------|
| | | | | Total Disbursements | Amounts Capitalized | Expenses | Total Disbursements | Total disbursements previous period | ThChS |
| Gas Atacama Chile | Environmental monitoring | Environmental monitoring | In process | 1,463,204 | — | 1,463,204 | 1,463,204 | — | |
| | Normalization CEMS | Normalization of warehouses, environmental management | In process | 1,021,630 | 1,021,630 | — | 1,021,630 | — | |
| Pehuenche | Hydro Power Plants | Studies, monitoring, laboratory analysis, removal and disposal of solid waste from hydropower (Hydroelectric Power Plant) | In process | 6,787 | — | 6,787 | 6,787 | 6,515 | |
| | Environmental Costs | Environmental maintenance | In process | 104,810 | 104,810 | — | 104,810 | — | |
| Eólica Canela | Improving reforested sectors | Analysis and monitoring of water quality and Canela's hygienic maintenance | In process | 18,347 | — | 18,347 | 18,347 | 94,770 | |
| | Environmental expenditures in power plants. | Principal incurred expenses: Bocamina U1-2: Operation and maintenance of air monitoring and meteorological stations, Environmental audit monitoring network, CEMS Annual Validation, Biomass Protocol Service, Environment Materials (magazine, books), Isocinetic Measurements , SGI Works (NC Objective, Inspections, Audits and Audit) ISO 14001, OHSAS Certification, Operation and Maintenance Service CEMS. | In process | 1,252,355 | — | 1,252,355 | 1,252,355 | 567,616 | |
| | Environmental costs in combined cycle plants | Studies, monitoring, laboratory analysis, withdrawal and final disposal of solid waste in hydroelectric plants. | In process | 251,277 | — | 251,277 | 251,277 | 181,644 | |
| Enel Generación Chile S.A | Environmental costs in hydroelectric plants | Studies, monitoring, laboratory analysis, removal and final disposal of solid waste in thermoelectric plants Estudios, monitoreos, análisis de laboratorio, retiro y disposición final de residuos sólidos en centrales termoeléctricas (C.T.) | In process | 870,281 | — | 870,281 | 870,281 | 243,264 | |
| | Ralco Hydroelectric Plant | Reforestation according to Agreement with the Catholic University and Electrification of housing in Ayin Maipu | In process | 5,075,137 | 5,075,137 | — | 5,075,137 | 4,497,330 | |
| | Tal Tal Thermal Plant | Engineering, Civil Works and Permits | In process | 1,290,133 | 1,290,133 | — | 1,290,133 | 3,173,813 | |
| | | Total | | 11,353,961 | 7,491,710 | 3,862,251 | 11,353,961 | 8,764,952 | |

| Company | Project Name | Project Description | Project Status (Terminated, In Process) | 12-31-2016 | | |
|---------------------------|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|---------------------|---------------------|----------|
| | | | | Total Disbursements | Amounts Capitalized | Expenses |
| Pehuenche | Hydro Power Plants Environmental Costs | Studies, monitoring, laboratory analysis, removal and disposal of solid waste from hydropower (Hydroelectric Power Plant) | In process | 6,515 | — | 6,515 |
| | Environmental costs in combined cycle plants | Principal incurred expenses: Bocamina U1-2: Operation and maintenance of air monitoring and meteorological stations, Environmental audit monitoring network, CEMS Annual Validation, Biomass Protocol Service, Environment Materials (magazine, books), Isocinetic Measurements , SGI Works (NC Objective, Inspections, Audits and Audit) ISO 14001, OHSAS Certification, Operation and Maintenance Service CEMS. | In process | 567,616 | — | 567,616 |
| Enel Generación Chile S.A | Environmental costs in thermal plants | Studies, monitoring, laboratory analysis, withdrawal and final disposal of solid waste in hydroelectric plants. | In process | 181,644 | — | 181,644 |
| | Environmental costs in hydroelectric plants | Studies, monitoring, laboratory analysis, removal and final disposal of solid waste in thermoelectric plants Estudios, monitoreos, análisis de laboratorio, retiro y disposición final de residuos sólidos en centrales termoeléctricas (C.T.) | In process | 243,264 | — | 243,264 |
| | Ralco Hydroelectric Plant | Reforestation according to Agreement with the Catholic University and Electrification of housing in Ayin Maipu | In process | 4,497,330 | 4,497,330 | — |
| | Tal Tal Thermal Plant | Engineering, Civil Works and Permits | In process | 3,173,813 | 3,173,813 | — |
| | Studies, monitoring and waste disposal | Hygiene, waste treatment, management system and pest control | Terminated | 78,221 | — | 78,221 |
| Gas Atacama Chile | Studies, monitoring and laboratory analysis | Removal and final disposal of solid waste in thermal power plants | In process | 169,743 | — | 169,743 |
| | Coal-fired power stationsCentrales a carbón | Emissions Standard (Desox and Denox Tarapacá) | In process | 27,648,451 | 27,648,451 | — |

| | | | | | | | |
|---------------|---------------------------------------------|-----------------------------------------------------------------------------|--------------|-------------------|-------------------|------------------|-------------------|
| | ZLD plant (studies) | ZLD plant (studies) | Terminated | 13,470 | 13,470 | — | 13,470 |
| Eólica Canela | Environmental expenditures in power plants. | Analysis and monitoring of water quality and Canela's hygienic maintenance. | In process | 94,770 | — | 94,770 | 94,770 |
| | | | Total | 36,674,837 | 35,333,064 | 1,341,773 | 36,674,837 |

39. FINANCIAL INFORMATION ON SUBSIDIARIES, SUMMARIZED

As of and for the years ended December 31, 2018 and 2017 the summarized financial information of our principal subsidiaries under IFRS is as follows:

| | Financial Statements | Current Assets ThCh\$ | Non-current Assets ThCh\$ | Total Assets ThCh\$ | Current Liabilities ThCh\$ | Non-current Liabilities ThCh\$ | Equity ThCh\$ | Total Liabilities and Equity ThCh\$ | Revenues ThCh\$ | Costs ThCh\$ | Profit (loss) ThCh\$ | Other Comprehensive Income ThCh\$ | Total Comprehensive Income ThCh\$ |
|------------------------------------------------|----------------------|--------------------------|------------------------------|------------------------|-------------------------------|-----------------------------------|------------------|----------------------------------------|--------------------|-----------------|-------------------------|--------------------------------------|--------------------------------------|
| As of and for the year ended 12-31-2018 | | | | | | | | | | | | | |
| Empresa Eléctrica Pehuenche S.A. | Separate | 51,279,432 | 179,693,183 | 230,972,615 | 44,459,385 | 46,238,191 | 140,275,039 | 230,972,615 | 162,768,187 | (21,539,172) | 93,679,208 | — | 93,679,208 |
| Group Inversiones GasAtacama Holding Ltda. | Consolidated | 154,726,337 | 601,914,918 | 756,641,255 | 61,155,090 | 94,466,221 | 601,019,944 | 756,641,255 | 271,433,788 | (94,746,409) | 87,093,211 | (5,273,886) | 81,819,325 |
| As of and for the year ended 12-31-2017 | | | | | | | | | | | | | |
| Empresa Eléctrica Pehuenche S.A. | Separate | 35,369,243 | 186,760,346 | 222,129,589 | (38,310,560) | (48,261,590) | (135,557,439) | (222,129,589) | 152,501,383 | (36,289,330) | 76,860,591 | — | 76,860,591 |
| Group Inversiones GasAtacama Holding Ltda. | Consolidated | 182,143,224 | 611,319,090 | 793,462,314 | (75,370,131) | (83,894,881) | (634,197,303) | (793,462,315) | 307,272,380 | (170,752,796) | 54,725,392 | (3,338,115) | 51,387,277 |

40. SUBSEQUENT EVENTS

On April 24, 2019, Enel Generación Chile S.A. (“Enel Generación”) announced in a significant event filing that in connection with the contracts for the purchase and sale of power and electricity informed through a significant event issued on May 5, 2016, Anglo American Sur S.A. (“AngloAmerican”) and Enel Generación have signed an Agreement called “Payment of Compensation for Exit Clause, Settlement and Transaction for Contracts for the Purchase and Sale of Power and Electricity for Los Bronces, El Soldado and Chagres” (the “Agreement”), by virtue of which it has been agreed to anticipate the date of termination of the contracts as of February 20, 2020 and the payment of the respective exit compensation that corresponds to Enel Generación, in accordance with both the provisions of the contracts and the aforementioned Agreement.

As of this date, it is not possible to reasonably quantify the financial effect of the early termination date in the results of Enel Generación. The financial effects will depend on factors that affect the behavior of the electricity market, such as, among others, the price of fuels; the hydrological conditions; growth of demand and international inflation rates, which to date are not possible to determine.

There have been no other subsequent events that have occurred between January 1, 2019 and the date when these consolidated financial statements were approved for issuance board of the Directors of the Company.

APPENDIX 1 GROUP COMPANIES

This appendix is part of Note 2.4, “Subsidiaries”. It presents the Group’s percentage of control in each subsidiary.

| Taxpayer ID No. | Company | Functional Currency | % of control as of 12-31-2018 | | | % of control as of 12-31-2017 | | | Relationship | Country | Activity |
|-----------------|----------------------------------|---------------------|-------------------------------|----------|---------|-------------------------------|----------|---------|--------------|---------|---------------------------------------------|
| | | | Direct | Indirect | Total | Direct | Indirect | Total | | | |
| 96.504.980-0 | Empresa Eléctrica Pehuenche S.A. | Chilean peso | 92.65% | 0.00% | 92.65% | 92.65% | 0.00% | 92.65% | Subsidiary | Chile | Complete electric energy cycle |
| 96.830.980-3 | GasAtacama Chile S.A. | Chilean peso | 97.37% | 0.00% | 97.37% | 97.37% | 0.00% | 97.37% | Subsidiary | Chile | Management of Companies |
| 78.952.420-3 | Gasoducto Atacama Argentina S.A. | Chilean peso | 0.03% | 99.97% | 100.00% | 0.03% | 99.97% | 100.00% | Subsidiary | Chile | Natural gas exploitation and transportation |

APPENDIX 2 CHANGES IN THE SCOPE OF CONSOLIDATION

This appendix is part of Note 2.4.1 “Changes in the scope of consolidation”

Exclusion from the scope of consolidation for the years ended December 31, 2018 and 2017.

| Company | For the year ended 12-31-2018 % ownership interest | | | | For the year ended 12-31-2017 % ownership interest | | | |
|-------------------------------|-------------------------------------------------------|----------|-------|----------------------|-------------------------------------------------------|----------|--------|----------------------|
| | Direct | Indirect | Total | Consolidation method | Direct | Indirect | Total | Consolidation method |
| Central Eólica Canela S.A.(1) | 0.00% | 0.00% | 0.00% | Full Integration | 0.00% | 75.00% | 75.00% | Full Integration |
| Electrogas S.A. (2) | 0.00% | 0.00% | 0.00% | Equity method | 0.00% | 42.50% | 42.50% | Equity method |

(1) The company was dissolved on Noviembre 30, 2017.

(2) See Note 5.1.

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APPENDIX 3 ASSOCIATED COMPANIES AND JOINT VENTURES

This appendix is an integral part of Note 14. Investments accounted for using the equity method .

| Taxpayer ID No. | Company (in alphabetical order) | Functional currency | Ownership Interest as of 12-31-2018 | | | Ownership Interest as of 12-31-2017 | | | Relationship | Country | Activity |
|-----------------|------------------------------------------------------|---------------------|-------------------------------------|----------|--------|-------------------------------------|----------|--------|---------------|-----------|---------------------------------------------------|
| | | | Direct | Indirect | Total | Direct | Indirect | Total | | | |
| 76.652.400-1 | Centrales Hidroeléctricas De Aysén S.A. (1) | Chilean peso | 0.00% | 0.00% | 0.00% | 51.00% | 0.00% | 51.00% | Joint venture | Chile | Hydroelectric plant development and operation |
| 77.017.930-0 | Transmisora Eléctrica de Quillota Ltda. (2) | Chilean peso | 0.00% | 50.00% | 50.00% | 0.00% | 50.00% | 50.00% | Joint venture | Chile | Electric energy transportation and distribution |
| 76.418.940-K | GNL Chile. S.A. (3) | U.S. dollar | 33.33% | 0.00% | 33.33% | 33.33% | 0.00% | 33.33% | Associate | Chile | Promotion of liquefied natural gas supply project |
| Foreign | Enel Argentina S.A. (ex - Endesa Argentina S.A.) (5) | Argentine peso | 0.00% | 0.08% | 0.08% | 0.00% | 0.12% | 0.12% | Associate | Argentina | Portfolio company |
| 76.041.595-5 | Aysen energia S.A (4) | Argentine peso | 51.00% | 0.00% | 51.00% | 0.00% | 0.00% | 0.00% | Associate | Argentina | Hydroelectric plant development and operation |
| 76.041.891-9 | Aysen Transmision S.A (4) | Argentine peso | 51.00% | 0.00% | 51.00% | 0.00% | 0.00% | 0.00% | Associate | Argentina | Hydroelectric plant development and operation |

(1) On September 7, 2018, Centrales Hidroeléctricas de Aysén S.A. was liquidated and distributed among its shareholders (see Note 14.1.b).

(2) See Note 14.3.

(3) See Note 14.2.

(4) The companies Aysén Energía S.A. and Aysén Transmission S.A. are in the process of being liquidated as of December 31, 2018.

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APPENDIX 4 DETAIL OF ASSETS AND LIABILITIES IN FOREIGN CURRENCY

This appendix forms an integral part of Enel Generación Chile S.A. financial statements. The detail of assets denominated in foreign currencies is the following:

| ASSETS | Foreign Currency | Functional Currency | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
|---------------------------------------------------|-------------------------|----------------------------|------------------------------|------------------------------|
| CURRENT ASSETS | Foreign Currency | Functional Currency | 31-12-2017 ThCh\$ | 12-31-2017 ThCh\$ |
| Cash and cash equivalents | | | 14,871,843 | 20,048,279 |
| | U.S. dollars | Chilean peso | 8,760,454 | 13,784,935 |
| | Euros | Chilean peso | 53,596 | — |
| | Argentine peso | Chilean peso | 6,057,793 | 6,263,344 |
| Other current financial assets | | | 38,117,291 | 20,441,149 |
| | U.S. dollars | Chilean peso | 38,117,291 | 20,441,149 |
| Other current non-financial assets | | | 1,887,486 | 934,647 |
| | U.S. dollars | Chilean peso | 969,768 | 902,026 |
| | Argentine peso | Chilean peso | 917,718 | 32,621 |
| Trade and other current receivables | | | 30,517 | 6,346,175 |
| | U.S. dollars | Chilean peso | — | 5,273,103 |
| | Argentine peso | Chilean peso | 30,517 | 1,073,072 |
| Current accounts receivable from related parties | | | 41,909,120 | 65,225,546 |
| | U.S. dollars | Chilean peso | 18,430,902 | 22,833,551 |
| | Euros | Chilean peso | 23,478,218 | 42,391,995 |
| Current tax assets | | | 168,714 | 146,525 |
| | Argentine peso | Chilean peso | 168,714 | 146,525 |
| TOTAL CURRENT ASSETS | | | 96,984,971 | 113,142,321 |
| NON-CURRENT ASSETS | Foreign Currency | Functional Currency | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Other non-current financial assets | | | 38,021,172 | 30,789,703 |
| | U.S. dollars | Chilean peso | 38,021,172 | 30,789,703 |
| Other non-current non-financial assets | | | 320,238 | 701,684 |
| | U.S. dollars | Chilean peso | 123,829 | 322,744 |
| | Argentine peso | Chilean peso | 196,409 | 378,940 |
| Trade and other non-current receivables | | | 25,706 | 62,563 |
| | Argentine peso | Chilean peso | 25,706 | 62,563 |
| Current accounts payable to related parties | | | — | — |
| Investments accounted for using the equity method | | | — | 3,888,467 |
| | U.S. dollars | Chilean peso | — | 3,783,316 |
| | Argentine peso | Chilean peso | — | 105,151 |
| Intangible assets other than goodwill | | | 253,937 | 253,849 |
| | Argentine peso | Chilean peso | 253,937 | 253,849 |
| Property, plant and equipment | | | 15,646,727 | 15,450,783 |
| | Argentine peso | Chilean peso | 15,646,727 | 15,450,783 |
| TOTAL NON-CURRENT ASSETS | | | 54,267,780 | 51,147,049 |
| TOTAL ASSETS | | | 151,252,751 | 164,289,370 |

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| LIABILITIES | Foreign Currency | Functional Currency | 12-31-2018 | 12-31-2018 | 12-31-2017 | 12-31-2017 |
|-------------------------------------------------|--------------------------|-------------------------|----------------------------------------------------|-------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------|
| | | | Up to 90 days ThCh\$ | 91 days to 1 year ThCh\$ | Up to 90 days ThCh\$ | 91 days to 1 year ThCh\$ |
| Other current financial liabilities | U.S. dollars | Chilean peso | 88,903,639 | 4,241,006 | 7,999,743 | 13,681,329 |
| | | | 88,903,639 | 4,241,006 | 7,999,743 | 13,681,329 |
| Trade and other current payables | | | 2,337,671 | — | 20,092,325 | — |
| | U.S. dollars | Chilean peso | 1,081,389 | — | 16,184,962 | — |
| | Euros | Chilean peso | 744,822 | — | 3,174,586 | — |
| | Argentine peso | Chilean peso | 511,460 | — | 732,777 | — |
| Current accounts payable to related parties | | | 50,944,448 | — | 24,125,790 | — |
| | U.S. dollars | Chilean peso | 21,619,106 | — | 8,394,761 | — |
| | Euros | Chilean peso | 29,325,342 | — | 15,717,455 | — |
| | Colombian peso | Chilean peso | — | — | — | — |
| | Argentine peso | Chilean peso | — | — | 13,574 | — |
| Other current provisions | Argentine peso | Chilean peso | 24,667 | — | 45,419 | — |
| | | | 24,667 | — | 45,419 | — |
| Current tax liabilities | Argentine peso | Chilean peso | — | 411,577 | 146,769 | — |
| | | | — | 411,577 | 146,769 | — |
| Other non-current financial liabilities | | | 10,061 | — | — | — |
| | Argentine peso | Chilean peso | 10,061 | — | — | — |
| TOTAL CURRENT LIABILITIES | | | 142,220,486 | 4,652,583 | 52,410,046 | 13,681,329 |
| NON-CURRENT LIABILITIES | Moneda extranjera | Moneda funcional | 12-31-2018 One to five years ThCh\$ | 12-31-2018 More than five years ThCh\$ | 12-31-2017 One to five years ThCh\$ | 12-31-2017 More than five years ThCh\$ |
| Other non-current financial liabilities | U.S. dollars | Peso chileno | 15,099,520 | 487,595,270 | 29,636,407 | 434,446,795 |
| | | | 15,099,520 | 487,595,270 | 29,636,407 | 434,446,795 |
| Trade and other non-current payables | U.S. dollars | Peso chileno | 4,762 | — | 174,290 | — |
| | | | 4,762 | — | 174,290 | — |
| | Euros | Peso chileno | — | — | 947 | — |
| | | | — | — | 947 | — |
| | Argentine peso | Peso chileno | — | — | 173,343 | — |
| | | | — | — | 173,343 | — |
| Non-current accounts payable to related parties | Euros | | — | — | — | 318,518 |
| | | | — | — | — | 318,518 |
| Deferred tax liabilities | Argentine peso | Peso chileno | — | — | 4,459,081 | — |
| | | | — | — | 4,459,081 | — |
| TOTAL NON-CURRENT LIABILITIES | | | 15,104,282 | 487,595,270 | 34,269,778 | 434,446,795 |
| TOTAL LIABILITIES | | | 157,324,768 | 492,247,853 | 86,679,824 | 448,128,124 |

APPENDIX 5 ADDITIONAL INFORMATION CIRCULAR No. 715 OF FEBRUARY 3, 2012

This appendix forms an integral part of the Group's financial statements.

a) Portfolio stratification

- Trade and other receivables by aging (original maturity):

| | Balance as of 12-31-2018 | | | | | | | | | | Total Current ThCh\$ | Total Non- current ThCh\$ |
|------------------------------------|--------------------------|---------------------|----------------------|----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|---------------------------------|-------------------------|---------------------------------|
| | On demand ThCh\$ | 1-30 days ThCh\$ | 31-60 days ThCh\$ | 61-90 days ThCh\$ | 91-120 days ThCh\$ | 121-150 days ThCh\$ | 151-180 days ThCh\$ | 181-210 days ThCh\$ | 211-250 days ThCh\$ | More than 251 days ThCh\$ | | |
| Trade and Other Receivables | | | | | | | | | | | | |
| Trade receivables, gross | 198,454,217 | 671,037 | 248,135 | 140,571 | 224 | 7,274 | 39,001 | 43,681 | 56,046 | 5,882,588 | 205,542,774 | 21,255 |
| Allowance for doubtful accounts | — | — | — | — | — | — | — | — | — | (1,553,256) | (1,553,256) | — |
| Other receivables, gross | 35,435,989 | — | — | — | — | — | — | — | — | — | 35,435,989 | 1,135,383 |
| Total | 233,890,206 | 671,037 | 248,135 | 140,571 | 224 | 7,274 | 39,001 | 43,681 | 56,046 | 4,329,332 | 239,425,507 | 1,156,638 |
| | Balance as of 12-31-2017 | | | | | | | | | | | |
| | On demand ThCh\$ | 1-30 days ThCh\$ | 31-60 days ThCh\$ | 61-90 days ThCh\$ | 91-120 days ThCh\$ | 121-150 days ThCh\$ | 151-180 days ThCh\$ | 181-210 days ThCh\$ | 211-250 days ThCh\$ | More than 251 days ThCh\$ | Total Current ThCh\$ | Total Non- current ThCh\$ |
| Trade and Other Receivables | | | | | | | | | | | | |
| Trade receivables, gross | 186,769,753 | 3,057,994 | 333,078 | 279,100 | 10,021 | 42,015 | 334,297 | 399,552 | 228,498 | 4,116,042 | 195,570,350 | 62,563 |
| Allowance for doubtful accounts | — | — | — | — | — | — | — | — | — | (1,258,817) | (1,258,817) | — |
| Other receivables, gross | 12,897,287 | — | — | — | — | — | — | — | — | — | 12,897,287 | 970,360 |
| Total | 199,667,040 | 3,057,994 | 333,078 | 279,100 | 10,021 | 42,015 | 334,297 | 399,552 | 228,498 | 2,857,225 | 207,208,820 | 1,032,923 |

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- By type of portfolio:

| Aging (original maturity) of balances of trade receivables | Non-renegotiated portfolio as of 12-31-2018 | | Renegotiated portfolio as of 12-31-2018 | | Total portfolio as of 12-31-2018 | | Non-renegotiated portfolio as of 12-31-2017 | | Renegotiated portfolio as of 12-31-2017 | | Total portfolio as of 12-31-2017 | |
|------------------------------------------------------------|---------------------------------------------|--------------------|-----------------------------------------|--------------------|----------------------------------|--------------------|---------------------------------------------|--------------------|-----------------------------------------|--------------------|----------------------------------|--------------------|
| | Number of customers | Gross value ThCh\$ | Number of customers | Gross value ThCh\$ | Number of customers | Gross value ThCh\$ | Number of customers | Gross value ThCh\$ | Number of customers | Gross value ThCh\$ | Number of customers | Gross value ThCh\$ |
| On demand and non-current | 582 | 198,424,050 | 2 | 51,442 | 584 | 198,475,492 | 502 | 186,724,468 | 2 | 107,848 | 504 | 186,832,316 |
| 1 to 30 days | 148 | 671,037 | — | — | 148 | 671,037 | 85 | 3,057,994 | — | — | 85 | 3,057,994 |
| 31 to 60 days | 57 | 248,135 | — | — | 57 | 248,135 | 68 | 333,078 | — | — | 68 | 333,078 |
| 61 to 90 days | 27 | 140,571 | — | — | 27 | 140,571 | 28 | 279,100 | — | — | 28 | 279,100 |
| 91 to 120 days | 1 | 224 | — | — | 1 | 224 | 71 | 10,021 | — | — | 71 | 10,021 |
| 121 to 150 days | 10 | 7,274 | — | — | 10 | 7,274 | 99 | 42,015 | — | — | 99 | 42,015 |
| 151 to 180 days | 6 | 39,001 | — | — | 6 | 39,001 | 45 | 334,297 | — | — | 45 | 334,297 |
| 181 to 210 days | 7 | 43,681 | — | — | 7 | 43,681 | 48 | 399,552 | — | — | 48 | 399,552 |
| 211 to 250 days | 4 | 56,046 | — | — | 4 | 56,046 | 33 | 228,498 | — | — | 33 | 228,498 |
| More than 251 days | 354 | 5,882,588 | — | — | 354 | 5,882,588 | 323 | 4,116,042 | — | — | 323 | 4,116,042 |
| Total | 1,196 | 205,512,607 | 2 | 51,442 | 1,198 | 205,564,049 | 1,302 | 195,525,065 | 2 | 107,848 | 1,304 | 195,632,913 |

b) Provisions and write-offs

| Provisions and Write-offs | For the year ended | |
|------------------------------------------------------------------|----------------------|----------------------|
| | 12-31-2018 ThCh\$ | 12-31-2017 ThCh\$ |
| Provision (recovery of provision) for non-renegotiated portfolio | 79,911 | (55,494) |
| Provision renegotiated portfolio | 17,890 | — |
| Write-offs during the period | 3,099 | — |
| Total | 100,900 | (55,494) |

c) Number and value of operations

| Number and Value of Operations | For the years ended | | | |
|--------------------------------------------|---------------------|---------|--------------|----------|
| | 12-31-2018 | | 12-31-2017 | |
| | Last quarter | Year | Last quarter | Year |
| Impairment provision and recoveries | | | | |
| Number of operations | 1 | 3 | — | 5 |
| Value of operations, in ThCh\$ | — | 100,900 | (55,494) | (55,494) |

APPENDIX 5.1 SUPPLEMENTARY INFORMATION ON TRADE RECEIVABLES

This appendix forms an integral part of the Group's financial statements.

a) Portfolio stratification

- Trade receivables by aging (original maturity):

| Trade Receivables | Balance as of 12-31-2018 | | | | | | | | | | | Total Current ThCh\$ | Total Non-current ThCh\$ |
|------------------------------------------------|--------------------------|---------------------|----------------------|----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------------|-------------------------|-----------------------------|
| | On demand ThCh\$ | 1-30 days ThCh\$ | 31-60 days ThCh\$ | 61-90 days ThCh\$ | 91-120 days ThCh\$ | 121-150 days ThCh\$ | 151-180 days ThCh\$ | 181-210 days ThCh\$ | 211-250 days ThCh\$ | 251-365 days ThCh\$ | More than 365 days ThCh\$ | | |
| Generation and transmission receivables | 198,454,217 | 671,037 | 248,135 | 140,571 | 224 | 7,274 | 39,001 | 43,681 | 56,046 | 787,999 | 5,094,589 | 205,542,774 | 21,255 |
| -Large customers | 198,424,050 | 671,037 | 248,135 | 140,571 | 224 | 7,274 | 39,001 | 43,681 | 56,046 | 787,999 | 5,094,589 | 205,512,607 | — |
| -Others | 30,167 | — | — | — | — | — | — | — | — | — | — | 30,167 | 21,255 |
| Allowance for doubtful Accounts | — | — | — | — | — | — | — | — | — | — | (1,553,256) | (1,553,256) | — |
| Unbilled services | 165,128,644 | — | — | — | — | — | — | — | — | — | — | 165,128,644 | — |
| Billed services | 33,325,573 | 671,037 | 248,135 | 140,571 | 224 | 7,274 | 39,001 | 43,681 | 56,046 | 787,999 | 5,094,589 | 40,414,130 | 21,255 |
| Total trade receivables, gross | 198,454,217 | 671,037 | 248,135 | 140,571 | 224 | 7,274 | 39,001 | 43,681 | 56,046 | 787,999 | 5,094,589 | 205,542,774 | 21,255 |
| Total allowance for doubtful accounts | — | — | — | — | — | — | — | — | — | — | (1,553,256) | (1,553,256) | — |
| Total trade receivables, net | 198,454,217 | 671,037 | 248,135 | 140,571 | 224 | 7,274 | 39,001 | 43,681 | 56,046 | 787,999 | 3,541,333 | 203,989,518 | 21,255 |

| Trade Receivables | Balance as of 12-31-2017 | | | | | | | | | | | Total Current ThCh\$ | Total Non-current ThCh\$ |
|------------------------------------------------|--------------------------|---------------------|----------------------|----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------------|-------------------------|-----------------------------|
| | On demand ThCh\$ | 1-30 days ThCh\$ | 31-60 days ThCh\$ | 61-90 days ThCh\$ | 91-120 days ThCh\$ | 121-150 days ThCh\$ | 151-180 days ThCh\$ | 181-210 days ThCh\$ | 211-250 days ThCh\$ | 251-365 days ThCh\$ | More than 365 days ThCh\$ | | |
| Generation and transmission receivables | 186,769,753 | 3,057,994 | 333,078 | 279,100 | 10,021 | 42,015 | 334,297 | 399,552 | 228,498 | 1,596,976 | 2,519,066 | 195,570,350 | 62,563 |
| -Large customers | 186,724,468 | 3,057,994 | 333,078 | 279,100 | 10,021 | 42,015 | 334,297 | 399,552 | 228,498 | 1,596,976 | 2,519,066 | 195,525,065 | 62,563 |
| -Others | 45,285 | — | — | — | — | — | — | — | — | — | — | 45,285 | — |
| Allowance for doubtful Accounts | — | — | — | — | — | — | — | — | — | (1,103,086) | (155,731) | (1,258,817) | — |
| Unbilled services | 138,781,170 | — | — | — | — | — | — | — | — | — | — | 138,781,170 | — |
| Billed services | 47,988,583 | 3,057,994 | 333,078 | 279,100 | 10,021 | 42,015 | 334,297 | 399,552 | 228,498 | 1,596,976 | 2,519,066 | 56,789,180 | — |
| Total trade receivables, gross | 186,769,753 | 3,057,994 | 333,078 | 279,100 | 10,021 | 42,015 | 334,297 | 399,552 | 228,498 | 1,596,976 | 2,519,066 | 195,570,350 | 62,563 |
| Total allowance for doubtful accounts | — | — | — | — | — | — | — | — | — | (1,103,086) | (155,731) | (1,258,817) | — |
| Total trade receivables, net | 186,769,753 | 3,057,994 | 333,078 | 279,100 | 10,021 | 42,015 | 334,297 | 399,552 | 228,498 | 493,890 | 2,363,335 | 194,311,533 | 62,563 |

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- By type of portfolio:

| Portfolio type | Balance as of 12-31-2018 | | | | | | | | | | | Total Current ThCh\$ | Total Non-current ThCh\$ |
|------------------------------------|--------------------------|---------------------|----------------------|----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------------|--------------------|-------------------------|-----------------------------|
| | On demand ThCh\$ | 1-30 days ThCh\$ | 31-60 days ThCh\$ | 61-90 days ThCh\$ | 91-120 days ThCh\$ | 121-150 days ThCh\$ | 151-180 days ThCh\$ | 181-210 days ThCh\$ | 211-250 days ThCh\$ | More than 251 days ThCh\$ | | | |
| Generation and transmission | 198,454,217 | 671,037 | 248,135 | 140,571 | 224 | 7,274 | 39,001 | 43,681 | 56,046 | 5,882,588 | 205,542,774 | — | |
| -Large customers | 198,424,050 | 671,037 | 248,135 | 140,571 | 224 | 7,274 | 39,001 | 43,681 | 56,046 | 5,882,588 | 205,512,607 | — | |
| -Others | 30,167 | — | — | — | — | — | — | — | — | — | 30,167 | — | |
| Total gross portfolio | 198,454,217 | 671,037 | 248,135 | 140,571 | 224 | 7,274 | 39,001 | 43,681 | 56,046 | 5,882,588 | 205,542,774 | — | |

| Portfolio type | Balance as of 12-31-2017 | | | | | | | | | | | Total Current ThCh\$ |
|------------------------------------|--------------------------|---------------------|----------------------|----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------------|--------------------|-------------------------|
| | On demand ThCh\$ | 1-30 days ThCh\$ | 31-60 days ThCh\$ | 61-90 days ThCh\$ | 91-120 days ThCh\$ | 121-150 days ThCh\$ | 151-180 days ThCh\$ | 181-210 days ThCh\$ | 211-250 days ThCh\$ | More than 251 days ThCh\$ | | |
| Generation and transmission | 186,769,753 | 3,057,994 | 333,078 | 279,100 | 10,021 | 42,015 | 334,297 | 399,552 | 228,498 | 4,116,042 | 195,570,350 | |
| -Large customers | 186,724,468 | 3,057,994 | 333,078 | 279,100 | 10,021 | 42,015 | 334,297 | 399,552 | 228,498 | 4,116,042 | 195,525,065 | |
| -Others | 45,285 | — | — | — | — | — | — | — | — | — | 45,285 | |
| Total gross portfolio | 186,769,753 | 3,057,994 | 333,078 | 279,100 | 10,021 | 42,015 | 334,297 | 399,552 | 228,498 | 4,116,042 | 195,570,350 | |

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APPENDIX 5.2 ESTIMATED SALES AND PURCHASES OF ENERGY AND CAPACITY

This appendix forms an integral part of the Group's financial statements.

| | 2018 | | 2017 | |
|-----------------------------------------------------|-------------------------------|-------------------|-------------------------------|-------------------|
| | Energy and Capacity ThCh\$ | Tolls ThCh\$ | Energy and Capacity ThCh\$ | Tolls ThCh\$ |
| Balance as of 31, December | | | | |
| STATEMENT OF FINANCIAL POSITION | | | | |
| Current accounts receivable from related parties | 36,662,291 | 6,352,401 | 40,584,214 | 6,235,517 |
| Trade and other current receivables | 114,285,494 | 43,788,503 | 105,768,269 | 43,356,142 |
| Total Estimated Assets | 150,947,785 | 50,140,904 | 146,352,483 | 49,591,659 |
| Trade and other current payables to related parties | 16,666,536 | 346,044 | 20,942,895 | 5,818,224 |
| Trade and other current payables | 32,012,972 | 11,079,172 | 39,101,357 | 41,338,368 |
| Total Estimated Liabilities | 48,679,508 | 11,425,216 | 60,044,252 | 47,156,592 |

| Chile | For the year ended 12-31-2018 | | For the year ended 12-31-2017 | | For the year ended 12-31-2016 | |
|----------------------------|-------------------------------|-----------------|-------------------------------|-----------------|-------------------------------|-----------------|
| | Energy and Capacity ThCh\$ | Tolls ThCh\$ | Energy and Capacity ThCh\$ | Tolls ThCh\$ | Energy and Capacity ThCh\$ | Tolls ThCh\$ |
| STATEMENT OF INCOME | | | | | | |
| Energy Sales | 150,947,785 | 50,140,904 | 146,352,483 | 49,591,659 | 122,806,219 | 24,269,608 |
| Energy Purchases | 48,679,508 | 11,425,216 | 60,035,699 | 47,156,593 | 39,670,997 | 32,087,476 |

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APPENDIX 6 DETAILS OF DUE DATES OF PAYMENTS TO SUPPLIERS

This appendix forms an integral part of the Group's financial statements.

| Suppliers | Balance as of | | | | | | | |
|---------------------------------------------------|-------------------|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|-------------------|
| | 12-31-2018 | | | | 12-31-2017 | | | |
| | Goods ThCh\$ | Services ThCh\$ | Other ThCh\$ | Total ThCh\$ | Goods ThCh\$ | Services ThCh\$ | Other ThCh\$ | Total ThCh\$ |
| Suppliers with Current Payment Amounts | | | | | | | | |
| Up to 30 days | 12,198,153 | 229,044,692 | — | 241,242,845 | — | 94,132,901 | — | 94,132,901 |
| Entre 31 y 60 dias | 436,324 | 9,162,556 | — | 9,598,880 | | | | |
| Mas de 365 dias | — | 6,765 | — | 6,765 | | | | |
| Total | 12,634,477 | 238,214,013 | — | 250,848,490 | — | 94,132,901 | — | 94,132,901 |

BY-LAWS (ESTATUTOS) OF ENEL GENERACIÓN CHILE S. A.
(Effective as of April 26, 2019)

CHAPTER ONE
Name, Registered Office and Duration

Article 1: A corporation named “ENEL GENERACIÓN CHILE S.A.” is established, which shall be governed by these by-laws and other rules applicable to this type of corporation.

Article 2: The corporation’s registered office shall be in the city of Santiago, without prejudice to special offices registered in other parts of the country or abroad.

Article 3: The corporation shall have an indefinite duration.

Article 4: The corporation’s main purpose shall be to exploit the production, transportation, distribution and supply of electricity, with the ability to acquire, for these purposes, the respective concessions and grants. The corporation’s purpose will also be to render engineering consulting and corporate management services; acquire, design, construct, maintain and exploit civil or hydraulic infrastructure works directly related to public works concessions; manage its assets; invest, develop projects and carry out operations or activities in the energy field and in those activities or products related directly to energy; invest, develop projects and carry out operations or activities in industrial procedures in which electric energy is essential, determinant and has an intensive use.

Furthermore, the corporation may invest in real estate and financial assets, securities, stock and commercial paper in general, provided they are related to the corporation’s purpose, being able to acquire, manage and dispose of them.

In the fulfillment of its purpose, the corporation may act directly or through subsidiary or affiliate companies.

CHAPTER TWO
Capital and Shares

Article 5: The subscribed and paid in capital of the corporation amounts to Ch\$552,777,320,871 divided into 8,201,754,580 registered nominative shares, all of the same series and with no par value, to be subscribed, and paid in the manner described in the First Transitory Article of these by-laws.

Article 6: The corporation shall keep a Shareholders Register, together with the number of shares held by each one of them, as well as other annotations as stated in Article 7 of Law 18,046 and its regulations. Only shareholders who are duly registered therein may exercise their rights as such.

The form of the share certificates, and their issuance, exchange, ineffectiveness, loss, replacement, transfer and other circumstances, shall be governed by the law and its provisions. The payment of the subscribed shares may be in cash or in other assets, whether tangible or intangible.

CHAPTER THREE
Management

Article 7: The corporation shall be managed by a Board of Directors composed of five members, who may or may not be shareholders of the corporation.

Article 8: Directors shall serve for a term of three years at the end of which they may be reelected for additional terms indefinitely.

Article 9: The entire Board shall be reelected in its entirety every three years at the ordinary shareholders’ meeting. In the election of directors and all other elections made at such meetings, the shareholders shall have one vote per share owned or represented and they may accumulate such vote in favor of a person or distribute them as they wish, consequentially electing those persons who, in the same and only vote, obtain the greatest number of votes until all available vacancies are filled.

The provisions of the preceding paragraph do not prevent the shareholders in the meeting with voting rights to unanimously agree to omit voting by ballot and proceed with the elections by acclamation.

Article 10: The minutes containing the election of the directors shall also contain a description of the shareholders that attended the meeting, the specification of the number of shares voted by each of them or represented by proxy, and the final result of the voting.

Article 11: In the event of the death, resignation, bankruptcy, incompatibilities or limitations or other impossibility that disqualifies a director from performing his/her functions or makes him/her cease in them, the Board shall be reelected at the next ordinary shareholders' meeting to be held by the corporation. In the meantime, the Board may appoint a replacement to fill the vacancy.

Article 12: The Board may be removed as a whole before the expiration of its term by resolution of an ordinary or extraordinary shareholders' meeting, in which case, the shareholders shall proceed to appoint a new Board. Accordingly, the replacement of less than all of its members shall not be permitted.

Article 13: At the first meeting of the Board following the ordinary shareholders' meeting at which it was elected, the Board shall elect a Chairman. The Chief Executive Officer of the corporation or a person expressly appointed by the Board, will act as Secretary.

Article 14: Board meetings may be ordinary or extraordinary. Ordinary meetings shall be held at least 12 times a year, on the dates that the Board itself shall determine, with at least one meeting held each month. Extraordinary meetings shall be held when called by the Chairman him/herself or at the request of one or more directors, in which case prior evaluation of the Chairman as to the need of holding such a meeting is required, except where the meeting is requested by the absolute majority of the directors.

In the extraordinary meetings, directors shall only discuss the matters specifically set out in the notice.

Article 15: A quorum for Board meetings shall be the presence of an absolute majority of the directors. Decisions shall be taken by the absolute majority of the directors at the meeting except for matters that require a greater majority, as provided by law or these by-laws. In the event of a tied vote, the Chairman of the meeting shall have the deciding vote.

Article 16: Deleted.

Article 17: The deliberations and resolutions of the Board shall be documented in a special minute book which shall be signed on each occasion by the directors who attended the meeting. Should any of them die or be unavailable for any reason to sign the corresponding minutes, a note shall be made of such impediment at the end of the minutes. The minutes shall be deemed to be approved as of the moment they are signed by the aforementioned persons and the resolutions adopted therein may be put into effect immediately. In any event, the unanimous agreement of the directors present at the meeting may resolve that the adopted resolutions take effect immediately, without waiting for the approval of the respective minutes. This determination shall be evidenced in a document containing the resolution adopted and signed by all of the directors.

Article 18: If a director intends to be released from any liability arising from any of the Board's acts or resolutions, the director's objections shall be recorded in the minutes and the Chairman shall inform the shareholders of this opposition at the next ordinary shareholders' meeting.

Article 19: The directors shall be remunerated for their service and their compensation shall be set annually at the ordinary shareholders' meeting. The Chairman shall be entitled to double what is paid to each Director.

Article 20: The Board represents the corporation, judicially and extra-judicially, for the fulfillment of its corporate purpose, a fact which is not required to be demonstrated to third parties, and it shall have all powers of administration and disposal that the law or these by-laws do not exclusively reserve for the shareholders' meeting, without the need for a special power of attorney, even for those acts or contracts for which the law demands such authorization. This is without prejudice to the powers that correspond to the corporation's Chief Executive Officer.

Article 21: The duties of a director may not be delegated and shall be exercised collectively at a legally constituted meeting.

The Board may delegate part of its powers to managers, senior executives, assistant managers or legal counsels of the corporation, to the Chairman, a director or a committee of directors and, for specially determined purposes, to other persons.

The corporation shall maintain a public record indicating its Chairman, directors, managers, senior executives and liquidators, specifying the dates of the beginning and end of their appointments.

The corporation shall have a Chief Executive Officer who shall be appointed by the Board of Directors and shall be granted all the powers of a commercial agent and those expressly agreed by the Board of Directors. The position of Chief Executive Officer is incompatible with that of Chairman, director, auditor or accountant of the corporation.

CHAPTER FOUR **Directors' Committee**

Article 22: While the Corporation meets the equity and concentration requirements established in Article 50 bis, or that succeeding or replacing it, of Law No. 18,046, it shall be obliged to appoint at least one independent director and a Directors' Committee. This Committee shall be governed in its formation, membership, operation and powers by the provisions of the above law and instructions issued by the Superintendence of Securities and Insurance.

Article 23: Notwithstanding the provisions of the preceding article and while the corporation is an issuer of securities duly registered at the New York Stock Exchange (NYSE) or any other American national stock exchange, the formation, membership, functioning and powers of the Directors' Committee shall also be governed, where not contrary to Chilean law, by the obligatory provisions for the so-called "Audit Committee" in the Sarbanes-Oxley Act (SOX) of the United States of America and the rulings on this subject issued by the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE), or the competent body or entity in accordance with the legislation of the United States of America. However, in case of an irreconcilable or irremediable conflict, disagreement or incompatibility between the provisions of Chilean and American legislation for the Directors' Committee and the Audit Committee, respectively, Chilean law shall prevail over foreign law, although the Board may call an extraordinary shareholders' meeting to amend the by-laws should this be necessary, and it shall have the broadest powers, acting within its powers, to resolve such conflict, disagreement or incompatibility should this be possible, by the creation of new committees and/or sub-committees, including by the delegation of part of its powers in accordance with Article 40 of Law 18,046. The shareholders, directors and Board of the corporation should ensure at all times that the agreements and policies adopted by it are compatible and harmonious with the provisions of both legislations.

Article 24: Deleted.

Article 25: The loss of independence, which according to the laws governing the corporation and these by-laws, affects a member of the Committee, shall lead to the subsequent inability of the respective director to perform his/her duties as a director or a member of the Directors' Committee and therefore he/she should cease automatically to serve in that position, without prejudice to his/her accountability to the shareholders.

Article 26: The directors appointed as members of the Directors' Committee shall remain as such for the period of their appointment as directors, and may only resign from this position when they resign as directors, or if they develop an incapacity to perform the applicable duties, in which case the provisions of the preceding Article shall apply. No director elected or appointed as a member of the Directors' Committee may be excused from this election or appointment.

Article 27: The meetings of the Directors' Committee shall be validly constituted with the presence of an absolute majority of its members and its resolutions shall be adopted by an absolute majority of the members present. The Directors' Committee must elect a Chairman from among its members, who shall have the deciding vote in the event of a tied vote.

Article 28: The Committee shall have the powers and duties that have been expressly contemplated in both, the laws and their regulations as well as the rules issued for this purpose by the competent administrative authority, especially those stated in Article 50 bis of Law 18,046, and any other matter, mandate, power or duty conferred on it by a shareholders' or Board meeting.

Article 29: The deliberations, agreements and organization of the Directors' Committee shall be governed, in all that may be applicable, by the regulations relating to Board meetings of the corporation.

Article 30: Deleted.

Article 31: Deleted.

Article 32: Deleted.

Article 33: Deleted.

CHAPTER FIVE
Shareholders' Meetings

Article 34: The shareholders shall meet at ordinary or extraordinary meetings. The ordinary meetings shall be held once within the first four months of each year to resolve matters reserved exclusively for their consideration with no need to expressly state such agenda in the corresponding notice. The extraordinary meetings may be held at any time as may be required by corporate needs, in order to resolve on any matter which the law or these by-laws reserve for the consideration of shareholders' meetings, provided such matters are expressly stated in the corresponding notice.

Notice of ordinary and extraordinary meetings shall not be necessary when all validly issued shares are represented at the respective meeting. When an extraordinary meeting is to decide on matters in the competence of an ordinary meeting, its operation and agreement shall be subject, as appropriate, to the quorums applicable to an ordinary meeting.

Article 35: The following are matters for an ordinary shareholders' meeting:

- a) Review of the corporation's financial situation and the reports of the management's account inspectors and the approval or rejection of the annual report, balance sheet, financial statements and reports presented by the Board or the corporation's liquidators;
- b) The distribution of the profits of each financial year and, especially, the distribution of dividends;
- c) The appointment or replacement of the members of the Board, the liquidators and the management's account inspectors;
- d) Determining the Board's compensation; and
- e) Any other matter related with the interests and operation of the corporation, except for matters that should be considered at an extraordinary shareholders' meeting in accordance with the law and these by-laws.

Article 36: The following matters are reserved for the extraordinary shareholders' meetings:

- a) The dissolution of the corporation;
- b) The transformation, merger or division of the corporation and the amendment of its by-laws;
- c) The issuance of bonds or debentures convertible into shares;
- d) The disposal of the assets of the corporation in the terms set out in No. 9 of Article 67 of Law 18,046;
- e) The granting of real or personal guarantees to secure obligations of third parties, unless these are subsidiaries, in which case the approval of the Board shall be sufficient; and
- f) Other matters which by law or these by-laws are reserved for the consideration or competence of shareholders' meetings.

The matters mentioned in letters a), b), c) and d) above may only be agreed upon at meetings held before a Notary, who shall certify that the minutes faithfully record what transpired and was agreed at the meeting.

Article 37: The shareholders' meetings shall be called by the Board of the corporation. The Board must call:

1. Ordinary shareholders' meetings, with the purpose to evaluate all the matters of its competence;
2. Extraordinary shareholders' meetings as long as, in its opinion, the interests of the corporation so justify it;
3. Ordinary or extraordinary shareholders' meetings, as the case may be, when requested by a number of shareholders representing at least 10% of the issued shares with voting rights, stating the matters to be discussed at the meeting in the respective request;
4. Ordinary or extraordinary shareholders' meetings, as the case may be, when required by the Superintendence of Securities and Insurance, notwithstanding its authority to call the meeting directly.

Meetings called by requirement of the shareholders or the Superintendence must be held within 30 days of the date of the respective request.

Article 38: The notice for shareholders' meetings, both ordinary or extraordinary, shall be published on at least three different days in the newspaper where the registered office is located, as determined by the meeting, in the form and conditions established in the regulations.

A notification should also be sent to every shareholder at least fifteen days prior to the date of the meeting which shall contain a reference to the matters to be discussed at the meeting and an indication of the appropriate method to obtain full copies of the documents justifying the opinions submitted for their vote, which should also be made available to shareholders on the web site of the corporation.

Article 39: Both ordinary and extraordinary meetings shall be validly constituted on the first notification with the presence of holders of at least the absolute majority of the outstanding issued shares with voting rights and, on the second notification, with those shares

present or represented, whatever their number, and resolutions shall be adopted by the absolute majority of the shares with voting rights present or represented, subject to the special majorities required by the law and these by-laws.

Notices for second notification of meetings may only be published after the meeting subject to the first notification has failed to convene. In any event, the meeting subject to the second notification shall be held within forty-five days of the date set for the holding of the original meeting. The meetings shall be chaired by the Chairman of the Board of Directors or by whomever is acting as the Chairman of the Board of Directors and the Secretary of the Board of Directors of the corporation will act as Secretary of the meeting, where there is one, with the Chief Executive Officer, as the Secretary's alternate.

Article 40: Only the holders of shares duly recorded in the Shareholder Register five business days prior to the date on which the respective meeting is to be held, may participate in such meeting and exercise their rights to vote and speak.

Each shareholder shall have the right to one vote for each share held or represented.

Shareholders may be represented at meetings by another person, whether or not he/she is a shareholder. The proxy shall be granted in writing in the form and conditions contemplated in the law and regulations.

The qualification of the proxies shall take place as established by the law and regulations.

Article 41: The shareholders that attend the meetings shall sign an attendance sheet, indicating, below their signature, the number of shares they hold, the number of shares they are representing at the meeting and the name of the shareholders they represent.

Article 42: Deleted.

Article 43: The meeting shall annually appoint an external auditing firm governed by Chapter XXVIII of Law 18,045 to examine the accounting, inventory, balance sheet and other financial statements of the corporation which shall have the obligation to report in writing, at the next ordinary shareholders' meeting, the fulfillment of its mandate.

CHAPTER SIX **Balance Sheet and Distribution of profits**

Article 44: The financial year shall end on December 31 of each year and a general balance sheet shall be prepared of the assets and liabilities of the Corporation. The balance sheet must express the new capital value of the corporation and the shares, in accordance with the law.

The Board must submit to the consideration of the ordinary shareholders' meeting, together with an annual report of the corporation's financial position, the general balance sheet along with the profit and loss statement and the report filed by the external auditors. All these documents should clearly reflect the corporation's equity at the end of the respective financial year.

On a date no later than the first call of the ordinary shareholders' meeting, the Board shall make available to each of the shareholders registered in the respective Register, a copy of the corporation's Balance Sheet and Annual Report, including the opinion of the inspectors and their respective notes.

If the balance sheet and profit and loss statement are modified by the meeting, such amendments, where pertinent, shall be made available to shareholders within fifteen days following the date of the meeting.

The General Balance Sheet and the profit and loss statement, duly audited, and other information required by the Superintendencia de Valores y Seguros, shall be published once, in a widely-circulating newspaper in the place of the registered office, not less than ten or more than twenty days prior to the date of holding the Meeting that will pronounce on the same, notwithstanding their publication on the web site of the corporation.

Moreover, the documents mentioned in the previous paragraph must be submitted within the same term to the Superintendencia de Valores y Seguros, in the number of copies that the latter may require.

Should the balance sheet and profit and loss statement be altered by the Meeting, the amendments must be published in the same newspaper in which such documents were published, within fifteen days of the date of the meeting.

The annual report, balance sheet, inventory, minutes of the Board and Meetings, books and reports of the inspectors shall be available to shareholders for their examination in the registered offices of the corporation during the fifteen days prior to the date for holding the meeting.

During the period indicated in the preceding paragraph, the shareholders will have the right to examine the same documents of the subsidiaries, in the manner, term and conditions set out in the regulation.

Updated copies of the bylaws and an updated list of the shareholders of the company, in the terms and conditions set out in article 7 of Law 18,046, shall be held available to shareholders at the registered office, as well as on the web site of the corporation.

Article 45: The dividends shall be paid exclusively against the net profits for the year, or against the retained profits arising from previous balances approved by the shareholders' meeting.

If the corporation has accrued losses, the profits obtained in the year shall first be applied to absorb such losses.

Should there be losses in an exercise, these shall be combined with the retained profits, if any.

Article 46: A cash dividend shall be distributed annually to the shareholders, pro rata to their shares, of an amount of at least 30% of the net profits obtained in each financial year, unless a different resolution is adopted unanimously at the shareholders' meeting.

CHAPTER SEVEN **Dissolution and Winding-up**

Article 47: The dissolution of the corporation will be assessed in the cases provided for by the Law.

Article 48: Following the dissolution of the corporation, the winding up shall proceed through a Liquidation Committee composed of three members, appointed at the shareholders' meeting, which shall determine their powers, duties, compensation and term.

CHAPTER EIGHT **Arbitration**

Article 49: Any dispute arising between the shareholders as such, or between them and the corporation or its officers, either during its existence or during or its winding-up, shall be resolved by an arbitrator, who shall be appointed by mutual agreement of both parties and shall apply the procedures and applicable law to such proceedings. If the parties cannot agree on such appointment, the Common Courts may appoint an arbitrator at the request of either of the parties, in which case the appointment must be from among attorneys who are chaired professors of Civil, Commercial or Economic Law at the *Universidad de Chile* or *Universidad Católica de Chile* in Santiago. Notwithstanding the foregoing, in the event of a conflict, the plaintiff may withdraw the matter from the arbitrator's jurisdiction and proceed to submit the dispute to the Common Courts, a right that may not be exercised by directors, managers, administrators and senior executives of the corporation nor by shareholders that individually hold, directly or indirectly, shares whose book or market value exceeds 5,000 *Unidades de Fomento*, according to the value of this unit on the date the claim is filed.

Article 50: The corporation will be subject to Resolution No. 667 of the Honorable Resolution Commission (the former antitrust authority), dated as of October 30, 2002, on the understanding that the restrictions it contemplates will not apply to the corporation in respect of Endesa Américas S.A.

TRANSITORY ARTICLES

First Transitory Article: The corporation's capital amounts to a total of Ch\$552,777,320,871, divided into 8,201,754,580 nominative shares, all of the same series and without par value, which have been fully subscribed and paid for prior to the date of these by-laws.

List of Principal Subsidiaries

| <u>Subsidiaries</u> | <u>Jurisdiction</u> | <u>Short Name</u> |
|----------------------------------|----------------------------|--------------------------|
| Empresa Eléctrica Pehuenche S.A. | Chile | Pehuenche |
| GasAtacama Chile S.A | Chile | GasAtacama |

302 CERTIFICATION

I, Valter Moro, certify that:

1. I have reviewed this annual report on Form 20-F of Enel Generación Chile S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 30, 2019

/s/ Valter Moro
Valter Moro
Chief Executive Officer

302 CERTIFICATION

I, Raúl Arteaga E. certify that:

1. I have reviewed this annual report on Form 20-F of Enel Generación Chile S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 30, 2019

/s/ Raúl Arteaga E.
Raúl Arteaga E.
Chief Financial Officer

906 CERTIFICATION

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F for the year ended December 31, 2018 for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Valter Moro, the Chief Executive Officer and Raúl Arteaga E., the Chief Financial Officer of Enel Generación Chile S.A. ("Enel Generación Chile"), each certifies that, to the best of his knowledge:

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Enel Generación Chile.

Date: April 30, 2019

/s/ Valter Moro
Name: Valter Moro
Chief Executive Officer

/s/ Raúl Arteaga E.
Name: Raúl Arteaga E.
Chief Financial Officer

eocc-20181231.xml

eocc-20181231.xsd

eocc-20181231_cal.xml

eocc-20181231_lab.xml

eocc-20181231_pre.xml

eocc-20181231_def.xml