2018 integrate REPORT

Annual Report

FIRM NAME:
ENGIE ENERGÍA CHILE S.A.

REGISTERED OFFICES:
AVENIDA APOQUINDO 3721, 6TH FLOOR
LAS CONDES, SANTIAGO, CHILE

TAXPAYER IDENTIFICATION NUMBER:
88.006.900-4

TYPE OF COMPANY:
OPEN CORPORATION

SECURITIES REGISTRATION NUMBER:
273, MADE JULY 23, 1985

EXTERNAL AUDITORS:
DELOITTE AUDITORES Y CONSULTORES LTDA.

OUTSIDE LEGAL COUNSEL:
ESTUDIO PRIETO & CÍA.

LOCATIONS:

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2018 integrate REPORT

ENGIE

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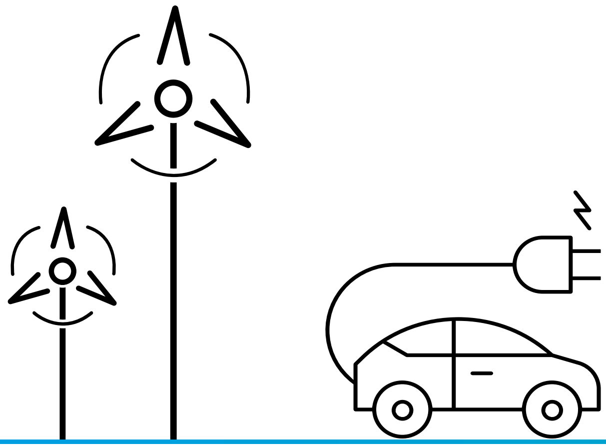

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CORPORATE *vision*

We aspire to become a sustainable company passionate about results that makes a contribution to the country's energy transformation.


#ENGIEHarmonyProject

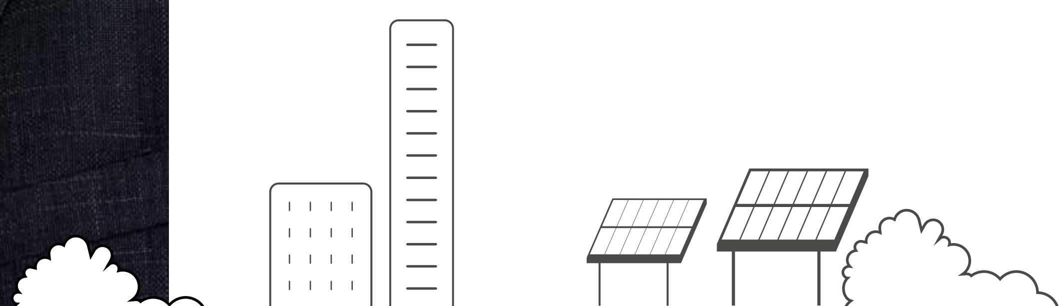
LETTER FROM THE CHAIRMAN OF THE BOARD

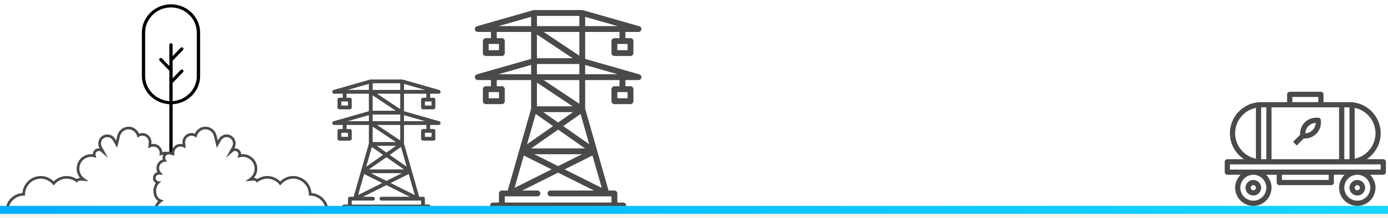
Dear Shareholders:

I begin this report on 2018 by highlighting the Company's achievements in the fiscal year, the outcome of our determination to integrate matters of sustainability to the business under the conviction that this is the way to grow in our market and to help create a better place to live.

With that vision, we continued to progress this past year in our goal of leading the nation's energy transition by managing challenges and opportunities in our business through innovation.

"One of the strategic focuses of the year was the start of our gradual decarbonization. We also renegotiated three major contracts with mining customers."





"Having an energy matrix made up of mainly renewable energy requires time and shared responsibilities."

One strategic focus was the start of our gradual decarbonization that entailed re-designing and simplifying our portfolio. We announced a plan to rotate our assets to include 1 GW of renewable energy. We also renegotiated major contracts with customers in the mining sector. These contracts were extended and will help us revamp our portfolio.

By each of these actions, we strengthened our commitment to the country's agenda on mitigating the effects of climate change and on consistently moving towards a lower carbon footprint. However, having an energy matrix made up of mainly renewable energy requires time and shared responsibilities.

As for financial achievements, in 2018 we earned operating income of US$1.275 billion, a 21% increase compared to the previous year. Our EBITDA was US$376 million, 36% higher than 2017, and our profit totaled US$103 million, 1% better than the past fiscal year.

Different factors had an influence on these good results, one of which was the reinforcement of a strategy to respond to the specific needs of our customers. Another was expanding our diversified power supply to the industrial sector, combined with finding efficient solutions for storage, optimization and energy efficiency.

Also decisive was the start of the power purchase agreements with 26 power distributors in the central-south sector of the country, helped by the performance of TEN S.A. and the attainment of its goals, efficiency savings and new transmission business, to name a few factors.

I present to you the third Integrated Report of ENGIE Energia Chile that contains the Annual Report and Financial Statements for the 2018 fiscal year and the Sustainability Report, prepared according to the Standards of the Global Reporting Initiative (GRI). This report will explain our annual performance in three dimensions: economic, social and environmental.

Philip De Cnudde
Chairman of the Board
ENGIE Energía Chile

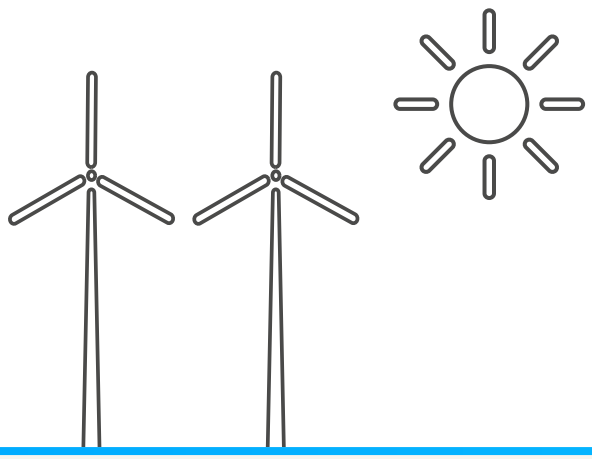
MESSAGE FROM THE CEO

Dear Shareholders:

2018 was a transcendental year, marked in particular by the progress in our corporate strategy to lead the country's energy transition.

In line with ENGIE's world vision, in 2018, we publicly announced our decision not to build new coal-fired plants as well as a challenging investment plan for renewable energy generation. In the last few months of the year, we made steady progress toward that goal. We received the first environmental permits (RCAs) for the Calama Wind Farm and the Capricornio Solar Farm, both in the Antofagasta Region, and we requested authorization to close Tocopilla Units 12 and 13. All this was possible thanks to the renegotiation of several power purchase agreements we had with three of our main mining customers where we offered them a relevant step in their own decarbonization and sustainability agenda. This also helped us make our renewable energy investment plan more viable.

Also highly relevant is our close work with the Ministry of Energy at meetings of the committee on removal and reconversion of coal-fired assets in a common effort by different actors to move forward in the decarbonization of our energy matrix. The process is under way and although we are convinced that this is the right road, we also know that this transition must be done responsibly and fairly for all involved to provide the necessary security for the energy system.



This is the context in which Units 12 and 13 of the Tocopilla Thermoelectric Power Plant will be shut down, planned for the first half of 2019 provided some conditions are met, like the start-up of InterChile's ISA line. We want to complete this challenge responsibly, so we worked significantly on mobility and employability programs to relocate a large part of the workers at these plants to our Mejillones operations one year in advance.

NEW CUSTOMERS

One of 2018's achievements was the diversification of our customer portfolio. As a result, we have been able to offer solutions to a new group of small and mid-sized businesses, in addition to the usual mining and industrial customers.

Power purchase agreements with the central-south zone distribution companies in the nation also entered into effect. These PPAs represent a demand that we believe will exceed initial forecasts, so we are certain that they will strengthen the company's growth in the coming years.

In the transmission sector, we were awarded three of the six national projects tendered during the year.

We also celebrated the first anniversary of the operation of TEN S.A.–which we control in equal shares with Red Electrica de Chile--, with the satisfaction of knowing that all operating management and availability targets were met as proposed.

"In 2018, we publicly announced our decision not to build new coal-fired plants as well as a challenging investment plan for renewable energy generation."

ORGANIZATION

Organizationally, our work in 2018 included a focus on strengthening the company's safety control systems.

This focus became a priority challenge after the unfortunate death of one of our workers at the Mejillones facilities and after detecting several substandard actions throughout the fiscal year.

These events led us to set down a policy of Zero Tolerance for failure to follow procedures and to give the utmost importance to the improvement in, and uniformity of, conduct and processes that have an impact on safety.

COMMUNITY AND ENVIRONMENT

As concerns responsible management, we reinforced our commitments to the global and national challenges in connection with sustainability. We reviewed our strategic priorities and as a result, we concluded that 13 of the company's 21 KPIs were clearly associated with 6 of the 17 Sustainable Development Goals (SDG) on the U.N.'s 2030 Agenda.

The work in Tocopilla was, as part of our territorial management, significant because it addressed the social and economic reconversion of the locality. Also important was the work to guarantee the full social and environmental viability of the renewable energy projects that we are exploring throughout the territory.

Added to these milestones are two hugely environmentally important events: having closed the fiscal year without any penalties having been imposed for regulatory breaches, and the significant reduction in our carbon footprint as compared to previous years.

It is my pleasure to present to you, in this third Integrated Report, the details of our management and the path that we have built for the future.

In a world of constant and dizzying changes that require ever more specific commitments by companies to global economic, social and environmental challenges, ENGIE Energia Chile will continue to aim to be the protagonist of the energy transformation, always from the distinctive approach of working toward harmonious progress with the different actors in our setting.

Axel Levêque
Chief Executive Officer
ENGIE Energía Chile

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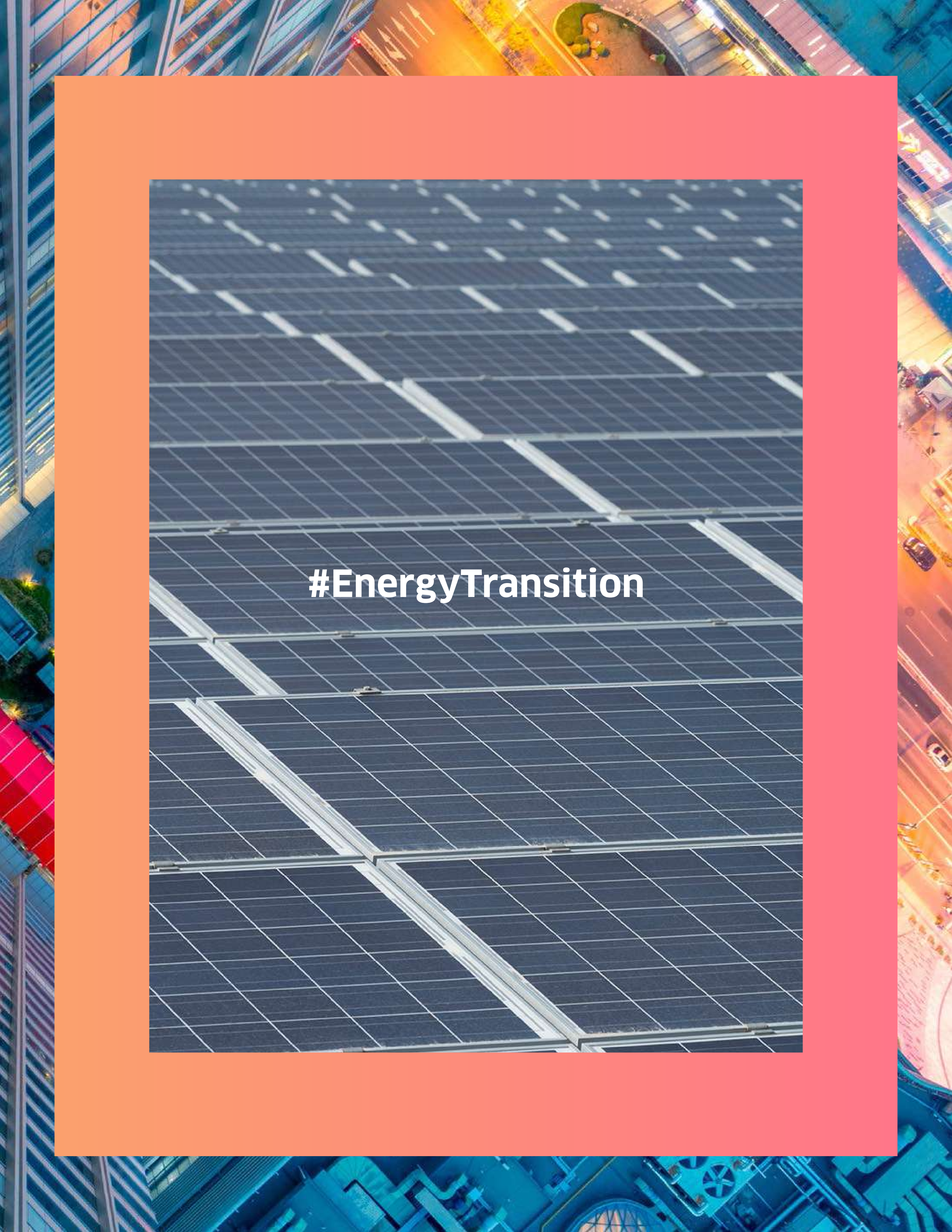
WE ARE ENGIE
Energía Chile

We are shaping ourselves to become protagonists in the nation's decarbonization.


#EnergyTransition

A Quick Look at ENGIE Energía Chile in 2018

ENGIE Energía Chile engages in generation, transmission, power supply, gas transportation and port infrastructure.

Our main customers are found in in the industrial, mining and power distribution sectors in the north, central and south zones of the country.

In 2018, our main results were:

REVENUES
US$1,275 BILLION

EBITDA
US$376 MILLION

EARNINGS
US$103 MILLION

INVESTMENTS
US$225 MILLION

POWER GENERATION

- **FOURTH** largest power generator
- **9,729 GWh** of energy sales
- **1,928 MW** of Gross installed capacity

POWER TRANSMISSION

- **THIRD** largest transmission company
- **2,293 km** of high voltage and medium voltage power lines in operation running
- **22 substations** with a capacity of 844 MVA
- **50% interest in TEN S.A.:** 600 km, 550 KV

GAS

400

400 million cubic meters of gas transported in 2018.

2 PORTS: Tocopilla and Andino

ENGIE Energía Chile AND THE SDGs (*)

13 of the company's 21 KPIs are clearly associated with 6 of the 17 Sustainable Development Goals.

3 GOOD HEALTH AND WELL-BEING · 5 GENDER EQUALITY · 7 AFFORDABLE AND CLEAN ENERGY · 11 SUSTAINABLE CITIES AND COMMUNITIES · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION

(*) The Sustainable Development Goals (SDGs), also known as the World Goals, form a part of the agenda set by the United Nations to solve, by 2030, the main social, economic and environmental issues affecting humanity. From that perspective, they are a universal call to adopt measures to put an end to poverty, to protect the planet, and to guarantee that everyone enjoys peace and prosperity.

See more at https://www.un.org/sustainabledevelopment/sustainable-development-goals/

Collaborators in 2018 (*) **886**

85% 15%

757 Men

129 Women

*This number includes the staff of Engie Energía Chile and TEN S.A. with a continuing contract.

KPI for women in managerial positions

18% 2018 Goal

18.97% in 2018

TRAINING

51 HOURS Average number of training hours per person

SUPPLIERS

15 DAYS Average period of payment to SMBs

1,390 Total number of suppliers during the year

COMMUNITY

US$915,131 Investment in Communities

20 MUNICIPALITIES Territorial management

ENVIRONMENTAL MANAGEMENT

1.7 MILLION M3
2017 water footprint measured in 2018

5.74 MILLION TONS OF CO2 EQ
2017 carbon footprint measured in 2018

INTEGRATED MANAGEMENT SYSTEM:

ISO 9001 | 14001 | OHSAS 18001

MAIN MILESTONES

2009

E-CL, formerly Edelnor, merged with Inversiones Tocopilla I S.A. As a result, E-CL acquired other electricity generation and distribution assets as well as gas transportation assets in the Far North region of Chile, including Electroandina, CTA, CTH, GNAC, GNAA and Distrinor. Distrinor was sold to Solgas S.A., a subsidiary of the ENGIE Group, in December 2013.

2011

Electroandina was split into two companies: Electroandina, that continued to own all port facilities, and Electroandina Two, that acquired ownership of all Electroandina's generating facilities, including the Tocopilla Thermoelectric Power Plant. This split also merged Electroandina II with E-CL and the latter took over control of all Electroandina's generating assets.

2014

E-CL was awarded a maximum of 5,040 GWh in 84 sub-blocks of electric capacity and energy within Block 3 in the power supply tender called "SIC 2013/03 – Second Call," held by SIC power distribution concessionaires.

2015

Transmisora Eléctrica del Norte (North Power Transmission Company Project) (TEN) was declared to be a trunk transmission project to interconnect the SING and the SIC.

2016

E-CL changed its name to ENGIE Energía Chile S.A., thus adopting a globally supported brand that reflects a new strategic vision of the group both worldwide and in Chile.

2017

ENGIE Energía Chile started up the Transmisora Eléctrica del Norte (TEN) power line that connected the Far North Grid (SING) and the Central Grid (SIC) into one single National Grid (SEN). ENGIE Energía Chile changed the focus of its business strategy to integrate the new challenges and opportunities resulting from Chile's Energy Transition.

2018

The Company began its decarbonization plan. It announced a plan to invest US$1 billion in renewable energy projects and requested authorization from the authority to close Units 12 and 13 (85 MW) of the Tocopilla Thermoelectric Power Plant, subject to the start of operation of the last segment of Interchile's Cardones-Polpaico power line. It also renegotiated contracts with three of its main customers in the mining sector under which periods were extended and the plan to invest in renewable energy became viable.

OWNERSHIP, CORPORATE GOVERNANCE AND ETHICS

CONTROL

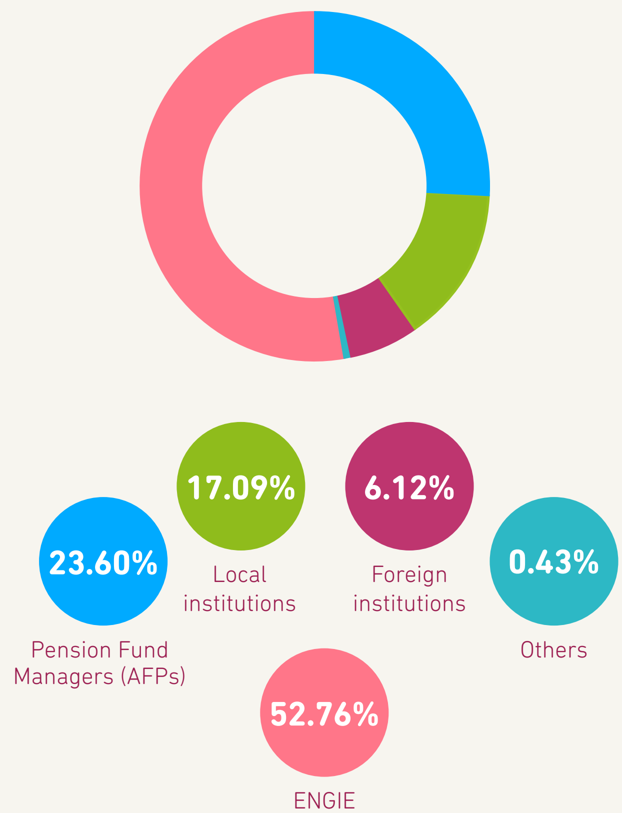
ENGIE Energía Chile S.A. is controlled by ENGIE (formerly GDF Suez), a French multinational, through ENGIE Chile S.A. that owns 555,769,219 shares, equal to a 52.76% interest. The remaining 47.24%, or 497,550,557 shares, is controlled by Pension Fund Managers, local and foreign institutional investors.

ENGIE Chile S.A. is a Chilean closed corporation whose only shareholders are International Power S.A., owning 99.99% of the company's shares, and ENGIE Brasil Participacoes Ltda., owner of the remaining 0.01%.

ENGIE is an international industrial and services group and a leader in sustainable development. It provides innovative energy and environmental solutions to companies, groups and individuals. Its shares are listed on the Brussels and Paris stock exchanges.

NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES
1,779	**1,053,309,776**

Ownership structure at December 31, 2018



CORPORATE GOVERNANCE POLICY

The Corporate Governance Code of ENGIE Energía Chile systematizes the practices and behavior of the different layers of the company. It establishes a framework for the actions by directors, the chief executive officer, corporate officers and senior executives, thus ensuring compliance with strict standards of control, ethics and business transparency, in some cases even more stringent or additional to those set down in the law.

ETHICS AND COMPLIANCE MANAGEMENT

ENGIE Energia Chile has a complete system of internal policies and procedures that all of the company's collaborators must follow for the purpose of guaranteeing a corporate performance aligned with the highest ethical standards and a full respect by the organization for the laws and standards governing its activity.

One of the preeminent pillars in this internal framework is the Code of Conduct and Ethics in Business. This code sets down the principles according to which our employees must conduct themselves and the limitations and conflicts associated with their jobs.

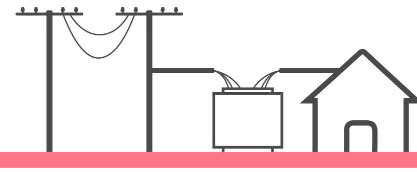
In line with the mission, vision and values of the company, the Code of Conduct and Ethics in Business regulates, among other aspects, conflicts of interest and corporate opportunities; the quality of public disclosures; protection of confidential information proprietary to the company and the processing of privileged information.

It also regulates aspects such as fair and equitable conduct, sexual harassment, interaction with the Government and regulators, and compliance with antitrust laws and health, safety and environmental standards.

To sensitize teams to these directives, ENGIE Energia Chile sends its collaborators short instructional videos on these subjects regularly throughout the year. These videos mainly address matters relating to doing business and dealing with third parties. Everyone in the Procurement Division is required to watch them.

This e-learning is supplemented by cycles of talks given in person by the Corporate Legal Division at all of the company's operations. In 2018, these talks focused in particular on preventing workplace and sexual harassment.

ENGIE Energy Chile also has an Ethics Committee comprised by the Chief Executive Officer, the Corporate Human Resources Officer and the Ethics Officer. The committee's purpose is to analyze and resolve complaints filed by collaborators citing potential breaches or violations of the Code of Conduct and Ethics in Business.



Internal framework for ***ethics and compliance management***

- Code of Corporate Governance
- Code of Conduct and Ethics in Business
- Internal Order and Safety Regulations
- Crime Prevention Model
- Policies regulating related-person transactions

CRIME PREVENTION

As part of the classroom training imparted by the company on matters of ethics and compliance, the Legal Area also addresses subjects related to Law 20,393 on the Criminal Liability of Legal Entities for the crimes of bribery, asset laundering, terrorism financing and concealment. These courses are open to all, and are repeated in Santiago, Tocopilla and Mejillones. The purpose is to reinforce protocols and procedures to be activated in situations of this nature.

In 2018, these activities included, for the first time, contractors and contract administrators of suppliers.

In the aim of reinforcing the culture of integrity and compliance, other initiatives taken by the company in the year were:

- In January 2019, directors received training in the Crime Prevention Model and in Competition and Anti-Corruption.
- In the latter two areas, the executives in the Procurement Area were the primary focus.
- An e-learning course was designed on the Code of Ethics that will be launched in 2019. Another video was produced to explain the Crime Prevention Model in-company.
- The implications of the new Private Corruption Law were reviewed to include provisions in the control plans, training, and risk, compliance and prevention management.
- The audit for re-certification of the Crime Prevention Model began in December.

ENGIE Energía Chile and its subsidiaries have been certified under Law 20,393 since 2012.

The company follows the guidelines of its parent in all these areas that, on occasion, are stricter than governing law. For example, the standards for supplier relations impose rigorous background checks of the bidders before a purchase and restrictions on doing business with companies that have a record of penalties or come from countries with which the parent company cannot engage under European standards.

ENGIE Energía Chile *and its subsidiaries have been certified under Law 20,393 since 2012.*

The figures on ethics and compiance

0	441	408	56
Complaints and fines for a violation of Law 20,393.	People trained in ethics	People trained in crime prevention	Suppliers trained in ethics and compliance.

BOARD OF DIRECTORS OF ENGIE Energía Chile

GOVERNANCE STRUCTURE

The company is managed by a seven-member Board of Directors, each with an alternate, that holds office for two years. Members can be reelected. The company's actual Board of Directors was elected at the Regular Shareholders Meeting held April 24, 2018.

The Regular Shareholders Meeting agreed to maintain an allowance of 160 UF per calendar month per director for the 2018 fiscal year and 320 UF per calendar month for the chairman of the Board.

No other compensation is paid other than for directorships, except for any compensation received by members of the Board Committee for committee duties.

1 **Philip De Cnudde,** Chairman
Civil engineer
Tax ID: 24.667.863-4

2 **Daniel Pellegrini,** Director
Electrical and mechanical engineer
Tax ID: 25.017.537-k

3 **Hendrik De Buyserie,** Director
Human resource management
Belgian passport number: EP 101719

4 **Claudio Iglesis,** Director
Electrical engineer
Tax ID: 7.289.154-6

5 **Pierre Devillers,** Director
Attorney
Tax ID: 24.671.366-9

6 **Mauro Valdés,** Director
Attorney
Tax ID: 7.011.106-3

7 **Cristián Eyzaguirre,** Director
Economist
Tax ID: 4.773.765-6

ALTERNATE DIRECTORS

Dante Dell'Elce: Accountant, Tax ID: 14.694.620-8
Patrick Obyn: Attorney, Tax ID: 25.389.612-4 (he resigned December 11, 2018)
Stefano Terranova: Economist, Italian passport number: YA8043396
Pablo Villarino Herrera: Attorney, Tax ID: 9.904.494-2
Joaquín González Errázuriz: Attorney, Tax ID: 6.550.944-K
Ricardo Lira Matte: Electrical Engineer, Tax ID: 6.379.576-3
Victoria Vasquez Garcia: Business Engineer, Tax ID: 6.458.603-3

(*) During the 2017 fiscal year, the members of the Directors Committee were Emilio Pellegrini Ripamonti, Mauro Valdés Raczynski and Cristián Eyzaguirre Johnston, all independent directors. The Committee Chairman was Emilio Pellegrini Ripamonti, who was not reelected to his directorship at the Regular Shareholders Meeting held April 24, 2018.

CONSULTING AND SERVICES

The following consultancies and services were retained by the Board in 2018, for a total of US$106,875.62:

- **Fees of Prieto Abogados:** US$99,824.70
- **Meals:** US$5,623.80
- **Inputs (overhead):** US$1,427.82

DIRECTORS COMMITTEE

In compliance with article 50-bis of Law 18,046, the company's Board of Directors agreed, at its Meeting #571 held April 24, 2018, to appoint Mauro Valdés Raczynski, Cristian Eyzaguirre Johnston and Claudio Iglesis Guillard as members of the Directors Committee, all of whom are independent directors. Mauro Valdés Raczynski(*) was elected chairman at the Committee meeting held on that same date.

The Directors Committee met regularly during 2018 and did the following:

(1) It examined and adopted a decision on the quarterly financial statements of the Company in 2018.

(2) It met with the Company's external auditing firm and the Internal Auditor and Crime Prevention Officer.

(3) It examined the compensation of officers, senior executives and employees.

(4) It reviewed the transactions with related parties discussed in the next point.

RELATED-PARTY TRANSACTIONS

In accordance with article 50-bis of Law 18,046, in 2018, the Directors' Committee examined information on the company's transactions with related parties pursuant to Title XVI of Law 18,046, and it recommended approval of the following acts and contracts:

1. A three-year preventive and corrective maintenance contract with **Engie Services** for the equipment and port facilities at the Mejillones site, including the Port Andino cranes (Committee Meeting held January 30, 2018).
2. A service contract with **Energy Consulting Services** to broker the sale of 3.3 TBtu of gas to YPF in exchange for a fee equal to 5% of the gain earned by EECL on this transaction (Committee Meeting held January 30, 2018).
3. The sale of one cargo of regasified liquefied natural gas to **ENARSA** during the winter of 2018 in conjunction with **Engie Gas Chile SpA.** This latter would handle the sale process and assume sale risk in Argentina (Committee Meeting held February 27, 2018).
4. A maintenance contract with **Engie Services** for the water plant at the Mejillones Plant (Committee Meeting held March 27, 2018).
5. The assignment of the contracts for the supply of liquefied natural gas between Engie S.A. and Engie Energía Chile S.A. by **Engie S.A.** to Elf Aquitaine S.A.S., a subsidiary of Total S.A. These contracts were entitled Stock Purchase Agreement and Memorandum of Understanding (Committee Meeting held March 27, 2018).
6. A three-year operation and maintenance contract with **Engie Services** for the limestone plant of the CTA and CTH units (Committee Meeting held April 30, 2018).
7. Authorization for **Engie Global Markets**, a related company, to recurrently perform derivatives risk hedging transactions to protect against variations in the Brent and Henry Hub Indexes under a "live" competitive structure (Committee Meeting held April 30, 2018).
8. A three-month contract with **Suez** for seawater microfouling control services as part of a pilot plan at CTM3 (Committee Meeting held June 26, 2018).
9. An amendment to the master agreement with **Engie Lab** for different forms of technical and specialized support in a variety of technological disciplines. The amendments would be i) to increase the annual budget for the services under the agreement; and ii) to broaden the agreement scope to areas other than power generation (Committee Meeting held June 26, 2018).
10. A sublease with **Engie Factory** for its Tuten startup to rent space available on the 15th floor of the building at Av. Apoquindo 3721 (Committee Meeting held June 26, 2018).
11. An easement needed by EECL, to be contracted through **Eólica Monte Redondo S.A.**, to build the El Rosal Substation (Committee Meeting held June 26, 2018).
12. Three power purchase agreements with the **GTD Group** (GTD Teleductos S.A., Compañía Nacional de Teléfonos, Telefónica del Sur S.A. and Integradores de Tecnología y Sistemas S.A.) for a total of 15 MW and 72 GWh/year (Committee Meeting held June 26, 2018).
13. A sublease with **Tractebel Engineering** for space available on the 15th floor of the building at Av. Apoquindo 3721 (Committee Meeting held August 28, 2018).

14 The purchase and import of 7.7 TBtu from **Energy Consulting Services (ECS)** (Committee Meeting held August 28, 2018).

15 An agreement with **Engie Services** in relation to the open tender by AES Gener to award power line maintenance. The agreement would involve support or the temporary transfer of 4 supervisors of EECL to Engie Services and the lease or use of 5% of the transmission maintenance truck fleet (Committee Meeting held August 28, 2018).

16 A 4-month pilot agreement with **Engie BU Generation Europe** for the evaluation and replacement of the actual plant process historian (Committee Meeting held September 25, 2018).

17 A contract with **Tractebel Engineering** for the modeling of correction curves for Unit 16 (Committee Meeting held October 30, 2018).

18 A contract with **Engie Services** for preventive and corrective maintenance of air-conditioners at the Mejillones and Tocopilla Plants (Committee Meeting held October 30, 2018).

19 A contract with **Serpram** to measure gas and particulate matter in the IEM unit stack (Committee Meeting held October 30, 2018).

20 A contract with **Engie China** to witness the rupture testing in China of the insulators of the dead tank circuit breakers of the New Chuquicamata and Calama Substations (Committee Meeting held October 30, 2018).

21 21. A master services agreement with Engie **Services** under which the Company can issue one or more work orders for recurrent maintenance not included in EECL's areas of specialization (Committee Meeting held October 30, 2018).

22 A contract for administrative services of Accenture, through **Engie GBS**, for the integration of systems, on a country level, to other companies in the Engie Group (Committee Meeting held October 30, 2018).

23 A contract with **Eólica Monte Redondo S.A. and SolaireDirect** for the acquisition of unconventional renewable energy attributes and future green generation certification for 2018, for the equivalent to 137,506 MW and 113,559 MW (Committee Meeting held November 27, 2018).

24 A three-year contract with **Engie Services** for the supply of ABB, Schneider, Telemecanique and Honeywell products (Committee Meeting held November 27, 2018).

25 A contract with **Cofely** to extend the blu.e license in the Units 14, 15 and 16 pilot projects for 12 months, and to provide additional support in imparting specific optimization workshops (Committee Meeting held November 27, 2018).

26 A lease with **Engie Factory** of electric cars and associated services (Committee Meeting held November 27, 2018).

27 A contract for the purchase of 979 Microsoft licenses for a period of 12 months under the corporate contract between **Engie S.A.** and Microsoft (Committee Meeting held November 27, 2018).

28 A contract with **Engie China Energy Technology Co** for payment of the factory inspection of products (Committee Meeting held November 27, 2018).

29 Amendment to the master agreement with **Engie Lab** for different forms of technical and specialized support in a variety of technological disciplines to cover 2019 and add new services (Committee Meeting held November 27, 2018).

30 A contract with **Engie Factory**, for its MuvSmart startup, to provide the delivery and pick-up of several items using electric vehicles (Committee Meeting held December 11, 2018).

31 A contract with **Engie IT** to renew the CMR SalesForce licenses for two years under the corporate contract between Engie IT and SalesForce (Committee Meeting held December 11, 2018).

32 Submission of a purchase offer to **Solairedirect** for the Los Loros and Andacollo solar farms (Committee Meeting held December 11, 2018).

UTILIZATION OF EXPENSE BUDGET

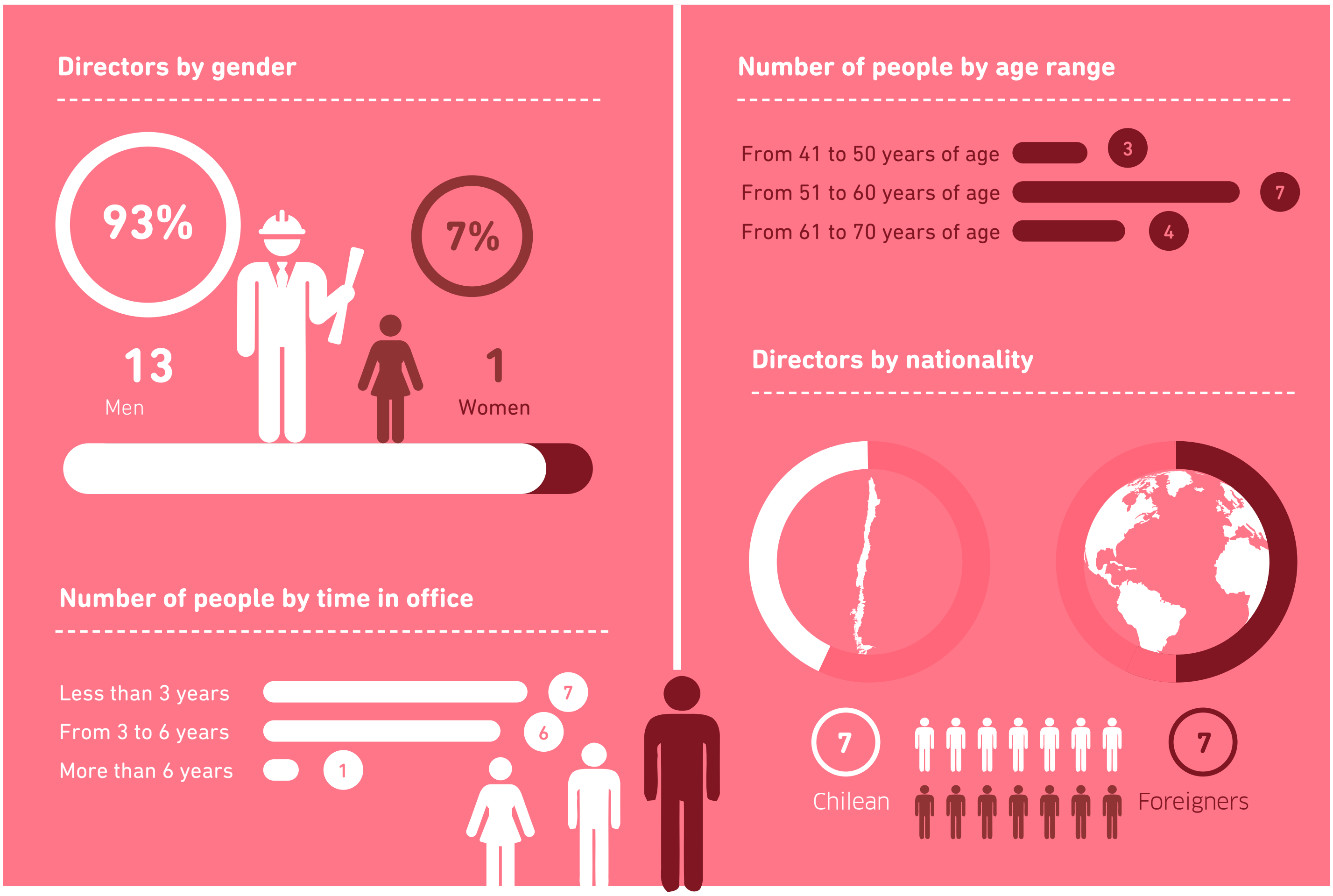
The Director's Committee made use of the expense budget for 5,000 UF, approved by the Company's Regular Shareholders Meeting on April 24, 2087, by retaining the following consultants and services in 2018 for a total of US$80,816.17:

- **Prieto Abogados:** US$74,235.52.
- **Asesorias Indecs Consulting Limited:** US$6,580.65 (PDBI insurance consulting and benchmarking).

PROCEDURE FOR APPROVAL OF THE CONTRACTING OR TENDERING OF SERVICES IN WHICH RELATED COMPANIES MAY PARTICIPATE

1. In preparing the budget, the Corporate Divisions must plan the services that could potentially be provided by related companies.
2. The chief executive officer must present a list of the services at least quarterly to the Directors Committee, indicating the characteristics of the tender procedure to be followed in each case and the companies to be invited to submit bids. This presentation will be notwithstanding the need to submit the tendered agreement at the pertinent time to the approval procedure described below.
3. If there are market, competition or quality reasons that justify a direct contract, the chief executive officer must present the information to the Directors Committee so that it can express its opinion. However, the service cannot be awarded until it is approved by the Board.
4. The Directors Committee will state its opinion on the tenders presented to it and may, as part of its authority, make recommendations to management, review or cause others to review the bidding terms and conditions, and ask that certain companies be included or excluded from the invitees. It may also decide that the bids should be addressed exclusively to one of the independent directors appointed by the Committee especially for that purpose. Moreover, when services require a more complex evaluation, the Committee may ask that both the bidding terms as well as the bids received be reviewed by an independent third party in order to protect the competitiveness and transparency of the procedure.
5. If it is recommendable for a service to be awarded to a related company, the chief executive officer will present the outcome of the tender to the Directors Committee and a recommendation on its approval. However, the service cannot be awarded until it is approved by the Board.
6. During the course of the service, the respective corporate manager must report quarterly to the chief executive officer on the progress in the service and expenses involved, and any deviation from the scope or difficulty that may arise. The chief executive officer must report this quarterly to the Directors Committee.
7. The process of approval by the Directors Committee must be carried out by the pertinent corporate manager and once approval is received, it will take effect via a purchase order for the amounts approved by the Committee in order to keep an appropriate control of disbursements.
8. In general, services will be contracted from related companies for a lump sum after a comparison of the total cost, always endeavoring to avoid awards based on merely estimated budgets.
9. Any stages of bid improvement in bidding procedures must require that new bids--or changes to those submitted–be presented on the same date by all bidders selected for that stage. This will protect the arm's length conditions and competitiveness among the bidders. The contract must be awarded to the bid most convenient to the Company, according to the criteria set down in the bidding terms.

A DIVERSE BOARD *of Directors (*)*



(*) Figures include regular and alternate Directors

BOARD COMPENSATION

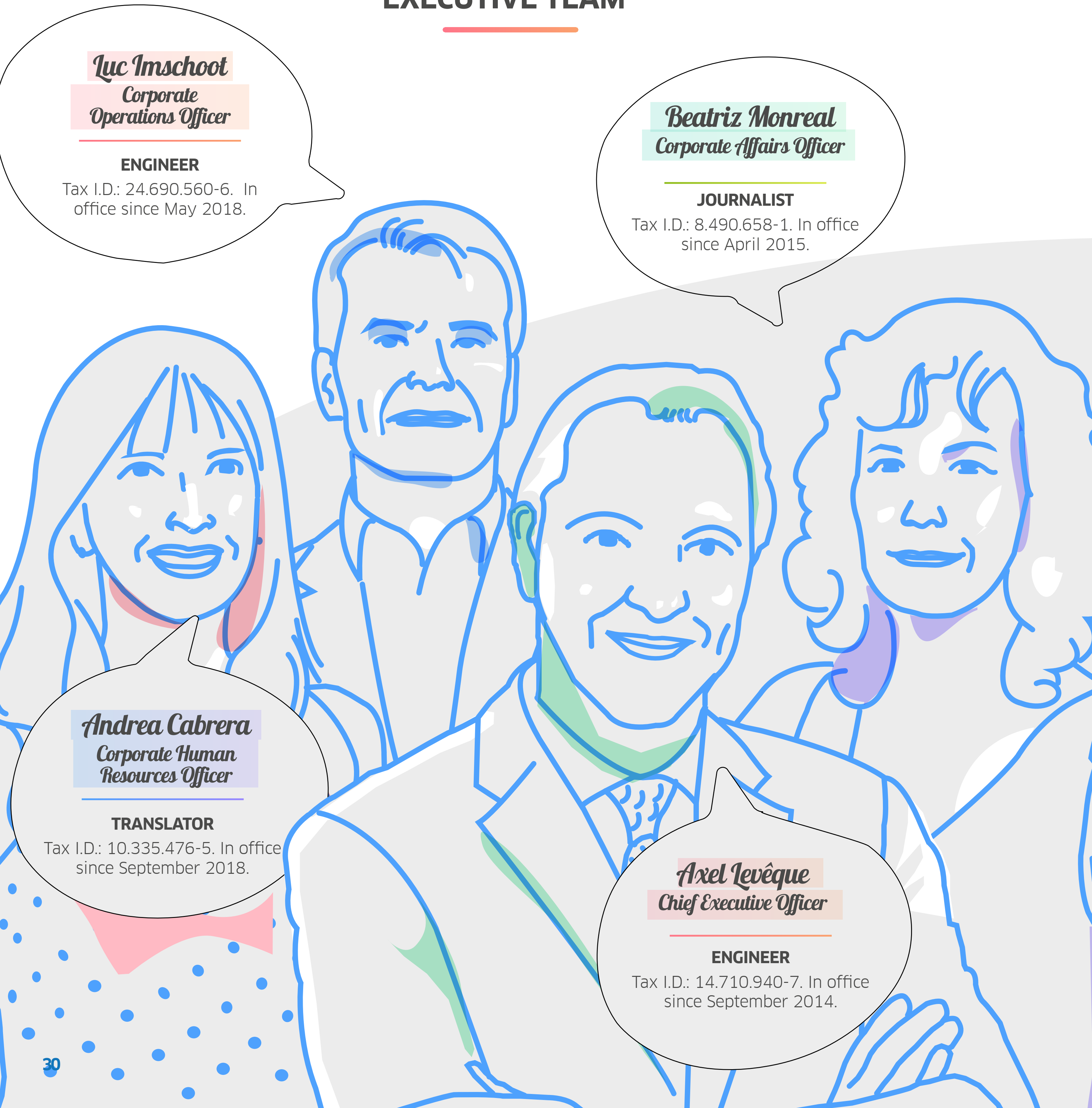
Director	12/31/2018 kUSD	12/31/2017 kUSD
Cristián Eyzaguirre, Director	109	106
Emilio Pellegrini, Director (*)	29	106
Mauro Valdés, Director	109	106
Claudio Iglesis, Director	80	0

Company directors Philip De Cnudde, Pierre Devillers, Daniel Pellegrini and Hendrik De Buyserie waived their compensation.

(*) Mr. Emilio Pellegrini left his directorship at the Regular Shareholders Meeting of the Company held April 24, 2018.

"We Grow in Harmony with the country's sustainable challenges".

EXECUTIVE TEAM



Luc Imschoot
Corporate Operations Officer

ENGINEER
Tax I.D.: 24.690.560-6. In office since May 2018.

Beatriz Monreal
Corporate Affairs Officer

JOURNALIST
Tax I.D.: 8.490.658-1. In office since April 2015.

Andrea Cabrera
Corporate Human Resources Officer

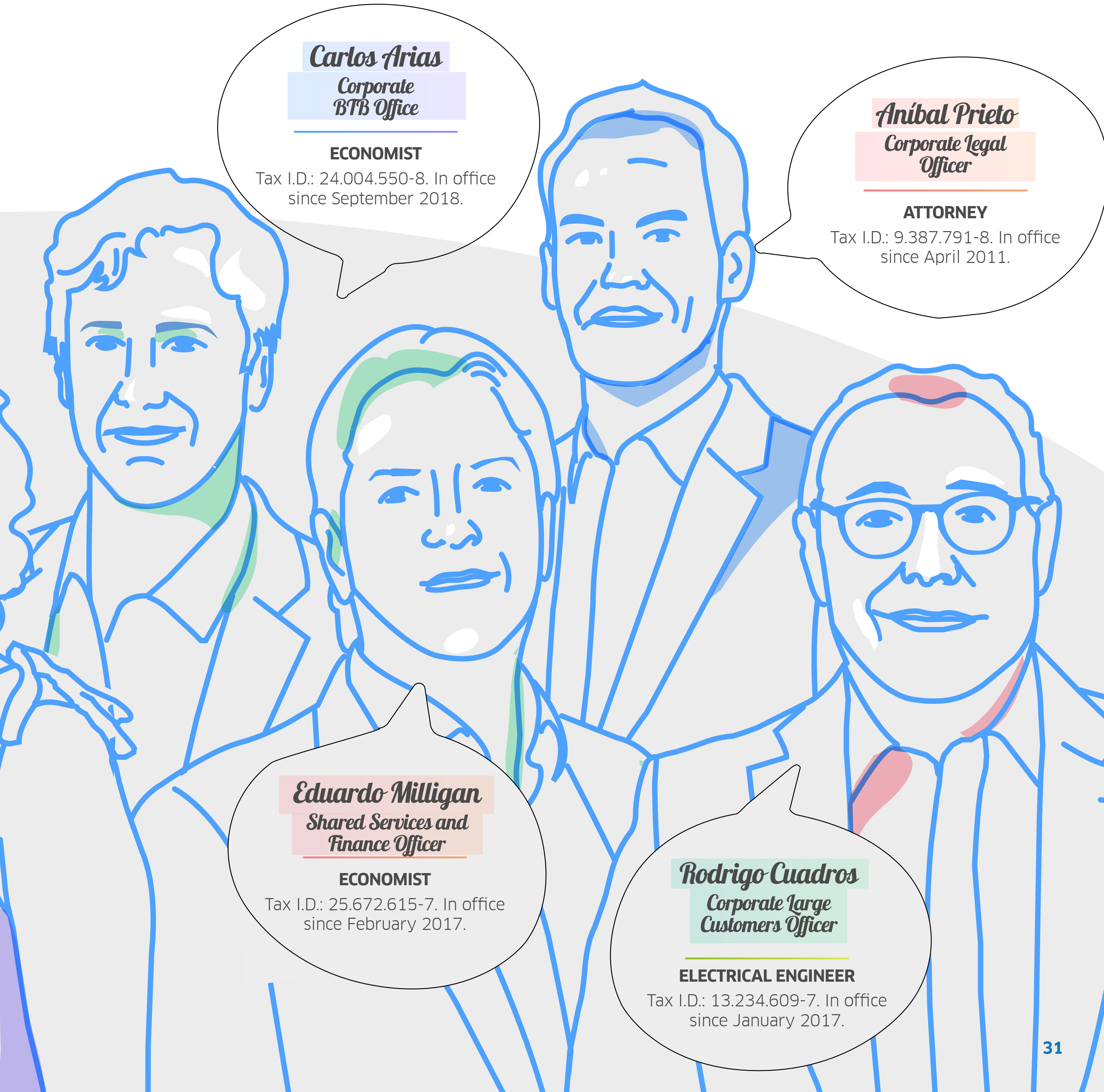
TRANSLATOR
Tax I.D.: 10.335.476-5. In office since September 2018.

Axel Levêque
Chief Executive Officer

ENGINEER
Tax I.D.: 14.710.940-7. In office since September 2014.

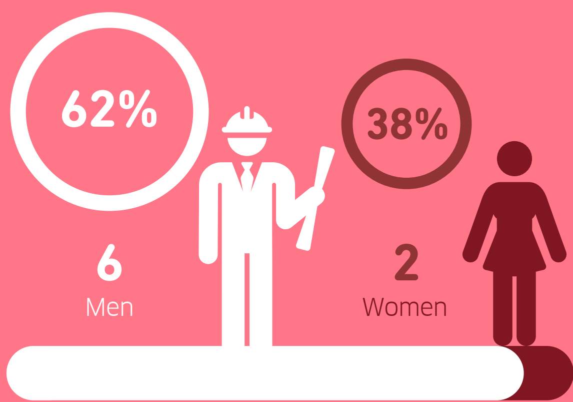
In June 2018, Nicky Vanlommel, Corporate People, Process and Technology Manager, and David Liste, Corporate Generation Manager, left the company to become CEOs at Engie Services Peru and Engie Services Chile, respectively. They were replaced by Andrea Cabrera and Luc Imschoot.

Enzo Quezada, Corporate Commercial Officer, left the company in August 2018. Demián Talavera began as CEO of TEN S.A. on November 1, 2018.

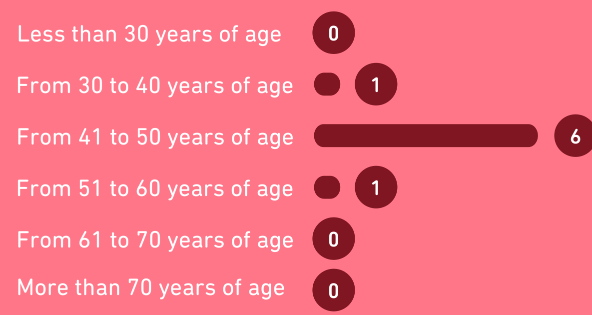


DIVERSITY IN *Senior Management*

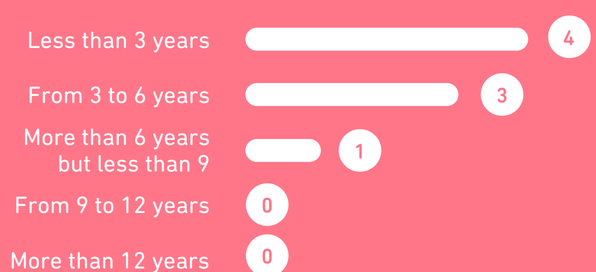
Executives by gender



Executives by age range



Executives by time of office



Executives by nationality

SENIOR MANAGEMENT COMPENSATION

Compensation of officers and top executives	12/31/2018 KUSD	12/31/2017 KUSD
Compensation	2,634	2,637
Short-term benefits	695	248
Total	**3,329**	**2,885**

The costs include recurrent monthly salary, part of which is variable and is paid as bonuses based on personal performance and the company's results in the fiscal year. It also includes severance indemnities.

For comparison purposes, the compensation of key personnel for the periods 2018-2017 only includes the chief executive officer and corporate managers.

AWARDS AND RECOGNITIONS

Best investor relations program and team in the electricity sector *of Latin America.*

We received this important award from Institutional Investor for the second consecutive year.

Third place in the *Corporate Sustainability Index*

This index, prepared by ActionAbility Institute and Capital magazine, recognized our company's leadership in the energy transition and its accompaniment of customers in this process.

TEN S.A. received a Bi-Annual Award from *Corporación de Bienes de Capital (CBC)*

This honor was for being the Best Project Completed in 2016 and 2017: The Interconnecting Transmission Line.

Recognition of the *2017 Integrated Report*

Reporta Chile and Diario Financiero praised the quality of the information in our annual report.

3

OUR Business

In 2018, we publicly announced our decision not to build any new coal-fired plants as well as our new plan to invest in 1GW of renewable energy generation, equal to US$1 billion.


#MovingTowardsDecarbonization

BUSINESS STRATEGY

ENGIE Energía Chile conducts its business in line with the business strategy of the ENGIE Group where the goal is to lead the energy transition globally.

On the basis of that plan, the company operates according to four priority focal points in each of which significant progress was made during 2018.

Redesign and simplify the portfolio

GLOBAL NEGOTIATION OF PPAS

3 MAJOR CONTRACTS WERE RENEGOTIATED ***in 2018.***

SHUT-DOWN OF OLD COAL-FIRED UNITS:

- **Tocopilla:** Units 12 and 13 as of April 2019, subject to the last segment of Interchile's Cardones-Polpaico line starting operation.
- **Mejillones:** Depending on market evolution
- **Asset rotation:** Optimize the low-carbon portfolio at the time of sale, based on a sound customer portfolio.

Pave the way to the future

ENERGY MANAGEMENT:
Developing a product and service portfolio in Engie Chile backed by ENGIE's experience.

PILOT PLAN IMPLEMENTATION:
Hydrogen batteries, water, DSM, Blue.e and solar.

Improve *efficiency*

LEAN 2018

MORE THAN MUSD 30 IN STRUCTURAL
SAVINGS/ADAPTATION OF THE COMPANY TO THE NEW STRUCTURE AND MARKET.

SHARING SERVICES AND/OR PROCESSES, STANDARDIZATION

GOING LIVE WITH SAP HANA

Adapt *the Group*

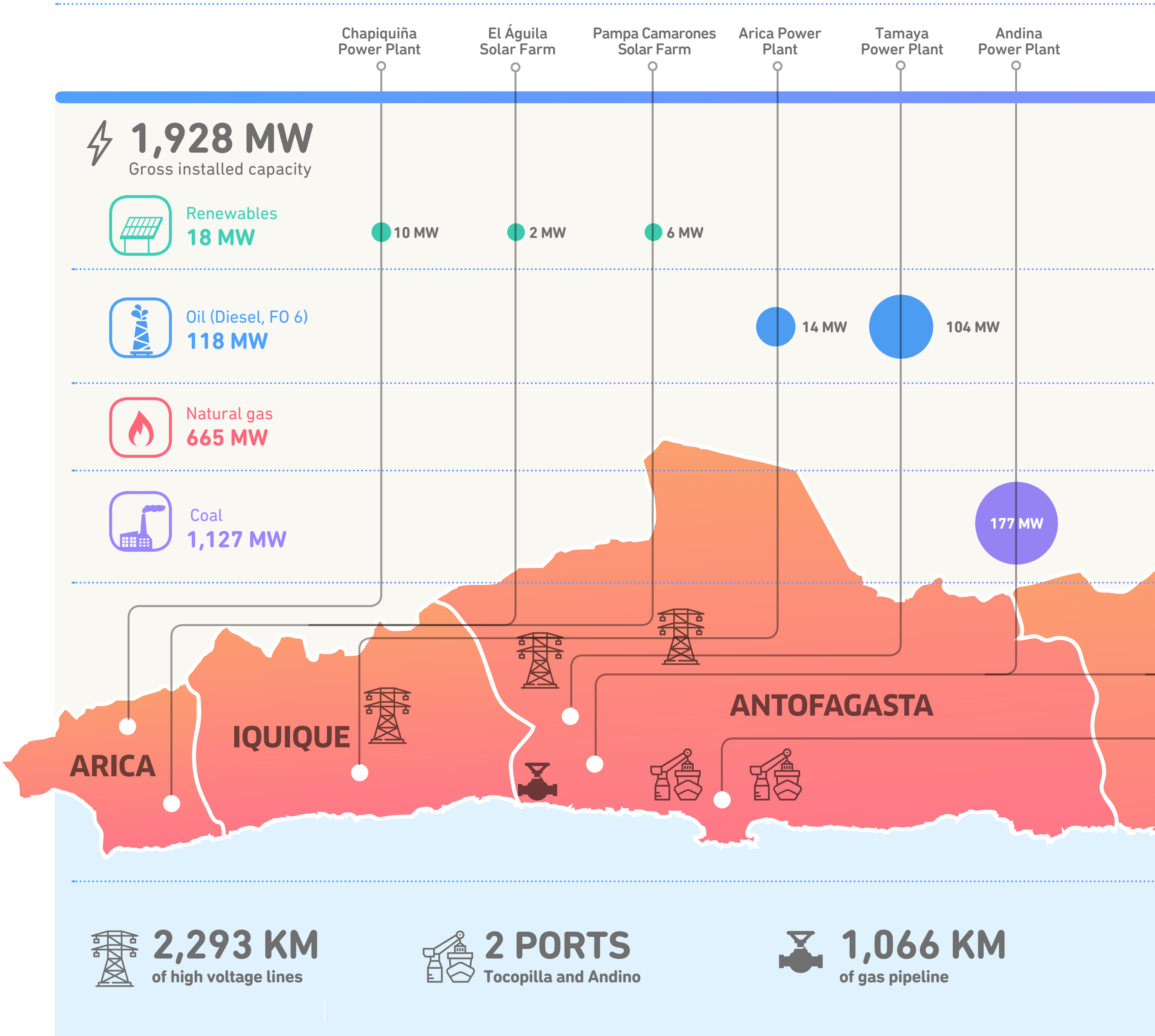
A CULTURE ALIGNED WITH THE NEW AMBITION

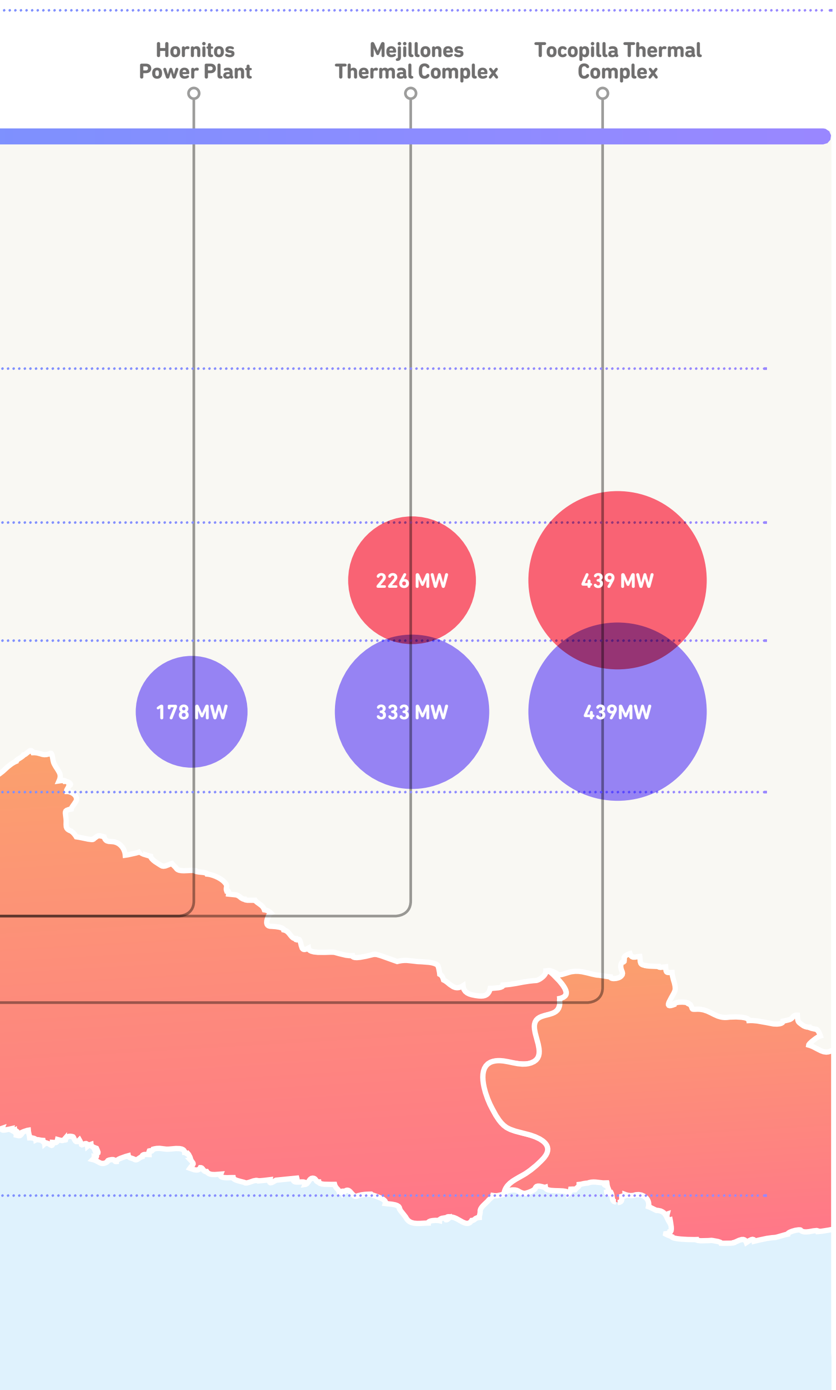
A TOTAL IMMERSION BY *MANAGERS IN THE CO-LEADER PROGRAM.*

DEVELOPING A CULTURE OF INNOVATION AND A DIGITAL MENTALITY.

OUR OPERATIONS

At the close of 2018, the gross installed capacity of ENGIE Energía Chile was 1,928 MW, distributed among business units in the north of the country. Another 375 MW was under construction.

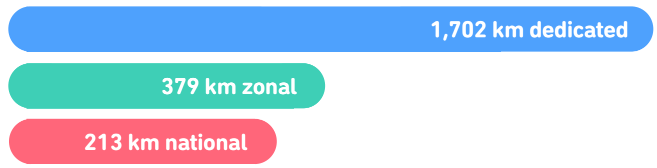




TRANSMISSION

The company operates a total of 2,293 km of high-voltage power lines and it owns 92% of those lines. It also operates 98 km of medium-voltage power lines.

TRANSMISSION LINES



TEN S.A.

ENGIE Energía Chile controls 50% of Transmisora Eléctrica del Norte (TEN). The voltage on that line is 500 KV and it is comprised of two circuits, each running 600 km.

GAS TRANSPORTATION

ENGIE Energía Chile owns two gas transportation companies, Gasoducto Nor Andino Chile SpA (GNAC), which operates the Chilean segment of the North Andean Gas Pipeline; and Gasoducto Norandino Argentina S.A. (GNAA), which operates the Argentine segment.
During 2018, the company transported 400 million m3.

Capacity

- **Actual transportation capacity:** 4.5 million cubic meters per day
- **Potential transportation capacity:** 8 million cubic meters per day.

PORTS

- **Andino Port:** Andino Port: This port is inside the Mejillones Energy Infrastructure Complex (IEM). It can transfer more than 6 million tons per year and service vessels of 180,000 DWT. It made its first landing of 160,000 tons in 2018.
- **Port of Tocopilla:** This is a multipurpose terminal that has two cranes, one with a capacity of 50 tons and the other with a capacity of 27 tons; solid bulk yards that can hold 350,000 tons; warehouses and wharf aprons measuring 5,000 m2 and a bulk liquid storage capacity of 50,000 m3. Major maintenance of the Bynsa crane began in 2018.

VALUE CHAIN

Input from customers and other ***stakeholders***

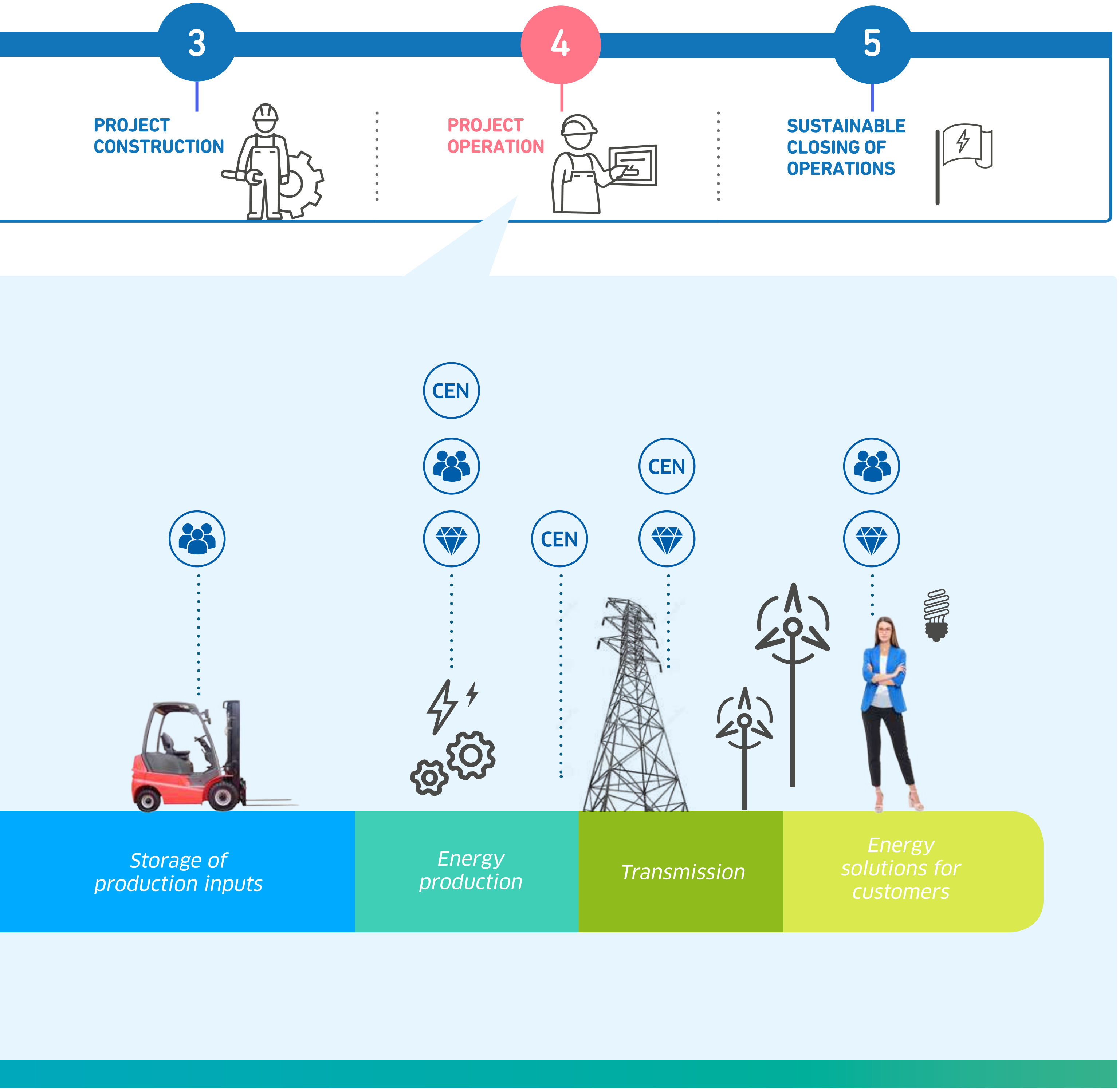
1 CONCEPTUAL DESIGN OF AN ENERGY SOLUTION

2 PROJECT DEVELOPMENT

4 PROJECT OPERATION

Customer oriented	Choice of the production input supplier	Production input carriage logistics (ship-gas pipeline)

Stakeholders: Suppliers · Collaborators · Customers · CEN


3
PROJECT CONSTRUCTION
4
PROJECT OPERATION
5
SUSTAINABLE CLOSING OF OPERATIONS
CEN
CEN
CEN
Storage of production inputs
Energy production
Transmission
Energy solutions for customers

OUR MARKETS

In Chile, the electricity industry is divided into three sectors: generation, transmission and distribution.

1. **Generation:** Power generation companies sell their production to unregulated customers, to distributors and to other power generation companies.
2. **Transmission:** These companies transmit to their customers high-voltage electricity produced by power generation companies. The transmission segment includes all power lines and transforming substations that operate at a nominal voltage above 23 kV.
3. **Distribution:** This involves any supply to end customers in a concession zone at a voltage less than or equal to 23 kV.

   The main power grid in Chile is the National Electric System (SEN) that was created in November 2017 by the unification of the Far North Interconnected Grid (SING), where most of the mining industry in the nation is located, and the Central Grid (SIC), where 93% of the population resides.

SEN runs for 3,100 kms, covering nearly the entire nation from Arica to the north, to Chiloé in the south.

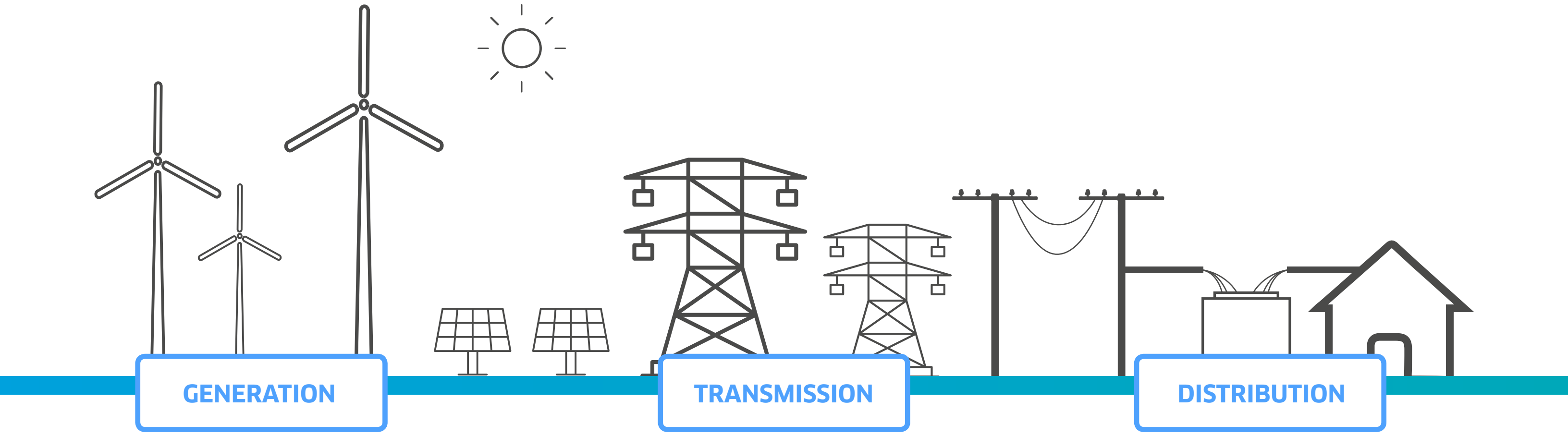
Apart from the National Electric System, there are two isolated systems in the south of Chile that supply electricity to remote areas: the Aysén Grid and the Magellan Grid.

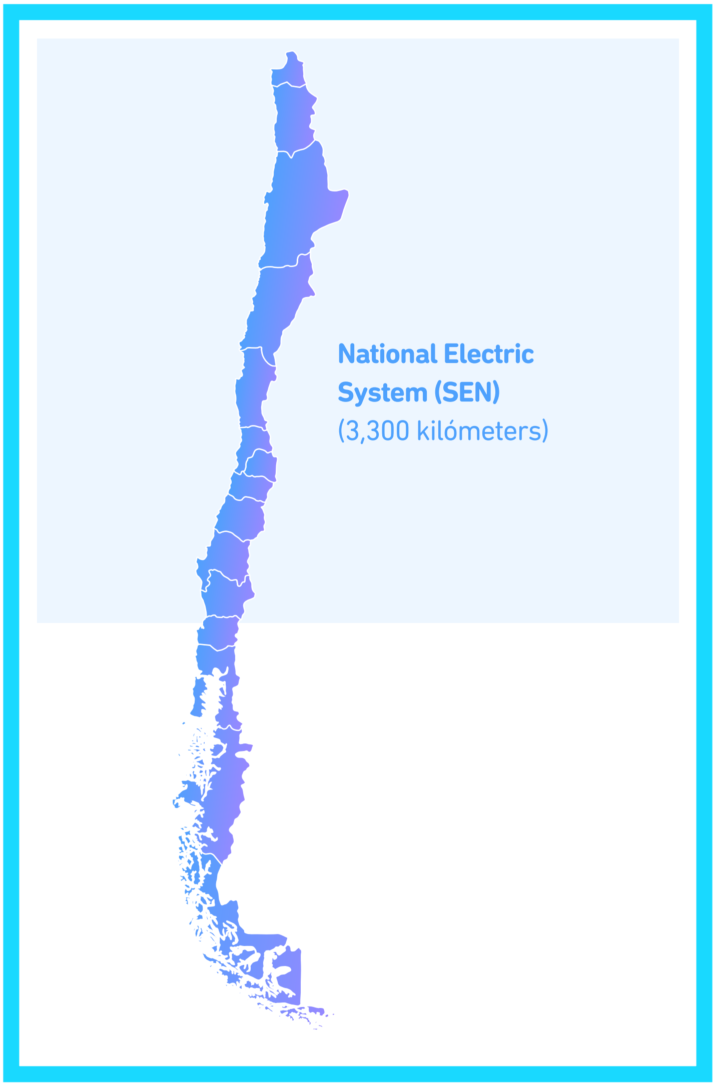
Since January 1, 2017, the National Electric Coordinator (CEN) coordinates the operation of the SEN to preserve power supply with the required security in the most economical way possible, thus guaranteeing open access to transmission systems.

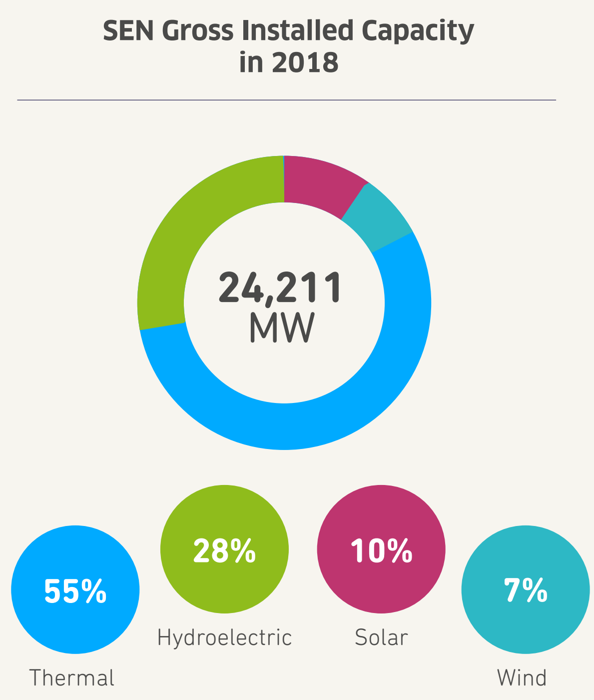
This entity is the successor to the former Economic Load Dispatch Centers (CDEC) of the SING and SIC that used to operate their systems independently.

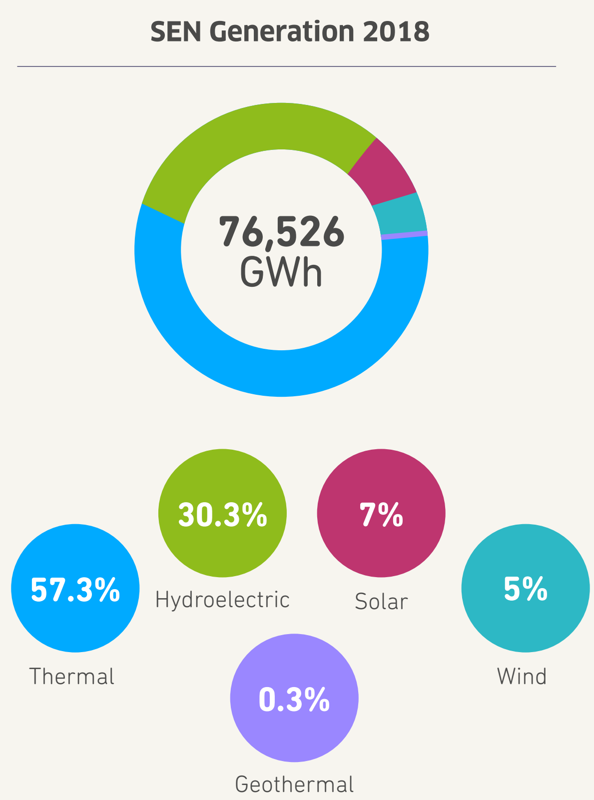
TYPES OF CUSTOMERS

- **Unregulated customers:** These are consumers that have a connected capacity exceeding 5 MW as well as any with a connected capacity ranging from 500 kW to 5 MW who have opted to be in this category. These customers are not subject to any price regulation and the parties agree on the commercial aspects in a contract, such as volume, price, period and general terms of power supply.









- **Regulated customers:** These are customers that have a connected capacity less than or equal to 500 kW and any customers with a capacity of 500 kW to 5 MW who have opted to remain in the regulated sector. Regulated customers receive electricity through distributors that tender supply through long-term contracts.

ENGIE Energía Chile supplies energy to regulated customers through distributors and to unregulated customers located in the former SING grid. It has power purchase agreements with both regulated and unregulated customers in the former SIC grid, all now located in the National Grid.

REGULATORY FRAMEWORK

The General Electricity Law, the Power Transmission Law and the General Environmental Framework Law are the main rules of law regulating the operations of ENGIE Energía Chile.

Main regulators and oversight agencies in 2018:

- Ministry of Energy
- National Energy Commission (CNE)
- Ministry of the Environment
- Environmental Commission
- Electricity and Fuels Commission (SEC)
- National Electricity Coordinator (CEN)
- Panel of Experts

REGULATORY CHANGES

In May 2018, the administration of President Sebastián Piñera disclosed the document entitled “2018-2022 Energy Route,” which sets down the main energy guidelines for the following four years of government. The first change defined in the Route is the perfection of the Transmission Law enacted in 2016. The improvements to that Law will be sent to Congress in the first half of 2019.

It also positions the power distribution sector as another of the main priorities. The government has promised to send a bill of law to Congress by the end of 2019. Among other things, the reform would endeavor to create appropriate incentives to make investments in distribution, to establish the conditions for competitive distribution, and to allow for the design of efficient rates that send appropriate signals to the end customer.

Also during 2018, the government analyzed pushing for a reform to the generation segment in acknowledgement of the growing need for flexibility imposed by the mass entry of unmanageable renewable generation. The government is expected to send Congress a bill of law during 2019 that at least perfects the complementary service market and its impact on the attributes of system’s flexibility.

In September 2018, the administration submitted a bill of law to Congress to encourage energy efficiency in the facilities of large customers and the installation of electric vehicle charging stations.

The debate about regulations has revolved around the publication of the necessary regulations to implement Law 20,936, enacted in July 2016. Three regulations were published during 2018, but others are still under debate and will be published in 2019.

The regulations to be published in 2019 include the “Regulations on Coordination and Operation of the National Grid” and “Regulations on Complementary Services.” Both regulations begin to incorporate the recent changes in the electricity market that have been made by the mass penetration of variable and unmanageable renewable sources. The new electricity market requires, among other things, that resources provided by different technologies be properly identified and that the services provided by each asset to the market be properly remunerated.

In January 2018, national transmission charges began to be collected by means of a “stamp” or “Single Charge” payable directly by the end user according to Law 20,936. This will be done gradually, and payment for national transmission will be transferred from generators to end users by 2034.

Lastly, in April 2018, the first green tax was paid for emissions during 2017, as regulated in Article 8 of Law 10,780.

BUSINESS PERFORMANCE

In 2018, ENGIE Energía Chile continued to push a strategy aligned with the great challenges represented by the energy transition, in particular generation and energy sales, its main line of business.

In that context, at the Decarbonization Committee set up by the Ministry of Energy, the company announced its decision not to build any new coal-fired plants. Instead, it revealed a new plan to invest in 1 GW of renewable energy generation, equivalent to US$1 billion.

The company thus began its Decarbonization, which implies, among other aspects:

- an Asset Rotation Plan (the closing of thermal units and start-up of renewable units);
- the integration of new units to its portfolio management;
- looking for opportunities to make its assets profitable;
- managing energy sales in alignment with the new goals.

The company centered its efforts on expanding its supply of integrated solutions to new customers engaged in businesses other than mining, located both in the north and in the central and south parts of the country. It also progressed in consolidating its transmission business.

The company reorganized its Corporate Divisions according to the new challenges: The Corporate Commercial Division was divided into two, one focused on Large Mining Customers and the other on Industrial and Tertiary Customers.

GENERATION

In 2018, the company managed its energy sales business on a nationwide market in which gross generation of the system fell 1.1% in comparison to the previous year.

Coal-fired generation declined significantly while gas-fired generation rose, with a greater representation of renewable energy that displaced diesel and oil.

During 2018, the generation by ENGIE Energía Chile accounted for 28% of the total generation in the north zone of the SEN, which represents a drop of 5 percentage points compared to the previous year. This decrease was due to the diversification of the country's energy matrix, to which ENGIE Energía Chile is contributing through TEN S.A. and through the new wind and solar farms it plans to build.

In this same period, the company purchased energy and capacity on the spot market that represented an increase of US$100.2 million, 50% higher than in the previous year. This rise is due largely to the power purchase agreements with distribution companies in the central-south zone of the nation entering into effect.

Generation by ENGIE Energía Chile in 2018

1,928 MW	5,474 GWh	5,033 GWh	4,889 GWh
Gross installed capacity	Gross generation	Net generation	Energy purchases on the market

GENERATION BY COMPANY IN THE NORTH ZONE OF THE SEN
(in GWh)

Company	2017	2018
AES Gener	9,137	8,710
ENGIE Energía Chile	6,301	5,402
ENEL Generación	640	139
Other	3,173	4,769
Total Gross Generation in the North SEN	**19,251**	**19,020**

MAIN MILESTONES IN THE YEAR

A. Closing of units 12 and 13 in Tocopilla: As part of its decarbonization, the Company requested approval from the authority to close units 12 and 13 of the Tocopilla Thermal Plant (85 MW) in April 2019. This disconnection was conditioned to the startup of the last segment of the Cardones-Polpaico power line that is being built by InterChile S.A.

One year in advance, the company relocated all its employees to the different units of the group in Chile and mainly to the new IEM coal-fired plant in Mejillones, 150 kms from Tocopilla.

At the same time, the company signed an outsourcing contract if the units need to be put into operation.

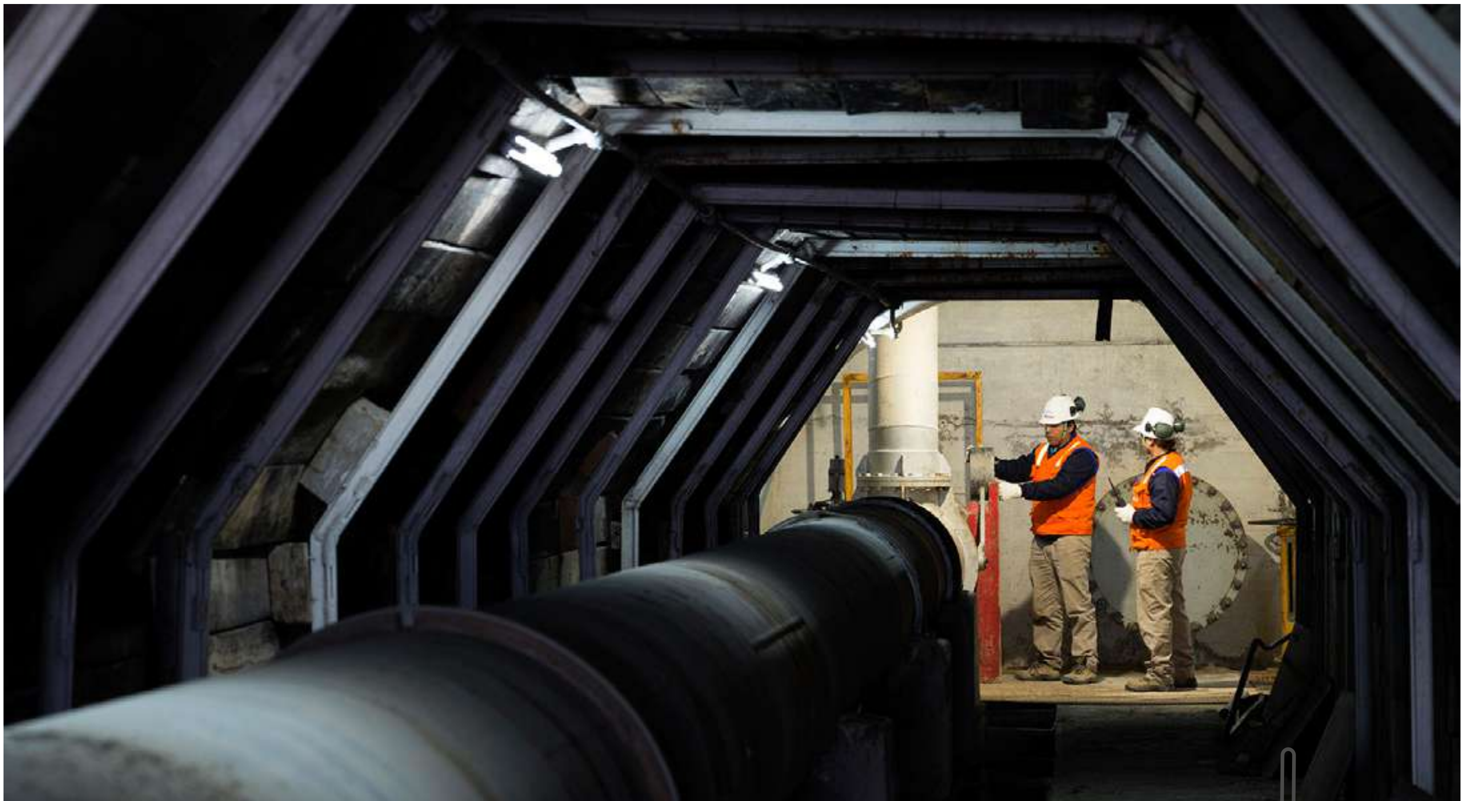
B. Approval of renewable projects: In parallel, in 2018 ENGIE Energía Chile received the first environmental permits (RCA) for the following renewable energy projects:

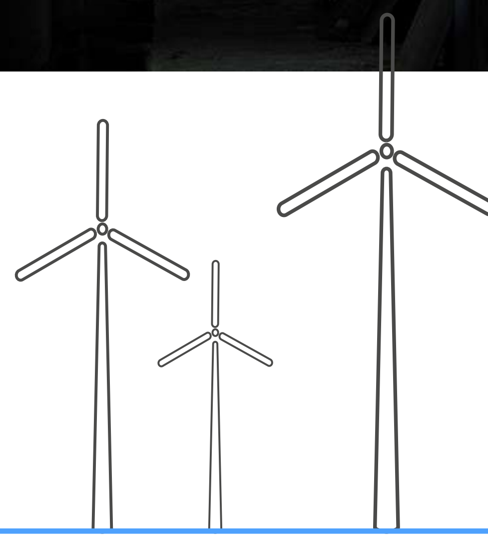
- **The Calama Wind Farm in the Region of Antofagasta (162 MW):** A wind farm will be built and operated, comprised of 36 aerogenerators each with a capacity of 4.5 MW. Combined, they will generate a total of 162 MW. There will be a transforming substation to send energy from the farm to the National Electric System (SEN). The decision to build is subject to better market conditions. It requires an investment of approximately US$200 million.
- **Capricornio Solar Plant in the Region of Antofagasta.** 90 WMp, plus a 6.5-km 110 Kv line.

C. Power purchase agreement: The company signed a power purchase agreement with ENEL Generación Chile entering into effect in January 2019 for a period of 12 years. The agreement includes the purchase of an annual volume of 0.5 TWh of electricity from 2019 to 2021; of 1 TWh in 2022 and of 1.5 TWh from 2023 to 2030.

D. Las Arcillas environmental permit: In 2018, the Environmental Impact Assessment System (SEIA) approved the environmental permit for this combined cycle natural gas-fired power plant that has an installed design capacity of 480 MW.

Las Arcillas required a total investment of approximately of US$450 million and it will be located in the Region of Ñuble. The company has not yet set the construction start date.





AVAILABILITY AND MAINTENANCE

In 2018, the deadlines set for maintenance were met or exceeded as some maintenance scheduled for 2019 was performed early. There were problems with the mills at the CTM unit and other isolated events that affected availability but had no impact on income.

QUARTER	UNIT	TYPE	CAPACITY	PLANT	DOWNTIME (DAYS)
First	CTM2	Coal	173.84	Mejillones Thermal Complex	141
	CTH	Coal	177.54	Hornitos Plant	31
Second	CTT16	Gas	361.12	Tocopilla Thermal Complex	8
	CTT15	Coal	159.63	Tocopilla Thermal Complex	2
Third	CTM1	Coal	130.22	Mejillones Thermal Complex	45
Fourth	CTM3	Gas	226.00	Mejillones Thermal Complex	65

IEM: ABOUT TO ENTER THE SYSTEM

The Mejillones Energy Infrastructure Complex (IEM) is about to begin commercial operation on the generation market.

The pulverized coal unit has a gross capacity of 375 MW and is undergoing commissioning.

The plant was successfully synchronized on October 29, 2018 and the start of commercial operation was rescheduled to the first half of 2019.

On Tuesday, November 13, 2018, IEM reached the base load (354 MW) for the first time during testing.

The project required an estimated investment of US$896 million (excluding Port Andino).

As of December 31, 2018, a total of US$807.8 million had been disbursed, excluding capitalized interest.

At the close of 2018, the general progress in the project was around 99.4%.

TOTAL INVESTMENT

US$896* million

4 years to build

PORT ANDINO

- **Mechanized pier that can handle ships of 180,000 DWT.**
- **Transfer capacity of more than 6 million tons per year.**

GENERATING UNIT

Pulverized coal-fired unit with a gross capacity of 375 MW.

Environmental Management

In this new unit:

MP EMISSIONS

will not exceed 20 mg/Nm^3. The law sets the new-unit limit at 30 mg/Nm^3.

- **SO2 emissions:** Wet desulfurization.
- **NOx:** Low-Nox burners and catalysts to reduce NOx concentrations.

* The investment excluding Port Andino.

TRANSMISSION

In 2018, ENGIE Energía Chile continued to consolidate its share on the transmission market through the award of three of the six national projects tendered in the period. It also closed major maintenance contracts.

This is the result of the strategy adopted by the company. Some of the highlightable initiatives are the creation of a Transmission Project Division in 2018, focused mainly on participating in CEN tenders.

The company also has the capability to manage emergency situations, greatly appreciated by customers, especially those in the mining business.

THE MAIN COMMERCIAL TRANSMISSION MILESTONES IN 2018 WERE:

1. **The award of three national projects tendered in March and April, focused on facilitating access to renewable energy. The reference investment for the construction of these projects is US$36 million.**
    - The New Chuquicamata Sectioning Substation (22 kV) and the New Chuquicamata-Calama 2x220 kV line.
    - The Algarrobo sectioning substation (220 kV).
    - The El Rosal sectioning substation (220 kV).

2. **Maintenance service contracts were signed with:**
    - Sociedad Austral de Transmisión Troncal, for 2 years
    - Quiborax, for 3 years

3. **Repair services were provided to:**
    - Solarpack
    - Altonorte
    - Centinela
    - Michilla
    - Desalant
    - Antucoya
    - Saesa
    - Noracid
    - Interchile

ENGIE Energia Chile's Transmission Business ***in numbers***

2,293 km
of high-voltage lines

1,702 km
of dedicated

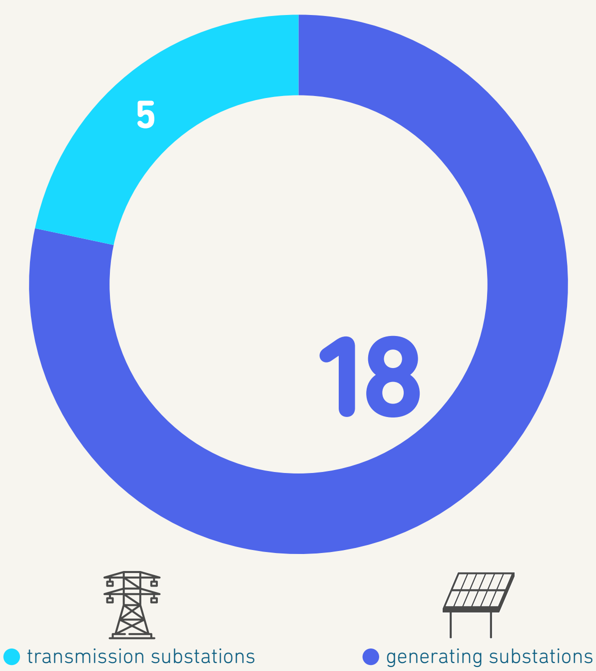
213 km
are nationwide

379 km
are zonal

92%
are owned by the company

98 km
of medium-voltage lines

Engie Energia Chile operates 23 substations representing a total capacity of 844 MVA.



TEN S.A.

TEN S.A.–controlled in equal shares by ENGIE Energía Chile and Red Eléctrica Chile–completed one year of operation in November 2018. It interconnected the former SING and SIC systems. TEN S.A. required an investment of around US$770 million in fixed assets that included four substations, 600 kilometers of lines and 1,350 towers.

In 2018, TEN S.A. met the availability and operating management goals that it had proposed, even though it was its first year of operation and there were operating restrictions because of the delay in the INTERCHILE line.

Achievements by TEN S.A. in 2018 were:

1. The refund of VAT for MUSD 82.2 (99%) four months early and the prepayment of the entire VAT loan. This was accomplished jointly by TEN S.A. and ENGIE Energía Chile.
2. Compliance with 100% of the conditions to receive project finance completion by the deadline without having to pay any penalties or make any waivers. This was accomplished jointly by TEN S.A. and ENGIE Energía Chile.
3. Recovery of the MUSD 56 guarantee bond from the CNE.
4. Recognition from the Municipality of Diego de Almagro, for the second year in a row, of its contribution to the community
5. The bi-annual award from the Corporación de Bienes de Capital for the best project completed in 2016 and 2017.

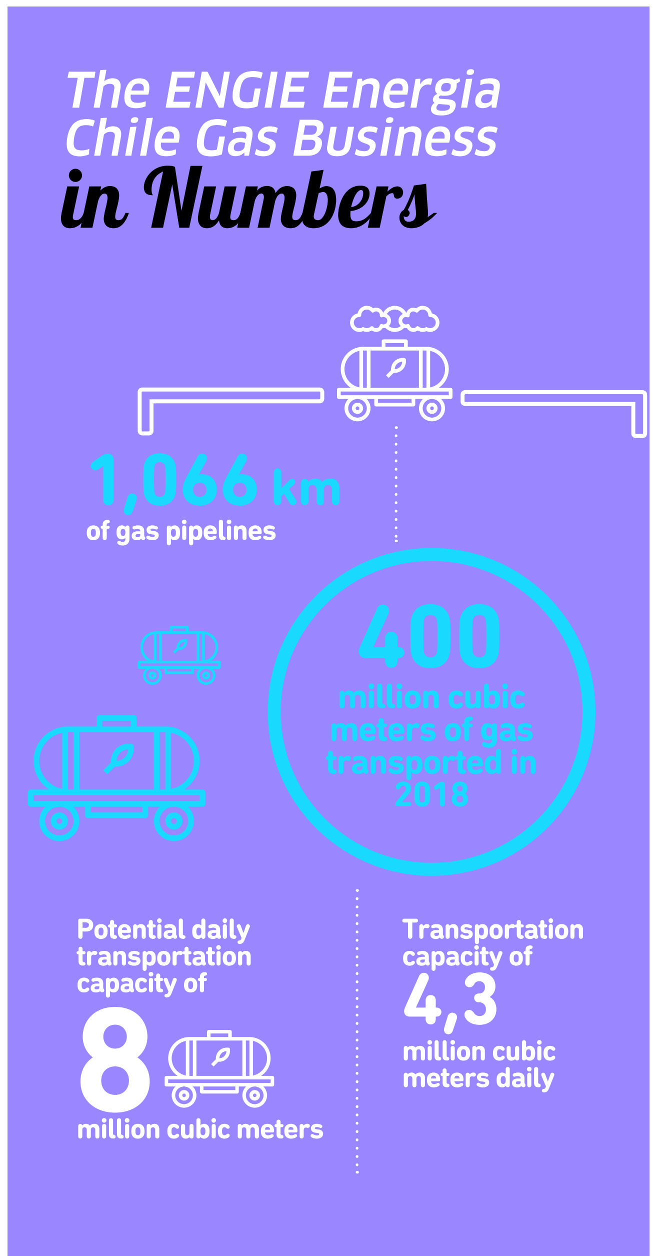
In 2019, TEN S.A.'s goal is to move towards becoming a benchmark in high voltage operation in Chile and in system maintenance, as well as in occupational and asset safety.

GAS AND PORTS

GAS PIPELINES

In 2018, the company completed pipe maintenance by the deadlines and within the approved budget. Like in 2017, ENGIE Energía Chile sold gas to Argentina. Argentina is now in the last stage of applying for permits to transport gas from Argentina to Chile starting in 2019.

The first private swap transaction was also performed between Chile and Argentina in 2018.



PORTS

The company also has two ports:

1. **Port Andino:** This is part of the Mejillones Energy Infrastructure Complex (IEM), built for an investment of US$122 million. It can transfer more than 6 million tons per year and service vessels of 180,000 DWT.

   It received the first coal shipment at the end of December 2017, and since then, it has landed 26 shipments for a total of 1,506,003 tons of coal and 128,837 tons of limestone. It also successfully unloaded two capesize vessels each carrying 160,000 tons.

   In 2018, ENGIE Energía Chile began the process to make Port Andino a "Green Port." This seal certifies that the company has dual protection against dust, a good relationship with the community and standards that guarantee that port and ship waste will be properly treated, among other aspects.

2. **Port Tocopilla:** This is a multipurpose terminal that has two cranes, one for 50 tons and another for 27 tons. Its yards can hold 350,000 tons of solid bulk and its warehouses and wharf aprons measure 5,000 m^2. It also has a capacity to store 50,000 m^3 of liquid bulk.

Port milestones in 2018

Port Tocopilla

- Two-year maintenance of the marine terminal
- Commencement of Bynsa crane overhaul

Port Andino

- Operations commenced in July
- First capesize ship unloaded (160,000 tons)

CUSTOMER MANAGEMENT

The company is endeavoring to identify customer needs more efficiently by segmenting its management into Large Customers from the Mining Sector and Mid-Sized Corporate Customers from the industrial and tertiary sectors.

ENGIE Energía Chile redesigned its website to ensure a better and more profound understanding of its business. The content was changed corporate-oriented to commercial-oriented where the products and solutions are protagonists.

The main milestones in this area in the year were:

1. **The start of the agreement with distributors in the central-south zone.** On January 1, 2018, the company began to supply a total of 5,040 GWh of energy per year to distribution companies over a period of 15 years using a diversified portfolio of energy sources comprised of existing facilities and new capacity from natural gas, the Mejillones Energy Infrastructure and unconventional renewable energy.

2. **Renegotiation of contracts with mining companies.** The company made new commercial agreements with three of its major customers in the mining sector to extend the deadlines. In addition to this extension, the new agreements included a change in rate indexing. Starting in 2021, rates will be indexed to the CPI instead of the international price of coal. These contracts were:

   - Codelco, Chuiquicamata Division (220 MW), which includes an extension for the period 2025-2035.
   - Glencore, Alto Norte Metallurgical Complex (50 MW) and Compañía Lomas Bayas (50 MW), to extend the contract from 2033 to 2037.
   - El Abra (110 MW): made in 2017 and that entered into effect in 2018.

   The company thus took a relevant step towards replacing its coal-fired assets by renewable energy. Its customers will also benefit by lower energy costs and a reduction in the carbon footprint.

INDUSTRIAL CUSTOMER SEGMENTS

1. In 2018, the company added 14 new customers to this segment, or an increase of 30% compared to 2017. As part of its goal of providing integral solutions to customers' specific needs, the company undertook pilot electromobility projects and provided power supply based on certifiable renewable energy, among other initiatives. At the close of 2018, the company had 34 customers in this new category.
2. **2019 challenge:** In this area, the company is endeavoring to position itself in energy-efficient service to help customers save in their production processes and to guarantee a reduction in the nation's CO2 emissions.

New 100% renewable Energy Customers

The company expanded its customer portfolio in 2018 with the addition of power purchase agreements based entirely on renewable energy. The new customers are:

- Canal 13
- Hoteles Plaza
- Embotelladora Andina
- Banco Bci
- Nuevo Pudahuel Aeropuerto Santiago
- Grupo GTD
- Cementos BSA
- Corpesca

Largest Customers

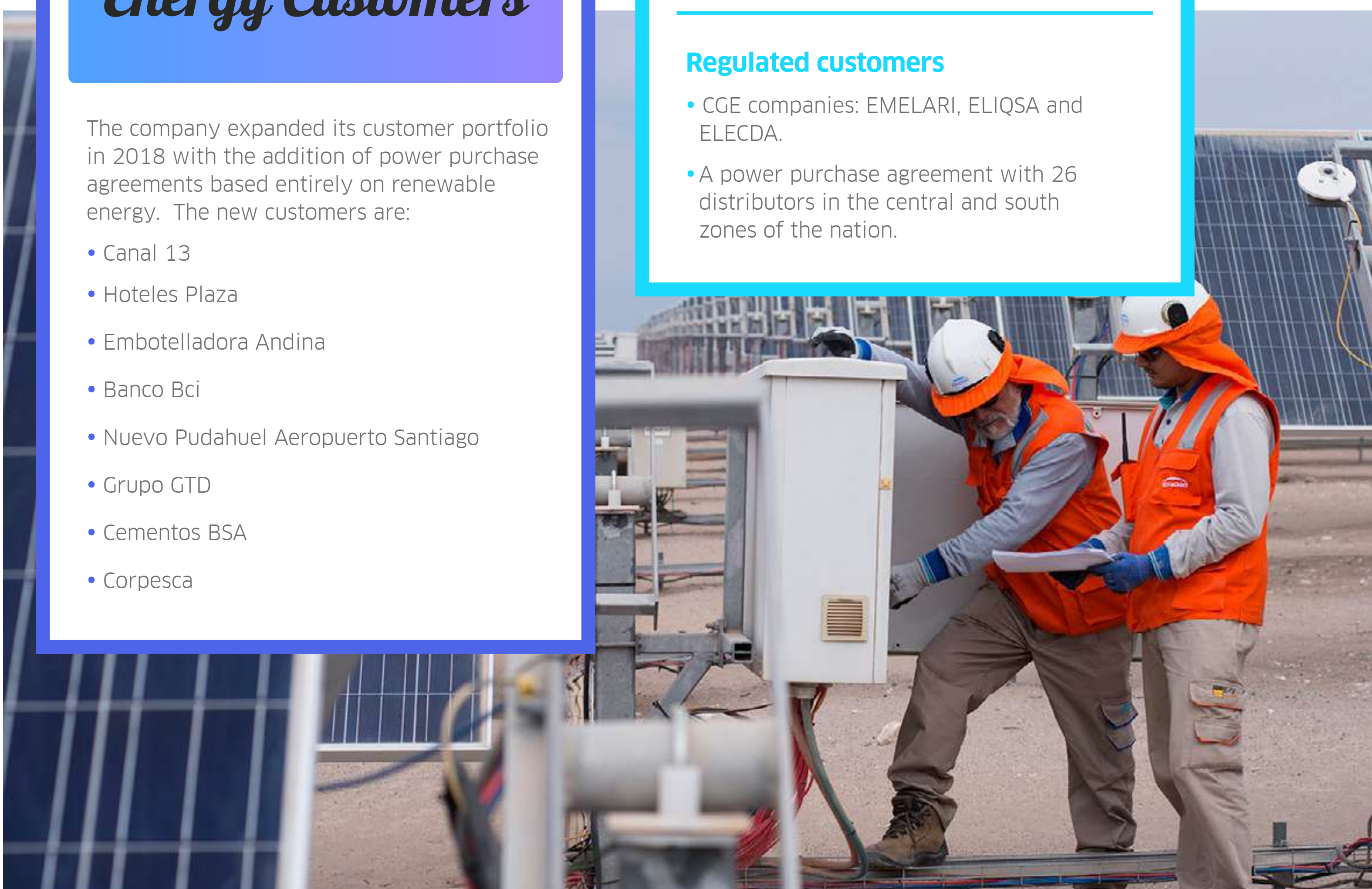
At the close of 2018, the customers accounting for more than 10% of the company's billing were:

Unregulated customers

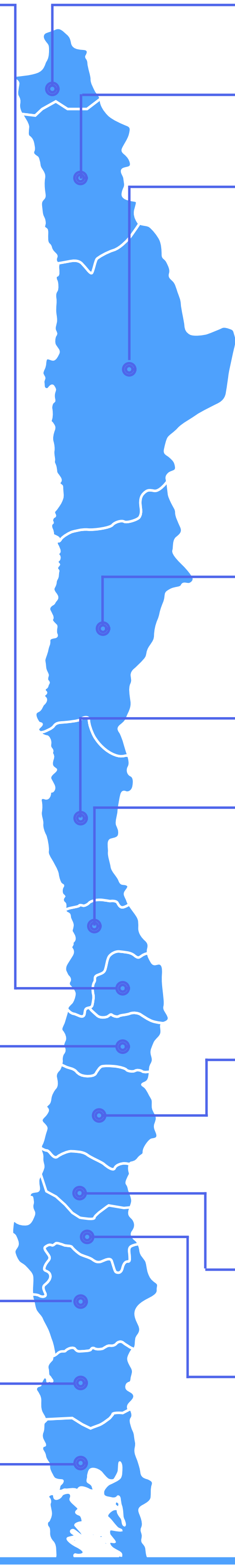
- Codelco: Chuquicamata and Minera Gaby.
- AMSA: Minera Centinela, including Esperanza y El Tesoro Mines, Minera Antucoya and Compañía Minera Zaldívar SPA.
- Freeport-McMoran: El Abra.
- Glencore: Lomas Bayas and Alto Norte.

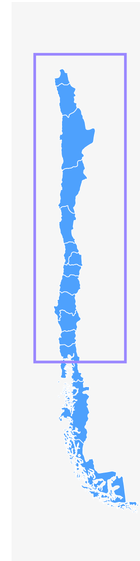
Regulated customers

- CGE companies: EMELARI, ELIQSA and ELECDA.
- A power purchase agreement with 26 distributors in the central and south zones of the nation.



ENGIE ENERGIA CHILE'S CUSTOMERS AND POWER SUPPLY ON THE SEN





Metropolitan Region

- ACEROSCHILE
- enel
- CGE
- 13
- Enaex
- EEPA
- Hoteles Plaza
- Embotelladora Andina
- Bci
- NUEVOPUDAHUEL
- BSA
- Gtd Grupo Gtd
- CORPESCA S.A.
- Serplas
- Malfanti.cl
- EROFLEX

Region of Liberator General Bernardo O'Higgins

- CGE

Region of Araucanía

- CGE
- CODINER

River Region

- SOCOEPA
- luz osorno
- Frontel
- Cooprell

Lake Region

- crell Luz que crece

Region of Arica and Parinacota

- CGE

Region of Tarapacá

- CGE

Region of Antofagasta

- CGE
- CODELCO
- Polpaico
- El Abra
- GLENCORE
- ANTOFAGASTA MINERALS

Region of Atacama

- CGE
- CAROLA-COEMIN

Region of Coquimbo

- CONAFE

Region of Valparaíso

- emelca
- EDECSA
- litoral
- CHILQUINTA energía

Region of Maule

- LUZLINARES
- cec
- LUZPARRAL

Region of Ñuble

- COPELEC

Region of Biobio

- Moly-Cop
- coopelan
- COELCHA

PORTFOLIO MANAGEMENT

The initiatives in managing our portfolio in 2018 were directed towards:

1. **The integration challenge:** Renewable energy is highly variable and differs by type–wind and photovoltaic. The challenge is to integrate these factors to risk management and analyze and optimize the portfolio in respect of these new resources.
2. **Market dynamics:** The ability to anticipate demand when customers show an interest in changing their standing from regulated customer to unregulated customer.
3. **Active role with the authority:** The company restructured the area that handles process integration and short-term monitoring of the market in the aim of continuing to be an active, credible and technically sound counterparty capable of presenting proposals and projects. The company continued to be an important member of government task forces and advisory committees to play a part in drafting the technical standards, laws and procedures for system operation.
4. **CEN satisfaction survey:** This survey was taken to understand CEN's level of satisfaction with the company's work. More than 85% of the feedback was positive.

MANAGEMENT OF CAPACITY SUFFICIENCY

This regulated, compensated service benefits the system because it provides support and is good for the industry since it implies bettering the return on assets.

DIGITAL TOOLS

In 2018, digital tools were added for the following purposes:

1. **Commercial management:** The tools for interaction between the portfolio area and the commercial area were reinforced to support the commercial team in preparing its offers and thus improve portfolio management.
2. **Monitoring natural gas availability:** A weekly monitoring tool was developed in regard to the import of LNG. A close control can now be kept of CEN's instructions and of the company's declared availability. This enabled an advanced control of fuel stock.
3. **Dashboard relaunch:** This is a platform used daily by the short-term portfolio management team and the operating teams. The system, the operation of units and marginal cost fluctuations can be tracked daily.

2019 CHALLENGES

- **Integration to the SIC:** The old SCADA platform of the CEN used for the SING will be shut down in 2019, leaving only the SIC SCADA. The challenge will be to integrate the new platform to our system.
- **Second satisfaction survey:** A second questionnaire will be presented to CEN to find any gaps or changes as compared to the first one. This is an unusual practice that is intended to improve the soundness and technical and regulatory credibility of the company's teams.
- **Tracking and adjusting to regulatory changes:** The most important amendments are to the Transmission Law, in addition to the flexibility in addressing the inclusion of variable renewable energy. Added to this is a regulatory calendar that imposes several regulations to be formalized in 2019 that will have an impact on the Transmission Area.
- **Continuing to integrate variable renewable energy** to the portfolio of ENGIE Energia Chile.

ECONOMIC PERFORMANCE

- *Operating income totaled US$1,275 billion in 2018, a 21% increase compared to the previous year. This was mainly due to an increase in the sale of energy in the regulated customer segment associated with the demand of distributors in the central south of the SEN.*

- *The 2018 EBITDA was US$376 million, a rise of 36% in comparison to the previous year. The increase in EBITDA is the result of the contract with distributors in the central zone of the SEN entering into force under which the company began to supply energy totaling 5,040 GWh annually over 15 years.*

- *The net profit in 2018 totaled US$103 million, a 1% increase over the previous year. This outcome was impacted non-recurrently in the second quarter, mainly because of the carrying amount of goodwill for Tocopilla units 12 and 13 (asset impairment). If the non-recurrent effects in both periods are excluded, the net profit rose 84%, to US$160.5 million.*

OPERATING INCOME OF
USD1,275 MILLION
21% MORE THAN IN 2017

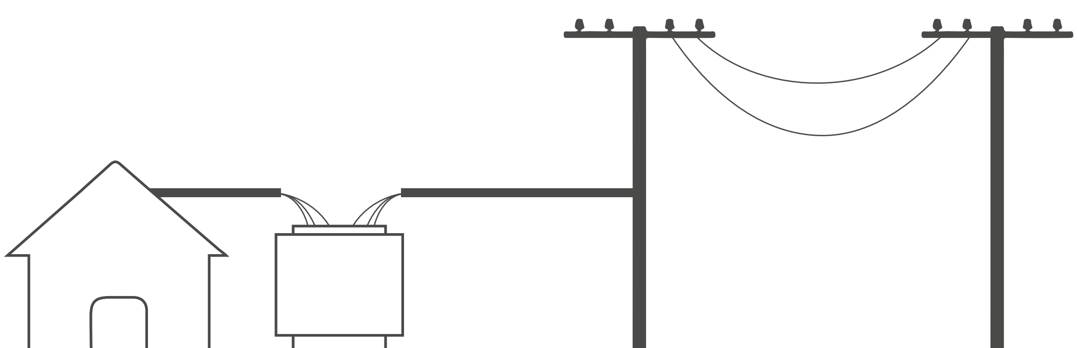
EBITDA OF
USD 376 MILLION
36% MORE THAN IN 2017

NET PROFIT OF
USD103 MILLION
1% MORE THAN IN 2017

OPERATING INCOME

In 2018, revenue from energy and capacity sales totaled US$1.122 billion, increasing 18% (US$168.5 million) compared to 2017. More income was earned from the regulated customer segment due to the start of the contract with distributors in the central-south zone of the grid, which accrued revenue for US$197.7 million from energy and capacity sales.

The volume of energy sold to unregulated customers dropped because the contract with Radomiro Tomic ended in August 2017 (-546 GWh). This was offset by a rise in the demand of existing customers, namely Codelco, El Abra, Esperanza, and El Tesoro, and by new customers.



Energy sales to regulated customers rose because of the start of the new contract with distributors that increased energy demand by 1,646 GWh in this period.

Sales to unregulated customers dropped 2% in comparison to the previous year. Although physical sales fell 2%, as explained in the preceding paragraph, the average monomial price rose 1% due to several opposing factors: (i) the renegotiation of contracts (-US$23.5 million); (ii) differentials in the provisions for capacity sufficiency (+US$10.2 million); (iii) one-time payments agreed in renegotiations (+US$4.5 million) and (iv) a rise in the rate indexers due to the increase in the price of fuel and in the CPI (+US$25.7 million).

Physical sales on the spot market declined significantly. Spot market sales also included payments for the annual resettlement of capacity and monthly resettlement of energy by the National Electrical Coordinator.

Gas sales rose because of the export to Argentina in 3Q18. Other operating income is comprised of transmission tolls and miscellaneous services (port, maintenance, etc.). This line item also includes US$2.8 million in business interruption insurance indemnities for unit CTM3 and the sale of fuel to third parties.

OPERATING COSTS

Gross electricity generation dropped 13% compared to the previous year, in particular due to the reduction in coal-fired generation, which fell 21%. There was a greater contribution from gas generation within the mix because it is more flexible in handling the intermittency of renewable generation, while coal-fired and diesel-fired generation declined.

In 2018, the fuel cost was 10% below the previous year due to a reduction in generation and in logistical costs in the emission abatement process, partially offset by an increase in the price of fuel in a large part of the year.

The cost of energy and capacity purchases on the spot market rose by US$100.2 million (50%) compared to the previous year, fundamentally due to the greater penetration of renewable energy in the system and the increase in the volume of energy purchased to fulfill the new contract with distributors. This contract is being supplied under bridge contracts with other system operations (880 GWh) and by spot purchases (766 GWh). Both types of purchases are included in the same line item.

Depreciation in the period remained similar to the levels of 2017.

Other direct costs of operation include transmission tolls, plant personnel salaries, operating and maintenance costs, insurance premiums and the cost of

fuel sales. This item was higher due to the increase in the cost of outsourcing (maintenance) and the cost of sale of the gas that was exported to Argentina in 3Q18.

Selling and administrative expenses (excluding depreciation) remained similar to previous periods despite the variations in the exchange rate.

Other operating income/costs correspond to the sale of water, insurance indemnities, provisions and minor miscellaneous income. This item includes the recognition of the share in the net profit reported by TEN S.A., which totaled US$6.9 million in 2018. The useful life of TEN's main assets was changed in October, which required an increase in depreciation and affected income from the last quarter.

OPERATING PROFIT (LOSS)

The 2018 EBITDA totaled US$375.7 million, an increase of 36% compared to the same period in the previous year. As explained above, the company earned a higher electricity margin in the period (US$103.8 million). Among the main factors that influenced the EBITDA increase were: (i) the increase in sales to regulated customers; (ii) the increase in the prices for unregulated customers despite the rate reductions from contract renegotiations; (iii) insurance indemnities; and (iv) the proportional share in the profit of TEN S.A. The factors that reduced the EBITDA were: (i) the increase in the cost of purchasing energy and capacity; (ii) the lower margin in the gas sale and transmission businesses; and (iii) the drop in physical sales to unregulated customers. None of these factors sufficed to counteract the overall increase.

FINANCIAL PROFIT (LOSS)

Financial income rose slightly due to the rise in interest rates. Financial expenses increased marginally because of the greater financial debt in 2018. However, please note that in both periods, interest was capitalized as an investment cost of the IEM project.

The exchange differential resulted in a loss of US$2.3 million in the period due to the volatility of the exchange rates in 2018.

As of 2018, this item is included in EECL's EBITDA because the project began commercial operation.

In this period, the other net non-operating loss totaled US$79.2 million, mainly because of the recognition of the asset impairment from the upcoming closing of Tocopilla units 12 and 13 for approximately US$52.9 million net of tax (US$72.5 million before taxes).

This item also includes insurance indemnities for US$4.8 million for units 16 and CTM3 (for property damage) and retirements of other fixed and intangible assets totaling US$12 million. In 2017, this item included insurance indemnities for US$12.3 million and deferred tax reversals for US$5.7 million as a result of the tax reform in Argentina. These two items, added to minor effects, had a positive net impact of US$14.4 million on the 2017 net profit after taxes.

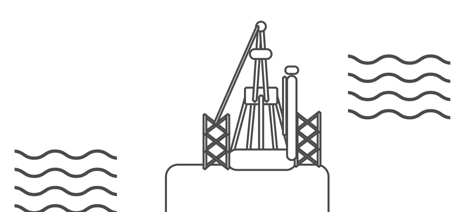
NET EARNINGS

Please note that the income tax rate for 2018 is 27%, while it was 25.5% in 2017.

In 2018, net after-tax earnings were US$102.6 million, above the earnings for 2017. As explained earlier, the units 12 and 13 asset impairment negatively impacted cumulative income for the year, although it was offset to a lesser extent by insurance indemnities. However, earnings without the non-recurrent effects mentioned above would have been a profit of US$160.4 million in 2018, an 84% increase over the previous year when the net profit, excluding non-recurrent effects, was US$87 million.

LIQUIDITY AND CAPITAL

As of December 31, 2018, EECL held, on a consolidated basis, cash totaling US$61.5 million and available committed bank credit facilities for US$100 million. This level of cash and credit facilities can be contrasted with a total nominal financial debt of US$840 million, of which US$90 million expires in less than a year.



RISK MANAGEMENT

RISK MANAGEMENT POLICY

In its business, EECL is normally exposed to several risk factors, both operational and financial, that may impact its performance and financial condition. These risks are monitored closely and regularly by the Company's Finance and Risk and Insurance Areas.

EECL has established Risk Management procedures that describe the method for risk assessment and analysis, including the construction of a risk matrix. The risk matrix is updated and reviewed every six months, and action plans are monitored permanently. All risk management is presented to the company's Board of Directors annually.

The company's financial risk management strategy aims to protect its stability and sustainability in relation to all components of financial uncertainty or material risks.

Below is a summary of some of the risks faced by EECL and its subsidiaries and how they are managed.

RISK OF NATIONAL DISASTERS

Chile is one of the countries with the most earthquake activity in the world, and it has been hit hard in the recent past by earthquakes and tsunamis, including an 8.8-magnitude earthquake (followed by a tsunami) devastating the central part of the country in February 2010 and an 8.2-magnitude earthquake in April 2014, with an epicenter close to the coast of Iquique.

Although our facilities have not been damaged by these recent events, an earthquake, tsunami or other disaster could significantly impact our assets, businesses and/or financial condition in the future. In order to mitigate the potential effects of this risk, the company's management adopts the measures that it considers pertinent, such as contracting property and business interruption insurance policies, preparing evacuation plans in coordination with authorities, conducting drills, establishing contingency sites and other business continuity measures.

REGULATORY RISK

The company is subject to regulations governing in Chile, which may cover diverse aspects of the business. The company's operations must abide by a wide range of regulations on rates and other aspects of its activities in Chile. Consequently, any new laws or standards or amendments to existing ones could impact its activities, economic situation and the results of operations.

The company's activities are also subject to broad environmental regulations that must be followed permanently. Any changes in these areas could affect activities, the economic situation and the results of operations. Among other things, environmental regulations require environmental impact studies for potential projects, licenses, permits and other prior authorizations and the fulfillment of all requirements stipulated in those licenses, permits and standards. Like what occurs with any regulated company, the company cannot warrant that government authorities will approve those environmental impact studies; there will be no public opposition resulting in delays or changes to a proposed project; laws or standards will not be changed or interpreted in a way that increases expenses or affects operations, plants or plans of the company.

MARKET RISK

Market risk is the risk that the fair value of the future cash flows of a certain financial asset or instrument fluctuate due to changes in market prices. There are four types of risks within market risk: interest rate, exchange rate, commodity and other price risks, such as the prices of energy or of shares. Financial instruments exposed to market risk are mainly bank loans and debt, time deposits, mutual funds and financial derivatives.

EXCHANGE RATE RISK

Exchange rate risk is the risk that the value of an asset, liability or cash flow (including the fair value of future cash flows of a financial instrument) fluctuate due to variations in exchange rates.

EECL held hedging agreements (forwards and options) with banks in the period ending December 31, 2018 to diminish the effects of dollar/peso, dollar/Euro and dollar/unidad de fomento exchange rate fluctuations on the company's cash flows and financial income.

Since most of our income, costs and financial debt are denominated in dollars, our exposure to exchange rate risk is limited. The company's revenue is largely denominated in, or indexed to, dollars. The rates for regulated customer contracts with distributors are set in dollars and converted to pesos at the average monthly observed dollar exchange rate, so exchange rate exposure in these contracts is limited. The main cost in Chilean pesos relates to employees and administrative expenses that account for approximately 10% of our operating costs. Therefore, since most of the company's revenue is denominated in the company's functional currency, while some operating costs are in Chilean pesos, the company decided to partially hedge peso payment flows for recurrent items with known payment dates, such as salaries, some service contracts and dividend payment commitments. The company and CTA have also signed cash flow hedge derivative agreements for payments under EPC contracts with S.K. Engineering and Construction and Belfi that each involve regular payment flows in currencies other than the dollar (CLF and EUR), in effect until the end of the respective construction periods of each project. So, the company has avoided variations in the cost of investing in property, plant and equipment resulting from fluctuations in exchange rates beyond its control.

In the aim of reducing exposure to exchange rate volatility, the company stipulated in its Cash Surplus Investment Policy that at least 80% of the cash surpluses must be invested in U.S. dollars, which is the company's functional currency, unless a different percentage is required to naturally match assets and liabilities by currency. This policy helps provide a natural hedge of dollar commitments or debt. As of December 31, 2018, 97.3% of the current accounts and short-term investments used in cash management were denominated in U.S. dollars. The Company's exposure to other foreign currencies is immaterial.

INTEREST RATE RISK

Interest rate risk is the risk that arises from changes in the fair value of the cash flows from the financial instruments in the general balance sheet due to changes in market interest rates. Exposure to interest rate risk arises mainly from long-term debt at floating interest rates. The Company and its subsidiaries manage interest rate risk through Interest-rate Swaps (IRS) in which the Company agrees to swap from time to time the difference between a fixed rate and a variable rate calculated on an agreed notional amount. As of December 31, 2018, EECL Group's financial debt was entirely at a fixed rate.

SHARE PRICE RISK

Neither EECL nor its subsidiaries held investments in equity instruments as of December 31, 2018 and 2017.

FUEL PRICE RISK

The company is exposed to the volatility of certain commodities since its generation activities require a continuous supply of fossil fuels, mainly coal, diesel oil and liquefied natural gas. The international prices of those fuels fluctuate according to market factors beyond the company's control. Coal is purchased mostly under annual contracts in which prices are linked to traditional indexes for the international coal market. Diesel oil and certain purchases of liquefied natural gas are bought at prices based on the international oil prices (WTI or Brent). The Company has also made a long-term liquefied natural gas purchase agreement in which the prices are linked to the Henry Hub index.

Given that EECL's generation is predominantly thermoelectric, fuel prices are a key factor in the dispatching of its power plants, in its average generation costs and its marginal costs on the grid where it operates. For this reason, the Company's policy is to include price indexing in all its power purchase agreements based on fluctuations in the prices of fuels material to calculating its variable operating costs. The Company endeavors to align its generation costs with revenue under its power purchase agreements. However, in its energy transformation plan, the company has decided to give preference to indexing rates to the variation in the consumer price index instead of the fuel price index, so its commodity price risk exposure may temporarily increase until there is a sufficient renewable generation asset base to support the inflation-indexed power purchase agreements. The Company has also contracted derivatives to hedge the exposure of its income and cash flows to fuel price volatility. Therefore, its exposure to commodity risk is largely mitigated, so no sensitivity analysis is presently made.

CREDIT RISK

Most of our sales are to large mining companies and power distribution companies. These sales are regulated by long-term contracts, which consequently creates a dependency upon the capacity of those customers and the fulfillment of their contractual obligations to us.

A drop in the price of copper and other raw materials could adversely affect the income and financial results of our customers, causing them to reduce mining operations and, consequently, the associated demand for electricity, which could have an adverse impact on our financial condition, operating income and cash flows.

The company has trade and financial counterparty risk policies as well as procedures and controls for administration of the credit risk of its customers. The company assigns credit limits to its customers,

large suppliers and financial counterparties based on the risk rating assigned according to an analysis of industry, market, operating, financial, reputation, payment behavior and other risks.

Impairment of all relevant customers is analyzed at each reporting date on an individual basis. The maximum exposure to credit risk as of the reporting date is the current value of trade receivables. The Company has determined that trade receivables risk concentration is acceptable as customers are mostly highly solvent large mining companies, power companies and electricity distribution companies.

FINANCIAL ASSETS AND DERIVATIVES

The credit risk to which the Company is exposed in transactions with banks and financial institutions for checking accounts, time deposits, mutual funds and financial derivatives is managed by the Corporate Finance Area in accordance with the Company's policies. Investments can only be made with authorized counterparties within the credit limits assigned to each counterparty. The Company also has term and risk diversification limits per financial counterparty. Counterparty credit limits are set on the basis of the national or international risk rating and liquidity and solvency indicators for each institution, which are reviewed from time to time by management. Limits are set in order to minimize the concentration of risk and thus mitigate losses in the event of default by any particular counterparty.

LIQUIDITY RISK

Liquidity risk is related to the need for money to meet payment obligations. The Company´s objective is to maintain a balance between cash availability and financial flexibility through normal operating cash flows, loans, short-term investments and lines of credit. The company regularly evaluates the concentration of risk in relation to debt refinancing.

As of December 31, 2018, the Company had a total debt of US$90 million maturing in 2019, but after that, no significant debt maturities until 2021. The company holds cash and short-term investments that total, when combined with the US$100 million available under the committed line of credit with Mizuho, BBVA, Citibank, Caixabank and HSBC, amply exceed its short-term financial commitments. Therefore, the Company's liquidity risk is currently considered to be low.

INSURANCE

We carry insurance for properties, operations, third parties, directors and executives, personnel and businesses.

We carry Operational All-Risks policies for EECL and associates. This policy covers our physical assets, such as plants, offices and substations, as well as business interruption. The policy includes coverage for machinery damage, fire, explosions and risks of nature.

Our company and its subsidiaries also carry coverage for transportation under a cargo insurance policy with limits that vary by the type of merchandise carried; and global charterer liability insurance that provides protection and indemnities for ship risks and damage.

We also carry a general civil liability insurance policy that covers employer liability and supply outages, as well as motor vehicle accident insurance. Directors and executives are insured under the Director and Officer liability policy.

The Company has contracted other insurance programs, such as life and accident insurance for employees, and vehicle, building and content, contractor equipment and contractor liability insurance policies.

The projects are insured against all risks of construction, including consequential damages caused by delays in start-up (DSU), civil liability, employer civil liability and freight.

4

SUSTAINABILITY *Strategy*

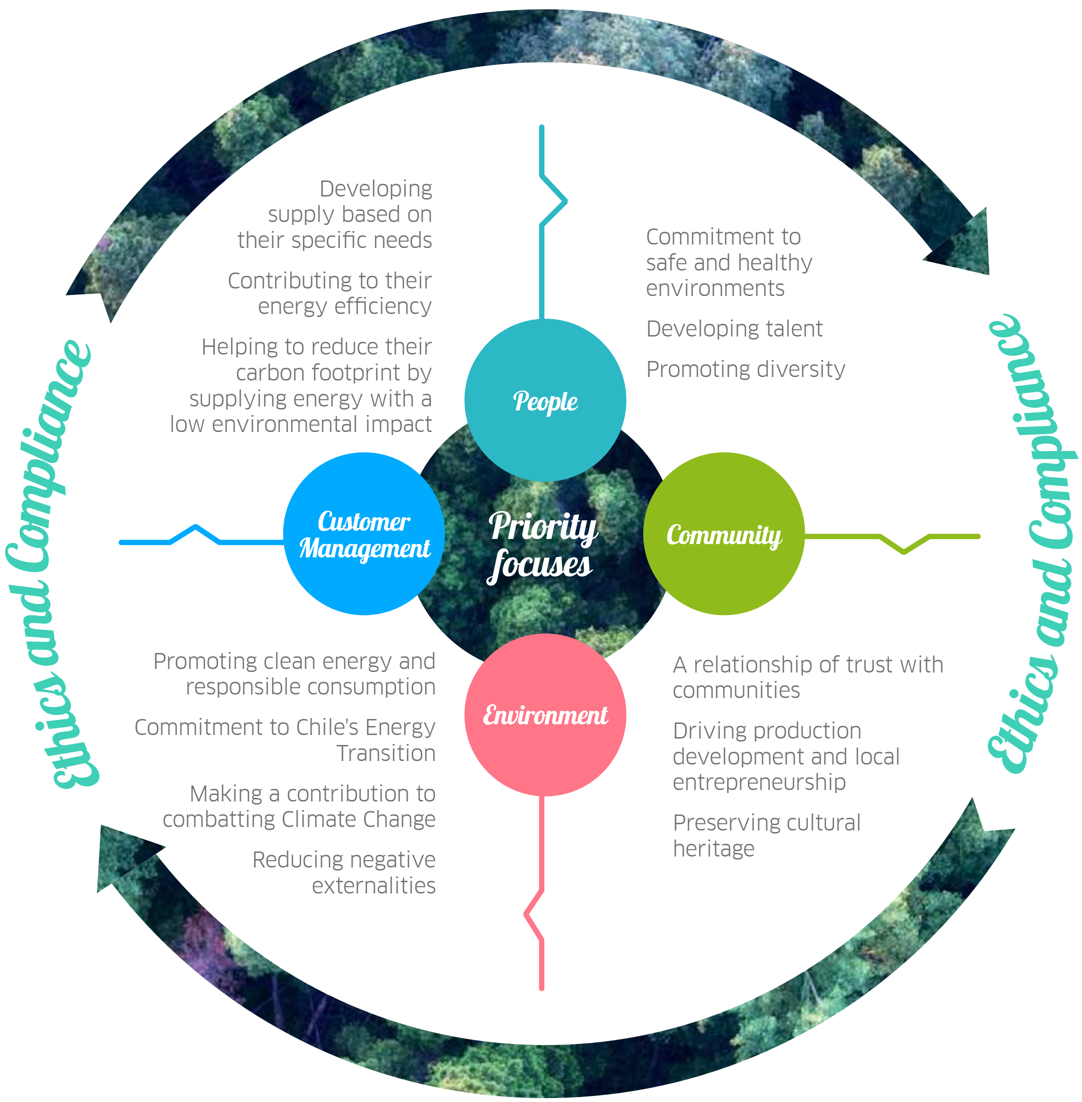
Our responsible management model is based on the corporate strategy of “Harmonious Progress” and it is aligned with the main global and local sustainability challenges.


#SharedValue

SUSTAINABILITY MODEL

ENGIE Energía Chile operates in the ambit of sustainability on the basis of a model aligned with its corporate strategy where the central objective is to contribute value to all of the company's stakeholders.

This internal framework is built on four priority thrusts–people development, mutually beneficial relationship with the community, care for the environment and integral customer management--, all of which are addressed by the company through measurable commitments emphasizing ethical management and legal compliance in line with the best international standards.



COMMITMENT TO GLOBAL CHALLENGES

ENGIE Energía Chile has proposed multiplying the positive impact of its activities through active and continuous involvement in the community and surrounding areas. We aspire not only to become an engine for development and permanent wellbeing, but also an ally committed to solving society's problems. As an energy sector company that employs many and is major economic force locally, we believe that we have much to give in building a growth model that is increasingly fairer, more balanced and integrating.

Under this vision, in 2018 we began to review our strategic priorities in order to leverage them more directly against the great global and national sustainability challenges, such as the Sustainable Development Goals,[1] the Energy Route[2] defined by the country, and the Private-Public Committee to encourage the insertion of women in the energy sector. As part of this work, we prepared a qualitative analysis to identify our direct contribution as a company to these across-the-board causes and the opportunities they present to continue strengthening that involvement.

Some of the main results for this fiscal year were:

Overlapping of ENGIE Energia Chile's Balanced Scorecard and the SDGs

13 of the company's 21 KPIs are clearly associated with 6 of the 17 SDGs.

5 of our KPIs are aligned with 5 SDGs even though we have not adopted them.

1. The Sustainable Development Goals (SDG), also known as World Goals, form part of the U.N. agenda to resolve the main social, economic and environmental issues affecting humanity by 2030.

See more at https://www.un.org/sustainabledevelopment/sustainable-development-goals/

2. http://www.energia.gob.cl/ruta

Overlapping between ENGIE Energia Chile's Balanced Scorecard and the 10 Energy Route commitments + the Private-Public Committee to encourage the insertion of women in the energy sectorla Mujer en el Sector Energía

6 of our 21 KPIs are clearly associated with 4 of the Energy Route commitments and with the Committee's mission:

4. Multiple the actual renewable distributed small-scale generating capacity fourfold.

6. Modernize electricity distribution regulations.

9. Begin the decarbonization of the energy matrix.

10. Train 6,000 workers, technicians and professionals to develop competencies and skills in energy management and sustainable use.

+ the Private-Public Committee to encourage the insertion of women in the energy sector.

Based on these results, the great conclusion that we as a company have reached is that our projects, initiatives and practices represent a true contribution to realizing these external initiatives.

Given that certainty, our main challenge from now on will be to continue deepening that relationship.

MANAGING SUSTAINABILITY IN AN EVOLVING ENVIRONMENT

ENGIE Energía Chile is aware of the huge challenges to sustainability that are posed by an increasingly more demanding business environment in an ongoing transformation. From that perspective, we have placed special emphasis on the early detection of potential threats in the social-environmental dimension of the business as well as on the continuous management of the sustainability aspects that are critical to implementing our strategy.

In the context of this work, some of the progress we made in 2018 was:

- **Sustainability risk management:** In the goal of identifying emerging aspects that may compromise the company's plans, since 2018 we have been monitoring monthly the risks that have not been identified as critical in our corporate map. This review complements the annual assessment made by our board of directors and the quarterly monitoring of the most relevant risks. Among the emerging risks that we pay special attention to are those that are considered qualitative, which include all that have no defined financial impact, such as environmental, reputational, ethical and social risks. If, from this review, we find that one of these emerging risks must begin to be managed as a critical risk, we activate a procedure that involves defining action and mitigation plans, goals, owners and the calculation of the financial impact.
- **Sustainability considerations included in the strategic planning:** The company annually defines its KPIs on the basis of the projects and critical plans designed by senior management for the period, including aspects that can be managed according to performance goals. In 2018, we prepared a total of 21 KPIs for our Balanced Scorecard, which we associated with the three pillars in our corporate strategy: Customers, Productivity and Sustainability. As concerns sustainability, we specifically decided to include only indicators that we could continuously monitor through objective criteria like "Stakeholder Relations" (see more on page 71). Considering that the success of all these projects is a group challenge that also impacts the annual performance bonus of all collaborators, another of our focuses in 2018 was communicating the Balanced Scorecard. We explained the evolution of this strategic plan on the intranet. We added details on the BSC to the monthly management reports that we upload to the corporate website as well as the percentage compliance with some of our KPIs. Our 2019 goal is to continue disclosing these matters further and improving the management of sustainability aspects through increasingly more objective criteria.

STAKEHOLDERS

INTERNAL STAKEHOLDERS	SOCIETY'S STAKEHOLDERS	THE AUTHORITY'S STAKEHOLDERS	FINANCIAL STAKEHOLDERS	BUSINESS
Collaborators	Communities	Local authorities	Shareholders	Customers
Unions	NGOs	National authorities	Analysts	Suppliers
Joint Hygiene and Safety Committees	Trade associations		Bondholders	Industrial partners
			Banks	

ENGIE Energía Chile endeavors to build a long-term relationship with our stakeholders grounded on permanent communication, mutual trust and reciprocal development.

We developed this bond on the basis of the main subjects of common interest that also served to receive the feedback needed for our continuing improvement model.

Territorially, this engagement is inherent to our energy transition process where the priorities are the economic reconversion of localities where we will be closing coal-fired plants and the search for new, 100% renewable projects to guarantee their full social and environmental viability.

MILESTONES IN STAKEHOLDER RELATIONS

In 2018, one our main advances in sustainability was adding the Stakeholder Relations indicator to the company's Balanced Scorecard. This milestone led us to design a new Stakeholder Monitoring and Management Plan. Under this program, some of our initiatives were:

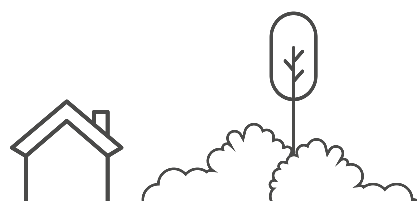
- We created a map of close to 100 stakeholders important to the company, where we also identified a group of around 25 who are critical. This list will be updated every three months because relations are dynamic.
- To manage relations with this latter segment, we implanted a Stakeholder Manager system. These managers handle the relationship with each of the strategic stakeholders and in that capacity they must, among other things:

  A. be the main spokesperson for their stakeholder in the company. This means answering their requests and leading the engagement by other areas of the company with that stakeholder.

  B. design relationship plans and keep a record of all communications.

  C. keep regular records of sensitive issues identified in the framework of this relationship.**D.** convertir a estos grupos de interés críticos en aliados de la compañía.

- This indicator will be monitored through the Balanced Scorecard according to completion of the contact plans and the Stakeholder Managers' capacity to move those groups into more positive quadrants of the engagement map.
- Another 2018 milestone in stakeholder relations was the reinforcement of our relationship with shareholders. This work involved, among other actions, aligning the way we provide financial information with the format of the global Engie Investor Relations area. In addition, we began to post financial guides for the market containing two-year income forecasts.



ENGIE Energía Chile's MEMBERSHIPS

Institution	Web Site
ACCIÓN EMPRESAS (COMPANY ACTION)	www.accionempresas.cl
GLOBAL COMPACT	www.pactoglobal.cl
SOFOFA (MANUFACTURING DEVELOPMENT SOCIETY)	www.sofofa.cl
ASOCIACIÓN CHILENA DE ENERGÍAS RENOVABLES A.G. (CHILEAN ASSOCIATION OF RENEWABLE ENERGY)	www.acera.cl
ASOCIACIÓN DE INDUSTRIALES DE MEJILLONES (MEJILLONES INDUSTRIAL ASSOCIATION)	www.aimejillones.cl
ASOCIACIÓN DE GENERADORAS DE CHILE (ASSOCIATION OF GENERATORS OF CHILE)	www.generadoras.cl
ENERGY EFFICIENCY COMMITTEE OF THE MINISTRY OF THE ENVIRONMENT	www.mma.gob.cl

CHANNELS OF COMMUNICATION

Scope	Stakeholders	Channels
INTERNAL	Collaborators	Intranet, Newsletters, ENGIE & Me survey, performance management, training and leadership programs and in-company campaigns
	Unions	Collective bargaining and monthly meetings
	Joint Hygiene and Safety Committees	Work meetings, panels and annual seminars
SOCIETY	Communities	Task forces, territorial managers, stakeholder managers and the Integrated Report
	NGOs	Territorial managers, stakeholder managers and the Integrated Report
	Trade Associations	Membership on committees and task forces and the Integrated Report
AUTHORITY	Local	Task forces and stakeholder managers
	National	Formal conduits and stakeholder managers
FINANCIAL	Shareholders	Shareholders Meetings, corporate website, conference calls, Investor Relations Officer, Integrated Report and regular reporting to the market.
	Analysts	
	Bondholders	
	Banks	
BUSINESS	Customers	Monthly Newsletter, Customer Day, corporate website and the Integrated Report
	Suppliers	New Supplier Portal, internal contact, monthly meetings with critical suppliers and the Integrated Report
	Industrial Partners	Alliances and agreements

PROGRESS IN SUSTAINABILITY

Occupational Health and Safety	We have reinforced the process for approval of work permits and implanted a policy of Zero Tolerance for failure to follow company procedures.
A Culture for New Challenges	We adopted the four behaviors that global ENGIE made a priority for the organization to successfully overcome its future challenges.
Development and Learning	At Tocopilla, we installed a strategy to relocate collaborators working at the two coal-fired units that we will close in this city in 2019.
Gender Diversity and Equity	In 2019, we exceeded the goal of 18% for our Women in Executive Positions KPI. This KPI was 18.97% at the close of the fiscal year.
Innovation and Digitalization	We organized innovation and digitalization workshops for our teams in Santiago, Tocopilla and Mejillones.
Environmental Management	We recertified our integral management system and closed the 12 audits of the company's operations by the authority without any penalty.
Supplier Development	We raised the proportion of domestic suppliers in our portfolio to 92% and we maintained our policy of paying the invoices of small businesses in an average of 15 days.
Community Relations	We set up task forces in Tocopilla to address the social and economic reconversion of the locality due to the gradual closing of our coal-fired power plants. We also searched for renewable energy projects to guarantee their full social and environmental viability.

VALUE GENERATED AND DISTRIBUTED

In 2018, ENGIE Energía Chile created a direct economic value of KUS$1,289,416. This is above the figure of MUS$1.072 for 2017.

Of the total economic value that we generated in the last fiscal year, we distributed KUS$1,031,865 among our main stakeholders. The remainder (KUS$257,551) is our retained value.

Economic Value Generated

KUS$1,289,416

KUS$ 1,275,296
Sales and other operating income

KUS$ 5,846
Financial income

KUS$ 8,274
Profit on the sale of fixed assets and other income

Economic Value **distributed**

KUS$ 1,031,865

COLLABORATORS (1)	KUS$ 21,700
OPERATING EXPENSES (2)	KUS$ 887,011
SHAREHOLDERS AND LENDERS	KUS$ 83,900
GOVERNMENT (3)	KUS$ 38,339
COMMUNITY	KUS$ 915

Economic Value **retained**

KUS$ 257,551

2017: MUS$ 208

2016: MUS$ 274

(1) Salaries and benefits, excluding training.

(2) Payments for raw materials, product components, facilities and services acquired, property rental, license fees, facilitation payments, royalties, worker subcontracting, training of employees and the cost of employee protective equipment.

(3) Taxes accruing in the fiscal year and recorded as an expense in the consolidated statements of the group, including the corporate tax and special taxes.

5

MATERIAL *topics*

Our sustainable management is focused on the issues that stakeholders consider to be the most relevant. We address all these dimensions through ongoing dialogue from the standpoint of shared value.


#MultiplyingOpportunities

OCCUPATIONAL HEALTH AND SAFETY

IN 2018, WE ASSIGNED THE MAXIMUM PRIORITY TO THE IMPROVEMENT AND STANDARDIZATION OF INDIVIDUAL CONDUCT ACROSS THE BOARD, AND OF THE PROCESSES HAVING IMPACTS ON SAFETY.

Management Approach

ENGIE Energía Chile wants to build a culture of prevention and self-care not only by our teams but also by contractors. To this end, we have policies and procedures that are mandatory for everyone, and we continuously implement training plans on these subjects. In harmony with this goal, we have also included OHSAS 18001 to our integral management system, and we update the entire plan for investment in safety equipment each year.

In 2018, we lamented the death of one of our workers at the Mejillones facilities. This occurrence forced us to rework our control systems in depth, and it led us to assign the maximum priority to the improvement and standardization of individual conduct across the board, and of processes having an impact on safety. This decision resulted in the following measures:

- We reinforced the work permit approval procedure. These authorizations help work to be performed safely under all the conditions required to avoid accidents. To that end:
  - We provided specific training.
  - We renamed some key stages in the procedure to emphasize their relevance.
  - We implemented cultural intervention programs to promote changes in people's behavior towards risks.
  - We put programs into practice for the managerial staff to define the "step by step" in each activity, appoint the owners and identify the technical and soft skills required for each task.
- We hired a risk prevention expert in each business unit to reinforce prevention activities in operations until those operations achieve a safety maturity.
- In our approach to monitoring safety indicators, in 2018 we decided to reduce all our safety indicators to zero each time a fatality occurs, even though we have achieved improvements in other dimensions of our performance. The idea is to guarantee the safety and integrity of people. Similarly, starting in June, we enhanced the tracking of the goals proposed by the parent company as those goals are highly exigent.

In November, the increase in the high-potential events (HIPO) forced us to make the unusual decision to stop activities nationwide to reflect as a company on this subject.

STRATEGY TO HANDLE THE INCREASE IN HIPO

In 2018, we also proposed confronting the rising trend we found in high potential events (HIPO). With that in mind, we increased the requirements and implanted a Zero Non-Compliance Tolerance policy. The objective is to have a model showing the clear consequences of any violation. In that respect, a procedure was designed, comprised of letters of commitment and of admonition for non-standard conduct that will be monitored by a Behavior Committee. This committee will be comprised of members from the Human Resources, Operations and Safety Areas who will take office in January 2019.

In November, the increase in these HIPO forced us to make the unusual decision to stop activities nationwide to reflect as a company on this subject. The seminar, which was headed by the senior executives in each site, served to reinforce the message among collaborators that "whatever happens, the safety of people must always come first."

These events also led to the establishment of a new Lost-Time Accident/HIPO Review Committee. This Committee will have the mission of investigating the root causes of this type of event and proposing mitigation and improvement actions.

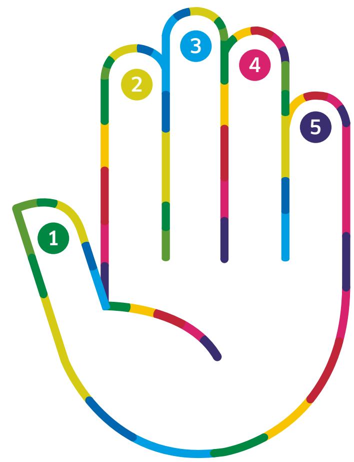
PRACTICAL AND SITE TRAINING

As a result of the emphasis on safety management, in 2018 the training in this area was focused on activities involving the greatest number of people that pose the highest levels of risk. As part of this work, at each of the sites we used managerial walks to provide training to more than 200 people in different positions.

On an operating level, another focal point was working at a height, which we addressed by a practical course teaching the use of fall protection systems.

Once a month throughout the year, we also continued reinforcing among teams our “Nine Life-Saving Rules.” And in November, we also launched the “Hand of Safety,” a sensitization campaign that graphically represents the five core aspects of our safety policy.

The Hand of Safety



1 **Following** the rules always saves lives

2 **Stopping** immediately unsafe actions and work in unsafe conditions

3 **Maintaining** a shared oversight at all times

4 **Reporting** any unsafe situation and/or condition

5 **Caring** for yourself meticulously

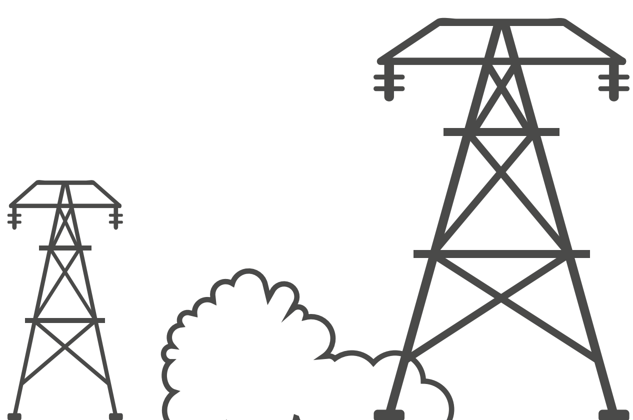
For preventive health care, we launched a cardiovascular risk program that included free monthly check-ups in Mejillones and Tocopilla.

PSYCHOSOCIAL RISKS

The work in this area was focused on the gaps found in the most recent surveys. One of the focal points was the concern arising among people because of the eventual impacts on their jobs once the coal-fired plants in the north are closed.

The company dealt with this subject in particular with the unions and generally through talks and training oriented towards facilitating the changes.

From a preventive health care perspective, we also launched a cardiovascular risk program where anyone receiving observations in their occupational health examinations could go for free monthly check-ups in Mejillones and Tocopilla. The program included recommendations how to care for yourself and which doctors to see.



HOW DO WE INVOLVE CONTRACTORS IN OUR HEALTH AND SAFETY POLICIES?

- Each time we hold a tender, we share our safety standards and special contractor regulations with bidders.
- We have an internal control system to ensure that only contractors whose occupational health examinations and employment contracts are up to date are retained by the company. In 2018, we increased the health controls with new contractors, putting the emphasis on updating examinations.
- As for safety, contractors are set a global goal that we monitor monthly. Repeated failures are considered to be a negative factor in new tenders and may even result in contract termination.
- Monthly we reinforce among outsourced staff our “Nine Life-Saving Rules,” and since November, we have also been holding the “Hand of Safety” campaigns.
- We apply a Zero HIPO Tolerance policy among contractors. In practice, this means that both the supervisor and the company’s safety head will be fired for violations.

Health and Safety in numbers

Company employee safety indicators

- **1.2** Frequency ratio
- **95%** Compliance
- **1** Fatality
- **0** Serious accidents

Main sensitization campaigns in 2018

- Work Procedure
- Nine Life-Saving Rules
- Hand of Safety
- Safety Walks
- Respiratory Protection
- First Aid
- Workplace Ergonomics
- Healthy Diet

US$ 3 MILLION

Investment in safety in 2018

Contractors

More than **700** *employees of contractors were trained in safety*

- **1.9** Frequency ratio
- **60%** compliance

Workers suffering from occupational diseases

- **0** Men
- **0** Women

4 Joint hygiene and safety committees

Fines

100 Monthly Tax Units (UTM)

A sanitary inquest investigating compliance with Executive Decree 594

SUPPLIER DEVELOPMENT

IN 2018, WE RAISED THE PROPORTION OF DOMESTIC SUPPLIERS IN OUR PORTFOLIO TO 92% AND WE CONTINUED WITH OUR POLICY OF PAYING THE INVOICES OF SMB SUPPLIERS IN AN AVERAGE PERIOD OF 15 DAYS

Management Approach

In line with the Company's Procurement Policy, the supplier management priority is to satisfy the corporate procurement needs efficiently and opportunely while also guaranteeing a transparent and competitive process known for caring for the safety of people, being environmentally responsible and providing quality services, among other technical, economic and operating aspects.

In this context, we as a company aspire to build a bond of trust with suppliers based on mutual responsibility throughout the relationship cycle and on the commitment to contribute to the development of our surroundings. As part of that view, one of our challenges is to strengthen local companies to integrate them into the value chain and add them to our strategic objectives.

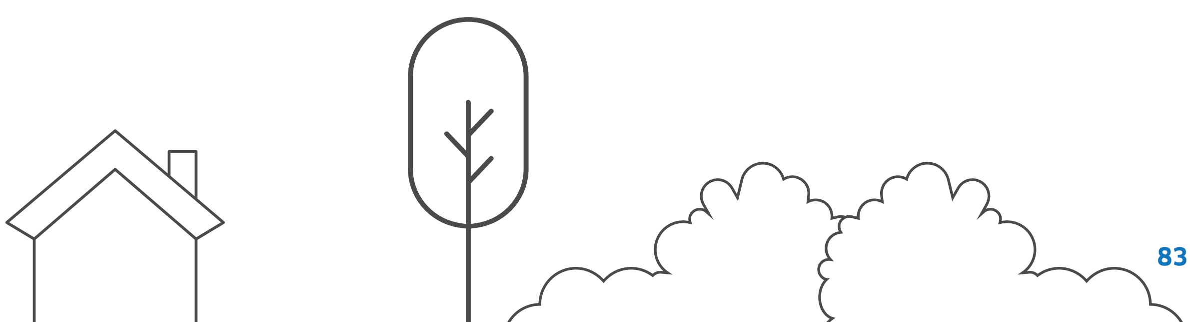
LOCAL SUPPLIER DEVELOPMENT

In the aim of proliferating the positive impact of our operations on neighboring communities, ENGIE Energía Chile places special emphasis on the development of local suppliers.

As a company that intensely hires specialized services, we give priority to contracting companies and people from the localities where we conduct our business under the same conditions of competitiveness, above all for major maintenance.

Also to encourage the progress of neighboring communities, we recommend that contractors hire local workers and add small suppliers in the zone to their value chain.

Aware of the impact that timely payment has on these businesses, our corporate policy stipulates special safeguards for SMBs.



Those safeguards include:

- **Payment to small suppliers in 15 days** (shorter than the company's average 30-day standard for invoice payment).
- **Respect for, and compliance with,** suppliers' factoring arrangements.
- **A prompt payment policy** , so that suppliers receive reimbursement in a shorter period of time to which only a symbolic discount is applied.
- **Improving periods for payment at no additional cost** when there are delays in the payment or in execution of services caused by ENGIE Energía Chile.

Aware of the impact that timely payment has on these businesses, our corporate policy stipulates special safeguards for SMBs.

1,390 total number of suppliers

Suppliers in numbers

TOTAL PAID TO SUPPLIERS IN 2018

USD 356,483,672

TOTAL PURCHASES FROM DOMESTIC SUPPLIERS

USD 282,167,476

TOTAL PURCHASES FROM INTERNATIONAL SUPPLIERS

USD 74,316,196

40 Contractors with personnel at EECL's facilities

828 Total number of contractor workers

37 *Small suppliers received invoice payment within 15 days during 2018*

EMPLOYER COMPLIANCE AND SELECTION CRITERIA

ENGIE Energía Chile establishes contractual relations with suppliers under a contract with specific clauses on employer compliance, through a service order that also includes those sections. This aspect is monitored monthly with the support of an external company whose certificates on compliance with employer obligations are a condition for invoice processing. We also set down financial protection in contracts covering at least 2 months of salary for the workers of a contractor who falls into default or bankruptcy.

We select our suppliers through a rigorous review process that includes:

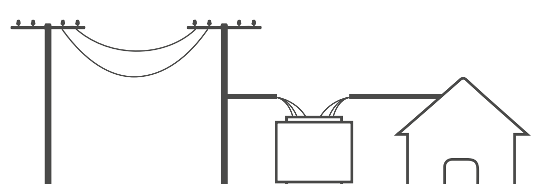
- Analysis of reports in the press on any major events of supplier default.
- Control of safety indicators.
- Certificates of employer compliance and credit history.
- A study of information using the Supplier Rating Information System (SICEP), an internet platform developed by the Antofagasta Industrial Association that provides detailed information on the performance of member suppliers. As ENGIE Energía Chile promotes the inclusion of suppliers to its registers, we understand that this is a window display where the general market can see companies with good practices.

As concerns regulatory compliance, another key aspect is the way in which we involve suppliers in the corporate standards on crime prevention and ethical management. We add appendices to our contracts that are intended to ensure and commit contractors to the company's models and directives in this area.

To deepen this alignment, in 2018 we invited contractors to our internal training cycles on ethics and crime prevention (see more in the Ethical Management chapter).

MAIN CHANNELS OF COMMUNICATION AND FEEDBACK

- **Site Committees:** These committees analyze results monthly and define safety actions.
- **Monthly management meetings with regular contractors.** These meetings are held with suppliers whose contracts exceed one year so that we can address safety, operating and commercial matters.
- **New Supplier Portal:** This is a platform that will be developed in 2019 so that contractors can maintain a fluid internet communication with ENGIE Energía Chile. On this platform, suppliers will be able to view information on contracts and payments and important corporate releases, among other content.



ENVIRONMENTAL MANAGEMENT

IN 2018, WE CALCULATED A CARBON FOOTPRINT OF 5.74 MILLION TONS OF CO2 EQUIVALENT FOR THE 2017 FISCAL YEAR. THAT FIGURE IS EQUAL TO A 25% REDUCTION COMPARED TO 2016.

Management Approach

The maximum priority in our environmental management is to reduce and mitigate SO2, NOx, particulate matter (PM) and Greenhouse Gas emissions produced by the thermal generation units.

We are addressing this task under the energy transition focus that has been guiding our activity since 2015. We are implementing it by means of an integrated management system that guarantees compliance with the highest environmental performance standards.

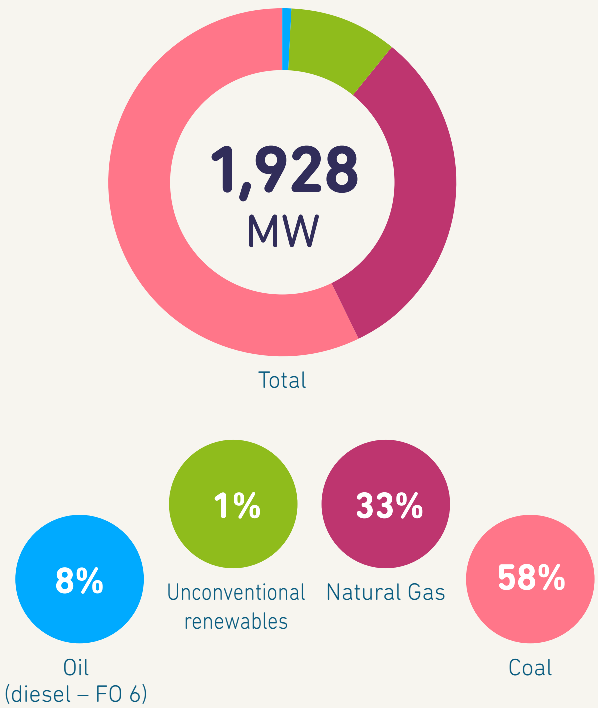
We are supplementing these guidelines by energy consumption reduction goals, waste management programs and a continuous control of the use of water.

MILESTONES IN 2018

In line with our strategic environmental objectives, one of the main advances in 2018 was recertification of the company's integrated management system, a model that encompasses ISO 9001, ISO 14001 and OHSAS 18001.

As part of the update of ISO 14001, we specifically added for the first time the dimension of product life cycle, introduced to this standard in 2015. This means beginning to integrate environmental information on our main suppliers to the company's management, which we did through surveys and specific requests for documentation.

Installed capacity by fuel as of December 2018



In 2018, we were also able to significantly reduce our stack emissions compared to the previous period. This was achieved through a combination of two main factors:

1. A reduction in generation by our coal-fired units due to the upsurge in renewable energy and lower energy costs.
2. An improvement to the precision of our monitoring systems, especially the parameters set by the authority.

Please note that these types of emissions are used to calculate the payment of green taxes in effect since 2017.

In April 2018, we paid green taxes for the first time totaling US$14.8 million, corresponding to the previous fiscal year (reported in the 2017 Integrated Report). We must submit our tax declaration for 2018 in April 2019.

Six consecutive years with no environmental fines: In 2018, none of the 12 audits of our facilities by the Environmental Commission resulted in a penalty.

ENVIRONMENTAL INCIDENTS

We experienced 12 environmental incidents during the year, all minor and confined to our industrial facilities.

In December, we had to handle an occurrence caused by a natural phenomenon affecting the water in Mejillones Bay that caused the formation of sea foam in the discharges from the cooling water systems and in the venting stacks of the Mejillones Thermal Complex Units.

This situation, which has been recurring in the last few summers, is the result of deep water moving upward toward the surface. Deep water has a high concentration of nutrients and low oxygen content, and because of the agitation, sea foam is created when the discharges are at high speeds.

During 2018, the leading companies operating in Mejillones set up a Commission to progress in standardizing these zone monitoring systems.

The idea that we proposed is to submit an integrated oversight program to the authority that uses the different methods applied thus far and to conduct an analysis of the preliminary industrial situation of the bay to clearly establish the causes of this anomaly.

Another minor incident was the problem we experienced in 2018 in the abatement systems to control sulfur dioxide emissions by Mejillones units 1 and 2. These deviations were addressed by an improvement plan that enabled us to close the period in compliance with regulations.

Environmental incidents and penalties in 2017 and 2018

0	0
Incidents with a significant environmental impact	Environmental fines

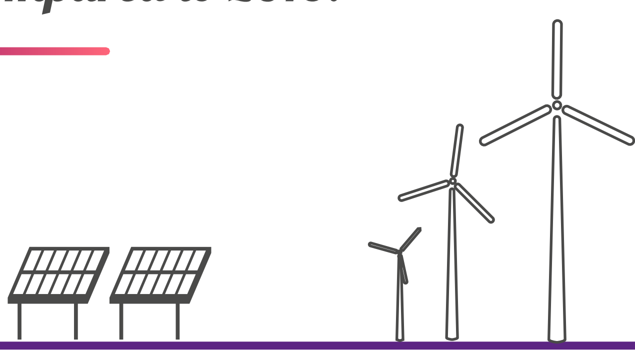
The company's 2017 carbon footprint measured in 2018 was 5.74 million tons of CO2 equivalent. This figure represents a 25% decrease compared to 2016.

CARBON FOOTPRINT

Chile is one of the countries that could be most affected by climate change. According to recent studies, the present drought prevailing in the country will worsen in the coming years, which, from an energy perspective, will impact hydroelectric generation and favor coal-fired generation.

In view of this, in 2015 Chile committed to reduce its greenhouse gas emissions according to the Paris Agreement. Since then, it has fostered initiatives such as the Green Tax Law and diverse decarbonization plans.

In order to be a part of this country challenge, ENGIE Energía Chile has committed to transitioning to low-carbon solutions and to systematically reducing its CO_2 emissions. In the context of this effort, the company is measuring its carbon footprint every 2 years using the



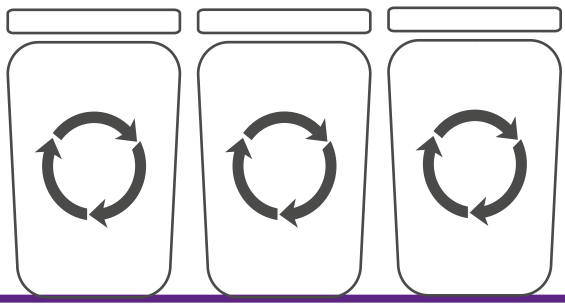
method proposed by the Ministry of Energy and ISO standards, and the emission factors proposed by the IPCC to determine tons of CO2 and the GHG (SF6, NOX, SO2) equivalent to tons of CO2 equivalent.

In 2018, the measurement of the 2017 fiscal year concluded that Company's carbon footprint was 5.74 million tons of CO2 equivalent. This figure means a reduction of 25% compared to 2016.

Considering our GHG levels recorded for 2017, the company is close to the 25% IPCC ranking for coal-fired power plants that least emit CO2.

Carbon footprint intensity (Tons of CO2 eq/MWh)

2016	2017
0.91	0.89



* ENGIE Energía Chile measures its carbon footprint according to ISO 14064 using the method for calculation of stationary fuel combustion proposed by the Intergovernmental Panel on Climate Change (IPCC).

PM EMISSIONS

The total particulate matter emissions by our operations also fell between 2017 and 2018, from 177.8 tons to 121.1 tons annually. We recorded the same trend for NOX and SOX gas emissions.

Please note that the only decontamination plan to which our operations are subject is the one governing the city of Tocopilla since 2010 that is still in force.

Over a seven-year horizon, this program set a goal for 2018 of less than 50 micrograms per cubic meter in order to comply with the primary quality standard for breathable particulate matter.

This goal was widely surpassed in recent years. In 2018 in particular, the stations that we monitor recorded an average concentration of 41 micrograms per cubic meter. Those results mean that the city has now been reclassified from an attainment zone to a non-attainment zone in respect of breathable particulate matter.

Type	2017	2018
Annual average concentration of PM 2.5 in Tocopilla (Air Quality)	15	14
Annual average concentration of PM 2.5 in Mejillones (Air Quality)	11	10
Annual average concentration of PM 10 in Tocopilla (Air Quality)	43	41
Annual average concentration of PM 10 in Mejillones (Air Quality)	19	16
Total PM Emissions (tons/year)	177.8	121
NOx Emissions (tons/year)	7,909	6,506
SOx Emissions (tons/year)	8,145	6,138

ENERGY EFFICIENCY

In that last year, our energy consumption totaled 56,005,887 JG. This is a reduction of 14.2% compared to the 65,304,032 JG that we recorded in 2017.

Energy consumption (energy efficiency)	2017	2018
Total energy consumed in JG	65,304,032	56,005,887
Electric energy consumed in JG	1,888,143	1,585,047
Electricity sold in JG	20,791,671	18,120,932
Fuel consumed in JG	63,415,890	56,005,887
Renewable fuels in JG	0	0
Non-renewable fuels in JG	63,145,890	56,005,887

WATER

The National 2018-2022 Climate Change Plan approved by the Government to confront the consequences of this global phenomenon estimates that precipitation will decline in the country from 5% to 15% in the zone between Copiapó and Aysén in the period 2031-2050.

The authorities forecast more water shortages and extreme rain in the north of the country in the coming years, which will affect hydrogeneration in the zone and cause more catastrophes.

To complement this outlook, please note that in 2015, Chile was among the 10 countries in the world that spent the most on disasters (MUSD 3.100). 45% of that amount was allocated to water shortages.

In view of this, ENGIE Energía Chile designed a water management model in line with the corporate strategy that aims for a responsible use of resources and promotes the development of renewable wind and solar energy.

WATER MANAGEMENT

ENGIE Energía Chile does not use fresh water in its processes. All water that we use in our operations comes from the ocean and from our own plants. In Tocopilla and Mejillones, we produce all water required by operations from seawater catchment and from our desalinization plants.

This year we also started up a potable water plant at the Tocopilla power plant to become independent from the city's water main.

Some of the main advances that we made in 2018 in regard to water discharges and the cooling system were:

- The volume of water discharged into the ocean was reduced because of a decrease in the operation of the generating units that use this resource for cooling.
- We installed flow meters to measure the water discharged into the ocean more precisely. We will no longer measure using catchment pumps, which is less precise.

WATER	CATCHMENT OF SEAWATER USED FOR COOLING M^3/YEAR		DISCHARGE OF SEAWATER USED FOR COOLING M^3/YEAR		REUSED WATER (WASTEWATER USED TO WATER GREEN AREAS) M^3/YEAR	
	2017	2018	2017	2018	2017	2018
Tocopilla	396,099,931	258,249,748	395,847,997	258,229,522	41,295	40,350
Mejillones	221,249,845	208,745,575	194,576,106	180,978,771	7,476	7,713
Andina	132,419,961	126,038,835	132,384,706	126,022,151	7,462	7,257
Hornitos	169,900,777	156,893,999	169,900,777	156,893,999	6,962	6,929

WATER	WATER FED TO WATER PLANTS (SEAWATER CATCHMENT) M^3/YEAR		WATER USED FOR CTT ASH DUMP M^3/YEAR	
	2017	2018	2017	2018
Tocopilla	373,757	684,272	8,626	9,000
Mejillones	271,211	176,602	18,398	15,323
Andina	139,067	105,154	18,365	20,722
Hornitos	129,732	100,390	17,132	19,784

WATER FOOTPRINT

ENGIE Energía Chile also measures its water footprint. This is an indicator that quantifies the potential environmental impacts from using water on the production of goods and services. As a tool, it allows for a comparison of the consumption by similar generating units and for the detection of good practices that can be replicated in other units, which will improve the efficiency of the production and operating processes of the power plants.

The measurement of 2017 that we took in 2018 concluded that ENGIE Energía Chile’s water footprint was 1.7 million m3. This is equal to a 7% increase compared to 2016. It also represents 0.02% of the national water footprint and 4% of the total for the energy sector.

This increment came from a greater evapotranspiration of the Laja power plant, which accounts for 97% of the corporate water footprint.

The decrease in these numbers in the last three years is the result of a reduction in conventional power generation and a greater share of solar and wind farms in the company’s matrix.

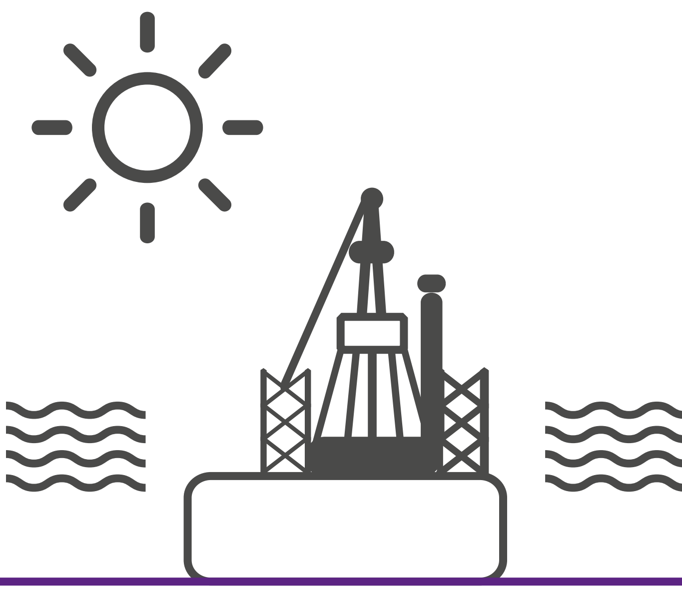
HAZARDOUS AND NON-HAZARDOUS WASTE

Our company's operations generate two types of waste:

- **Hazardous Waste,** that is sent to authorized sanitary landfills for final disposal or to companies that reuse the waste. Reusable waste includes waste oil that is reused by local companies as an alternative fuel.
- **Non-Hazardous Waste,** which is mainly waste from combustion (ash and slag), junk metal, mineral wool and household waste. The company analyzes this waste on an ongoing basis to ensure that it continues to be non-hazardous.

In 2018, we persisted in exploring alternatives for a final disposal or alternatives uses of coal ash that we generate at our thermal units, which is our main waste.

- **Contracts with local cement companies.** We deliver ash in volume from time to time within the limits set down by law.
- **Pilot project to neutralize acid effluents or stabilizers.** We have begun conversations with a major company in the Region of Antofagasta to develop a pilot plan to determine the viability of this project, which would require setting up safety landfills.



Recycling and Reuse (in tons)	2017	2018
Waste sent to dumps	411,136	259,838
Recycled ash	66,219	60,007
Reused hazardous waste	243	36

Waste generated (in tons)	2017	2018
Hazardous waste	287	608
Non-hazardous waste*	412,492	321,021

* Includes household waste.

TOTAL WASTE BY DESTINATION (IN TONS)	ASH SENT TO DUMPS		SLAG SENT TO DUMPS		RECYCLED ASH (SENT TO INACESA AND POLPAICO)	
	2017	2018	2017	2018	2017	2018
Tocopilla	118,670	81,384	9,570	9,007	NA	NA
Mejillones	76,582	56,964	2,109	2,507	NA	NA
Andina	74,502	35,222	9,876	6,884	41,755	32,089
Hornitos	79,457	37,093	11,122	4,911	24,080	27,917
Total	**349,210**	**210,665**	**32,677**	**23,311**	**65,729**	**60,006**

OTHER ADVANCES IN ENVIRONMENTAL MANAGEMENT AND COMPLIANCE

- **Law 20,920 on Extended Producer Liability (REP Law):** We began a legal audit to adapt to the rules in this new law for which the regulations have not yet been published. The purpose was to determine the category that pertains to us as a company, based on the characteristics of our business.
- **Decree 43 on hazardous waste storage:** In general, we hold sanitary authorization for our hazardous substance storage facilities. To ensure compliance with the law in this respect, we also conduct site verifications from time to time. At the close of 2018, we were developing the corresponding project for the Mejillones Energy Infrastructure.
- **Environmental Approvals:** We have a program by which we monitor all commitments under our RCAs and by which we have designed improvements to overcome any gaps. In 2018, we meticulously reviewed the RCA for the Los Loros photovoltaic farm that we acquired in the last fiscal year. We gathered information and the conclusions from that information will enable us to develop an action plan in 2019.
- **Port Andino Certification:** In 2018, we started up the process to have Port Andino certified as a green port. This seal is certification that the company has dual protection against dust, a good relationship with the community, and standards that guarantee that port and ship waste will be handled correctly, among other aspects.

INNOVATION AND DIGITALIZATION

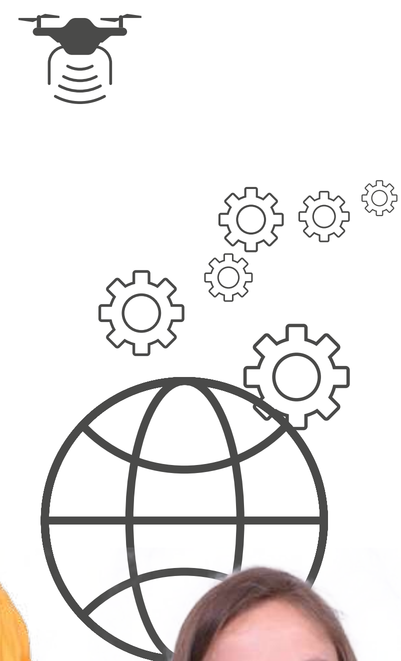
IN 2018, WE ORGANIZED THE THIRD VERSION OF "YOUR IDEA CREATES," AN IN-COMPANY CONTEST IN WHICH WE INVITE COLLABORATORS TO SUBMIT THEIR PROJECTS. WE ALSO CONTINUED TO PROMOTE OUR INSERTION IN THE ENTREPRENEURSHIP ECOSYSTEM AND THE RELATIONSHIP WITH LEADERS IN INNOVATION

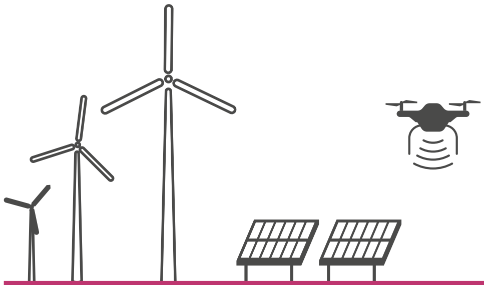
Management Approach

ENGIE Energía Chile believes that innovation and digitalization are key tools in leveraging our strategy.

In line with that vision, in innovation, our goal is to develop "a community of imaginative creators united by harmonious progress" inside the organization. All this is systematized through an innovation management model.

As concerns Digitalization, our purpose is to provide digital solutions that aim at improving productivity, facilitating the mobility and connectivity of our collaborators and improving the experience of customers.





Pilot Projects under way
in 2018

1. Remote control of solar and wind power plants
2. Remote analysis and early detection of anomalies in transformer operating variables
3. Use of drones in operation and maintenance of power lines

INNOVATION MANAGEMENT

In the past year, we continued with the implementation of our innovation pilot plans and we reinforced our innovation management system.

INNOVATION MONTH

In 2018, we again celebrated Innovation Month. As part of this activity, we implemented the following initiatives:

- Launching of open innovation challenges in the Computer Science Department (DCC) of the Catholic University.
- In-company presentations on mining digital solutions created by local start-ups.
- Launching of the Innova@Engie platform for the management of innovative ideas.
- Participation in the Innovation Trophies of the ENGIE group.
- Innovation and digitalization workshops in Santiago, Mejillones and Tocopilla directed towards co-leaders to teach them innovation management tools.

OTHER INNOVATION INITIATIVES IN 2018

- Collaboration on projects with Laboratoria. This organization provides digital training to highly vulnerable women to insert them in the job market.
- Innovation Circle. We created the space to manage transversally the innovation ecosystem in ENGIE Energía Chile.
- Innovation Co-leader Seminar of ENGIE Latam. This event was attended by officers of the Group's subsidiaries in Peru, Argentina, Mexico and Chile.
- "Your idea Creates" 2018. In this third version, we invited collaborators to present their projects in this in-company contest.
- Business Knowledge Committee. We created this formal committee to monitor and manage innovation and digitalization projects.
- Open innovation. We strengthened our insertion in the entrepreneurship environment with companies leading in innovation.

2019 CHALLENGES

A. **Leverage Top-Down Innovation,** through our internal Innovation Ambassador Network.

B. **Bottom-up level,** to achieve the cultural goals in collaborator, customer focus, strategic management and inter-area work.

C. **Strengthen our integration with technological businesses, universities and think tanks.**

DIGITALIZATION

In 2018 we took important steps on our 2018-2019 Digital Transformation Roadmap by implementing digital solutions in the following areas:

- **Technological Platform (Servers):** This was mainly the virtualization project where we strengthened operational continuity by implementing an advanced communications, infrastructure and security virtualization solution that: reduced the OPEX, simplified the platform and provided a great availability and scalability for services and critical applications between the Santiago and Antofagasta Substation Data Centers.

- **Data Communication:** We have updated the technology and perfected the performance of the WIFI network at the Santiago, Antofagasta and Mejillones sites, which improved lighting, standardization and the monitoring of devices according to the Group's standards. The objective was to leverage the mobility of our collaborators, the access to IT services (applications and systems) and the security within the ENGIE Energía Chile network.

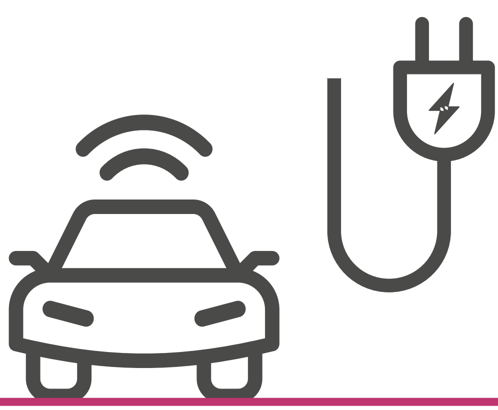
- **Operating excellence:** We adopted and implemented innovative global, highly stable and efficient digital platforms (on the cloud) defined by the Group that will maximize the business yield and adapt to the new connected world through flexible, paperless digital processes. Of note are:

  A. The Prodigy Project (SAP S/4 HANA): It provides a solution to leverage the productivity and digitalization challenges in our financial, commercial and logistic processes, supported by a robust and flexible technology platform.

  B. One Mail + Office 365 project: We added new productivity applications to Microsoft Office 365, which meant putting corporate e-mails and the entire collaborator platform on the cloud. This guarantees the security of information and facilitates working in a network and mobility for our collaborators to connect from anywhere. This development is in full harmony with the Home Office policy being promoted by the company.

- **Customer Experience:** In order to improve customer experience in the presales process, we installed a pilot simulator in 2018 that offered customers the possibility of calculating the regulated rate. The objective is for our commercial executives to be able to use it in their dealings with customers.

- **Cybersafety:** We progressed in protecting sensitive sites, in strengthening security infrastructure and in implementing the perimeter Next Generation Firewall at the power plants. These solutions are in the 2018-2020 Cybersecurity Roadmap that we designed and implemented in line with the cybersecurity policies and standards of the ENGIE Group. These solutions guarantee that all industrial systems will be monitored and will contain risk mitigation and control mechanisms.



A CULTURE FOR NEW CHALLENGES

IN THE LAST FISCAL YEAR, WE ADOPTED FOUR BEHAVIORS THAT ENGIE GLOBAL SET AS PRIORITIES FOR THE ORGANIZATION TO BE ABLE TO SUCCESSFULLY OVERCOME ITS FUTURE CHALLENGES

Management Approach

ENGIE Energía Chile is moved by the purpose of developing projects in an equilibrium with its setting that contribute to society and the environment.

In that context, we are accelerating our own transformation to lead the energy transition and contribute to harmonious progress.

This challenge requires that we add competencies and skills to create an agile, flexible, efficient, creative and digital organization.

This set of initiatives is intended to build a culture that supports and drives the transformation and business objective: being a leader in the Energy Transition.

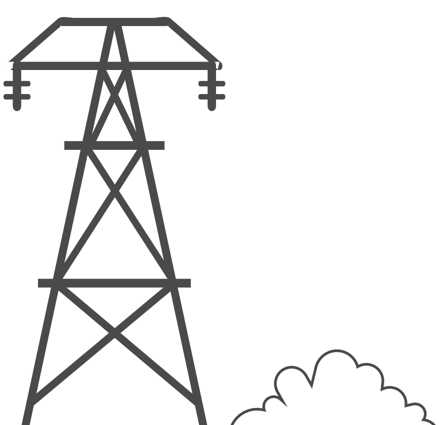
As part of the transformation that ENGIE Energía Chile has been pushing since 2015, which has meant changes in structure and the definition of priority focal points of work in this period, in the last fiscal year our efforts were concentrated on bestowing and generating synergies by building a global culture.

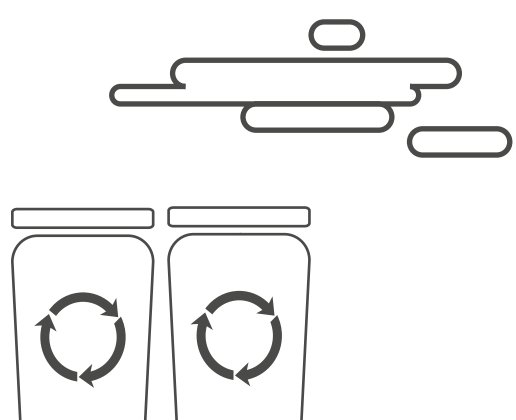
Those thrusts come from our purpose of developing and contributing to a harmonious project.

Today, ENGIE Energía Chile is demonstrating this commitment through the #ENGIEHarmonyProject, a movement that unites diverse initiatives conceived by collaborators and partners around the world.

We have, therefore, fostered a community of imaginative builders. Collectively, our collaborators play a key role in tomorrow's innovation, united by the drive to imagine and create solutions that combine efficiency and sustainability leading to harmonious progress.

In this process, we added and emphasized the four key behaviors that ENGIE Global has set as priorities for the organization to be able to successfully overcome its new challenges. Those behaviors are:





BE DEMANDING

We always give our best

BE AUDACIOUS

We dare to do it

BE OPEN

We work with a collective force

BE EMPATHETIC

We respect, care for and trust each other

The evolution of cultural change was measured by means of a survey. The results in 2018 highlight, as positive aspects, that on average our collaborators feel committed, authorized and energized by the company. They also share and believe in the purpose, key behaviors, future vision and in our commitment to social responsibility and the environment. A reflection of this is that in comparison to the Benchmark, the indicators evaluated were found to be above the standard for Chile and the industry (Energy and Utilities).

According to the results of a 2018 survey to measure the evolution of our cultural change, our collaborators feel committed, authorized and energized by the company

DEVELOPMENT AND LEARNING

IN 2018, WE WORKED ON INTERNAL MOBILITY AND EMPLOYABILITY POLICIES, FOCUSED ON COLLABORATORS WHO WERE WORKING AT THE TOCOPILLA THERMAL UNITS THAT WE WILL CLOSE AS PART OF OUR DECARBONIZATION.

Management Approach

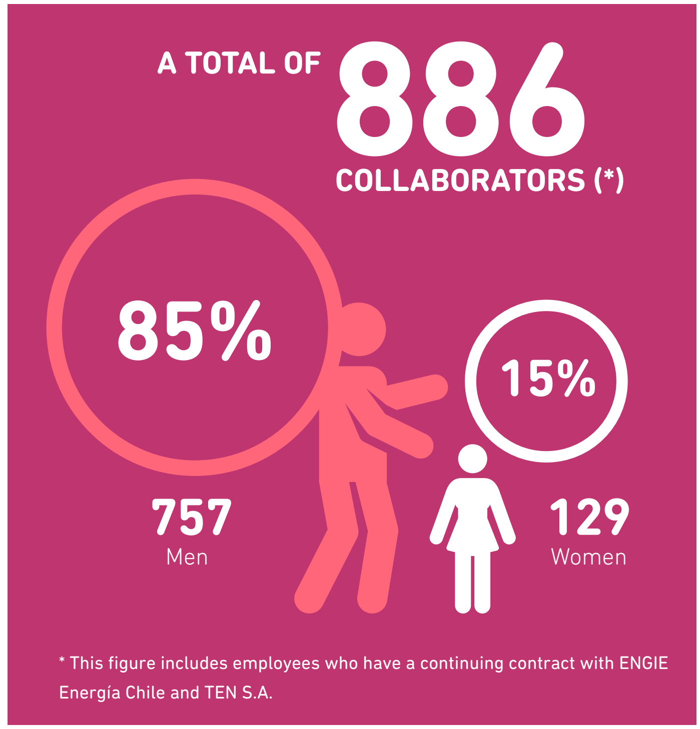
ENGIE Energía Chile is looking to prepare and provide our collaborators with the tools so that they can learn and develop and can put their entire potential toward accelerating our transformation and achieving the strategic objectives.

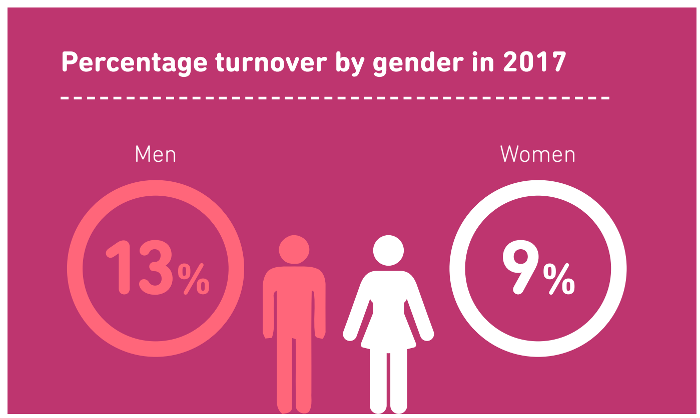
Our transformation is under way. Its success is based on our ability to confront complex situations that we view as an opportunity. So, we must ensure that our competencies, capacities, leadership practices and talent management are catalysts in this transformation.

EMPLOYABILITY AND INTERNAL MOBILITY

Our efforts in 2018 were focused on:

- **The Tocopilla Plan.** As part of the work to close the thermal units at Tocopilla in the framework of our decarbonization, we worked on internal mobility and employability policies centered on collaborators who worked in those units. This program included:
  - On-site information campaigns
  - The application to, and selection for, available vacancies.
  - Accompanying and providing guidance counseling to collaborators.
  - Ongoing dialogue with unions.





The result was the addition of 30 people to our operations at the Mejillones Thermal Complex.

- **Restructuring of the commercial area.** Our employability priority in Santiago was to restructure the commercial area. This area went from three to two corporate divisions, one in charge of large customers in the mining sector and the other centered on customers in the industrial sector. In this process, we made the decision to outsource only whenever necessary. We gave preference to internal talent to fill the remaining vacancies.
- **Managerial development program.** This began in 2017 in the aim of having people in the generation area be prepared to assume leadership roles. Given the good results, we extended this initiative in 2018 to the Transmission area and TEN S.A.

FEEDBACK AND PERFORMANCE

In 2018 we consolidated the changes we made in 2017 to our feedback and performance evaluation model.

Under the new system, the manager and the collaborator hold feedback meetings throughout the year focused on three questions: priorities and challenges of the area/company (strategy, KPIs, products and action plans); the relationship between the person and his environment and leadership, as well as his willingness to contribute to the job and to the success of others.

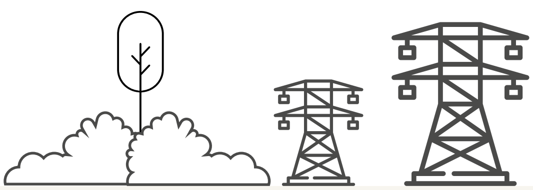
The change in the model has been greatly appreciated by the organization.

LEADERSHIP

In order to implant our leadership model, in 2018 we reinforced the key competencies and conduct of leaders in the following way:

- **Manager Development Program in the Generation Area:** This project started out as a pilot program to evaluate technical and soft skills needed at Mejillones. We were able to detect the need for reinforcement of some technical aspects and leadership skills. We addressed leadership skills with managers and shift chiefs through a plan where the objective was to provide support to the leaders to close the gaps in their managerial role and in areas such as team development and the use of leadership tools. This program was carried out with the support of managers of the business units, who acted as moderators.
- **Co-leader Program:** This initiative aimed to implant four basic behaviors in leadership considered to be key in facing the challenges of a changing environment: purpose, collaboration, autonomy and innovation. In 2017, we focused on collaboration and purpose, but in 2018, we centered on autonomy and self-management. This program requires classroom attendance and it has been taught to around 100 people who hold leadership and professional roles

In 2018, 39 collaborators and executives from our company attended the annual seminar organized by ENGIE Latam to address key aspects in the Group's business in the region.



Percentage of workers receiving an annual performance evaluation

2017	2018
94.28%	99.05%

- **UCamp:** This is an annual seminar organized by ENGIE Latam to address key aspects of the businesses of the Group's companies in the region. 39 collaborators and executives from Chile attended who were involved in the matters covered by the seminar. Dialogue, sharing and exploring relevant aspects were part of the work to strengthen leadership competencies, management, digitalization, health and safety, a customer focus, and the energy revolution, to name a few.

Leadership workshops	Number of people		Number of workshops	
	2017	2018	2017	2018
Strategic Leadership	10	10	1	1
Tactical Leadership	51	61	3	19
Operating Leadership	123	159	5	20
Managerial Development Programs in the North	10	30	10	7

LEARNING

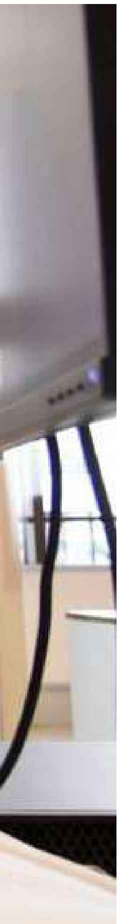
In view of the transformation, in line with the emphasis in previous years, our focus in 2018 remained on improving the levels of productivity, efficiency and agility even more. Our collaborators' learning became a very important element in order to acquire and reinforce the different skills and competencies resulting from being immersed in a competitive, fast and digital environment.

We have deepened and given priority to the use of experiential training imparted by in-company moderators and to the reinforcement of our Learning Philosophy by encouraging self-management and development.

Along those lines, we continued disseminating the E-Campus platform of our parent company, where collaborators can access different e-learning alternatives.

During 2018, another relevant focal point was on strengthening the training in technical competencies, especially aspects critical to operation and safety. With that goal in mind, a pilot program was implemented to identify and emphasize critical competencies and aspects to strengthen this area of work.

During the last year, we deepened and gave priority to the use of experiential training imparted by in-company moderators, and we reinforced our learning philosophy to encourage self-management and development.



Training in 2018 in numbers

US$772 INVESTED PER COLLABORATOR IN TRAINING

39,649 HOURS OF TRAINING ANNUALLY IN 2018

45 HOURS OF TRAINING ON AVERAGE PER PERSON IN 2018

HOURS OF TRAINING BY POSITION

9,250 EXECUTIVES

9,443 PROFESSIONALS

20,956 WORKERS AND ADMINISTRATIVE STAFF

HOURS OF TRAINING BY GENDER

Men: 36,192 HOURS

Women: 3,457 HOURS

Annual investment of US$684,000 *in training*

Total hours of training by training area

Administrative (excluding e-learning)	2,408
Quality, Environment and Safety	3,461
Languages (excluding e-learning)	102
Techniques (excluding e-learning)	26,766
E-learning	6,912

BENEFITS AND WELLBEING

ENGIE Energía Chile is aware of the new expectations and interest that invigorate people in connection with the quality of working life. In line with this vision, one of our permanent objectives is to have a value supply so that we cannot only retain our talent, but also attract the professionals we need to achieve our strategic objectives.

To that end, at the end of 2018 we began–via tender–to renegotiate the supplemental life insurance, one of the benefits most appreciated by our collaborators. The purpose of this process is to obtain better services and prices for an instrument that surpasses the market standard because it guarantees, at the company's expense, full coverage of employees and their family dependents.

In addition, in the last year:

A. We began to work on the Flexible Benefits concept (Beneflex), intended to adapt the current benefits to the needs of the diverse segments comprising our staff.

B. We consolidated the Home Office program, that lets employees work two afternoons or one day a week from home. This is available to all position categories, but can be used only under authorization from the direct superior, except when the function is incompatible with the model.

C. We created a Tuition Bonus for the children of workers in Grade and High School. This benefit arose during the collective bargaining this year and will complement the university bonus that we granted until now to employees in Santiago, Tocopilla and Mejillones.

D. We developed a mobile application for collaborators to process reimbursements.

In the sphere of work-family reconciliation, among many other activities, in July we invited the children of collaborators who work in the corporate building to visit our offices. The day involved entertainment and a gift package. We also held the traditional anniversary party in Tocopilla, Mejillones and Antofagasta; the first integration party in Santiago that was attended by all employees in the country; and our Christmas parties at all operations.

PEOPLE REGISTERED IN THE HOME OFFICE PROGRAM

2017

No. of people	Women	Men
47	40.4%	59.6%

2018

No. of people	Women	Men
74	33.7%	66.3%

LABOR RELATIONS

ENGIE Energía Chile conceives work relations to be part of the business dynamics and we address them as a continuous, systemic and permanent management process with an open agenda that contributes value both to the company and to collaborators. To put this vision into practice, we have mechanisms and we hold monthly meetings with all unions and collaborators where we discuss all issues openly, we explain the policies and practices that we are implementing, and we monitor commitments.

In this area, we have tackled our decarbonization and the impacts resulting from the scheduled closing of the coal-fired units 12 and 13 in Tocopilla. As a result, we have implemented geographic and functional mobility solutions for people. We did this work in conjunction with the unions. The outcome: we have reached agreements early on matters such as team reassignment. In 2019, the goal will be to work on the scopes of the closing of units 14 and 15 following this same method.

Another aspect that we permanently discuss with unions is job safety. We set up a task force that is coordinated by the Chief Occupational Health and Safety Officer. 21 leaders from the 7 unions in the company are members. This task force meets monthly at the units to discuss local issues.

Protection of labor rights in contractors

The company has an area that oversees compliance with labor laws internally and externally. It also ensures that contractors are in compliance with labor laws, and it monitors the collective bargaining of suppliers and contractors.

In the sphere of labor relations, among the main milestones in 2018 were:

- **Training of union leaders:** At the request of unions, the company conducted training in gender equity. This initiative was directed towards the women who were on the collective bargaining committee and toward Human Resource executives.
- **Retirement plans:** In the last year, a Retirement Plan was implemented for people at retirement age. This initiative meant that close to 35 people retired voluntarily. This program was also implemented in conjunction with the unions.
- **Negotiations:** In 2018, ENGIE Energía Chile negotiated 3 collective bargaining agreements, closing one collective bargaining agreement by the deadline and two early. All were closed to satisfaction for a term of three years, through 2021.

Unionization in ENGIE Energía Chile

7	84.42	0	14
Number of Unions	% Unionized	Strikes in the year	No. of years with no strikes

DIVERSITY AND GENDER EQUITY

IN 2018 WE EXCEEDED THE GOAL OF 18% SET FOR OUR KPI OF WOMEN IN EXECUTIVE POSITIONS. THE FINAL RESULT WAS 18.97%.

Management Approach

The diversity priority of ENGIE Energía Chile is to include women in the company and to have them develop equitably in the organization.

To that end, we set an annual goal for female participation in leadership positions and we conduct programs and initiatives on an ongoing basis for internal recruitment and promotion.

WOMEN IN ENGIE Energía Chile

Some of the actions we took in 2018 to continue reinforcing the female presence in the organization and promote them holding decision-making positions were:

- **We added two women to the digital talent program being developed by Laboratoria.** Both analysts took over two digitalization projects in the spheres of customers and internal performance.
- **We designed a mentoring program,** whereby we encourage women with potential and high-level executives to talk about aspects of working life and corporate management. This initiative is in line with our indicator for women in leadership positions.

In parallel to these internal actions, we also participated as a company in women promotion programs organized by institutions and associations close to our activity:

- **We attended a seminar organized by the Chilean Renewable Energy Association (Acera),** where the purpose was to encourage the exchange of good gender practices between power utilities.

- **Two of our executives are members of Promociona Chile,** an initiative inspired by the Spanish project of the same name that aims to increase the number of women in positions of great responsibility by 2020. In that respect, our representatives received mentoring from senior executives and other companies. Two corporate managers of ENGIE Energía Chile also did the same with executives in other companies.

We developed a mentoring program in 2018 whereby we encourage women with potential and high-level executives to talk about aspects of working life and corporate management.

WOMEN AND DIVERSITY in 2018 in numbers

Turnover of women by age

1%	10%	2%
Under 30 years of age	From 30 to 50 years of age	More than 50 years of age

KPI for women in managerial positions

18% 2018 goal

18.97% 2018 KPI

32%
Women hired in the year

Women in executive and managerial positions (% by category)

11%	3%	8%	22%
Officers	Deputy Officers	Managers	Total women in executive or managerial positions

Staff of women by age

Younger than 30 years of age	12
From 30 to 50 years of age	94
Older than 50	23

Average salary by gender (*)

$2,413,273
AVERAGE MALE SALARY

$2,630,387
AVERAGE FEMALE SALARY

(*) Simple average

Salary gap by position (continuing contracts) (**)

Executives	103%	91%
Tactical professionals	102%	91%
Workers and Administrative Staff	100%	99%

(**) Weighted average

Collaborators by nationality

827 Chilean

59 Foreigners

Number of people by age range

Under 30 years of age	78
Between 30 and 40 years of age	312
Between 41 and 50 years of age	241
Between 51 and 60 years of age	182
Between 61 and 70 years of age	73
Older than 70	0

Number of people by time of employment

Less than 3 years	223
From 3 to 6 years	146
More than 6 and less than 9 years	109
From 9 to 12 years	160
More than 12 years	248

COMMUNITY RELATIONS

AFTER ANNOUNCING THE CLOSING OF TOCOPILLA THERMAL UNITS 12 AND 13, WE HAVE WORKED WITH THE COMMUNITY IN THE LAST FISCAL YEAR ON ALL SOCIAL ASPECTS INVOLVED IN THIS DECISION, PART OF OUR ENERGY TRANSITION STRATEGY.

Management Approach

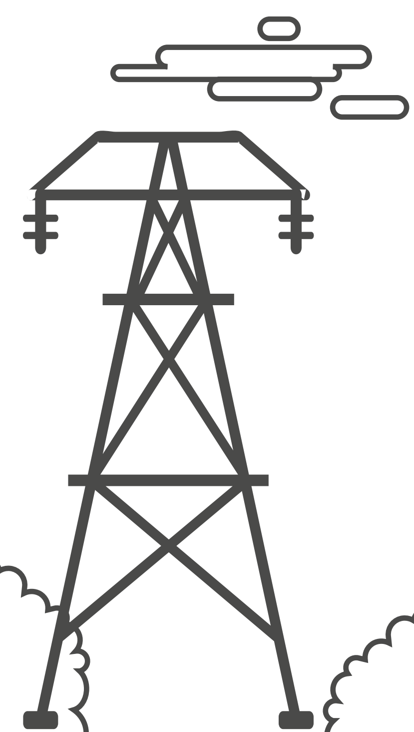
ENGIE Energía Chile manages the impacts of our operations by creating an active bond and engaging early.

We use our Approach Model and Community Management Plan to address these challenges, by which we monitor compliance with our goals and objectives in this area.

In the framework of the corporate strategy of progressing towards the energy transition, our sustainability management in 2018 was focused on an economic reconversion of the communities where we will be closing the coal-fired plants and on the search for new 100% renewable projects to guarantee their full social and environmental viability.

In 2018, we were awarded three of the six tenders in which we participated for the construction and operation of energy infrastructure (further details on page 50).

In designing these bids, we followed a procedure where the social and environmental feasibility was thoroughly evaluated. Among other considerations, we defined potential degrees of social conflict associated with each initiative and budgets representing a percentage of the total investment in each of the projects. The purpose of this procedure was to include this factor starting with the design so that we could avoid any delays or cost increases during project construction.



In this work, we also operated under a new structure where one division only obtains social and environmental permits and manages the formal permits, which gives it a sustainability guideline throughout all stages of this process.

In this context, territorially, the sustainability work of ENGIE Energía Chile continued to be focused on its two strategic priorities:

- **Social and Economic reconversion of the localities where we will be closing the coal-fired power plants:** After announcing the shut-down of Tocopilla thermal units 12 and 13--subject to the last segment of INTERCHILE's Cardones-Polpaico line beginning operation--, during the year we worked with the community to address all aspects involved in this decision, part of our energy transition strategy. We did this work through task forces that we have created in this city, comprised of artisanal fishermen, port workers and other members of the community, and through joint initiatives with the authorities. We have proposed the goal of helping convert Tocopilla into a locality economically sustainable in the long term under a new industrial focus oriented towards water desalination and port operation, among other activities. This is a task that we have been implementing as a company under the fair transition concept because we understand that a process of this nature must be gradual, safeguard the interests and the needs of a community that has been linked to coal for decades, and ensure the participation of all stakeholders.
- **Search for renewable projects to guarantee their full social and environmental viability:** This process is aligned with the Group's global goal of making its entire energy matrix renewable by the year 2050. Along those lines, in 2018 we focused on exploring solar and wind projects and on expanding our frontiers: until now we were concentrated in Tocopilla and Mejillones with projects from 400 to 500 Megawatts. Today, we are present in 20 municipalities with smaller scale developments. To confront this challenge, which means replicating our territorial management plans in more locations with a greater focus, in the last year we set up a new team in the southern zone and we enlarged the team in Santiago to provide better support and coverage to zones.

RELATIONS WITH PRIORITY MUNICIPALITIES

In 2018 we continued the programs we had been developing in the municipalities where our work was concentrated until now. We also began to implement actions with good results in localities where we want to develop new projects. The following initiatives were of note in this respect:

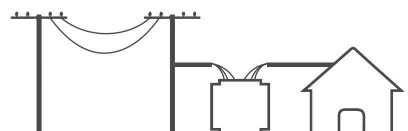
- **Tocopilla:** We contributed CLP$15 million to Competitive Funding for innovation projects focusing on reconversion and entrepreneurship. This funding was provided in a final open competition that we held in October
- **Mejillones:** Given the expiration of the Infrastructure Agreement that stipulated municipal funding for US$1.5 million to hold activities in the last three years, in 2018 we set up a task force with artisanal fisherman that will be in place through 2022. We also redesigned our work with stakeholders in this locality in line with the update of our corporate relations model (see more on page 71). In Mejillones, we implemented the Supplier Development Program (PDP) with the same entrepreneurs that began this project in 2016.
- We started our community work in **Calama** (where we are installing a wind project) and **Pozo Almonte** (where we have a substation project). In Pozo Almonte, we set up a task force that has yielded very good results.
- **Pemuco:** We continued the weaving program for women, and we supported local leaders in taking courses for certification in social institution management at the University of Concepción.
- **Personal Finance Workshop:** With the support of Andrés Vial, a journalist, we held this activity for social leaders in Mejillones, Tocopilla and Pozo Almonte. This training was added to the open courses that we imparted in communities in subjects such as English, safety, computers and digitalization.

OTHER MILESTONES IN TERRITORIAL MANAGEMENT

- In 2018, we received environmental approval of the natural gas-fired power plant in Las Arcillas, in the Region of Ñuble. This project involved a high-standard social process.
- We disseminated the sustainability work of the company in all levels of the organization.
- We completed the construction of the Mejillones Energy Infrastructure (IEM) with no social setbacks.
- We were able to keep our operations free of territorial disputes throughout the year.
- We established a formal procedure for the community to present complaints through our territorial managers. Following this protocol, from now on, all correspondence and actions resulting from these complaints must be recorded until they are closed.

In 2018 our social investment totaled US$915,831

- We held in-company workshops on indigenous matters. In this area, we worked both in neighboring communities and on projects with specialists in indigenous people relations and regulations.
- We added the Sustainability and Communications Area to the power line maintenance process performed in Arica and Iquique in order to address more strategically potential social conflicts and accidents. Given the good results, this experience will be replicated in other places starting in 2019.



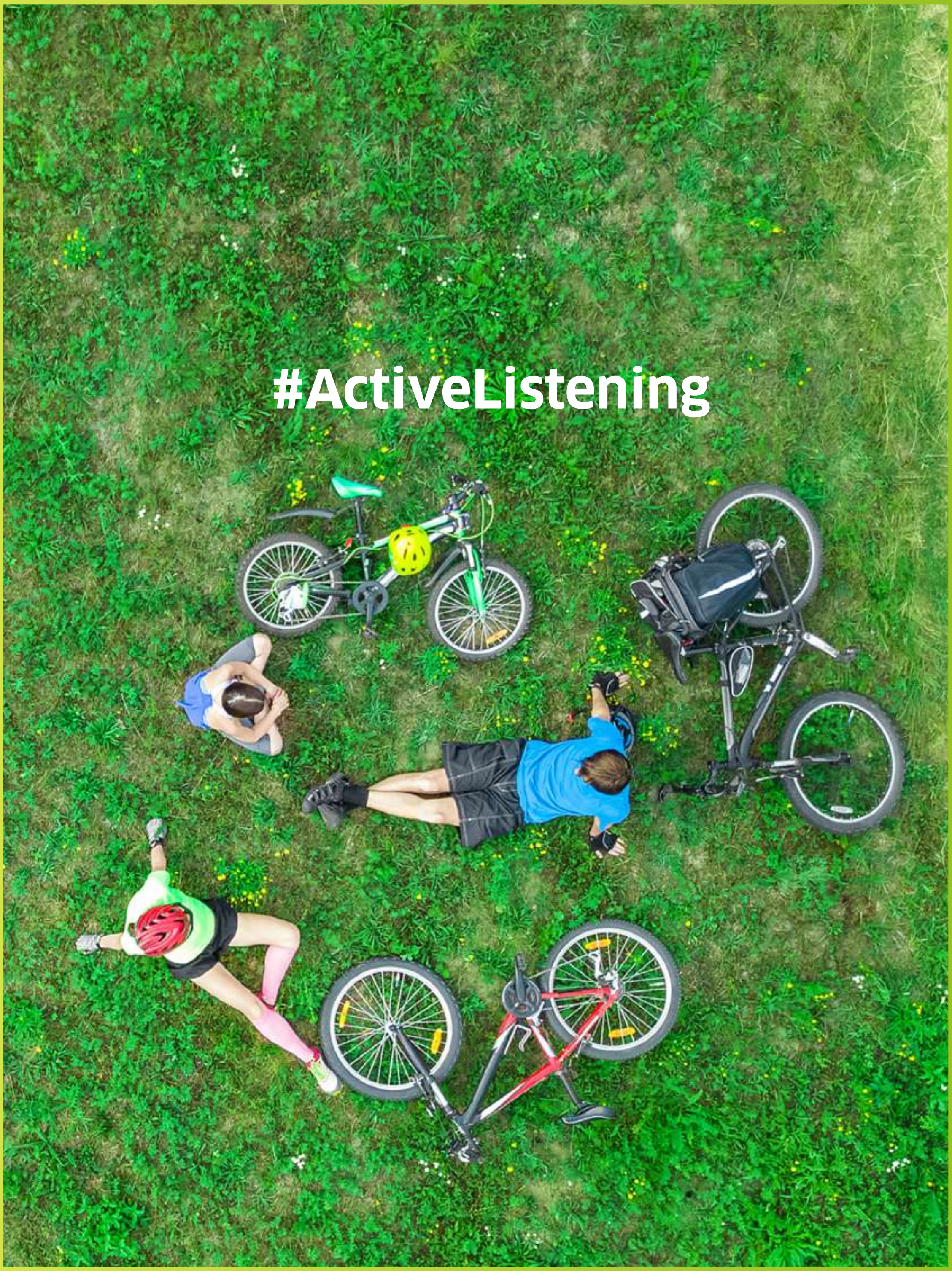
Matías BERNALES
Chief Sustainability and Permits Officer

In recent years we have placed special emphasis on strengthening 💪👊 and accompanying small entrepreneurs with a view towards including them in our value chain.

6

METHOD AND *Appendices*

This Integrated Report summarizes our economic, social and environmental performance in 2018. We developed an active listening process with our main stakeholders to prioritize its content.


#ActiveListening

SCOPE

This is the third consecutive Integrated Report we have published as ENGIE Energía Chile since 2016. Its content summarizes our economic, social and environmental performance in 2018.

This report contains the Annual Report and our Financial Statements for the fiscal year in line with the requirements in General Rule 30.

It has also been drafted according to the core option of the GRI Standards.

The information in this report explains the management of all our generation, transmission, gas and port operations, and we have prepared it with the assistance of our specialized areas using the same measurement techniques that we used in the previous report.

In some of its chapters, in addition to the 2018 indicators, we include figures from previous years to provide readers with a more integral view of the company's evolution.

To understand our sustainable management further, please visit www.engie-energia.cl.

Questions and suggestions on the social and environmental performance content in this report should be sent to Matías Bernales, Chief Sustainability and Permits Officer, at matías.bernales@engie.com.

Please contact Marcela Muñoz Lagos for financial matters (marcela.muñoz@cl.engie.com).

APPLICATION OF THE PRINCIPLES OF THE GRI STANDARDS

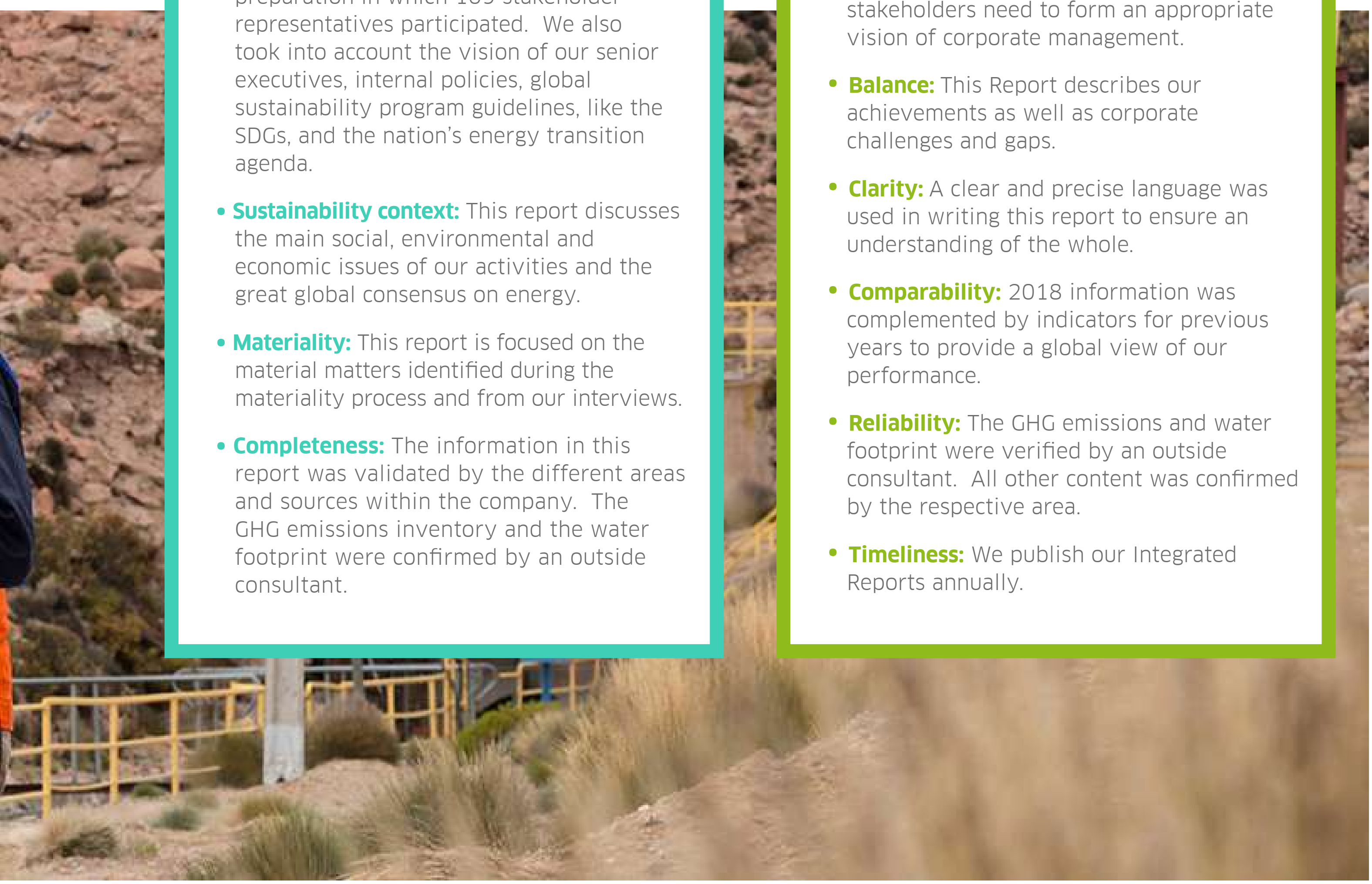
In this Report, we address the principles of the GRI Standards as follows:

Principles for the preparation of this report

- **Stakeholder inclusiveness:** To prioritize content, we used the results of a materiality survey conducted at the start of the preparation in which 109 stakeholder representatives participated. We also took into account the vision of our senior executives, internal policies, global sustainability program guidelines, like the SDGs, and the nation's energy transition agenda.
- **Sustainability context:** This report discusses the main social, environmental and economic issues of our activities and the great global consensus on energy.
- **Materiality:** This report is focused on the material matters identified during the materiality process and from our interviews.
- **Completeness:** The information in this report was validated by the different areas and sources within the company. The GHG emissions inventory and the water footprint were confirmed by an outside consultant.

Principles to guarantee the quality of disclosures

- **Accuracy:** This Integrated Report is intended to provide all the information that stakeholders need to form an appropriate vision of corporate management.
- **Balance:** This Report describes our achievements as well as corporate challenges and gaps.
- **Clarity:** A clear and precise language was used in writing this report to ensure an understanding of the whole.
- **Comparability:** 2018 information was complemented by indicators for previous years to provide a global view of our performance.
- **Reliability:** The GHG emissions and water footprint were verified by an outside consultant. All other content was confirmed by the respective area.
- **Timeliness:** We publish our Integrated Reports annually.



MATERIALITY

To ensure that this Integrated Report meets reporting requirements and the priorities of our stakeholders, we developed a materiality process that involved the following actions:

IDENTIFICATION OF MATERIAL TOPICS

- We conducted a Materiality Survey among 109 people representing the company's main internal and external stakeholders. In this survey, the interviewees selected two topics for each of the dimensions of the work under ENGIE Energia Chile's sustainability model. By this survey we were able to set down a detailed categorization of the aspects of corporate performance that they believe are most relevant.
- We interviewed 20 executives to understand the priorities of each area and their contributions from a sustainability perspective.
- The policies, codes and internal frameworks of ENGIE Energia Chile were reviewed, together with the main Corporate Strategy guidelines and the parent company's Development Plan to progress in the Energy Transition from the standpoint of Harmonious Progress.
- Our points of reference were:

A. LThe standards of the Global Reporting Initiative (GRI) for the preparation of sustainability reports.

B. The initiatives of organizations and centers specializing in sustainability, like ACCION Empresas.

C. The commitments in Chile's Energy Route.

D. The most relevant dimensions used in the Dow Jones Sustainability Index Chile evaluation for decisions by analysts and investors.

E. The Sustainable Development Goals (SDG) of the United Nations.

We used this process to identify the following 30 material topics that are priorities for our stakeholders and our sustainability environment.

Economic Development, Corporate Governance and Sustainability	Business Performance and Customer Relations	People Management	Relations with Suppliers and Contractors	Community Relations	Environmental Management
Energy Transition Strategy	Clean energy solutions	Development and Learning	Control of regulatory and employer compliance	Community Relations Strategy	Carbon emissions and footprint
Sustainability Model	New contracts	Talent attraction and retention	Supplier and contractor management model	Public-private alliances for local development	Water management and footprint
Progress in new operations and projects	Sustainable businesses	Benefits, reconciliation and quality of life	Transfer of good practices to contractors	Social investment programs	Waste management
Ethics, Compliance and Crime Prevention	Innovation and Digitalization	Women in ENGIE Energia Chile	SMB payment policy	Economic reconversion of localities	Compliance with environmental regulations
Corporate Governance operation	Portfolio management	Occupational Health and Safety	Involving suppliers in compliance standards	Pushing for local entrepreneurship	Energy efficiency

We overlapped these dimensions on the company's strategic priorities, by which we created the following Materiality Matrix:

IMPORTANT TO STAKEHOLDERS

• Sustainability Model • Clean energy solutions • Sustainable businesses • Talent attraction and retention • Control of regulatory and employer compliance • Benefits, reconciliation and quality of life	• Energy Transition Strategy • Carbon emissions and footprint • Water management and footprint • Waste management • Economic reconversion of localities • Pushing for local entrepreneurship • Progress in new operations and projects • New contracts • Development and Learning • Supplier and contractor management model • Transfer of good practices to suppliers and contractors • Community Relations Strategy • Public-private alliances for local development • Social investment programs
	• Occupational health and safety • Ethics, Compliance and Crime Prevention • Corporate Governance operation • Innovation and Digitalization • Portfolio management • Women in ENGIE Energia Chile • SMB payment policy • Involving suppliers in compliance standards • Compliance with environmental regulations

THE IMPORTANCE OF ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS

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102-11 Precautionary principle or approach	ENGIE Energía Chile safeguards its preventive approach through its operating policies and integrated management system that follows world standards like ISO 14001.
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GRI 102: GENERAL DISCLOSURES	PAGE
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102-18 Governance structure	22
102-19 Delegating authority	The Board is the instance in Engie Energía Chile in charge of setting down the corporate sustainability strategies and policies. To that end, its members are constantly analyzing information on areas of corporate management, such as people development, gender equity, community relations, sustainability risks and the environment. In this latter case, since 2017 the Board has been receiving monthly reports on the Carbon Footprint and annual reports on the Water Footprint of the company.
102-20 Executive-level responsibility for economic, environmental and social topics	30, 69, 71, 113
102-21 Consulting stakeholders on economic, environmental and social topics	56, 69, 71, 72, 81, 95, 101, 102, 106-107, 112-115
102-22 Composition of the highest governance body and its committees	19, 22-24
102-23 Chair of the highest governance body	The chairman of the Board of Directors of Engie Energía Chile does not hold any other executive position in the company.
102-25 Conflicts of interest	24-28
102-26 Role of the highest governance body in setting purpose, value and strategy	The Board is the instance in Engie Energía Chile in charge of setting down the corporate sustainability strategies and policies, and it also participates in defining cultural guidelines. Since 2017 the Board has been receiving monthly reports on the Carbon Footprint and annual reports on the Water Footprint of the company.
102-27 Collective knowledge of highest governance body	Since 2017 the Board has been receiving monthly reports on the Carbon Footprint and annual reports on the Water Footprint of the company. Members also receive annual training in matters such as crime prevention, competition and anti-corruption.
102-29 Identifying and managing economic, environmental and social impacts	36, 45, 66-69, 74, 86, 112
102-30 Effectiveness of risk management processes	60, 69
102-32 Highest governance body's role in Sustainability Report	The Board of Directors is the body in ENGIE Energía that validates and approves the content of the company's integrated reports.
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LEGAL INFORMATION

CHARTER DOCUMENTS

ENGIE Energía Chile S.A. was incorporated by capital contributions from Empresa Nacional de Electricidad S.A. (Endesa) and the Production Development Association (Corfo). It was incorporated under the name of Empresa Eléctrica del Norte Grande Limitada (Edelnor) by public deed executed October 22, 1981 in the notarial office of Enrique Morgan Torres. An abstract of that deed was registered on page 556 (overleaf), No. 314, in the Commercial Register of the Antofagasta Real Estate Registrar, and it was published in the Official Gazette on November 7, 1981.

The business of the company is the production, transmission, distribution and supply of electricity; the purchase, sale and transport of all types of fuels, whether liquid, solid or gaseous; the rendering of consulting services in all areas and fields of engineering and business management; and the provision of electric system maintenance and repair services.

Since its incorporation ENGIE Energía Chile S.A. has undergone several modifications, the most important of which are described below:

Date of Public Deed	Modification	Notarial Office	Registration	Register	Publication in the Official Gazette
09/30/1983	The company (then Edelnor) was converted into a continuing open corporation traded on the country's stock exchanges.	Enrique Morgan Torres	Page 467, No. 244	1983 Commercial Register of the Antofagasta Real Estate Registrar	11/03/1983
11/09/1988	A Special Shareholders Meeting decided to divide the company effective July 1, 1998 into four corporations: a continuing company that would retain its name and three new open corporations: Empresa Eléctrica de Antofagasta S.A. (Elecda S.A.), Empresa Eléctrica de Iquique S.A. (Eliqsa S.A.) and Empresa Eléctrica de Arica S.A. (Emelari S.A.)	Vicente Castillo Fernández, Antofagasta	Page 1,141, No. 437	1988 Register of the Antofagasta Real Estate Registrar	01/03/1989
03/13/2002	A Special Shareholders Meeting held March 13, 2002 resolved to amend the bylaws to move the registered offices from the city of Antofagasta to Santiago, in the municipality of Las Condes.	María Soledad Santos Muñoz, Antofagasta	Page 8,180, No. 6,673	2002 Commercial Register of the Santiago Real Estate Registrar	23/03/2002
06/02/2004	A Special Shareholders Meeting held April 26, 2004 resolved to modify the company's capital in order to state it in dollars of the United States of America.	Fernando Opazo Larraín, Santiago	Page 17,684, No. 13,314	2004 Commercial Register of the Santiago Real Estate Registrar	06/18/2004
12/29/2009	A Special Shareholders Meeting held December 29, 2009 decided: A) to merge EDELNOR with Inversiones Tocopilla-1 S.A. ("Tocopilla" or the "Absorbed Company") by the absorption of Tocopilla by EDELNOR. As a result, Inversiones Tocopilla-1 S.A. was dissolved and all of its assets and liabilities were transferred in block to the company. The shareholders in Tocopilla received shares issued by EDELNOR in exchange, in the manner and periods agreed by that Shareholders Meeting. B) Because of the company's merger with Inversiones Tocopilla-1 S.A: and the merger conditions, to increase the capital by US$704,404,607.11 through the issuance of 604,176,440 new shares with no par value, in one series and of the same par value as the remaining shares in the company.	Iván Torrealba Acevedo, Santiago	Page 3,581, No. 23	2010 Commercial Register of the Santiago Real Estate Registrar	01/22/2010

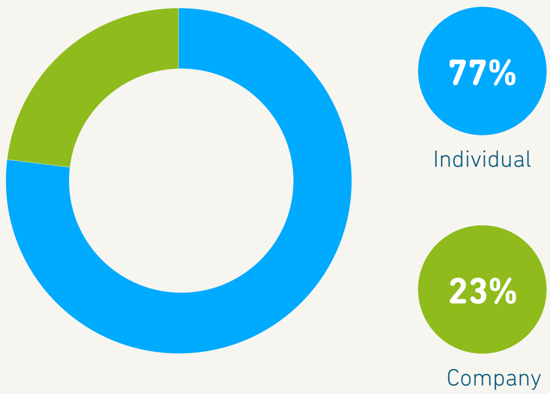
Date of Public Deed	Modification	Notarial Office	Registration	Register	Publication in the Official Gazette
05/04/2010	A Special Shareholders Meeting held April 27, 2010 amended the company's by-laws to change its name to E.CL S.A., with the right to do business under the acronym "E.CL."	Iván Torrealba Acevedo, Santiago	Page 22,767, No. 15,578	2010 Commercial Register of the Santiago Real Estate Registrar	05/11/2010
03/30/2011	The ipso jure decrease in capital was declared.	Iván Torrealba Acevedo, Santiago			
05/09/2016	A Special Shareholders Meeting held April 26, 2016 amended the company's by-laws to change its name to "ENGIE Energía Chile S.A."	Iván Torrealba Acevedo, Santiago	Page 34,238, No. 18,064	2016 Commercial Register of the Santiago Real Estate Registrar.	05/19/2016

OWNERSHIP

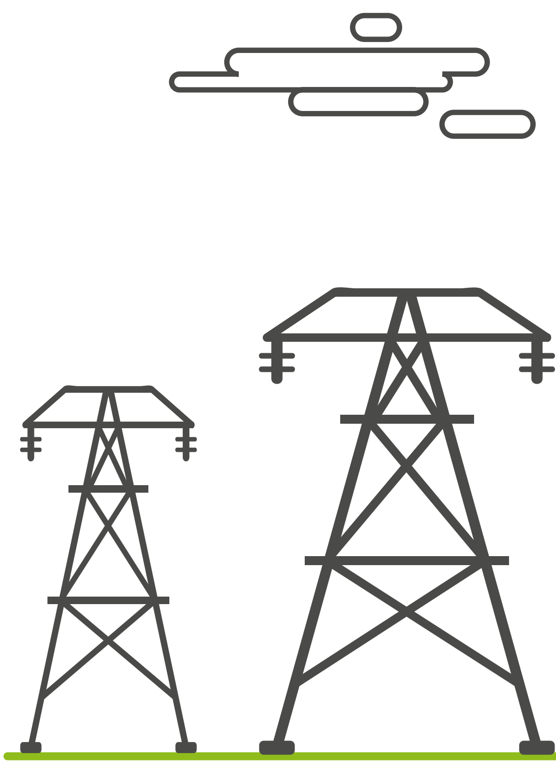
MAJORITY SHAREHOLDERS AS OF DECEMBER 31, 2018

Name	Number of Shares	Percentage Interest
ENGIE Chile S.A.	555,769,219	52.76%
Larrain Vial S.A. Corredora de Bolsa	28,882,850	2.74%
Banco Santander for foreign investors	25,515,579	2.42%
Banco Itaú Corpbanca for foreign investors	24,257,641	2.30%
AFP Provida S.A. - C Fund	23,132,859	2.20%
AFP Capital S.A. - C Fund	23,130,359	2.20%
AFP Cuprum - A Fund	21,622,440	2.05%
Banco de Chile for non-resident third parties	21,361,300	2.03%
Moneda S.A. AFI for Pionero Fondo de Inversión (Pioneer Investment Fund)	21,105,000	2.00%
AFP Capital S.A. - A Fund	18,594,530	1.77%
AFP Provida S.A. - B Fund	17,814,669	1.69%
AFP Capital S.A. - B Fund	17,253,492	1.64%
Other shareholders	254,869,838	24.20%
Total	**1,053,309,776**	**100.00%**

Percentage by type of shareholder



Type of shareholder	Number of Shareholders	Number of paid-in shares
Company	408	1,048,843,641
Individual	1,371	4,466,135
Total	**1,779**	**1,053,309,776**



ENGIE Energía Chile EXCHANGE TRANSACTIONS IN 2018

Period	Number of shares traded	Amount traded (CLP$)	Average price (CLP$)
First quarter	45,739,214	60,824,080,394	1,330
Second quarter	40,826,334	52,509,727,593	1,283
Third quarter	38,464,598	48,527,748,419	1,260
Fourth quarter	106,584,056	132,035,309,265	1,238

1,053,309,776

Shares as of December 31, 2018

ENGIE Energia Chile is traded on the Santiago Stock Exchange, Valparaiso Stock Exchange and Electronic Exchange of Chile.

SHARE TRANSACTIONS BY RELATED PARTIES

The management of ENGIE Energia Chile did not report any purchases of the company's shares by its majority shareholders, chairman, directors, CEO or senior executives during 2018.

DIVIDEND POLICY

EECL's dividend policy, approved at the Regular Shareholders Meeting held Tuesday, April 24, 2018, is to pay the minimum during the course of the fiscal year according to the law and the bylaws. Provided the corporate situation allows, taking into account projects and the Company's development plans, an interim or final dividend payment can be approved in excess of the legal minimum. Subject to Board approval, profits will be distributed in each fiscal year by paying two interim dividends based on the results of the financial statements for the first three quarters, plus the final dividend payable in May of each year.

The aforesaid Regular Shareholders Meeting approved payment of a final dividend of US$30,424,756 to shareholders on account of 2017 fiscal year profits, which meant a dividend of US$0.028884908 per share payable in the peso equivalent on May 22, 2018, converted at the observed dollar exchange rate published in the Official Gazette on the day of the shareholders meeting.

At its meeting held September 25, 2018, the Company's Board approved payment of an interim dividend of US$26,000,000 to shareholders against 2018 fiscal year profits, which meant a dividend of US$0.024684096 per share, payable on October 25, 2018, in the equivalent to local currency. Payment was made to the shareholders registered in the Company's Shareholders Register on the fifth business day prior to that date.

Dividends paid since 2010 are shown in the next table:

Payment Date	Type of Dividend	Amount (MUS$)	US$ per share
January 22, 2016	Interim (on account of 2015 profits)	8.0	0.00760
May 26, 2016	Final (on account of 2015 net profits)	6.8	0.00641
May 26, 2016	Interim (on account of 2016 profits)	63.6	0.06038
May 18, 2017	Final (on account of 2016 net profits)	12.8	0.01220
May 22, 2018	Final (on account of 2017 net profits)	30.4	0.02888
October 25, 2018	Interim (on account of 2018 net profits)	26.0	0.02468

LEADING SUPPLIERS:

COAL
CMC
Engie Energy Management
Glencore
Gunvor
Idemits
Interocean Coal Sales
Mina Invierno
Trafigura
Uniper
Yancoal

HYDRATED LIME

Lhoist
Mississippi Lime

LIMESTONE

Calica
SPG Mining

OIL

Copec

MARITIME TRANSPORT

ADM
Bunge
Cargill
Glencore Agriculture
NYK
SMT
Shipping Swissmarine

LIQUEFIED NATURAL GAS

GDF Suez Supply S.A.

NITROGEN

Praxair S.A.

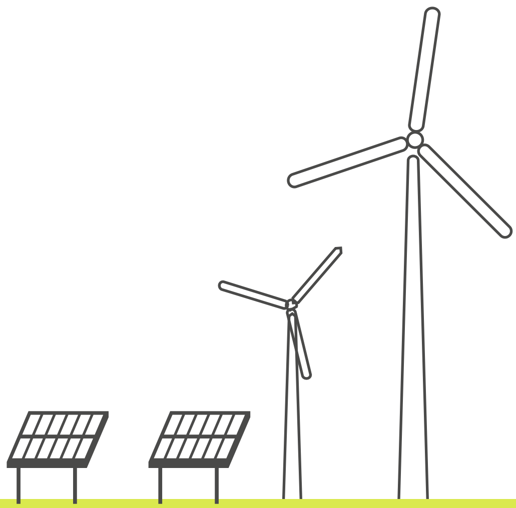
FINANCIAL FUEL DERIVATIVES (BANKS)

JP Morgan
ENGIE Global Markets

TRADEMARKS, PATENTS, LICENSES, FRANCHISES, ROYALTIES AND/OR CONCESSIONS

Trademark	Application No.	Type	Class	Filed	Status	Reg. No.	Date	Coverage	Held by	Expiration Date
CTA	848564	D	37, 39, 40, 42	17/Dec/2008	R	1027608	02/ Mar/2013	Service	Central Termoeléctrica Andina S.A.	0
Puerto Andino	1249504	D	36	06/ Apr/2017	R	1259247	14/ Sep/2017	Product and Service	Central Termoeléctrica Andina S.A.	0
Puerto Andino	1249505	D	37	06/Apr/2017	R	1269674	15/ Feb/2018	Product and Service	Central Termoeléctrica Andina S.A.	0
Puerto Andino	1249507	D	39	06/Apr/2017	R	1265467	13/ Dec/2017	Product and Service	Central Termoeléctrica Andina S.A.	0
Puerto Andino	1249508	D	42	06/Apr/2017	R	1261415	18/ Oct/2017	Product and Service	Central Termoeléctrica Andina S.A.	0
Central Termoeléctrica Andina	848563	D	37, 39, 40, 42	17/Dec/2008	R	873762	25/ Jan/2010	Service	Central Termoeléctrica Andina S.A.	0
Puerto de Tocopilla	979777	D	39	18/ Nov/2011	R	945854	18/ Jan/2012	Service	Electroandina S.A.	618354
EDELNOR	1037224	D	42	10/Dec/2012	R	1012123	18/ Feb/2013	Service	ENGIE ENERGÍA CHILE S.A.	658175
DISTRINOR	1003230	D	39	17/Apr/2012	R	971387	21/ Jun/2012	Service	ENGIE ENERGÍA CHILE S.A.	633623
Subestación el Cobre	842912	D	37, 39, 40, 42	29/Oct/2008	R	867931	26/ Nov/2009	Service	ENGIE ENERGÍA CHILE S.A.	0
	1081618	E	35, 36, 37, 38, 39, 40, 42	06/ Nov/2013	R	1066231	27/ Nov/2013	Service	ENGIE ENERGÍA CHILE S.A.	679835
	1081624	E	35, 36, 37, 38, 39, 40, 42	06/ Nov/2013	R	1069793	04/ Dec/2013	Service	ENGIE ENERGÍA CHILE S.A.	680316
EDELNOR	892435	D	35, 37, 39, 40	20/Jan/2010	R	905136	16/ Dec/2010	Service	ENGIE ENERGÍA CHILE S.A.	0
GNE Gas Natural Esencial	1027237	M	4, 16, 35, 39, 40	28/Sep/2012	R	1131771	09/ Oct/2014	Product and Service	ENGIE ENERGÍA CHILE S.A.	0
E.CL	891537	M	35, 36, 37, 39, 40, 42	13/Jan/2010	R	942347	17/ Jan/2012	Service	ENGIE ENERGÍA CHILE S.A.	0
T	811926	M	39, 40	18/ Mar/2008	R	828494	29/ May/2008	Service	ENGIE ENERGÍA CHILE S.A.	513599
	809736	E	39	29/Feb/2008	R	838560	27/ Feb/2008	Service	Gasoducto Norandino S.A.	505416
Gasoducto Norandino	942751	D	39	01/ Mar/2011	R	917542	22/ Jun/2011	Service	Gasoducto Norandino S.A.	598114
	809737	E	4	29/Feb/2008	R	847321	27/ Feb/2008	Product	Gasoducto Norandino S.A.	505415
Gasoducto Norandino	943489	D	4	08/ Mar/2011	R	917823	30/ May/2011	Product	Gasoducto Norandino S.A.	596921
CTH	848565	D	37, 39, 40, 42	17/Dec/2008	R	872006	07/ Jan/2010	Service	Inversiones Hornitos S.A.	0
Hornitos	848566	D	37, 39, 40, 42	17/Dec/2008	R	872007	07/ Jan/2010	Service	Inversiones Hornitos S.A.	0
TEN S.A.	1162942	D	37, 39, 40, 42	20/Jul/2015	R	1232831	05/ Jan/2017	Service	Transmisora Eléctrica del Norte S.A	0
TEN S.A.	1162940	M	37, 39, 40, 42	20/Jul/2015	R	1211970	07/ Jul/2016	Service	Transmisora Eléctrica del Norte S.A	0

CORPORATE STRUCTURE



ENGIE — 52.76%

PENSION FUNDS — 25.85%

INVERSIONES HORNITOS S.A. — 60%

INVERSIONES PUNTA DE RIELES LTDA. — 40%

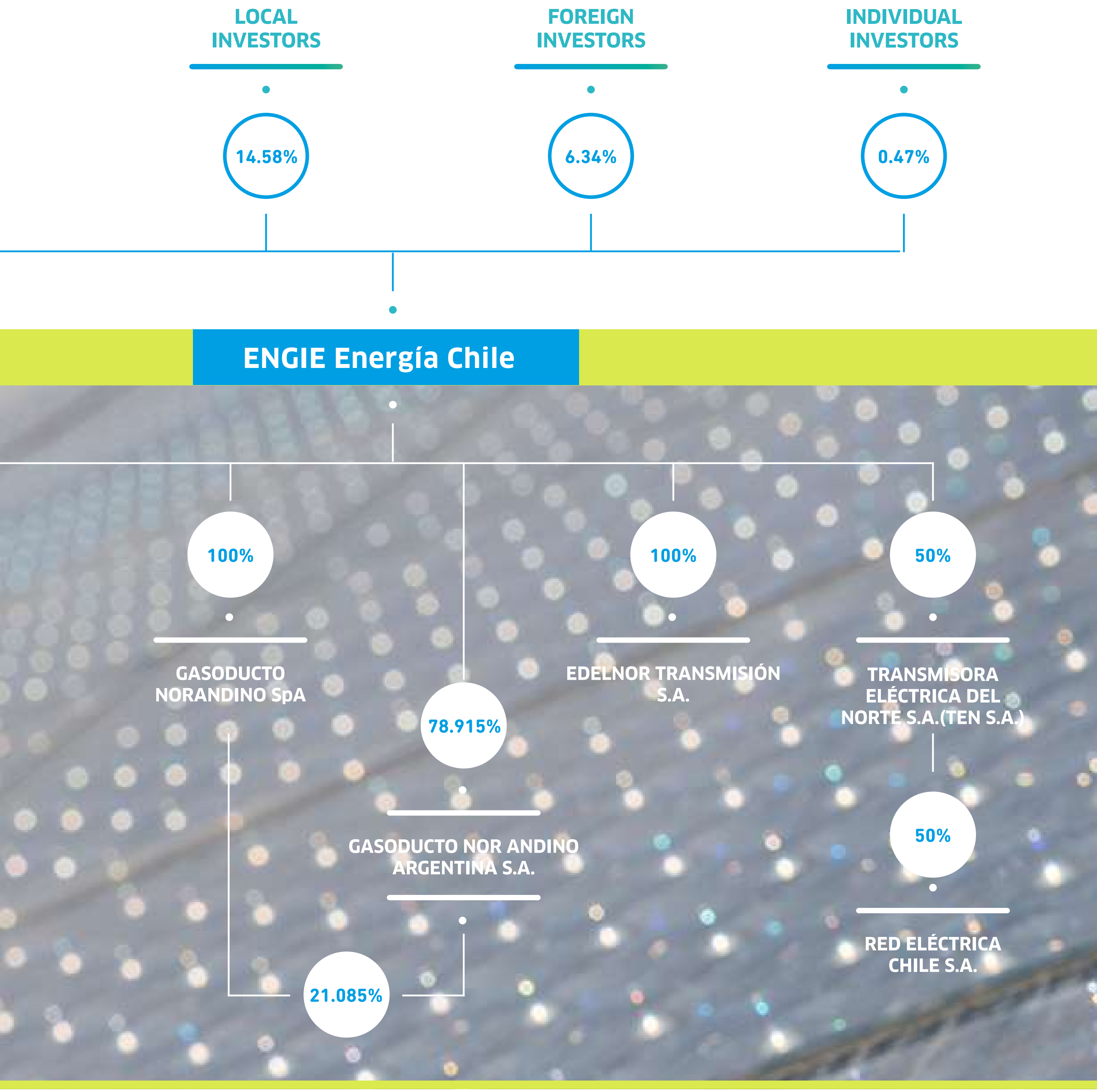
LOS TRIGALES SpA — 100%

ELECTROANDINA S.A. — 100%

CENTRAL TERMOELÉCTRICA ANDINA S.A. (CTA) — 100%

100%

- SOLAIREDIRECT GENERACIÓN II SpA
- SOLAIREDIRECT GENERACIÓN VI SpA
- SOLAIREDIRECT GENERACIÓN IX SpA
- SOLAIREDIRECT GENERACIÓN XI SpA
- SOLAIREDIRECT GENERACIÓN XV SpA
- SOLAIREDIRECT TRANSMISIÓN SpA
- SOLAIREDIRECT MINERÍA SpA


LOCAL INVESTORS
14.58%
FOREIGN INVESTORS
6.34%
INDIVIDUAL INVESTORS
0.47%
ENGIE Energía Chile
100%
GASODUCTO NORANDINO SpA
78.915%
GASODUCTO NOR ANDINO ARGENTINA S.A.
21.085%
100%
EDELNOR TRANSMISIÓN S.A.
50%
TRANSMISORA ELÉCTRICA DEL NORTE S.A.(TEN S.A.)
50%
RED ELÉCTRICA CHILE S.A.

SUBSIDIARIES AND ASSOCIATES

December 31, 2018

ELECTROANDINA S.A.

This subsidiary was incorporated by public deed dated May 15, 1995 in the Santiago Notarial Office of Hugo Leonardo Perez Pousa. An abstract of that deed was registered on page 16 (overleaf), number 11, of the 1995 Tocopilla Commercial Register and was published in the Official Gazette on May 18, 1995.

Company Name: Electroandina S.A.
Tax ID: 96.731.500-1
Type of Company: Closed Corporation
Paid-in Capital: kUS$50,445
Held by: ENGIE Energía Chile S.A., 100%
Board of Directors: Axel Levêque, Anibal Prieto Larraín, Enzo Quezada Zapata, Demián Andrés Talavera, Eduardo Milligan and David Liste Alba
Chief Executive Officer: Axel Levêque
Business Purpose: Generation, transmission, sale of energy and other services

CENTRAL TERMOELÉCTRICA ANDINA S.A.

This subsidiary was incorporated by public deed dated November 20, 2006 in the Santiago Notarial Office of Juan Ricardo San Martin Urrejola. An abstract of that deed was registered on page 48,227, number 34,417, of the 2006 Tocopilla Commercial Register and was published in the Official Gazette on November 29, 2006.

Company Name: Central Termoeléctrica Andina S.A.
Tax ID: 76.708.710-1
Type of Company: Closed Corporation
Paid-in Capital: kUS$30,000
Held by: ENGIE Energía Chile S.A., 100%
Board of Directors: Axel Levêque, Anibal Prieto Larraín, Enzo Quezada Zapata, Demián Andrés Talavera, Eduardo Milligan and David Liste
Chief Executive Officer: Axel Levêque
Business Purpose: Generation, transmission and distribution of electricity.

INVERSIONES HORNITOS S.A.

This subsidiary was incorporated by public deed dated May 15, 1995 in the Santiago Notarial Office of Hugo Leonardo Perez Pousa. An abstract of that deed was registered on page 16 (overleaf), number 11, of the 1995 Tocopilla Commercial Register and was published in the Official Gazette on May 18, 1995.

Company Name: Inversiones Hornitos S.A.
Tax ID: 76.009.698-9
Type of Company: Closed Corporation
Paid-in Capital: kUS$120,000
Held by: ENGIE Energía Chile S.A., 60%
Board of Directors: Axel Levêque, Eduardo Milligan Wenzel, Luc Imschoot, Demián Andrés Talavera, Beatriz Monreal Haase, Anibal Prieto Larrain, Mauricio Ortiz Jara, Carlos Acuña Cares, Paula Aguirre Tapia.
Chief Executive Officer: Axel Levêque
Business Purpose: The generation, transmission and distribution of electricity.

TRANSMISORA ELÉCTRICA DEL NORTE S.A.

TEN is an associate, incorporated by public deed dated March 1, 2007, executed in the Santiago Notarial Office of Juan Ricardo San Martín Urrejola. An abstract of that deed was registered on page 9373, No. 6856, of the 2007 Commercial Register of the Santiago Real Estate Registrar and it was published in the Official Gazette on March 7, 2007.

Company Name: Transmisora Eléctrica del Norte S.A.
Tax ID: 76.787.690-4
Type of Company: Closed Corporation
Paid-in Capital: kUS$72,876
Held by: ENGIE Energía Chile S.A., 50%
Board of Directors: Axel Levêque, Eduardo Milligan, Gabriel Marcuz, Roberto Garcia Merino (Chairman), Eva Pagán Diaz and Angel Mahou
Chief Executive Officer: Demian Talavera
Business Purpose: Electric power transmission. It may exploit and develop its own or third-party electric systems, regardless of the transmission system of which it is a member or the name it may be given. This therefore includes its own dedicated national transmission facilities, zonal facilities and development poles, the sale of transmission line capacity and the transformation capacity of power substations and assets, equipment and facilities associated with such lines and substations; obtaining and exploiting concessions, easements and the permits necessary to conduct its business; and providing services in the area of electrical engineering, electric system maintenance and the management of companies related to its special purpose.

EDELNOR TRANSMISIÓN S.A.

Edelnor Transmisión S.A., ("ETSA") was created under article 7 of the Electricity Law. It is a subsidiary that was incorporated by public deed dated December 9, 2008, executed in the Santiago Notarial Office of Iván Torrealba Acevedo. An abstract of that deed was registered on December 17, 2008 on page 59,017, No. 40920, of the 2008 Commercial Register of the Santiago Real Estate Registrar. That abstract was published in the Official Gazette on December 22, 2008.

Company Name: Edelnor Transmisión S.A.

Tax ID: 76.046.791-K

Type of Company: A corporation registered in the Reporting Entities Register established by Article 7 of Law 18,045.

Paid-in Capital: kMUS$2

Held by: ENGIE Energía Chile S.A., 100%

Board of Directors: Enzo Quezada Zapata, Anibal Prieto Larraín, Eduardo Milligan, David Liste, Demián Andrés Talavera and Luc Imschoot

Chief Executive Officer: Axel Levêque

Business Purpose: Electricity transmission through power lines, power substations and other facilities, whether they are part of the trunk transmission system, subtransmission system or additional transmission system, owned by the Company or by third parties, in the terms of the Electricity Law, as amended.

GASODUCTO NOR ANDINO SpA.

Gasoducto del Norte Grande Norgas Chile y Compañía Ltda. was incorporated on March 4, 1997. It was converted into a Closed Corporation on November 12, 1997 and changed its name to Gasoducto Nor Andino S.A., ("GNA"). On November 30, 2015, Gasoducto Nor Andino S.A. was converted to a Joint Stock Company and consequently changed its name to Gasoducto Nor Andino SpA.

Company Name: Gasoducto Nor Andino SpA

Tax ID: 78.974.730-K

Type of Company: Joint stock company

Paid-in Capital: kUS$12,516

Held by: ENGIE Energía Chile S.A., 100%

Board of Directors: Nicky Vanlommel, David Liste, Axel Levêque, Anibal Prieto Larraín, Enzo Quezada Zapata, Demián Andrés Talavera, Eduardo Milligan and Gabriel Marcuz

Chief Executive Officer: Axel Levêque

Business Purpose: (a) The design, construction, ownership, operation, exploitation, commercialization, financing, maintenance, expansion and modification of a gas pipeline running between the Republic of Argentina and the Republic of Chile, either directly or through third parties.
(b) The purchase, sale, commercialization, import and export of natural gas, the transportation of that fuel from the Republic of Chile to other countries in the region and vice versa, and the export of services relating to the above activities.
(c) The execution of any type of act and contract, including the creation of, and holding of an interest in, companies; and the obtainment of the permits, rights and concessions required for this purpose.

GASODUCTO NOR ANDINO ARGENTINA S.A.

The original by-laws were registered in the Public Commercial Register on December 1, 1997.

Company Name: Gasoducto Nor Andino Argentina S.A.
Type of Company: Closed Corporation
Paid-in Capital: The nominal capital is 6,565,300 shares with a par value of a A$1, equal to US$1.
Held by: ENGIE Energía Chile S.A., 100%
Board of Directors: Axel Levêque, Dante Dell'Elce, Favio Jeambeaut, Dario Martin Febre and Gabriel Marcuz
Chief Executive Officer: Gabriel Marcuz
Business Purpose: Construction, design, erection, operation and exploitation of gas pipelines, oil pipelines and multi-product pipelines in the territory of the Republic of Argentina and of related engineering works, services and equipment.

ALGAE FUELS S.A.

Algae Fuels S.A. was incorporated by public deed dated October 26, 2010, executed in the Santiago Notarial Office of Patricio Zaldívar Mackenna. An abstract of that deed was registered on page 61,492, No. 42,775, of the 2010 Commercial Register of the Santiago Real Estate Registrar and it was published in the Official Gazette on November 18, 2010.

Company Name: Algae Fuels S.A.
Tax ID: 76.122.974-5
Type of Company: Closed Company
Paid-in Capital: CLP$2,038,093
Held by: ENGIE Energía Chile S.A., 100%
Board of Directors: Roberto Zazzali Sanchez, Lorenzo Gazmuri Schieyer, Gloria Lederman Enríquez, Anselmo Palma Pfotzer, Fernando Delfau Vernet and María Loreto Massanés Vogel
Chief Executive Officer: Juan Claudio Ilharreborde
Business Purpose: The implementation, execution and development of research, development and innovation programs relating to the production of biofuels made from microalgae, among other associated businesses.

PARQUE EÓLICO LOS TRIGALES SpA.

Incorporation: The Company was incorporated on May 20, 2014 in the Santiago Notarial Office of Eduardo Avello Concha and it was registered on page 38,858, number 24,133, of the 2014 Santiago Commercial Register.

Company Name: Parque Eolico Los Trigales SpA

Tax ID: 76.379.625-K

Paid-in Capital: CLP$973,235,052

Type of Company: Joint Stock Company

Held by: ENGIE Energia Chile, 100%

Board of Directors: It is managed by representatives of ENGIE Energia Chile S.A.

Chief Executive Officer: Axel Levêque

Business Purpose: The management, development and investment in all types of renewable energy projects in Chile, either for its own account or for third parties; and the generation, transmission, distribution, transportation, transformation, acquisition, supply, purchase and sale of electricity of any nature, in particular renewable energy.

SOLAIREDIRECT GENERACIÓN II SpA.

Incorporation: The Company was incorporated on May 30, 2012 in the Santiago Notarial Office of Eduardo Avello Concha and it was registered on page 37,277, number 26,193, of the 2012 Santiago Commercial Register.

Company Name: Solairedirect Generacion II Spa

Tax ID: 76.247.969-6

Paid-in Capital: CLP$100,000

Type of Company: Joint Stock Company

Held by: ENGIE Energia Chile, 100%

Board of Directors: It is managed by representatives of ENGIE Energia Chile S.A.

Chief Executive Officer: Axel Levêque

Business Purpose: The generation, transmission, distribution, transportation, transformation, acquisition, supply, purchase and sale of electricity of any nature, in particular renewable energy.

SOLAIREDIRECT GENERACIÓN VI SpA

Incorporation: The Company was incorporated on August 31, 2012 in the Santiago Notarial Office of Eduardo Avello Concha and it was registered on page 66,219, number 45,959, of the 2012 Santiago Commercial Register.

Company Name: Solairedirect Generacion VI Spa

Tax ID: 59.169.880-K

Paid-in Capital: CLP$100,000

Type of Company: Joint Stock Company

Held by: ENGIE Energia Chile, 100%

Board of Directors: It is managed by representatives of ENGIE Energia Chile S.A.

Chief Executive Officer: Axel Levêque

Business Purpose: The generation, transmission, distribution, transportation, transformation, acquisition, supply, purchase and sale of electricity of any nature, in particular renewable energy.

SOLAIREDIRECT GENERACIÓN IX SpA

Incorporation: The Company was incorporated on February 28, 2013 in the Santiago Notarial Office of Eduardo Avello Concha and it was registered on page 18,840, number 12,302, of the 2013 Santiago Commercial Register.

Company Name: Solairedirect Generacion IX Spa

Tax ID: 76.267.537-4

Paid-in Capital: CLP$100,000

Type of Company: Joint Stock Company

Held by: ENGIE Energia Chile, 100%

Board of Directors: It is managed by representatives of ENGIE Energia Chile S.A.

Chief Executive Officer: Axel Levêque

Business Purpose: The generation, transmission, distribution, transportation, transformation, acquisition, supply, purchase and sale of electricity of any nature, in particular renewable energy.

SOLAIREDIRECT GENERACIÓN XI SpA

Incorporation: The Company was incorporated on April 11, 2013 in the Santiago Notarial Office of Eduardo Avello Concha and it was registered on page 30,412, number 20,234, of the 2013 Santiago Commercial Register.

Company Name: Solairedirect Generacion XI Spa

Tax ID: 76.534.501-4

Paid-in Capital: CLP$100,000

Type of Company: Joint Stock Company

Held by: ENGIE Energia Chile, 100%

Board of Directors: It is managed by representatives of ENGIE Energia Chile S.A.

Chief Executive Officer: Axel Levêque

Business Purpose: The generation, transmission, distribution, transportation, transformation, acquisition, supply, purchase and sale of electricity of any nature, in particular renewable energy.

SOLAIREDIRECT GENERACIÓN XV SpA

Incorporation: The Company was incorporated on April 11, 2013 in the Santiago Notarial Office of Eduardo Avello Concha and it was registered on page 30,411, number 20,213, of the 2013 Santiago Commercial Register.

Company Name: Solairedirect Generacion XV Spa

Tax ID: 76.534.502-2

Paid-in Capital: CLP$100,000

Type of Company: Joint Stock Company

Held by: ENGIE Energia Chile, 100%

Board of Directors: It is managed by representatives of ENGIE Energia Chile S.A.

Chief Executive Officer: Axel Levêque

Business Purpose: The generation, transmission, distribution, transportation, transformation, acquisition, supply, purchase and sale of electricity of any nature, in particular renewable energy.

SOLAIREDIRECT TRANSMISIÓN SpA

Incorporation: The Company was incorporated on April 15, 2013 in the Santiago Notarial Office of Eduardo Avello Concha and it was registered on page 31,712, number 21,197, of the 2013 Santiago Commercial Register.
Company Name: Solairedirect Transmision Spa
Tax ID: 76.274.746-4
Paid-in Capital: CLP$100,000
Type of Company: Joint Stock Company
Held by: ENGIE Energia Chile, 100%
Board of Directors: It is managed by representatives of ENGIE Energia Chile S.A.
Chief Executive Officer: Axel Levêque
Business Purpose: The transmission, distribution and transformation of electricity, the exploitation, use, beneficial use and lease of power lines for its own account and for others.

SOLAIREDIRECT MINERÍA SpA

Incorporation: The Company was incorporated on May 30, 2012 in the Santiago Notarial Office of Eduardo Avello Concha and it was registered on page 37,410, number 26,287, of the 2012 Santiago Commercial Register.
Company Name: Solairedirect Mineria Spa
Tax ID: 76.243.585-3
Paid-in Capital: CLP$100,000
Type of Company: Joint Stock Company
Held by: ENGIE Energia Chile, 100%
Board of Directors: It is managed by representatives of ENGIE Energia Chile S.A.
Chief Executive Officer: Axel Levêque
Business Purpose: The reconnaissance, exploration, development and exploitation of mining concessions, other rights of this nature, related rights comprising its equity and any it acquires in the future in any way.

RELEVANT OR MATERIAL EVENTS

Day and time	Name of entity	Material event
3/27/2018 15:57:00	ENGIE Energía Chile S.A.	Profit distribution (dividend payment)
4/2/2018 17:36:33	ENGIE Energía Chile S.A.	Miscellaneous
4/24/2018 15:57:00	ENGIE Energía Chile S.A.	Regular shareholders meeting, notices, resolutions and proposals. Profit distribution (dividend payment).
4/24/2018 16:18:19	ENGIE Energía Chile S.A.	Miscellaneous
6/27/2018 11:10:15	ENGIE Energía Chile S.A.	Miscellaneous
9/26/2018 17:17:01	ENGIE Energía Chile S.A.	Profit distribution (dividend payment)
11/23/2018 11:26:49	ENGIE Energía Chile S.A.	A special shareholders meeting, notices, resolutions and proposals.
11/27/2018 15:17:43	ENGIE Energía Chile S.A.	Miscellaneous

1. On March 27, 2018, the Company disclosed payment of a final dividend of US$30,424,756, or US$0.028884908 per share, to be approved at the Regular Shareholders Meeting to be held April 24, 2018. On that date there were no other effects other than those reported in relation to this disclosure.

2. On April 2, 2018, the Company reported the following resolutions adopted by its Board:

(a) Agreements made with Corporacion Nacional del Cobre:

(i) The amendment of the power purchase agreement made November 6, 2009 for capacity of 200 MW, in force through December 31, 2024. The purpose was to apply a price discount applicable from 2018 to 2020 and stipulate a new energy rate for the period 2021 to 2024, which will be adjusted by the variation in the CPI; and

(ii) A new power purchase agreement for capacity of 200 MW, in force from 2025 to 2035, at a price adjustable by the change in the CPI.

(b) Agreements with Complejo Metalurgico Altonorte S.A. and Compañía Minera Lomas Bayas: The Company agreed to new terms and conditions for the power purchase agreements with each of these companies, both for 50 MW, in force through December 2032. The PPA with Complejo Metalurgico Altonorte S.A. was split into two, one for 34 MW and the other for 16 MW, under the following terms:

(i) The 34 MW PPA will include a price discount in effect from 2018 to 2020 and new rates for the periods from 2021 to June 2027 and 2027 to July 2032, adjustable by the change in the CPI, in addition to an extension for five additional years; and

(ii) The 16 MW PPA will include a price discount in effect from 2018 to June 2027 and new rates for the periods from June 2027 to 2032, adjustable by the change in the CPI, in addition to an extension for five additional years;

The PPA with Compañía Minera Lomas Bayas was split into two, one for 34 MW and the other for 16 MW, under the following terms:

(i) The 34 MW PPA will include a price discount in effect from 2018 to 2020 and new rates for the periods from 2021 to June 2018, adjustable by the change in the CPI, in addition to an extension for an additional 10.5 years; and

(ii) The 16 MW PPA will include a price discount in effect from 2018 to June 2028, adjustable by the change in the CPI, in addition to an extension for an additional 10.5 years; and

(c) Notice of the closure of Tocopilla Units 12 and 13: It was disclosed that a notice had been sent to the National Energy Commission requesting authorization to disconnect and remove the coal-fired units 12 and 13, located at the Tocopilla Power Plant, from service.

All the above agreements form part of the energy transition to renewable generation. As of this date, the National Energy Commission has authorized the closing of Units 12 and 13 of the Tocopilla Power Plant indicated in letter (c) above.

3 On April 24, 2018, the Company reported the following resolutions of its Regular Shareholders Meeting as a Material Disclosure: (a) payment of a final dividend of US$30,424,756 to shareholders on account of the 2017 fiscal year, meaning that shareholders would receive a dividend of US$0.028884908 per share; (b) the appointment of Philip De Cnudde, Pierre Devillers, Daniel Pellegrini, Hendrik De Buyserie, Cristian Eyzaguire Johnston, Mauro Valdes Racynski and Claudio Iglesis Guillard as regular directors of the Company and Dante Dell'Elce, Patrick Obyn, Stefano Terranova, Pablo Villarino Herrera, Joaquin Gonzalez Errazuriz, Ricardo Lira Matte and Victoria Vasquez Garcia as their respective alternates; and c) the appointment of Deloitte Auditores y Consultores Limitada as the external auditing firm. On this date there are no effects other than those reported in relation to this disclosure.

4 On April 24, 2018, the Company disclosed the following material resolutions of its Board of Directors at the meeting held on that same date: (a) the appointment of Philip De Cnudde as chairman of the Board; (b) the appointment of Cristian Eyzaguirre Johnston, Mauro Valdes Racynski and Claudio Iglesis Guillard, all independent directors, as members of the Directors Committee established pursuant to Article 50-Bis of Law 18,046. On this date there are no effects other than those reported in relation to this disclosure.

5 On June 27, 2018, the Company disclosed that the National Energy Commission had authorized the disconnection and removal of the coal-fired units 12 and 13, located in the city of Tocopilla, from service in the period of twelve months as from the request date, which was made last April, provided the Cardones-Polpaico power line being built by InterChile S.A. is completed. As a consequence of that authorization, at its meeting held June 26th, the Board was informed that a negative entry had to be made in the accounting as from that date for the asset impairment resulting from the upcoming closing of coal-fired Units 12 and 13 of the Tocopilla Power Plant. The net amount (after the positive tax impact) would be approximately US$51,900,000.

6 On September 26th, the Company disclosed that the Board had approved the distribution of an interim dividend at its meeting held September 25th, on account of profits from the present fiscal year. The total was US$26,000,000, or a dividend of US$0.024684096 per share. On this date there are no effects other than those reported in relation to this disclosure.

7 On November 23, 2018, the Company disclosed the decision by the Special Shareholders Meeting held on that same date to approve the grant of one or more guarantees to the lending banks of Transmisora Electrica del Norte S.A. (TEN S.A.), an associate, for a total of US$18,000,000. The purpose was to release money deposited in certain reserve accounts stipulated in TEN's loan agreements that could be used to prepay part of the subordinated loans it owed to the Company. On this date there are no effects other than those reported in relation to this disclosure.

SUMMARY OF COMMENTS AND PROPOSALS BY SHAREHOLDERS AND BY THE DIRECTORS COMMITTEE

There were no comments or proposals by shareholders during the 2018 fiscal year.

In compliance with Law 18,046, the Directors Committee did make the following recommendations to shareholders:

(1) Approval of the annual report for the fiscal year ending December 31, 2018, balance sheet, other financial statements for that fiscal year, and external auditing opinion on the company for that fiscal year.

(2) Appointment of Deloitte Auditores y Consultores Limitada as the external auditing firm for the 2017 fiscal year and Ernst & Young Servicios Profesionales de Auditoría y Asesorías Limitada as the second alternative.

(3) Appointment of Feller Rate Clasificadora de Riesgo Ltda. and Fitch Chile Clasificadora de Riesgo Ltda. as the private risk rating agencies for the 2017 fiscal year.

8 On November 27, 2018, the Company disclosed a 12-year power purchase agreement with Enel Generacion Chile S.A. under which the Company will purchase an annual volume of 0.5 TWh of electricity from January 2019 to 2021; 1 TWh in 2022; and 1.5 TWh from 2023 to 2030. This purchase will be made by transferring electricity among companies who participate in the injection balances and energy withdrawals according to the “Procedure for Calculation and Determination of Economic Energy Transfers,” contained in Exempt Resolution 669 issued November 21, 2017 by the National Energy Commission. On this date there are no effects other than those reported in relation to this disclosure.

STATEMENT OF LIABILITY

Philip De Cnudde
Chairman
Tax ID 24.667.863-4

Pierre Devillers
Director
Tax ID 24.671.366-9

Daniel Pellegrini
Director
Tax ID 25.017.537-k

Hendrik De Buyserie
Director
B Passport EJ838811

Mauro Valdés Raczynski
Director
Tax ID 7.011.106-3

Claudio Iglesis Guillard
Director
Tax ID 7.289.154-6

Cristián Eyzaguirre Johnston
Director
Tax ID 4.773.765-6

Axel Levêque
Chief Executive Officer
Tax ID 14.710.940-7

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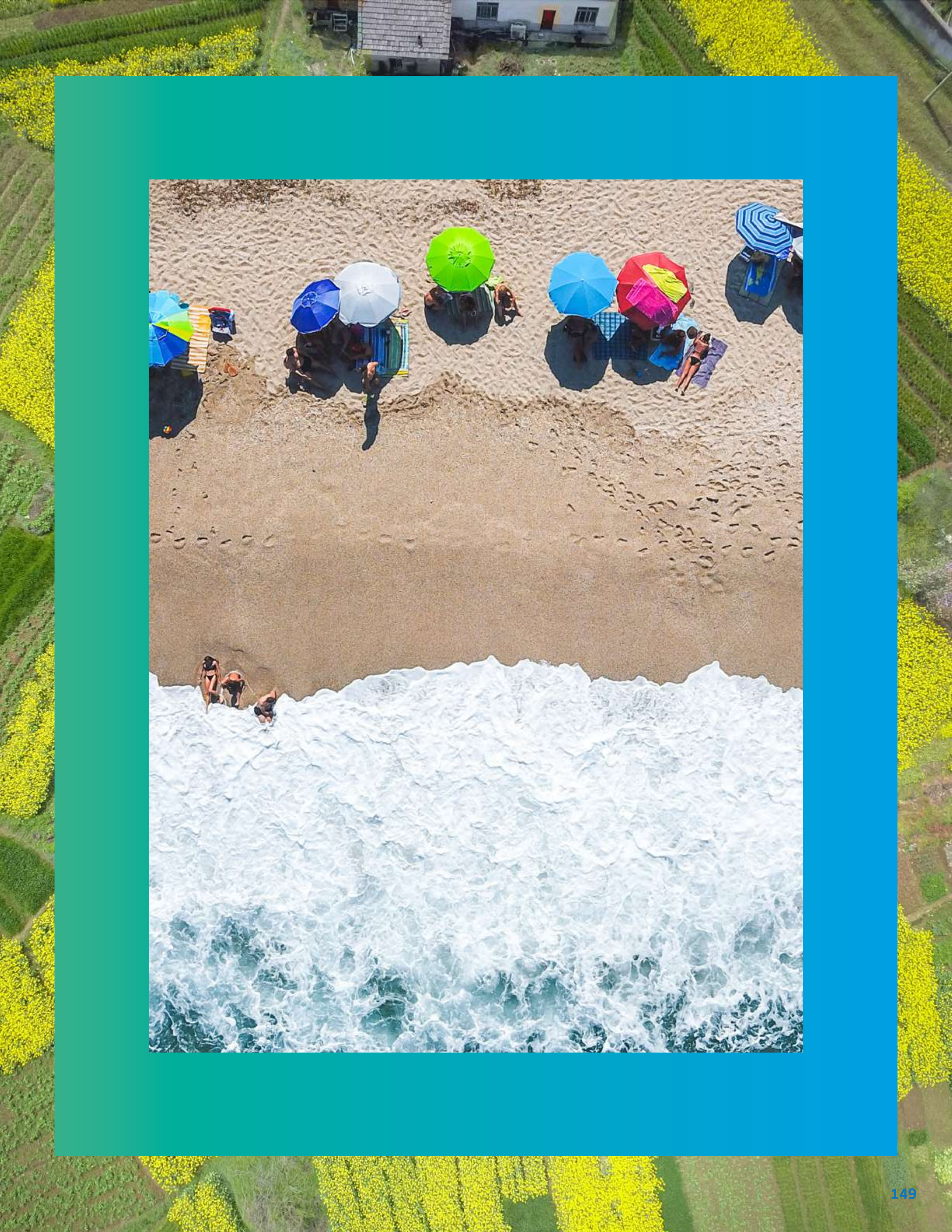
FINANCIAL *statements*



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INDEPENDENT AUDITOR'S OPINION

To the Shareholders and Directors in
Engie Energia Chile S.A.

We have made an audit of the accompanying consolidated financial statements of Engie Energia Chile S.A. and subsidiaries that include the consolidated statements of financial position at December 31, 2018 and 2017 and the corresponding consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ending on those dates, as well as the corresponding notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"). This responsibility includes designing, implementing and keeping the pertinent internal control for the preparation and fair presentation of consolidated financial statements that are free from material misstatements due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements on the basis of our audits. We performed our audits according to generally accepted auditing standards of Chile. Those standards require that we plan and perform our work in order to attain a reasonable assurance that the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence of the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the consolidated financial statements due either to fraud or error. In making these risk assessments, the auditor considers the pertinent internal control for the preparation and fair presentation of the entity's consolidated financial statements in order to devise audit procedures appropriate for the circumstances, without the intent to express an opinion on the effectiveness of the entity's internal control. Consequently, we express no such opinion. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of the material accounting estimations made by Management, as well as an evaluation of the general presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained suffices and is appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements mentioned in the first paragraph above fairly present, in all material respects, the financial position of Engie Energia Chile S.A. and subsidiaries at December 31, 2018 and 2017 and the results of their operations and cash flows for the years ending on those dates, according to the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB").

Deloitte

Santiago, Chile
January 30, 2019

Pablo Vásquez Urrutia
Tax I.D. 12.462.115-1

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/ ENGIE Energia Chile S.A

Classified Consolidated Statement of Financial Position,

as of December 31, 2018 and 2017, in thousands of U.S. dollars

ASSETS

	Note	12/31/18 kUSD	12/31/17 kUSD
CURRENT ASSETS			
Cash and cash equivalents	6	61,512	78,141
Other financial assets, current	7-20	0	2,845
Other non-financial assets, current	8	9,113	28,551
Trade receivables and other accounts receivable, current	9	161,798	122,171
Intercompany receivables, current	10	26,116	7,183
Current inventories	11	158,860	129,548
Current tax assets	12	10,216	12,939
Total Current Assets		**427,615**	**381,378**
NON-CURRENT ASSETS			
Other non-current financial assets	7	0	71
Other non-current non-financial assets	13	10,670	9,884
Trade receivables and other accounts receivable, non-current	9	20	250
Intercompany receivables, non-current	10	26,216	65,633
Investments accounted for using the equity method	14	96,745	80,746
Intangible assets other than goodwill	15	238,492	255,452
Goodwill	16	25,099	25,099
Property, plant and equipment	17	2,635,728	2,543,495
Deferred tax assets	18	2,151	2,195
Total Non-Current Assets		**3,035,121**	**2,982,825**
Total Assets		**3,462,736**	**3,364,203**

The accompanying notes form an integral part of these consolidated financial statements.

/ ENGIE Energia Chile S.A

Classified Consolidated Statement of Financial Position,

as of December 31, 2018 and 2017, in thousands of U.S. dollars

EQUITY AND LIABILITIES

	Note	12/31/18 kUSD	12/31/17 kUSD
CURRENT LIABILITIES			
Other financial liabilities, current	19-20	109,889	117,299
Trade payables and other payables	22	160,808	161,218
Intercompany payables, current	10	10,295	24,674
Current tax liabilities	12	10,117	9,110
Current provisions for employee benefits	23	13,275	14,745
Other non-financial liabilities, current	24	1,382	5,973
Total Current Liabilities		**305,766**	**333,019**
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	19-20	734,610	731,413
Intercompany payables, non-current	10	57,914	532
Other non-current provisions	25	4,120	6,828
Deferred tax liabilities	18	222,174	226,673
Non-current provisions for employee benefits	26	128	267
Total Non-Current Liabilities		**1,018,946**	**965,713**
Total Liabilities		**1,324,712**	**1,298,732**
EQUITY			
Issued capital		1,043,728	1,043,728
Retained earnings		697,707	626,065
Other reserves	27	328,371	321,700
Net equity attributable to the owners of the controller		**2,069,806**	**1,991,493**
Non-controlling interests	28	68,218	73,978
Total Equity		**2,138,024**	**2,065,471**
Total Equity and Liabilities		**3,462,736**	**3,364,203**

The accompanying notes form an integral part of these consolidated financial statements.

/ ENGIE Energia Chile S.A

Consolidated Statements of Comprehensive Income by Function,

as of December 31, 2018 and 2017, in thousands of U.S. dollars

	Note	12/31/18 kUSD	12/31/17 kUSD
Revenue	29	1,275,296	1,054,062
Cost of sales	30	(1,005,810)	(880,541)
Gross Earnings		**269,486**	**173,521**
Other income	31	9,939	20,350
Administrative expenses	32	(41,525)	(39,684)
Other expenses by function	34	(86,066)	(5,748)
Operating profit		**151,834**	**148,439**
Financial income	35	5,846	2,542
Financial expenses	36	(12,771)	(11,594)
Share in earnings (losses) of associates and joint ventures accounted for using the equity method	14	6,938	1,595
Exchange differentials	37	(2,285)	2,512
Pre-tax profit		**149,562**	**143,494**
Tax expense in continuing operations	18	(38,339)	(34,484)
Earnings from continuing operations		**111,223**	**109,010**
EARNINGS ATTRIBUTABLE TO			
the owners of the controller		**102,582**	**100,862**
non-controlling interests	28	**8,641**	**8,148**
EARNINGS PER SHARE			
Profit		**102,582**	**100,862**
Basic earnings per share in continuing operations	38	USD 0.097	USD 0.096

The accompanying notes form an integral part of these consolidated financial statements.

/ ENGIE Energia Chile S.A

Other Consolidated Comprehensive Income,

as of December 31, 2018 and 2017, expressed in thousands of U.S. dollars

	12/31/18 kUSD	12/31/17 kUSD
Profit	**111,223**	**109,010**
CASH FLOW HEDGES		
Earnings (losses) on cash flow hedges, before taxes	(3,842)	3,431
INCOME TAX RELATED TO CASH FLOW HEDGES IN OTHER COMPREHENSIVE INCOME		
Income tax related to cash flow hedges in other comprehensive income	1,002	(867)
Other comprehensive income	**(2,840)**	**2,564**
Comprehensive income	**108,383**	**111,574**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
the owners of the controller	99,742	103,426
non-controlling interests	8,641	8,148
Total Comprehensive Income	**108,383**	**111,574**

The accompanying notes form an integral part of these consolidated financial statements.

/ ENGIE Energia Chile S.A

Statements of Cash Flows – Direct Method,

as of December 31, 2018 and 2017, in thousands of U.S. dollars

	Note	12/31/18 kUSD	12/31/17 kUSD
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES			
Types of collections in operating activities			
Collection of the sales of goods and provision of services		1,482,897	1,199,550
Collection of premiums and benefits, annuities and other policy benefits		11,929	15,450
Other collections in operating activities		2,685	9,829
Types of cash payments in operating activities			
Payments to suppliers for the supply of goods and services		(1,039,514)	(791,221)
Payments to and for account of employees		(77,663)	(65,145)
Payments for premiums and benefits, annuities and other obligations under policies		(5,580)	(10,190)
Other payments in operating activities		0	(350)
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES			
Interest paid, classified as operating activity		(2,936)	(18,488)
Interest earned, classified as operating activity		41	81
Income tax paid (refunded), classified as operating activity		(38,502)	(64,598)
Other cash inflows (outflows) classified as operating activities		(61,328)	(20,302)
Cash flow from (used in) operating activities		**272,029**	**254,616**

/ ENGIE Energia Chile S.A

Statements of Cash Flows – Direct Method,

as of December 31, 2018 and 2017, in thousands of U.S. dollars

	Note	12/31/18 kUSD	12/31/17 kUSD
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES			
Other collections from the sale of equity or debt instruments of other entities, classified as investing activities		223,988	467,204
Other payments to acquire equity or debt instruments of other entities, classified as investing activities		(224,620)	(467,390)
Other payments to acquire interests in joint ventures		0	0
Intercompany loans		0	(29,885)
Sums from the sale of property, plant and equipment, classified as investing activities		14	51
Purchases of property, plant and equipment, classified as investing activities		(224,155)	(493,879)
Collections from related entities		20,381	0
Interest earned		1,621	1,623
Payments under futures, term, option and swap contracts		(102,400)	0
Collections under futures, term, option and swap contracts		98,083	0
Cash flow from (used in) investing activities		**(207,088)**	**(522,276)**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES			
Payments for the purchase or redemption of the entity's shares		0	0
Sums from short-term loans		90,000	100,000
Loans paid		(100,000)	
Dividends paid		(71,129)	(34,591)
Cash flow from (used in) financing activities		**(81,129)**	**65,409**
Increase (decrease) in cash and cash equivalents before the effect of variations in the exchange rate		(16,188)	(202,251)
Effects of the variation in the exchange rate on cash and cash equivalents		(441)	2,116
Increase (decrease) in cash and cash equivalents		**(16,629)**	**(200,135)**
Cash and cash equivalents at the start of the year	6	78,141	278,276
Cash and cash equivalents at the end of the year	**6**	**61,512**	**78,141**

The accompanying notes form an integral part of these consolidated financial statements.

/ ENGIE Energia Chile S.A

Statement of Changes in Consolidated Net Equity,

as of December 31, 2018, in thousands of U.S. dollars

Statement of Changes in Net Equity as of December 31, 2018	Changes in Issued Capital Common Shares kUSD	Changes in Other Reserves		Change in Retained Earnings (Cumulative Losses) kUSD	Net Equity attributable to the Owners of the Controller kUSD	Changes in Non-Controlling Interests kUSD	Changes in Net Equity, Total kUSD
		Other Sundry Reserves	Translation Reserves				
Equity at 1/1/2018	**1,043,728**	**321,700**	**0**	**626,065**	**1,991,493**	**73,978**	**2,065,471**
Profit	0	0	0	102,582	102,582	8,641	111,223
Other Comprehensive Income	0	(2,840)	0	0	(2,840)	0	(2,840)
Total Comprehensive Income	**0**	**(2,840)**	**0**	**102,582**	**99,742**	**8,641**	**108,383**
Dividends	0	0	0	(30,940)	(30,940)	(14,401)	(45,341)
Increases (decreases) due to other changes, equity	0	9,511	0	0	9,511	0	9511
CHANGES IN EQUITY	**0**	**6,671**	**0**	**71,642**	**78,313**	**(5,760)**	**72,553**
FINAL BALANCE AS OF 12/31/2018	**1,043,728**	**328,371**	**0**	**697,707**	**2,069,806**	**68,218**	**2,138,024**

/ ENGIE Energia Chile S.A

Statement of Changes in Consolidated Net Equity,

as of December 31, 2017, in thousands of U.S. dollars

Statement of Changes in Net Equity as of December 31, 2017	Changes in Issued Capital Common Shares kUSD	Changes in Other Reserves		Change in Retained Earnings (Cumulative Losses) kUSD	Net Equity attributable to the Owners of the Controller kUSD	Changes in Non-Controlling Interests kUSD	Changes in Net Equity, Total kUSD
		Other Sundry Reserves kUSD	Translation Reserves kUSD				
Equity at 1/1/2017	**1,043,728**	**323,335**	**0**	**555,462**	**1,922,525**	**83,641**	**2,006,166**
Profit	0	0	0	100,862	100,862	8,148	109,010
Other Comprehensive Income	0	2,564	0	0	2,564	0	2,564
Total Comprehensive Income	**0**	**2,564**	**0**	**100,862**	**103,426**	**8,148**	**111,574**
Dividends	0	0	0	(30,259)	(30,259)	(17,811)	(48,070)
Increases (decreases) due to other changes, equity	0	(4,199)	0	0	(4,199)	0	(4,199)
CHANGES IN EQUITY	**0**	**(1,635)**	**0**	**70,603**	**68,968**	**(9,663)**	**59,305**
FINAL BALANCE AS OF 12/31/2017	**1,043,728**	**321,700**	**0**	**626,065**	**1,991,493**	**73,978**	**2,065,471**

The accompanying notes form an integral part of these consolidated financial statements.

NOTE 1 – GENERAL INFORMATION

1.1 Corporate Information

ENGIE ENERGIA CHILE S.A., hereinafter EECL, was created as a limited liability company on October 22, 1981, through contributions made by Empresa Nacional de Electricidad S.A. (ENDESA) and Corporación de Fomento de la Producción (CORFO, the Production Development Association of Chile).

The Company´s first registered address was in Antofagasta, where it began operating in June 1981.

On September 30, 1983, Engie Energia Chile S.A. was transformed into a continuing open corporation listed on the Chilean stock exchange. It was registered under number 273 on July 23, 1985, in the Securities Registry of the Securities and Insurance Commission, and is therefore subject to oversight by the Financial Market Commission. The company's taxpayer identification number is 88.006.900-4.

A Special Shareholder's Meeting held on April 26, 2016 resolved to change the company's name from E.CL S.A. to "Engie Energia Chile S.A."

The registered and main offices of Engie Energia Chile S.A. are at Avenida Apoquindo 3721, Suite 61, Las Condes, Santiago, Chile, and its phone number is (56-2) 2353-3200.

The company is controlled directly by the Engie Group through Engie Chile S.A., which owns 555,769,219 shares with no par value in one single series, equal to an interest of 52.76%. The remaining 47.34% is traded on the Chilean stock exchanges.

The Company´s Board approved the consolidated financial statements of Engie Energia Chile S.A. as of December 31, 2018 on January 29, 2019. The Company's Board approved the consolidated financial statements of Engie Energia Chile S.A. as of December 31, 2017 on January 30, 2018.

These consolidated financial statements are presented in thousands of U.S. dollars (save stipulation otherwise), as this is the functional currency of the Company.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The consolidated financial statements of Engie Energia Chile S.A. and its subsidiaries have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements fairly reflect the financial position of Engie Energia Chile S.A. as of December 31, 2018 and 2017, and the results of its operations, changes in net equity and cash flows for the years ending on those dates.

These Consolidated Financial Statements have been prepared using the accounting records kept by Engie Energia Chile S.A. and its subsidiaries.

2.2 New IFRS and Interpretations of the IFRS Interpretations Committee

a) The following new standards and interpretations have been adopted in these financial statements:

Enmiendas a NIIF	Fecha de aplicación obligatoria
IFRS 9, Financial Instruments	Years beginning on or after January 1, 2018.
IFRS 15, Revenue from Contracts with Customers	Years beginning on or after January 1, 2018.
Classification and measurement of share-based payments (amendments to IFRS 2)	Years beginning on or after January 1, 2018.
Applying IFRS 9, Financial Instruments, with IFRS 4, Insurance Contracts (amendments to IFRS 4)	The overlay approach when applying IFRS 9 for the first time. The temporary exemption approach for years beginning on or after January 1, 2018, but only for three years after that date.
Transfers of Investment Property (amendments to IAS 40)	Years beginning on or after January 1, 2018.
Annual Improvements 2014-2016 Cycle (amendments to IFRS 1 and IAS 28)	Years beginning on or after January 1, 2018.
New Interpretations	**Date of mandatory application**
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	Years beginning on or after January 1, 2018.

The amendments and improvements to IFRS that entered into force on January 1, 2018, have not had a material impact on the consolidated financial statements of Engie Energia Chile S.A. and subsidiaries.

Below is a summary of the application of the new accounting standards that entered into effect in 2018:

IFRS 9 "FINANCIAL INSTRUMENTS"

IFRS 9 entered into effect on January 1, 2018 in substitution for IAS 39. Its application has not had a material impact on the consolidated financial statements of Engie Energía S.A. The Company made a detailed evaluation of the three aspects of the standard and their impact on the consolidated financial statements of EECL, which are summarized below:

i) Classification and measurement

As required under IFRS 9, the Company changed its method of classification of financial assets based on two concepts: the characteristics of the contractual cash flows of the financial asset and the Company's business model where the objective is attained by collecting contractual cash flows and selling financial assets. Under this new method, the four classification categories of IAS 39 were substituted by the following three categories:

- Amortized cost, if the financial assets are held under a business model where the goal is to receive contractual cash flows;
- The fair value through other comprehensive income when the financial assets are held under a business model where the objective is to have contractual cash flows and sell financial assets; or
- The fair value through profit or loss, a residual category that encompasses financial instruments outside one of the two business models indicated above, including the financial instruments held for trading and those designated at fair value upon initial recognition.

In the measurement of financial liabilities, IFRS 9 retains, to a great extent, the accounting under IAS 39. Limited changes were made, according to which most of these liabilities are measured at the amortized cost, so a financial liability can be designated at the fair value through profit or loss provided certain requirements are met.

However, the standard introduced new rules on liabilities designated at the fair value through profit or loss according to which in certain circumstances, the changes in fair value because of the variation in own credit risk will be recognized in other comprehensive income.

Management reviewed and evaluated the Company's financial assets existing at January 1, 2018, based on the facts and circumstances prevailing on that date, and it concluded that the new classification requirements have no impact on the accounting of its financial assets. Loans and receivables are held to obtain contractual cash flows that represent solely the payment of principal and interest, so the criteria are met to be measured at the amortized cost under IFRS 9. Investments in equity instruments classified as available for sale will continue to be measured at the fair value through other comprehensive income, except for those for which the cost represents the best estimation of the fair value.

In regard to financial asset impairment, IFRS 9 requires an expected credit loss model as opposed to the incurred loss model in IAS 39. This means that under IFRS 9, impairments are generally accounted for in advance, as compared to the previous model.

The new impairment model applies to financial assets measured at the amortized cost or at the fair value through other comprehensive income, except for investments in equity instruments. Impairment provisions are measured on the basis of:

- expected credit losses in the next 12 months, or

- expected credit losses throughout the life of the asset if there is a significant rise in the credit risk of a financial instrument on the date of presentation of the financial statements as compared to the initial recognition.

IFRS 9 also establishes a simplified method to measure the adjustment of losses at an amount equal to the expected credit loss for the life of the trade receivables, contractual assets or lease receivables. EECL chose to apply this standard to these financial assets.

ii) Hedge accounting

IFRS 9 introduced a new hedge accounting model in order to align the accounting more closely to the companies' risk management activities and establish a method based more on principles. Under the new method, the risk management activities are better reflected in the financial statements, which allows more elements to be eligible for hedges: the risk component of non-financial, net positions and aggregate exposure (i.e., a combination of a non-derivative exposure and a derivative).

The most significant changes for hedge instruments in comparison to the hedge accounting method used in IAS 39 relates to the possibility of deferring the temporary value of an option, the forward points of forward contracts and the differential in the monetary base in Other Comprehensive Income until the hedged element has an impact on income.

IFRS 9 eliminated the quantitative requirement of effectiveness testing contained in IAS 39 whereby the results should be in the range of 80%-125%. This aligns the evaluation of effectiveness with risk management by demonstrating that there is an economic relationship between the hedge instrument and the hedged item, and it offers the possibility of rebalancing the hedge ratio if the risk management goal remains unchanged. Nonetheless, the retrospective ineffectiveness must continue to be appraised and recognized in income.

When applying IFRS 9 for the first time, the Company could choose the accounting policy of continuing to apply the hedge accounting requirements of IAS 39 instead of the IFRS 9 requirements until the standard on "macro-hedges" was published and adopted. EECL chosed to apply the new IFRS 9 requirements on the day of its adoption, namely January 1, 2018.

Since January 1, 2018, the application of the new hedge accounting model has had no impact on the consolidated financial statements of EECL.

IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

As of December 31, 2018, the Company was applying IFRS 15, Revenue from Contracts with Customers. IFRS 15 introduced a five-step approach for income recognition. Much more descriptive guidance has been added to IFRS 15 to deal with specific scenarios. The details of these new requirements and the impact on the Company's financial statements are described below.

IFRS 15 uses the terms "contract asset" and "contract liability" to describe what might be commonly known as "accrued income" and "deferred income." However, the standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has not adopted the terminology used in IFRS 15 to describe those balances in the balance sheet.

This standard requires more detailed disclosures than the previous standards in order to provide more complete information on the nature, amount, timing and certainty of revenue and cash flows from contracts with customers. Apart from having to provide more extensive disclosures on the company's revenue transactions, the application of IFRS 15 has had no impact on the Company's financial position or financial performance.

During 2017, EECL implemented a project to identify and measure the potential impacts of applying IFRS 15 to its consolidated financial statements.

This project identified all revenue flows of Engie Energía Chile and its subsidiaries and the understanding of traditional business practices. It made an exhaustive evaluation of each type of contract with customers and the method of recording that revenue according to governing standards.

Contracts that contain key aspects of IFRS 15 and particular characteristics of interest to EECL were specifically evaluated, such as: identification of contractual obligations; contracts with multiple obligations and the timing of recognition; contracts with a variable consideration; the material financing component; analysis of principal vs. agent; any service warranties; and the capitalization of the cost of obtaining and fulfilling a contract.

As said in Note 3.17, EECL's main business is the generation and sale of electricity. Given the nature of the goods and services offered and the characteristics of the revenue flows indicated above, EECL did not identify any impacts on the consolidated financial statements at the time of initial application of IFRS 15, i.e., as of January 1, 2018. The types of revenue and recognition are described in Note. 3.13.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

This interpretation addresses the way to determine the transaction date in order to set the exchange rate to be used in foreign currency transactions when the consideration is paid or received before the related income, expenses or assets are recognized. For these purposes, the transaction date is the date when an entity initially recognizes the non-monetary asset or liability arising from payment or collection of the advance consideration.

IFRIC 22 has been applied by the Group since 2018 and has had no impact on the Group's consolidated financial statements.

b) The following new standards and interpretations have been issued, but have not yet entered into effect:

New IFRS	Date of mandatory application
IFRS 16, Leases	Years beginning on or after January 1, 2019.
IFRS 17, Insurance Contracts	Years beginning on or after January 1, 2021.
IFRS Amendments	**Date of mandatory application**
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)	The effective date has been postponed indefinitely.
Prepayment Features with Negative Compensation (amendments to IFRS 9)	Years beginning on or after January 1, 2019.
Long-term Interests in Associates and Joint Ventures (amendments to IAS 28)	Years beginning on or after January 1, 2019.
Annual Improvements 2015-2017 Cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	Years beginning on or after January 1, 2019.
Plan Amendment, Curtailment or Settlement (amendments to IAS 19)	Years beginning on or after January 1, 2019.
Definition of a Business (Amendments to IFRS 3)	Years beginning on or after January 1, 2020.
Revised Conceptual Framework for Financial Reporting	Years beginning on or after January 1, 2020.
New Interpretations	**Date of mandatory application**
IFRIC 23 - Uncertainty over Income Tax Treatments	Years beginning on or after January 1, 2019.

IFRS 16 "LEASES"

On January 13, 2016, the IASB published IFRS 16 Leases. IFRS 16 introduces an integral model to identify lease agreements and how lessees and lessors should account for them. When IFRS 16 takes effect, it will replace the actual guidance on leases, including IAS 17 Leases and related interpretations.

IFRS 16 makes a distinction between leases and service contracts based on whether the identified asset is controlled by a customer. The distinction between operating lease (off-balance sheet) and financial lease was eliminated from the accounting of lessees, and it was replaced by a model where right-of-use asset and the corresponding liability must be recognized by lessees for all leases, except for short-term leases and the lease of assets of low value.

The right-of-use asset is initially measured at cost (subject to certain exceptions), less cumulative depreciation and impairment losses, adjusted by any remeasurement of the liability under the lease. The lease liability is initially measured at the present value of the lease payments outstanding on that date. Subsequently, the leased liability is adjusted by interest and lease payments and by any amendments to the lease, among other factors. Additionally, the classification of cash flows will also be affected since under IAS 17, operating lease payments were shown as operating cash flows, while under the IFRS 16 model, lease payments will be divided into the payment of principal, shown as a financial flow, and interest, shown as an operating cash flow.

In contrast to the accounting for lessees, IFRS 16 substantially maintains the accounting requirements under IAS 17 for lessors and continues to require lessors to classify leases either as operating or financial.

IFRS 16 also requires more extensive disclosures.

IFRS 16 takes effect for years beginning on or after January 1, 2019. It could be applied early for entities applying IFRS 15 on or before the initial application of IFRS 16. Entities can apply IFRS 16 using either a total retrospective application or a modified retrospective application. If the latter approach is chosen, an entity is not obligated to restate comparative financial information, and the cumulative effect of the initial application of IFRS 16 must be shown as an adjustment to the starting balance of retained earnings (or other equity component, when appropriate).

Management is evaluating the impact of applying IFRS 16, but no reasonable estimation can be provided of the effects that this standard will have until Management completes a detailed review.

IFRIC 23, UNCERTAINTY OVER INCOME TAX TREATMENTS

On June 7, 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. The interpretation indicates how to determine a tax position when there is uncertainty about the treatment of income tax.

IFRIC 23 requires that entities:

(i) determine whether the uncertain tax positions must be evaluated separately or as a whole;

(ii) evaluate whether it is likely that the tax authority will accept the uncertain tax treatment used or proposed for use by an entity in its tax returns:

a. If it is accepted, the entity must determine its accounting tax position consistently with the tax treatment used or planned for use in its tax returns.

b. If it is not accepted, the entity must show the effect of the uncertainty on the calculation of its accounting tax position.

IFRIC 23 takes effect for years beginning on or after January 1, 2019. Entities can apply IFRIC 23 either totally retrospectively or with a modified retrospection without restating comparative information. Management has not had the opportunity to analyze the potential impact of adopting the new conceptual framework.

2.3 Responsibility for the information, judgments and estimates

The Board of Engie Energia Chile S.A. has analyzed the information included in these consolidated financial statements and assumes liability for the veracity of the information contained in these financial statements as of December 31, 2018.

The preparation of the financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Real results may differ from these estimates. Relevant estimates and assumptions are reviewed on a regular basis. Any revision to these accounting estimates is recorded in the period in which such estimates are revised and in any future period affected.

The estimates mainly relate to:

- Useful lives of property, plant and equipment and impairment testing

Management has estimated the useful life of each set of productive assets. This estimate could vary as a result of technological changes and/or other business factors. In addition, the Company has looked for any signs of impairment at the fiscal year closing, as required by IAS 36.

- Assumptions used for the actuarial calculation of severance indemnities

An actuarial study is the method that has been used to determine the respective liability, using the discount rate, employee turnover, the mortality rate, average retirements and, finally, the salary increase rate.

- Contingencies, lawsuits and litigation

The Company evaluates the probability of losing in its lawsuits and contingencies from time to time based on estimates made by its legal counsel. No provisions have been made whenever Management and the Company's attorneys opine that the outcome will be favorable or is uncertain and the lawsuits are ongoing.

- Intangible Assets

The Company prepares pre-tax future cash-flow provisions to estimate value in use. If the recoverable amount is less than the net carrying value of the asset, the corresponding impairment loss provision is made for the difference, as a debit against amortization in the Statement of Income.

2.4 Subsidiaries

These consolidated financial statements include the financial statements of the Company and of entities controlled by the Company. Control exists when the company:

- has power over the investee;
- has rights or is exposed to variable returns on its interest in the investee; and
- has the ability to use its power to affect the investee's returns.

The Company re-evaluates whether it has control over an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control mentioned above.

The subsidiaries Electroandina S.A., Central Termoeléctrica Andina S.A., Gasoducto Nor Andino SpA, Gasoducto Nor Andino Argentina S.A., Inversiones Hornitos S.A., Edelnor Transmisión S.A., Solairedirect Transmisión SpA, SD Minera SpA, Solairedirect Generación II SpA, Solairedirect Generación VI SpA, Solairedirect Generación IX SpA, Solairedirect Generación XI SpA, Solairedirect Generación XV SpA, and Parque Eolico Los Trigales SpA are consolidated in these financial statements. The assets, liabilities and income are included in the annual consolidated financial statements after eliminating and/or adjusting transactions within the EECL Group (see Appendix 1.a).

2.5 Investments Accounted for Using the Equity Method

These are investments in companies in which EECL has control in conjunction with another company or over which it exercises a significant influence.

The equity method entails recording the interest as the fraction of net equity that the Company's interest represents in the adjusted capital of the issuer.

Associates are entities over which the Company has a significant influence, but not control over financial and operating policies.

The companies accounted for using the equity method are described in Appendix 1.b.

Transmisora Electrica del Norte S.A. is accounted for using the equity method.

A joint venture is a joint agreement whereby the parties who have joint control under the agreement have the right to the net assets in the joint venture. Joint control is a contractual agreement to share the control of an agreement, and it exists only when the decisions on the relevant activities require the unanimous consent of the parties sharing control.

The income, assets and liabilities of associates and/or joint ventureees are included in these Financial Statements using the equity method, unless the investment is classified as held for sale. In this latter case, it is recorded according to IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates and/or joint ventures are initially recorded at cost, and then adjusted by the changes occurring to the portion of net assets of the associate belonging to the Company after the acquisition, less any impairment in the value of the individual investments.

When the Group's share in losses of an associate or joint venture exceeds its share in the same, it will stop recognizing its share in further losses. The share in an associate or joint venture will be the carrying value of the investment in the associate or joint venture calculated using the equity method, as well as any long-term interest that essentially forms a part of the net investment by the entity in the associate or joint venture.

An investment in an associate and/or joint venture will be accounted for using the equity method as from the date when it becomes an associate or joint venture. Any cost of the investment exceeding the Company's share in the net fair value of identifiable assets and liabilities at the time of investment in the associate or joint venutre will be recorded as goodwill and will be added to the carrying value of the investment. Any interest in the net fair value of identifiable assets and liabilities of the investee exceeding the investment cost, after a reassessment, will be immediately recognized in income in the period when the investment was acquired.

2.6 Principles of Consolidation

The consolidation of the operations of Engie Energia Chile S.A. and its subsidiaries has been done line by line according to the following basic principles:

1. On the date that the Company takes control, the assets acquired and liabilities assumed by the subsidiary are recorded at the fair value, except for certain assets and liabilities which are accounted for according to the valuation principles of the IFRS. If the fair value of the total transferred, plus the fair value of any non-controlling interest, exceeds the fair value of the net assets acquired in the subsidiary, this difference is recorded as goodwill. Any gain from a purchase at a low price is recorded as a credit to income, after re-evaluating whether the assets acquired and liabilities assumed have been correctly identified and after reviewing the procedures used to measure the fair value of such assets and liabilities.

2. If it is not possible to determine the fair value of all such assets and liabilities on the date of acquisition, the Company will report the provisional values recorded. During the measurement period, which may not exceed one year from the date of acquisition, the provisional values will be adjusted retrospectively and additional assets or liabilities will also be recognized to reflect new information on the facts and circumstances existing on the date of acquisition, but which were unknown to management at that time.
3. The value of the interests of non-controlling shareholders in the equity and comprehensive income of subsidiaries is shown in Non-Controlling Interests as part of Equity in the consolidated statement of financial position and in Earnings attributable to non-controlling interests and Comprehensive income attributable to non-controlling interests in the consolidated statement of comprehensive income.
4. The balances and transactions among the consolidated companies have been eliminated in their entirety in the consolidation process.
5. The changes in interests in subsidiaries that do not result in a gain or loss of control are recorded as equity transactions and the carrying value of controlling and non-controlling interests are adjusted to reflect changes in their relative shares in the subsidiary. Any difference that may exist between the adjustment to the non-controlling interests and the fair value of the consideration paid or received is recognized directly in Equity attributable to the owners of the controller.

2.7 Functional Currency and Currency of Presentation

The functional currency and currency of presentation of the Company and its subsidiaries is the U.S. dollar. All amounts have been rounded to the nearest thousand (kUS$).

2.8 Accounting Period

These Consolidated Financial Statements cover the following periods:

- Consolidated Statements of Financial Position for the fiscal years ending December 31, 2018 and 2017
- Statements of Changes in Equity for the fiscal years ending December 31, 2018 and 2017.
- Consolidated Statements of Comprehensive Income for the fiscal years ending December 31, 2018 and 2017.
- Statements of Direct Cash Flows for the fiscal years ending December 31, 2018 and 2017.

2.9 Foreign Currency Translation

The U.S. dollar is the Company’s functional currency and currency of presentation of the consolidated financial statements of Engie Energia Chile S.A. Transactions in local and foreign currencies other than the functional currency are translated using the exchange rates on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the functional currency exchange rate on the date of the general balance sheet. Foreign currency gains and losses resulting from these transactions and from the translation of monetary assets and liabilities in a foreign currency at the closing exchange rates are recognized under Exchange Differentials in the consolidated statement of income.

Assets and liabilities in a foreign currency were translated using the following closing exchange rates:

Currency	12/31/2018 USD 1	12/31/2017 USD 1
Chilean peso	694.7700	614.7500
Euro	0.8742	0.8317
Yen	110.3800	112.5900
Argentine peso	37.7413	18.5695
Pound sterling	0.7874	0.7388

NOTE 3 – ACCOUNTING CRITERIA

The main accounting criteria applied in preparing these consolidated financial statements were as follows:

3.1 Property, Plant and Equipment

Property, plant and equipment are valued at either the acquisition cost or construction cost, less cumulative depreciation and impairment losses. The historic cost of property, plant and equipment as of January 1, 2009, the date of transition to IFRS, was used to determine the cost of property, plant and equipment. Costs include expenses attributed directly to the acquisition of the asset. The cost of assets built by the Company includes the cost of materials, direct labor, and any other cost directly attributable to the process of making the asset ready for use. In addition to the price paid to acquire each element, cost also includes the following items, if relevant:

1. Financial expenses accrued during the construction period that are directly attributable to the acquisition, construction or production of qualified assets, and which require a substantial period of time before being ready to use. The specific loan interest rate was used, or if there was none, the mean financing rate of the company making the investment.
2. Subsequent costs: The cost of replacing part of an item of property, plant and equipment is recorded as an asset when it is likely that the future economic benefits associated with it will be received by the company, provided they can be reliably determined. The value of the replaced component is charged off in the accounting.

The costs of maintaining property, plant and equipment are debited to income as they are incurred.

Strategic spare parts are classified as Property, Plant and Equipment and a distinction is made as to whether they will be used in major maintenance or are required for emergencies.

Depreciation is recognized in income using the straight-line method for the economic useful life of each component of property, plant and equipment, without any residual value. Leased assets are depreciated over the shorter of the term of the lease or their useful lives, unless the Company is certain that it will obtain ownership at the end of the lease.

Land is recorded separately from buildings or facilities that might be built on it, and it has an indefinite useful life, so it is not depreciable.

The following are the main classes of property, plant and equipment along with their estimated useful lives:

Estimated Useful Lives of the Company's Main Assets		Minimum	Maximum
Coal-fired power plants	Years of useful life	25	40
Combined cycle power plants	Years of useful life	25	25
Civil works	Years of useful life	25	50
Hydraulic works	Years of useful life	35	50
Transmission lines	Years of useful life	10	50
Gas pipelines	Years of useful life	25	30
Control systems	Years of useful life	10	14
Auxiliary systems	Years of useful life	7	10
Furniture, vehicles and tools	Years of useful life	3	10
Other	Years of useful life	5	20

The Group reviews the useful lives of property, plant and equipment at the end of each fiscal year being reported.

3.2 Goodwill Acquired

Goodwill generated in a business combination is the difference between the acquisition cost as compared to the Group's share in the fair value of the assets and liabilities, including identifiable contingent liabilities of a subsidiary on the acquisition date.

The assets and liabilities acquired are provisionally appraised on the date of takeover of the company, and they are reviewed within no more than one year after acquisition. Until the final fair value of assets and liabilities is determined, the difference between the acquisition price and the carrying value of the company acquired is recorded provisionally as goodwill.

If the final goodwill is shown in the financial statements of the year following the acquisition, the previous year's items shown for comparison purposes will be changed to include the value of the assets, liabilities and the final goodwill acquired, as from the date of acquisition of the interest.

This goodwill is not amortized, but at the close of each fiscal year, the Company estimates whether any impairment has occurred that reduces its recoverable value to an amount below the net cost recorded and, if appropriate, an adjustment is made for impairment.

Impairment of goodwill is not reversed.

3.3 Other Non-Current Non-Financial Assets

The Company includes assets among its other non-current non-financial assets that are by nature long term and are not classified as tangible assets, intangible assets or financial assets.

The Company classifies all its relevant projects under development in this line until they begin to operate or have tangible elements. As of that moment, they are moved to Property, Plant and Equipment.

3.4 Intangible Assets

Intangible assets in contracts with customers are comprised mainly of power purchase agreements of our subbsidiaries Central Termoeléctrica Andina S.A. and Inversiones Hornitos S.A., which are being amortized over 30 years and 15 years, respectively, since 2011. The amortization shown for intangible assets in contracts with customers in 2010 pertains to the gas transportation agreement of our subsidiary, Gasoducto Nor Andino SpA, and the amortization is being recorded as a cost of sale in the statement of income for a period of 11 years.

The other identifiable intangible assets are comprised of assignments and transfers of rights, transmission-line concessions and other government-land concessions. These rights are recorded at the purchase price and are being amortized on a straight-line basis over a period of 30 years starting in 2012.

Intangibles	Useful Life of Intangibles	
	Minimum	Maximum
Rights and concessions	20 years	30 years
Contracts with customers	10 years	30 years

Nevertheless, the potential recovery of intangible assets with indefinite useful lives that form a part of Cash-Generating Units is analyzed systematically at the close of each fiscal year.

The recoverable amount is the higher of its market value less the cost required to sell it, and its value in use, which is understood to be the present value of the estimated future cash flows. Value-in-use is the criterion that is almost always used by the Company to calculate the recoverable value of intangible assets.

To estimate the value in use, Engie Energia Chile S.A. prepares pre-tax future cash-flow projections based on the most recent available budgets. These budgets contain EECL Management's best estimates of income and costs of cash-generating units based on sectorial projections, past experience and future expectations. These projections cover the next five years. Cash flows are estimated for following years using reasonable growth rates that are never increasing or in excess of the mean long-term growth rates for the relevant sector and country.

3.5 Asset Impairment

The useful lives of property, plant and equipment are reviewed annually to determine whether there are any signs of impairment. This occurs when there are events or circumstances indicating that the value of the asset might not be recoverable. When the carrying value of an asset exceeds its recoverable value, a loss is recognized in the statement of income.

The recoverable value is the higher of the fair value, less the cost of sale, and its value in use. Fair value less the cost of sale is the amount that can be obtained by selling an asset or cash-generating unit in an arm's length transaction between interested and duly informed parties, less disposal costs. The value in use is the present value of the estimated cash flows from the continuous use of an asset. If this cannot be determined for a specific asset, the cash-generating unit to which it belongs is used.

Intangible assets and other non-current non-financial assets are evaluated during the fiscal year, especially on the closing date, for any sign of any impairment loss. If there is any impairment loss, an estimate is made of the recoverable value of the asset in order to determine the impairment, if any.

For financial instruments, the Group companies have established a generally applicable policy of recording an impairment provision based on the age of the balance past-due, except in cases where a certain particularity makes a specific collectibility analysis advisable.

The process of determining the obsolescence of spare parts consists of an item-by-item review, and a provision is made for 100% of the impairment of properties for which:

- the related equipment is in permanent disuse;
- there is no related equipment;
- the spare part is damaged in such a way that it cannot be used; and
- there is no active market for its sale

The provision for the rest of the spare parts inventory is calculated globally according to the following rule:

- 10% after 2 years without use
- 20% after 4 years without use
- 30% after 6 years without use
- 40% after 8 years without use
- 50% after 10 years without use
- 60% after 12 years without use
- 70% after 14 years without use
- 80% after 16 years without use
- 90% after 18 years without use
- 100% after 20 years without use

3.6 Leased Assets

Leases that substantially transfer all risks and benefits inherent to ownership are classified as financial leases. All other leases are classified as operating leases.

Financial leases in which the Company is lessee are recorded at the start of the lease, as an asset based on the nature of the lease and as a liability for the same amount, equal to the fair value of the leased asset or to the present value of the minimum payments under the lease, if lower than the fair value of the leased asset. The minimum lease payments are later separated into financial expenses and debt reduction. The financial expense is recorded as an expense and it is distributed over the term of the lease in order to obtain a constant interest rate on the debt pending amortization in each fiscal year. The asset is amortized in the same way as other similar depreciable assets as long as there is a reasonable certainty that the lessee will acquire ownership of the asset at the end of the lease. Otherwise, the asset is amortized over the useful life of the asset or the term of the lease, whichever is shorter.

In the case of operating leases, the installments are recognized as expenses if the Company is lessee, or as revenue if it is lessor, on a straight-line basis for the term of the lease, unless another systematic basis of distribution is more representative.

3.7 Financial Instruments

A financial instrument is any contract that simultaneously creates a financial asset in an entity and a financial liability or an equity instrument in another entity.

Financial assets mostly include investments in fixed-income mutual funds and time deposits, which are recognized at the fair value. They are classified as investments held through maturity and are settled in 90 days or less.

The Company only invests its surpluses in short-term fixed-income mutual funds and time deposits. The investment limit is 80% of the Company´s cash surpluses.

3.7.1 Fair Value Hierarchy

The fair value of the different financial derivatives is calculated according to the following procedures:

- For derivatives quoted on active markets, the closing price for the period.

- For derivatives not traded on organized markets, the generally acceptable discounted cash flow method and option appraisal models, based on spot and futures market conditions at the fiscal year closing date.

Therefore, EECL classifies financial instruments in the following hierarchy:

Level 1: Quoted (unadjusted) price on active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (price-derived). The methods and assumptions used to determine fair values at this level by class of financial assets or financial liabilities include the estimation of future cash flows discounted at the zero coupon interest rate curves for each currency. All valuations described are performed using external tools, such as Bloomberg; and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3.7.2 Financial Assets

Trade receivables are recorded initially at their fair value and subsequently at their amortized cost according to the effective-interest-rate method.

At the time of initial recognition, EECL and its subsidiaries appraise all their financial assets at the fair value, which are classified in four categories:

- Trade receivables and other accounts receivable, including intercompany receivables, are non-derivative financial assets with fixed or determinable payments that are not traded on an active market. After their initial recognition, these assets are recorded at their amortized cost using the effective-interest-rate method.
- Investments held through maturity are non-derivative instruments with fixed or determinable payments and fixed expiry dates that the Company intends and has the capacity to hold until maturity. Following their initial recognition, they are accounted for at the amortized cost, as defined in the preceding paragraph.
- Financial assets accounted for at the fair value through profit or loss include the traded portfolio and financial assets that have been designated as such at the time of initial recognization and that are managed and evaluated according to the fair value. They are appraised in the consolidated statement of financial position at their fair value and changes in value are recorded directly in income as they occur.

- Investments available for sale are financial assets that are designated specifically as available for sale or any that do not fit in the above three categories. They are comprised almost entirely of financial investments in capital. These investments are shown in the consolidated statement of financial position at their fair value, provided it can be reliably determined. The market value of interests in non-traded companies cannot usually be reliably determined, so when this occurs, they are appraised at the acquisition cost or at a lower amount if there is evidence of impairment. Changes in the fair value are recorded, net of their tax impact, as a debit or credit to a net equity reserve called financial assets available for sale.

3.7.3 Financial Liabilities

Trade payables and other accounts payable are initially recorded at their fair value, and are later appraised at their amortized cost using the effective-interest-rate method.

All financial liabilities are initially recorded at their fair value. Loans also include directly attributable transaction costs.

Loans, bonds and similar financial liabilities are initially recorded at their fair value, net of transaction costs.

They are subsequently appraised at their amortized cost and any difference between the funds received (net of any resulting costs) and the reimbursement value is recorded in the statement of income for the life of the debt using the effective-interest-rate method.

3.7.4 Derivatives and Hedge Transactions

The financial risk management strategy of Engie Energia Chile S.A. and its subsidiaries focuses on mitigating the exchange rate risk related to income, costs, investments of cash surpluses, investments in general and debt denominated in a currency other than the U.S. dollar.

Derivative contracts are mainly for hedging. The effects of changes in the fair value of these instruments are accounted for based on the value of the hedge assets or liabilities, provided that the particular hedge has been declared to be highly effective for its purpose.

Derivatives are initially recorded at the fair value as of the date of signature of the derivative contract. They are subsequently revalued at their fair value at each closing date. Resulting gains or losses are recorded as gains or losses depending on the effectiveness of the derivative and the nature of the hedge relationship. A hedge is considered to be highly effective when changes in the fair value or in the cash flows of the underlying asset that can be attributed to the risk hedged are offset by changes in the fair value or cash flows of the hedge instrument, provided the effectiveness is in the range of 80%-125%. To date, a high percentage of the derivatives currently contracted by the Company are treated as cash-flow hedges.

Hedge Accounting: The Company designates certain instruments as hedges, which may include derivatives or embedded derivatives, whether as fair-value hedge instruments, cash-flow hedge instruments or investment hedge instruments net of foreign transactions.

In the case of cash-flow hedges, the effective portion of changes in the fair value of derivatives designated and qualifying as cash-flow hedge instruments is deferred in equity as a net equity reserve. The gain or loss related to the ineffective portion is recorded immediately in gains or losses and included in the statement of income.

The Company documents the relationship between the hedge instrument and the hedged item at the start of the hedge, together with the objectives of its risk management and its strategy for performing different hedge transactions.

Delays or changes in the payment flows may produce a mismatch between the hedge flows and the hedged item. To reduce the impact of these mismatches on the effectiveness of the hedge, the main hedged instruments are complemented by other instruments contracted on their due date, such as: (a) time deposits in UF, (b) repo agreements, (c) extensions of forwards or (d) new, opposite forwards.

The Company also continuously documents, from the start of the hedge, whether the hedge instrument is highly effective in offsetting changes in the fair value or cash flows of the hedged item.

Hedges must have been highly effective from the start and at all times during the period for which it was structured. Effectiveness means the degree by which changes in cash flows of the hedge instrument offset the changes in cash flows of the hedged item that are attributable to the hedged risk.

Cash flow hedges by each subsidiary of EECL are subsequently accounted for at the fair value of each item hedged and of the hedge instrument, in accordance with IFRS. The effective portion of the hedge instrument is recorded in equity and the ineffective portion in income for the period.

EECL's hedges may only be interrupted in the following cases:

- The position of the designated hedge instrument expires and no situation or renewal is predicted if it is sold or liquidated, exercised or closed.
- The hedge no longer meets one of the requirements for special hedge accounting.
- There is evidence that the predicted future transaction being hedged will not be consummated.
- Any subsidiary of the Company suspends its designation separately from the other subsidiaries.

3.8 Inventories

This category mainly includes spare parts for maintenance and inputs used in generating electricity. Inventories are recorded at cost, based on the weighted average. The cost of inventories excludes financing expenses and exchange differentials. The cost of inventories is debited against income as the inventories are consumed.

3.9 Non-Current Assets Held for Sale and Discontinued Operations

The Company classifies property, plant and equipment, intangible assets, investments in associates, joint ventures and disposal groups (a group of assets that will be sold together with the directly associated liabilities) as non-current assets held for sale, provided actions are being taken as of the closing date of the statement of financial position to sell them and it is considered highly likely that the sale will be consummated within twelve months following that date.

These assets or disposal groups are appraised at the lower of the carrying value or the estimated sale price after deducting the costs of sale, and they are no longer amortized as of the date that they are classified as non-current assets held for sale.

The assets no longer classified as held for sale or no longer considered part of a disposal group are appraised at the lower of the carrying value prior to classification, less depreciation, amortization or revaluation that would have been recognized if they had not been so classified, and the recoverable value on the date on which they will be reclassified in Non-Current Assets.

3.10 Provisions

A provision is made if:

- the Company has a legal or implicit obligation as a result of a past event;

- it can be estimated reliably;

- it is likely that a cash outflow will be required to settle the obligation.

Obligations existing as of the date of the financial statements as a consequence of past events that are likely to result in equity damage for the Company, but the amount and payment date of which are uncertain, are recorded as provisions at the current value of the most probable amount that is estimated to be disbursable to discharge the obligation.

3.10.1 Post-Employment Benefits and Other Similar Benefits

The Company recognizes the present value of severance indemnity obligations in liabilities (severance for years of employment) as of the closing date of its financial statements. These obligations are appraised using an actuarial calculation that utilizes assumptions on mortality rates, employee turnover, interest rates, retirement dates, effects of employee salary increases and the effects on benefit variations resulting from changes in the rate of inflation. The actuarial losses or gains from variations in the pre-established obligations are recorded directly in other comprehensive income. The actuarial losses and gains originate in the deviations between the estimated and real values of the actuarial assumptions or the reformulation of the established actuarial assumptions (see Note 26).

3.11 Classification of Current and Non-Current Values

The Company classifies its assets and liabilities by maturity. Current assets and liabilities mature in twelve months or less and any maturing beyond one year are classified as non-current.

Liabilities maturing in less than twelve months but securely refinanced in the long term, at the Company's discretion, through unconditional long-term credit facilities, may be classified as non-current liabilities, and the short-term portion as a current liability.

3.12 Income Tax and Deferred Taxes

The Company calculates income tax using the tax base in accordance with governing law. Deferred taxes originating in temporary differences and other events are recorded in accordance with IAS 12 Income Taxes. Basically, the differences between the accounting base and the tax base are identified and the tax rates in force at the close of the period are applied. The charge for income tax is comprised of both current and deferred taxes.

The carrying value of deferred tax assets is reviewed at each date of presentation of the financial statements and it is reduced provided it is no longer likely that enough taxable profits will be available to utilize all or part of the deferred tax assets. Unrecognized deferred tax assets are also reviewed at every closing date and are recorded provided that it is probable that the deferred tax asset can be recovered when there are future taxable profits.

Deferred tax assets and liabilities are appraised at the tax rates that are expected to apply for the period in which the asset is realized or the liability is settled, based on the tax rates (and laws) that have been approved or substantially enacted as of the date of the general balance sheet.

3.13 Recognition of Income and Expenses

Revenue is recorded when the gross inflows occur in the ordinary course of the Group's business during the period, provided such inflows cause an increase in total equity that does not come from contributions by the owners of that equity and they can be reliably appraised. Revenue is appraised at the fair value of the consideration deriving therefrom, whether received or receivable.

EECL analyzes and takes into consideration all relevant facts and circumstances when it applies each step of the IFRS 15 model for contracts with customers: (i) identification of the contract; (ii) identification of performance obligations; (iii) determination of the transaction price; (iv) allocation of the price; and (v) recognition of revenue.

EECL also evaluates whether there are any incremental costs of obtaining a contract as well as the costs directly related to contract performance.

EECL recognizes revenue when the steps in IFRS 15 have been completed satisfactorily and it is likely that future economic benefits will flow to the company.

Revenue comes mainly from the sale of energy, capacity, port services, industrial services and electricity transmission, including services provided but not yet invoiced at the close of the period. It is shown net of taxes, refunds, rebates and discounts and is recorded when the amount can be reliably measured and it is likely that future economic benefits will flow to the Company. Said benefits are allocated on an accrual basis.

- Energy sales: Energy supplied and not invoiced as of the last day of the closing month is recorded as revenue, appraised at the prices in force in the relevant period of consumption. The energy cost is also included in income.
- Sales of services: Services are recorded in income in the period that the services are provided.
- Interest income: Interest income is recorded on the basis of the proportion of time elapsed, using the effective-interest-rate method.
- Leases: Leased assets recorded as financial assets are recognized at the present value of payments, as an account receivable. The difference between the gross amount receivable and the present value of such payments is recorded as a financial return in income for the term of the lease, using the straight-line method.

3.14 Earnings (Loss) per Share

The basic earning per share is calculated as a quotient between the net earnings (losses) in the fiscal year attributable to the Parent Company and the weighted average number of common shares in the Parent Company in circulation in the fiscal year, excluding the average number of Parent Company shares held by subsidiaries, if any.

3.15 Dividends

EECL's dividend policy is to pay the minimum dividend required by the law and the Company's bylaws. Dividends above the legal minimum can be approved if the company's conditions allow. Each year the board proposes a dividend payment based on financial results, available cash and the estimated financing needed for capital investments. The dividend proposed by the Board must be approved at a Regular Shareholders Meeting pursuant to law.

In relation to Circulars 1945 and 1983 of the Financial Market Commission, the Company's Board decided that the net distributable profit will be the fiscal year profit attributable to shareholders shown in the financial statements, without any adjustment.

A proposal may be made to the respective Regular Shareholders Meeting to distribute, as a final dividend, the profits not distributed as an interim dividend, which must be done within thirty days following the date of the respective Meeting.

3.16 Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand, unrestricted bank checking accounts, time deposits and marketable securities maturing within 90 days, which are easily convertible into known amounts of cash with little risk of significant changes in value.

3.17 Operating Segments

The Company´s principal business is the generation and sale of electricity. It has thermal and combined-cycle, solar and hydroelectric power plants that produce the energy that is sold to customers with whom it has power purchase agreements, pursuant to the Electricity Law. Its customers are classified as regulated customers, non-regulated customers and the spot market.

There is no direct relationship between any one generating unit and the power purchase agreements as power purchase agreements are made in line with the Company's total capacity. PPAs are supplied by any of its power plants or, otherwise, energy is acquired from other generating companies.

EECL is part of the National Grid (SEN). The National Electricity Coordinador (CEN) defines how much each of the generating units will generate.

As EECL only operates on the National Grid, geographic segmentation does not apply.

Chilean electricity regulations define energy and capacity separately, not because they are different physical elements, but rather in order to set economically efficient prices. Energy prices are thus set in monetary units per unit of energy (KWh, MWh, etc.), and capacity prices are set in monetary units per unit of capacity–unit of time (KW-month).

Consequently, in accordance with IFRS 8, EECL's only operating segment is the entire business described above.

3.18 Contingent Assets and Liabilities

Contingent liabilities are not recorded in the financial statements, but rather are disclosed in the notes to the financial statements unless it is unlikely that they will occur. Contingent assets are not recorded in the financial statements and are disclosed only if the cash inflow is likely.

NOTE 4 – REGULATION AND OPERATION OF THE ELECTRICITY SYSTEM

4.1 Description of the Business

The objectives of Engie Energia Chile S.A. are the production, transmission, distribution and supply of electricity; the purchase, sale and transportation of fuels, either in a liquid, solid or gaseous state; and the provision of engineering and management consultancy services as well as electrical system maintenance and repair services.

As of December 31, 2018, Engie Energia Chile S.A. had an installed capacity of 1,928 MW on the National Grid, thus giving it an approximate 8% share of the system's total. The Company's transmission lines run 2,293 kilometers, and it has a natural gas pipeline with the capacity to transport 8 million cubic meters per day for gas distribution and sale in the north of Chile.

4.2 Regulation and Operation of the Electricity System

The electricity sector in Chile is regulated by the General Electricity Law contained in Statutory Decree 1, issued in 1982 by the Ministry of Mining, and by the Regulations to that law contained in Executive Decree 327 of 1998. Three government agencies are responsible for the enforcement of, and compliance with, the law: the National Energy Commission (Comisión Nacional de Energía, or NEC), which has the authority to propose regulated prices (node price) and to design indicative plans for the construction of new generation units; the Electricity and Fuels Commission (Superintendencia de Electricidad y Combustibles, or EFC), which supervises and enforces compliance with the laws, regulations and technical standards for the generation, transmission and distribution of electricity, liquid fuels and gas; and the Ministry of Economy, which reviews and approves the prices proposed by the NEC and regulates concessions granted to electricity generation, transmission and distribution companies based on a report prepared by the EFC. The law establishes a panel of experts primarily responsible for resolving any disputes that might arise among electricity companies.

The National Grid runs from Arica to Chiloé.

According to the Electricity Law, companies that generate for a power grid must coordinate their operations through the CEN so that the system operates at minimum cost while preserving service security. The CEN therefore plans and manages the operation of the system, including the calculation of the hourly marginal cost, which is the price used to appraise energy transfers among generators. Each company´s generation is subject to the CEN operating plan. Companies may freely decide whether to sell electricity to regulated or non-regulated customers. Any surplus or deficit between customer sales and production is sold to, or purchased from, other generators at the marginal cost.

4.3 Types of Customers

a) Regulated customers: Residential, commercial and small and mid-sized businesses with a connected capacity of no more than 5,000 KW that are located in a distribution company's concession area. The transfer price between generation and distribution companies will be the price resulting from tenders by distribution companies.

b) Non-regulated customers: Customers that have an installed capacity above 5,000 KW, mainly mining and industrial companies. These customers can negotiate their power supply prices freely with generators and/or distributors. Customers with a capacity of 500 to 5,000 KW have the option of contracting energy at prices agreed with their suppliers, or to continue to be subject to regulated prices. They must remain in the chosen regime for a minimum of four years.

c) Spot or short-term market: Power purchase transactions between generating companies resulting from the coordination of the CEN to ensure an economic operation of the system. Any production surpluses (deficits) as compared to a generator's commercial commitments are transferred through sales to (purchases from) other generators who are members of the CEN. Energy transfers are appraised at the marginal cost, while capacity is appraised at the appropriate node price set by the authority every six months.

The capacity payable to each generator in Chile depends on the annual system-wide calculation made by the CEN that shows the firm capacity for each power plant. This value is separate from load dispatching.

With the enactment of Law 20,018, since 2010 distribution companies must have a supply available constantly for their entire demand, which requires that they hold long-term public tenders.

4.4 Principal Assets

The generating capacity of EECL and its subsidiaries is comprised of combined-cycle thermal and coal-fired power plants that combined supply 1,928 MW to the National Grid, 8% of the total gross generation supplied to that grid.

It has 10 coal-fired and combined-cycle power plants in the Region of Antofagasta, 5 located in Mejillones and 5 in Tocopilla, with a total capacity of 1,715 MW, and other smaller power plants that, taken together, generate a total of 213 MW, which are located along the SEN.

4.5 Renewable Energy

Renewable Energy Law 20,257 was enacted in April 2008 and amended by Law 20,698 passed in October 2013. It encourages the use of unconventional renewable energy (UCRE). The principal aspect of this law is that it obliges generators to generate at least 5% of their energy sold from renewable sources between 2010 and 2014. That requirement then rises progressively by 0.5% per annum from 2015 to 2024, the year when a total of 10% should be generated for contracts signed after August 31, 2007 but prior to July 1, 2013. For contracts signed after July 1, 2013, this requirement is 5% by 2013, with annual increases of 1% from 2014 until it totals 12% by 2020, and then annual increases of 1.5% as of 2021 to total 18% by 2024, followed by an increase of 2% in 2025 to become 20%.

In 2013, EECL opened the El Aguila I Photovoltaic Power Plant that has an installed capacity of 2 MW.

The Pampa Camarones Photovoltaic Solar Power Plant began commercial operation on September 9, 2016. It has an installed capacity of 6 MW.

The Company purchases unconventional renewable energy (UCRE) in order to comply with governing regulations.

NOTE 5 – CORPORATE REORGANIZATIONS

5.1 Acquisition of subsidiaries

On March 29, 2018, the Company acquired Solairedirect Transmisión SpA, SD Minera SpA, Solairedirect Generación II SpA, Solairedirect Generación VI SpA, Solairedirect Generación IX SpA, Solairedirect Generación XI SpA and Solairedirect Generación XV SpA from Solairedirect S.A.S., a French company.

On July 9, 2018, the Company acquired Parque Eólico Los Trigales SpA.

Details are provided in Appendix 1.a).

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2018 and 2017, classified by type of cash, are shown below:

Types of Cash and Cash Equivalents (Presentation)	12/31/18 kUSD	12/31/17 kUSD
Cash	38	41
Bank balances	6,532	3,199
Short-term deposits classified as cash equivalents	54,942	74,901
Total Cash and Cash Equivalent	**61,512**	**78,141**

The balances of cash and cash equivalents included in the Statement of Financial Position do not differ from those shown in the Statement of Cash Flow and are not subject to any type of restriction.

Each item of cash and cash equivalents is explained below:

6.1 Cash

Cash is comprised of cash on hand and in bank checking accounts, and the carrying value is the same as the fair value.

6.2 Time Deposits

Time deposits include principal plus accrued interest and adjustments as of the closing date.

Entity	Currency	Rate %	Expiration	12/31/18 kUSD	Rate %	Expiration	12/31/17 kUSD
Banco Consorcio	USD	3.00%	1/2/2019	7,008	3.02%	1/8/2018	3,015
Banco Consorcio	USD	3.15%	1/10/2019	4,001	1.70%	1/11/2018	3,251
Banco Consorcio	USD		-	0	2.00%	1/18/2018	3,301
Banco Consorcio	USD		-	0	2.00%	1/29/2018	2,000
Banco Corpbanca	USD		-	0	2.85%	1/3/2018	9,009
Banco Corpbanca	USD		-	0	1.50%	1/11/2018	3,251
Banco Scotiabank	USD	3.00%	1/2/2019	7,008		-	0
Banco Scotiabank	USD	3.60%	1/10/2019	4,002		-	0
Banco Santander	USD	3.00%	1/2/2019	7,008	3.00%	1/8/2018	13,014
Banco Santander	USD	3.10%	1/3/2019	3,007	3.00%	1/11/2018	1,250
Banco Estado	USD	2.50%	1/10/2019	900	1.45%	1/11/2018	3,550
Banco Chile	USD	2.70%	1/3/2019	8,002	2.50%	1/10/2018	4,901
Banco Chile	USD	2.70%	1/16/2019	3,001	2.50%	1/11/2018	8,001
Banco Chile	USD		-	0	2.50%	1/18/2018	1,000
Banco BBVA	USD		-	0	2.90%	1/10/2018	6,002
Banco BBVA	USD		-	0	1.25%	1/5/2018	351
Banco BCI	USD	2.90%	1/4/2019	3,002	2.78%	1/9/2018	4,002
Banco BCI	USD	2.83%	1/10/2019	8,003	2.57%	1/10/2018	6,002
Banco BCI	USD		-	0	2.76%	1/18/2018	3,001
Consolidated Total				**54,942**			**74,901**

6.3 Cash and Cash Equivalents

Liabilities originating in financing activities	Balance at 1/1/2018 (1)	Financing cash flows			Changes not representing cash flows						Balance at 12/31/2018 (1)
		From	Used	Total	Acquisition of subsidiaries	Sale of subsidiaries	Changes in fair value	Exchange differentials	New financial leases	Other changes (2)	
	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Unsecured bonds (Note 19)	748,332	0	(38,250)	(38,250)	0	0	0	0	0	41,447	751,529
Interest-bearing loans (Note 19)	100,138	90,000	(100,000)	(10,000)	0	0	0	0	0	1,334	91,472
Intercompany loans (Notes 10.5 and 10.6)	25,206	2,822	(18,568)	(15,746)	0	0	0	0	0	0	9,460
Total	**873,676**	**92,822**	**(156,818)**	**(63,996)**	**0**	**0**	**0**	**0**	**0**	**42,781**	**852,461**

Liabilities originating in financing activities	Balance at 1/1/2017 (1)	Financing cash flows			Changes not representing cash flows						Balance at 12/31/2017 (1)
		From	Used	Total	Acquisition of subsidiaries	Sale of subsidiaries	Changes in fair value	Exchange differentials	New financial leases	Other changes (2)	
	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Unsecured bonds (Note 19)	745,330	0	(38,250)	(38,250)	0	0	0	0	0	41,252	748,332
Interest-bearing loans (Note 19)	0	100,000	0	100,000	0	0	0	0	0	138	100,138
Intercompany loans (Notes 10.5 and 10.6)	31,352	0	(6,146)	(6,146)	0	0	0	0	0	0	25,206
Total	**776,682**	**100,000**	**(44,396)**	**55,604**	**0**	**0**	**0**	**0**	**0**	**41,390**	**873,676**

(1) The balance includes the current and non-current portions.

(2) Interest accrued.

NOTE 7 – OTHER FINANCIAL ASSETS

Current

Description of Instruments	12/31/18 kUSD	12/31/17 kUSD
Mutual funds	0	53
Forward (1)	0	2,792
Total for Other Financial Assets	**0**	**2,845**

Non-Current

Description of Instruments	12/31/18 kUSD	12/31/17 kUSD
Forward (1)	0	71
Total for Other Financial Assets	**0**	**71**

(1) See details in Note 20 – Derivatives and Hedge Transactions

7.1 Fixed-Income Mutual Fund Units

Mutual fund units are recorded at their fair value, as follows:

Entity	Currency	12/31/18 kUSD	12/31/17 kUSD
Banco Santander Río	USD	0	53
Total for Mutual Funds		**0**	**53**

NOTE 8 – OTHER CURRENT NON-FINANCIAL ASSETS

The amounts that the Company has recorded in this category correspond to services that will be provided in subsequent months, within one year from the closing date of the period being reported.

Types of Payments	12/31/18 kUSD	12/31/17 kUSD
Prepaid insurance (1)	346	3,895
VAT credit	3,795	13,653
Advance payment of TGN (GNAA) contract (2)	1,709	2,257
Supplier advances (3)	2,205	3,539
Deferred expenses	0	4,508
Other prepayments	1,058	699
Total	**9,113**	**28,551**

(1) Fire, civil liability and other insurance policies.

(2) A settlement agreement between TGN (Transportadora de Gas del Norte S.A.) and GNAA (Gasoducto Nor Andino Argentina S.A.) because the contract was amended, changing from firm gas transport to interruptible gas transport, applicable to services to be provided between May 2014 and December 2019.

(3) Mainly the prepayment of spare parts.

NOTE 9 – TRADE RECEIVABLES AND OTHER ACCOUNTS RECEIVABLE

In general, balances in this category do not accrue interest.

There are no restrictions on the disposal of significant amounts of this type of accounts receivable.

As required by paragraph 36 of IFRS 7, the Company carries no collateral for its commercial credit to customers.

The average maturity of customers' obligations is 15 calendar days from the invoice date. No individual customer has significant balances as compared to the Company's total sales or accounts receivable.

See Note 21 Risk Management for further analysis of the risk of uncollectibles.

The Company establishes an uncollectibles provision at the close of each quarter, taking into account aspects such as the age of its accounts receivable and a case-by-case analysis of each.

The Company has renegotiated accounts with one customer, and has no protested portfolio or customers from whom collection is being sought through the courts.

The amounts included in this category relate to the following types of documents:

9.1 Current Trade Receivables and Other Accounts Receivable

Current trade accounts receivable and other accounts receivable	12/31/18 kUSD	12/31/17 kUSD
Invoices pending payment	151,370	119,732
Sundry receivables, current	338	545
Other accounts receivable, current	10,090	1,894
Total	**161,798**	**122,171**

9.2 Non-Current Trade Receivables and Other Accounts Receivable

Non-current trade accounts receivable and other accounts receivable	12/31/18 kUSD	12/31/17 kUSD
Other sundry receivables	20	250
Total	**20**	**250**

The aged balances of the Company´s gross receivables were as follows as of December 31, 2018:

		Payment Arrears	Payment Arrears	Payment Arrears	Payment Arrears	Payment Arrears	Payment Arrears	Payment Arrears	Payment Arrears	Payment Arrears	
	Compliant Portfolio	1-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	181-210 days	211-250 days	More than 250 days	Total
Receivables	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Current receivables for credit transactions	136,785	10,074	1,115	1,869	197	64	224	29	1833	2,773	154,963
Estimated uncollectibles	0	0	0	0	0	0	(92)	(29)	(699)	(2,773)	(3,593)
Current sundry receivables	358	0	0	0	0	0	0	0	0	0	358
Estimated uncollectibles	0	0	0	0	0	0	0	0	0	0	0
Other current accounts receivable	10,090	0	0	0	0	0	0	0	0	0	10,090
TOTAL	**147,233**	**10,074**	**1,115**	**1,869**	**197**	**64**	**132**	**0**	**1,134**	**0**	**161,818**

The aged balances of the Company´s gross receivables were as follows as of December 31, 2017:

		Payment Arrears	Payment Arrears	Payment Arrears	Payment Arrears	Payment Arrears	Payment Arrears	Payment Arrears	Payment Arrears	Payment Arrears	
	Compliant Portfolio	1-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	181-210 days	211-250 days	More than 250 days	Total
Receivables	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Current receivables for credit transactions	116,966	1,554	648	49	34	22	1	3	75	3,176	122,528
Estimated uncollectibles	0	0	0	(48)	(34)	(22)	(1)	(3)	(75)	(2,614)	(2,797)
Current sundry receivables	796	0	0	0	0	0	0	0	0	115	911
Estimated uncollectibles	0	0	0	0	0	0	0	0	0	(115)	(115)
Other current accounts receivable	1,894	0	0	0	0	0	0	0	0	0	1,894
TOTAL	**119,656**	**1,554**	**648**	**1**	**0**	**0**	**0**	**0**	**0**	**562**	**122,421**

Segments of Payment Arrears as of December 31, 2018	Rescheduled Portfolio		Portfolio Not Rescheduled		Total Gross Portfolio	
	Number of Customers	Amount kUSD	Number of Customers	Amount kUSD	Number of Customers	Amount kUSD
Compliant	-	0	997	147,233	997	147,233
From 1 to 30 days	-	0	732	10,074	732	10,074
From 31 to 60 days	-	0	225	1,115	225	1,115
From 61 to 90 days	-	0	133	1,869	133	1,869
From 91 to 120 days	-	0	83	197	83	197
From 121 to 150 days	-	0	69	64	69	64
From 151 to 180 days	-	0	62	224	62	224
From 181 to 210 days	-	0	23	29	23	29
From 211 to 250 days	-	0	51	1,833	51	1,833
More than 251 days	1	2,288	79	485	80	2,773
TOTAL		**2,288**		**163,123**		**165,411**

Segments of Payment Arrears as of December 31, 2017	Rescheduled Portfolio		Portfolio Not Rescheduled		Total Gross Portfolio	
	Number of Customers	Amount kUSD	Number of Customers	Amount kUSD	Number of Customers	Amount kUSD
Compliant	-	0	1,019	119,656	1019	119,656
From 1 to 30 days	-	0	62	1,554	62	1,554
From 31 to 60 days	-	0	17	648	17	648
From 61 to 90 days	-	0	7	49	7	49
From 91 to 120 days	-	0	8	34	8	34
From 121 to 150 days	-	0	6	22	6	22
From 151 to 180 days	-	0	3	1	3	1
From 181 to 210 days	-	0	7	3	7	3
From 211 to 250 days	-	0	4	75	4	75
More than 251 days	1	2,288	7	1,003	8	3,291
TOTAL		**2,288**		**123,045**		**125,333**

Provisions and write-offs	12/31/18 kUSD	12/31/17 kUSD
Starting balance	**2,912**	**2,857**
Provision for portfolio not rescheduled	1,264	823
Recoveries in the period	(394)	(824)
Write-offs in the period	(121)	0
Other	(68)	56
Ending balance	**3,593**	**2,912**

NOTE 10 – ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND TRANSACTIONS WITH RELATED ENTITIES

10.1 Compensation of Key Management Personnel

The Company is managed by a Board of Directors comprised of seven members who hold office for a period of two years and may be re-elected.

The shareholders appointed all the members of the board, in accordance with Law 18,046, at the Regular Shareholders Meeting held on April 24, 2018. The Company has identified key personnel to be the Chief Executive Officer and Corporate Managers.

The Regular Shareholders Meeting approved compensation of UF 160 per meeting per director for the 2018 fiscal year, payable until the next Regular Shareholders Meeting. The chairman of the board receives compensation of U.F. 320 per meeting. The shareholders also resolved that alternate directors would receive no compensation for their duties, except when they attend meetings in replacement of a regular director.

No other compensation is paid but the fees received by the directors for their directorships, except as explained in the next paragraph.

In accordance with the article 50-bis of Companies Law 18,046, the minutes of the Regular Shareholders Meeting show that although the Company has no obligation to create a director´s committee, it has done so voluntarily. The members of this committee are the independent directors. Their compensation will be UF 55 monthly, and the committee approved an annual expense budget of UF 5,000. In 2018, the committee used U.F. 1,985 of this budget.

Board Compensation	12/31/18 kUSD	12/31/17 kUSD
Cristian Eyzaguirre, Director	109	106
Emilio Pellegrini, Director (*)	29	106
Mauro Valdes, Director	109	106
Claudio Iglesis, Director	80	0
Total Board Compensation	**327**	**318**

Directors Philip De Cnudde, Pierre Devillers, Daniel Pellegrini and Hendrik De Buyserie waived the compensation for their directorships.

* Mr. Emilio Pellegrini resigned from his directorship at the Regular Shareholders Meeting of the Company held April 24, 2018.

In 2018, Engie Energia Chile S.A. did not pay any member of the Company's Board of Directors for any additional consulting, and it recorded general expenses of kUS$107 for the Board in the same period.

Key Management Compensation	12/31/18 kUSD	12/31/17 kUSD
Compensation	2,634	2,637
Short-term benefits	695	248
Total	**3,329**	**2,885**

The costs include recurrent monthly salaries part of which is variable and earned in the form of bonuses based on individual performance and the Company's results for the fiscal year. They also include severance indemnities.

For comparison purposes, key management compensation for 2018 and 2017 only includes the Chief Executive Officer and Corporate Managers.

10.2 Key Management Personnel

Name	Position
Axel Levêque	Chief Executive Officer
Aníbal Prieto	Corporate Chief Legal Officer
Rodrigo Cuadros	Corporate Chief Business Officer, Large Customers
Eduardo Milligan	Corporate Chief Financial and Shared Services Officer
Andrea Cabrera	Corporate Chief Human Resources Officer
Beatriz Monreal	Corporate Chief Officer of Corporate Affairs
Luc Imschoot	Corporate Chief Operations Officer
Carlos Arias	Corporate Chief BTB Officer

In June 2018, Nicky Vanlommel, the Chief Corporate Personnel, Process and Technology Officer, and David Liste, Corporate Chief Generation Officer, left the Company, the first to assume the position of CEO at Engie Services Peru and the second, the same position at Engie Services Chile. They were replaced, respectively, by Andrea Cabrera and Luc Imschoot. In August 2018, the Corporate Chief Commercial Officer, Enzo Quezada, left the Company. Demián Talavera has been the Chief Executive Officer of TEN S.A., our subsidiary, since November 1, 2018.

10.3 Current Intercompany Accounts Receivable

Accounts receivable from and payable to, and transactions with, related entities are in compliance with articles 44 and 49 of Companies Law 18,046. The Company has made no provisions for doubtful accounts because these obligations are paid when due, which varies from 7 to 30 days.

Intercompany accounts receivable were as follows:

Tax I.D.	Company	Country	Relationship	Currency	12/31/2018 kUSD	12/31/2017 kUSD
76.019.239-2	Eólica Monte Redondo S.A.	Chile	Common Parent	USD	0	2,783
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	CLP	0	42
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	0	124
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	3,287	4,010
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	UF	9	2
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	CLP	1	15
96.885.200-0	ENGIE Chile S.A.	Chile	Parent	UF	32	34
96.885.200-0	ENGIE Chile S.A.	Chile	Parent	CLP	0	31
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	22,754	126
76.122.327-5	Desert Bioenergy S.A.	Chile	Associate	CLP	13	15
FOREIGN	Energy Consulting Services S.A.	Argentina	Associate of Shareholder	Argentine Peso	1	1
76.247.976-1	Solairedirect Generación V SpA	Chile	Common Parent	CLP	10	0
76.169.132-5	Solairedirect Generación Andacollo SpA	Chile	Common Parent	CLP	9	0
76.379.265-K	Parque Eolico Los Trigales SpA (1)	Chile	Common Parent	CLP	0	0
Intercompany Receivables, Current					**26,116**	**7,183**

(1) See Note 5.2.

10.4 Non-Current Intercompany Accounts Receivable

Tax I.D.	Company	Country	Relationship	Currency	12/31/2018 kUSD	12/31/2017 kUSD
76.787.690-4	Transmisora Eléctrica del Norte S.A. (1)	Chile	Joint Control	USD	26,216	65,633
Intercompany Receivables, Non-Current					26,216	65,633

(1) A loan granted to Transmisora Electrica del Norte S.A. Interest accrues annually at the 180-day Libor + 2.7%. The loan expires on July 17, 2020.

10.5 Current Intercompany Accounts Payable

Tax I.D.	Company	Country	Relationship	Currency	12/31/2018 kUSD	12/31/2017 kUSD
96.885.200-0	ENGIE Chile S.A.	Chile	Parent	USD	2,519	15,966
96.885.200-0	ENGIE Chile S.A.	Chile	Parent	CLP	0	36
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	3,716	2,635
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	451	231
77.292.170-5	Inversiones Punta Rieles Ltda.	Chile	Shareholder	USD	0	2,229
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	UF	437	281
Foreign	GDF SUEZ LNG Supply S.A.	Luxembourg	Common Parent	USD	0	473
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	644	2,677
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	CLP	589	57
76.787.690-4	Transmisora Eléctrica del Norte S.A.(1)	Chile	Joint Control	USD	1,148	0
76.284.839-2	Laborelec Chile Spa	Chile	Common Parent	EUR	56	0
76.108.126-8	IMA Automatización Ltda.	Chile	Common Parent	UF	15	84
88.689.100-8	IMA Industrial Ltda.	Chile	Common Parent	UF	209	0
88.689.100-8	IMA Industrial Ltda.	Chile	Common Parent	CLP	0	0
76.169.132-5	Solairedirect Generación Andacollo SpA	Chile	Common Parent	CLP	4	0
76.247.976-1	Solairedirect Generación V SpA	Chile	Common Parent	CLP	299	5
76.129.879-8	Solairedirect Chile Ltda.	Chile	Common Parent	CLP	7	0
Foreign	ENGIE Global Markets	France	Common Parent	USD	164	0
78.851.880-3	SUEZ Water Technologies & Solutions	Chile	Common Parent	USD	37	0
Cuentas por Pagar a Entidades Relacionadas, Corrientes					**10.295**	**24.674**

(1) kUSD 1,148 is the short-term portion of the lease payable for transmission facilities, in monthly installments over a period of 20 years.

10.6 Non-Current Intercompany Accounts Payable

Tax I.D.	Company	Country	Relationship	Currency	12/31/2018 kUSD	12/31/2017 kUSD
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	313	532
76.787.690-4	Transmisora Eléctrica del Norte S.A. (1)	Chile	Joint Control	USD	57,601	0
Intercompany Payables, Non-Current					**57,914**	**532**

(1) kUSD 57,601 is the long-term portion of the lease payable for transmission facilities, in monthly installments over a period of 20 years.

10.7 Intercompany Transactions

Entity						12/31/2018		12/31/2017	
Tax I.D.	Company	Country	Relationship	Currency	Transaction Description	Amount	Impact on Income	Amount	Impact on Income
							kUSD	kUSD	kUSD
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	Sale of energy, capacity and services	1,235	1,235	1,773	1,773
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	Gas regasification service	46,238	(46,238)	31,041	(31,041)
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	CLP	Recovery of expenses	43	0	51	0
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	Purchase of gas	0	0	1,124	0
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	Tolls	255	255	0	0
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	Green Taxes	16	16	0	0
76.019.239-2	Eólica Monte Redondo S.A.	Chile	Common Parent	UF	Services rendered	1,833	1,833	1,774	1,774
76.019.239-2	Eólica Monte Redondo S.A.	Chile	Common Parent	USD	Sale of energy and capacity	186	186	2,720	2,720
76.019.239-2	Eólica Monte Redondo S.A.	Chile	Common Parent	USD	Purchase of energy and capacity	2,911	(2,911)	0	0
76.019.239-2	Eólica Monte Redondo S.A.	Chile	Common Parent	USD	Tolls	10	10	63	63
76.019.239-2	Eólica Monte Redondo S.A.	Chile	Common Parent	CLP	Sale of Fuel	15	0	0	0
76.019.239-2	Eólica Monte Redondo S.A.	Chile	Common Parent	CLP	Recovery of expenses	2	0	0	0
Foreign	Energy Consulting Services S.A.	Argentina	Associate of Shareholder	Peso argentino	Services rendered	4	4	8	8
Foreign	Energy Consulting Services S.A.	Argentina	Associate of Shareholder	Peso argentino	Services received	588	(588)	494	(494)
Foreign	Energy Consulting Services S.A.	Argentina	Associate of Shareholder	USD	Purchase of gas	4,437	(4,437)	0	0

Entity						12/31/2018		12/31/2017	
Tax I.D.	Company	Country	Relationship	Currency	Transaction Description	Amount	Impact on Income	Amount	Impact on Income
							kUSD	kUSD	kUSD
Foreign	Energy Consulting Services S.A.	Argentina	Associate of Shareholder	USD	Sale of gas	4,107	4,107	0	0
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	UF	Leases	18	18	17	17
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	Services rendered	65	65	71	71
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	Services received	154	(154)	137	(137)
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	Sale of gas	13,183	13,183	8,051	8,051
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	Gas transportation	523	523	262	262
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	CLP	Recovery of expenses	2	0	15	0
Foreign	GDF SUEZ LNG Supply S.A. *	Luxembourg	Common Parent	USD	Purchase of LNG	36,864	0	33,254	0
Foreign	GDF SUEZ LNG Supply S.A. *	Luxembourg	Common Parent	USD	Recovery of expenses	198	0	0	0
76.284.839-2	Laborelec Chile SpA	Chile	Common Parent	EUR	Services	817	(353)	278	(179)
76.284.839-2	Laborelec Chile SpA	Chile	Common Parent	UF	Services	82	0	20	0
77.292.170-5	Inversiones Punta Rieles Ltda.	Chile	Shareholder	USD	Dividends	11,055	0	10,611	0
76.108.126-8	IMA Automatización Ltda	Chile	Common Parent	USD	Services	162	0	1,182	0
76.108.126-8	IMA Automatización Ltda	Chile	Common Parent	UF	Services	405	(405)	70	0
Foreign	Tractebel Engineering S.A.	Belgium	Common Parent	EUR	Services received	353	0	651	0
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	USD	Services received	0	0	119	0
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	EUR	Services received	294	0	364	0
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	UF	Services received	4,089	(239)	7,411	0
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	CLP	Services	6	0	0	0
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	UF	Leases	2	0	0	0
Foreign	ENGIE Global Markets	France	Common Parent	USD	Derivatives	1,051	(1,006)	1,077	135
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Loans (principal and interest)	3,017	3,017	31,842	1,957
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Loan payment	20,381	0	0	0

Entity						12/31/2018		12/31/2017	
Tax I.D.	Company	Country	Relationship	Currency	Transaction Description	Amount	Impact on Income	Amount	Impact on Income
							kUSD	kUSD	kUSD
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	UF	Services rendered	374	374	688	688
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Recovery of expenses	38	0	90	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	UF	Lease of facilities	269	269	262	262
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	CLP	Tolls	4,529	(4,529)	26	(26)
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Purchase of asset	0	0	2,677	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	CLP	Sale of energy and capacity	209	209	0	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Capital lease	65,772	0	0	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Lease-purchase (interest)	6,916	(6,916)	0	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Dividends	576	0	0	0
88.689.100-8	IMA Industrial Ltda.	Chile	Common Parent	UF	Services	48	(27)	0	0
88.689.100-8	IMA Industrial Ltda.	Chile	Common Parent	CLP	Services	1,464	(1,324)	0	0
Foreign	Engie Energy Management SCRL	Belgium	Common Parent	USD	Purchase of coal	0	0	6,659	0
Foreign	Engie Energy Management SCRL	Belgium	Common Parent	USD	Services received	0	0	138	(138)
Foreign	SSINERGIE blu.e	France	Common Parent	EUR	Services	108	-33	12	(12)
76.247.976-1	Solairedirect Generación V SpA	Chile	Common Parent	CLP	Purchase of energy and capacity	1,053	(1,053)	15	(15)
76.247.976-1	Solairedirect Generación V SpA	Chile	Common Parent	CLP	Sale of energy and capacity	10	10	0	0
76.129.879-8	Solairedirect Chile Ltda.	Chile	Common Parent	USD	Purchase of shares	1	0	0	0
76.129.879-8	Solairedirect Chile Ltda.	Chile	Common Parent	USD	Projects under development	1,339	0	0	0
76.169.132-5	Solairedirect Generación Andacollo SpA	Chile	Common Parent	CLP	Purchase of energy and capacity	25	(25)	0	0

Entity						12/31/2018		12/31/2017	
Tax I.D.	Company	Country	Relationship	Currency	Transaction Description	Amount	Impact on Income	Amount	Impact on Income
							kUSD	kUSD	kUSD
Foreign	Engie SA	France	Common Parent	USD	Services	49	(49)	0	0
76.592.461-8	Factory Contenidos SpA	Chile	Common Parent	UF	Services	6	(6)	0	0
76.579.088-3	Factory Soluciones SpA	Chile	Common Parent	CLP	Services	1	(1)	0	0
Foreign	Engie Information et Technologies	France	Common Parent	EUR	Services	201	(201)	0	0
Foreign	Engie (China) Energy Technology CO., LTD.	China	Common Parent	USD	Services	2	(2)	0	0
78.851.880-3	Suez Water Technologies & Solutions	Chile	Common Parent	USD	Services	31	(31)	0	0

*As of July, GDF Suez LNG Supply S.A., an Engie subsidiary, was acquired by Global LNG, wholly owned by Total S.A.

Guarantees have been granted or received for transactions with related parties (see Note 39.2).

There are no doubtful accounts related to outstanding balances that warrant a provision or expense for this reason.

All transactions with related parties were performed under market terms and conditions.

NOTE 11 – CURRENT INVENTORIES

Current inventories were as follows at the closing date:

Types of Inventories	12/31/2018 kUSD	12/31/2017 kUSD
Operating materials and inputs	107,169	114,231
Obsolescence provision	(27,643)	(24,799)
Spare parts impairment provision*	(12,330)	(5,957)
Coal	60,732	39,007
Bunker oil 6	511	1,206
Diesel oil	1,404	1,122
Hydrated lime	6,972	852
Limestone - Biomass - Silica Sand	2,937	2,552
LNG	18,935	1,163
Lubricants	173	171
Total	**158,860**	**129,548**

* The increase in the period is due to the kUSD 9,464 impairment provision for the spare parts for Units 12 and 13 in Tocopilla and to the reversal of the impairment provision of kUSD3,091 for spare parts for the Tamaya Power Plant.

The movements in the obsolescence provision were as follows:

Inventories Obsolescence Provision (1)	12/31/2018 kUSD	12/31/2017 kUSD
Starting balance	24,799	20,315
Increase in the provision	2,844	4,484
Ending Balance	**27,643**	**24,799**

(1) See the provision criteria in Note 3.5 (Asset Impairment)

NOTE 12 – CURRENT TAXES

General Information

The amounts of income tax recoverable and payable shown in current assets and liabilities, respectively, are comprise of the following:

a) Current Tax Assets

Recoverable Taxes	12/31/2018 kUSD	12/31/2017 kUSD
Provisional monthly tax payments	6,016	743
Provisional tax payment on absorbed profits	0	10
Foreign-sourced tax credit	459	451
Taxes recoverable from previous fiscal years	3,165	10,898
4% fixed asset credit, limited to 500 monthly tax units	35	113
Training credit	315	0
Other recoverable taxes	226	724
Total Recoverable Taxes	**10,216**	**12,939**

b) Current Tax Liabilities

Income Tax	12/31/2018 kUSD	12/31/2017 kUSD
Current tax expense	9,911	8,580
Article 21 Special Tax	206	530
Total Taxes Payable	**10,117**	**9,110**

NOTE 13 – OTHER NON-CURRENT NON-FINANCIAL ASSETS

Other Non-Financial Assets	12/31/2018 kUSD	12/31/2017 kUSD
Rights to other assets	2,161	2,161
Prepaid rent	0	4
Investment in CDEC-SING Ltda.(1)	0	18
Contribution to Consorcio Algae Fuels S.A. (1)	0	2,383
Contribution to FONDEF (1)	0	211
Prepayment of TGN Contract (GNAA) (2)	0	1,634
Project under development - Calama Wind Farm (3)	4,512	3,114
Project under development - Solar Power Plants (3)	1,696	0
Project under development - Los Trigales Wind Farm (3)	1,444	0
Other projects under development (3)	528	9
Other	329	350
Total	**10,670**	**9,884**

(1) These companies were closed in 2018.

(2) A settlement agreement between TGN (Transportadora de Gas del Norte S.A.) and GNAA (Gasoducto Nor Andino Argentina S.A.) because the contract was amended, changing from firm gas transport to interruptible gas transport, applicable to services to be provided between May 2014 and December 2019.

(3) The Company´s policy is to show the costs of projects in a development stage in Other Non-Financial Assets in the Statement of Financial Position as long as the technical viability and economic profitability of the project are reasonably assured. The projects are:

• Calama Wind Farm: a wind farm located in the city of Calama that will have a capacity of 150 MW.

• Solar power plants: photovoltaic projects in an early stage of development, located between the Regions of Arica and Parinacota and Atacama.

• Los Trigales Wind Farm: a wind farm with a capacity of 155 MW, located in the Region of La Araucania.

• Other projects under development: 3 wind farms are being developed under the Reverse-Bid format that would generate a minimum of 30 MW.

NOTE 14 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Companies under Joint Control

The details on the company accounted for by the equity method and the movements as of December 31, 2018 were as follows:

Type of Relationship	Company	Number of Shares	Percentage Interest	Balance at 12-31-2017	Profit (Loss) Accrued	Dividend Provision	Variation in the Hedge Derivatives Reserve at 12/31/2018	Total at 12-31-2018
			%	kUSD	kUSD	kUSD	kUSD	kUSD
Joint Control	Transmisora Eléctrica del Norte S.A.	1,438,448	50.00%	80,746	6,938	(576)	9,637	96,745
Total				**80,746**	**6,938**	**(576)**	**9,637**	**96,745**

Profit (Loss) Accrued	12/31/2018 kUSD	12/31/2017 kUSD
Share in earnings (loss) of associates and joint ventures accounted for using the equity method	6,938	1,595

Tax I.D.	Company Name	Interest	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Net Equity	Revenue	Ordinary Expenses	Net Profit (Loss)
		%	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
76.787.690-4	Transmisora Eléctrica del Norte S.A.	50.00%	109,388	761,442	870,830	89,308	710,605	799,913	70,917	88,501	24,322	16,264

Below is information on the company accounted for by the equity method and the movements as of December 31, 2017:

Type of Relationship	Company	Number of Shares	Percentage Interest	Balance at 12-31-2016	Profit (Loss) Accrued	Dividend Provision	Variation in the Hedge Derivatives Reserve at 12/31/2017	Total at 12-31-2017
			%	kUSD	kUSD	kUSD	kUSD	kUSD
Joint Control	Transmisora Eléctrica del Norte S.A.	1,438,448	50,00%	83,350	1,595	0	(4,199)	80,746
Total				**83,350**	**1,595**	**0**	**(4,199)**	**80,746**

Tax I.D.	Company Name	Interest	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Net Equity	Revenue	Ordinary Expenses	Net Profit (Loss)
		%	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
76.787.690-4	Transmisora Eléctrica del Norte S.A.	50.00%	131,065	793,284	924,349	6,987	880,830	887,817	36,532	7,456	1,629	3,390

NOTE 15 – INTANGIBLE ASSETS OTHER THAN GOODWILL

Below are the movements and reconciliation of intangible assets as of December 31, 2018 and 2017.

Net Intangible Assets	12/31/2018 kUSD	12/31/2017 kUSD
Contracts with Customers, net (1)	233,515	250,298
Easements, net	4,977	5,154
Net Total	**238,492**	**255,452**

(1) Intangible assets related to contracts with customers mainly come from power purchase agreements associated with projects of our subsidiaries Central Termoeléctrica Andina S.A. and Inversiones Hornitos S.A., which have been amortized since 2011 over periods of 30 and 15 years, respectively. See the criteria in Note 3.4.

Gross Intangible Assets	12/31/2018 kUSD	12/31/2017 kUSD
Contracts with Customers, gross	362,134	362,134
Easements, gross	13,063	12,822
Gross Total	**375,197**	**374,956**

Amortization of Intangible Assets	12/31/2018 kUSD	12/31/2017 kUSD
Amortization of Contracts with Customers	(128,619)	(111,836)
Amortization of Easements	(8,086)	(7,668)
Total Amortization	**(136,705)**	**(119,504)**

The movement in intangible assets by type was as follows during the 2018 and 2017 fiscal years:

Intangible Assets	Starting Gross Balance 1/1/2018 kUSD	Additions (Charge-Offs) in the Period kUSD	Ending Gross Balance at 12/31/2018 kUSD	Cumulative Amortization at 12/31/2017 kUSD	Amortization in the Period kUSD	Cumulative Amortization (Charge-Offs) 12/31/2018 kUSD	Cumulative Amortization at 12/31/2018 kUSD	Net Balance at 12/31/2018 kUSD
Contracts with Customers (business combinations)	362,134	0	362,134	(111,836)	(16,783)	0	(128,619)	233,515
Easements	12,822	241	13,063	(7,668)	(418)	0	(8,086)	4,977
Total	**374,956**	**241**	**375,197**	**(119,504)**	**(17,201)**	**0**	**(136,705)**	**238,492**

Intangible Assets	Starting Gross Balance 1/1/2017 kUSD	Additions (Charge-Offs) in the Period kUSD	Ending Gross Balance at 12/31/2017 kUSD	Cumulative Amortization at 12/31/2016 kUSD	Amortization in the Period kUSD	Cumulative Amortization (Charge-Offs) 12/31/2017 kUSD	Cumulative Amortization at 12/31/2017 kUSD	Net Balance at 12/31/2017 kUSD
Contracts with Customers (business combinations)	362,134	0	362,134	(95,055)	(16,781)	0	(111,836)	250,298
Easements	12,822	0	12,822	(7,248)	(420)	0	(7,668)	5,154
TOTAL	**374,956**	**0**	**374,956**	**(102,303)**	**(17,201)**	**0**	**(119,504)**	**255,452**

The amortization of intangible assets is recorded under the cost of sales in the statement of income (Note 30).

In December 2009, as a result of the acquisition of the companies indicated in Note 16, the Company recognized intangible assets associated with contracts with customers of Central Termoelectrica Andina S.A. (CTA) and Inversiones Hornitos S.A. (CTH), according to IFRS 3 Business Combinations.

These contracts were appraised using the multi-excess earning method (MEEM) that considers the value of the contracts with customers to be the present value of the excess cash flows generated by the intangible asset during its useful life, after deducting the cash flows associated with the remaining tangible and intangible operating assets, deducted at a discount rate that represents the risk of each asset.

The Company's ownership of intangible assets is unrestricted and there are no commitments to acquire new intangible assets (IAS 38, paragraph 122(c) and (d)).

NOTE 16 – GOODWILL

The following table summarizes the main types of consideration that were transferred and the amounts recorded for assets acquired and liabilities assumed, as of the date of acquisition.

Goodwill	Balance at 12/31/2018 kUSD	Balance at 12/31/2017 kUSD
Valor justo de adquisición	**1,221,197**	**1,221,197**
Identifiable assets acquired and liabilities assumed		
Net assets	902,929	902,929
Fair value of property, plant and equipment	37,466	37,466
Intangible assets	315,750	315,750
Deferred tax liabilities	(60,047)	(60,047)
Subtotal	**1,196,098**	**1,196,098**
Goodwill	**25,099**	**25,099**

The origin of goodwill is explained as follows:

On December 29, 2009, the companies of the Engie Chile Group and Codelco signed an agreement to merge the Company (the continuer) with Inversiones Tocopilla 1. Inversiones Tocopilla 1 was a vehicle created for the merger that held the investments that SEA and Codelco had in Electroandina S.A., Central Termoeléctrica Andina S.A., Inversiones Hornitos S.A., Gasoducto Nor Andino S.A. and Gasoducto Nor Andino Argentina S.A.

As a consequence of the merger, the Company became the controller of Central Termoeléctrica Andina S.A., Gasoducto Nor Andino S.A. and Gasoducto Nor Andino Argentina S.A. It is also the owner and operator of the assets of Electroandina S.A. and Inversiones Hornitos S.A.

The fair value of the acquisition was determined by appraising 100% of the assets delivered in the transaction and the payments made on the transaction date. The market method was used, which consists of the present value of future cash flows discounted at a rate representing each asset's risk, which ranged from 7% to 8% per annum.

The fair value of property, plant and equipment was determined to be the replacement value, adjusted by the functional or market useful life. Outside experts appraised property, plant and equipment.

The intangible assets, mainly contracts with customers, are appraised following the Multi-Excess Earning Method, or MEEM. This method considers that the value of contracts with customers is the present value of the surplus cash flows generated by the intangible asset over its useful life, after deducting cash flows associated with the rest of existing tangible and intangible operating assets, discounted at a rate representative of the risk of each asset. The range is from 8% to 9% annually.

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT

The movements recorded in Property, Plant and Equipment were as follows as of December 31, 2018:

Movement in 2018	Construction in progress	Land	Buildings	Plant and Equipment	Information Technology Equipment	Fixed Facilities and Accessories	Motor Vehicles	Other Property, Plant and Equipment	Property, Plant and Equipment
	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Gross Value	**897,101**	**37,469**	**178,887**	**2,607,261**	**31,434**	**398,546**	**11,482**	**194,046**	**4,356,226**
Cumulative Depreciation	**0**	**0**	**(65,231)**	**(1,322,938)**	**(24,322)**	**(241,819)**	**(8,180)**	**(132,512)**	**(1,795,002)**
Impairment	**0**	**0**	**(446)**	**(353)**	**(5)**	**(14,925)**	**0**	**(2,000)**	**(17,729)**
Starting balance at 1-1-2018	**897,101**	**37,469**	**113,210**	**1,283,970**	**7,107**	**141,802**	**3,302**	**59,534**	**2,543,495**
Gross Value Reclassification	**0**	**0**	**23,396**	**(23,406)**	**35**	**(35)**	**0**	**10**	**0**
Cumulative Depreciation Reclassification	**0**	**0**	**(17,405)**	**17,413**	**(26)**	**26**	**0**	**(8)**	**0**
New Starting Balance at 1-1-2018	**897,101**	**37,469**	**119,201**	**1,277,977**	**7,116**	**141,793**	**3,302**	**59,536**	**2,543,495**
Additions	233,667	0	0	857	8	0	38	47,311	281,881
Retirements	0	0	0	(75)	0	(8,843)	0	0	(8,918)
Impairment*	0	0	(207)	(62,412)	(127)	(1)		(318)	(63,065)
Depreciation Expenses	0	0	(7,419)	(82,873)	(3,662)	(8,638)	(596)	(14,477)	(117,665)
Closing of work in progress	(176,298)	0	63,705	78,299	1,994	25,548	46	6,706	0
Total Changes	**57,369**	**0**	**56,079**	**(66,204)**	**(1,787)**	**8,066**	**(512)**	**39,222**	**92,233**
Ending balance at 12-31-2018	**954,470**	**37,469**	**175,280**	**1,211,773**	**5,329**	**149,859**	**2,790**	**98,758**	**2,635,728**

*The National Energy Commission authorized the disconnection of Units 12 and 13 as from April 2019. Consequently, the Company decided to make a negative book adjustment for the asset goodwill.

The movements recorded in Property, Plant and Equipment were as follows as of December 31, 2017:

Movement in 2017	Construction in progress	Land	Buildings	Plant and Equipment	Information Technology Equipment	Fixed Facilities and Accessories	Motor Vehicles	Other Property, Plant and Equipment	Property, Plant and Equipment
	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Gross Value	**512,425**	**35,345**	**171,816**	**2,588,890**	**28,515**	**381,803**	**11,214**	**156,643**	**3,886,651**
Cumulative Depreciation	**0**	**0**	**(59,008)**	**(1,241.144)**	**(20,613)**	**(218,873)**	**(7,857)**	**(114,655)**	**(1,662,150)**
Impairment	**0**	**0**	**(446)**	**(353)**	**(5)**	**(14,925)**	**0**	**(2,000)**	**(17,729)**
Starting balance at 1-1-2017	**512,425**	**35,345**	**112,362**	**1,347,393**	**7,897**	**148,005**	**3,357**	**39,988**	**2,206,772**
Additions	424,399	1,462	55	2,425	280	381	555	22,686	452,243
Retirements	0	0	0	0	(1)	0	(1)	0	(2)
Depreciation Expenses	0	0	(5,775)	(81,520)	(3,734)	(8,022)	(609)	(15,858)	(115,518)
Closing of work in progress	(39,723)	662	6,568	15,672	2,665	1,438	0	12,718	0
Total Changes	**384,676**	**2,124**	**848**	**(63,423)**	**(790)**	**(6,203)**	**(55)**	**19,546**	**336,723**
Ending balance at 12-31-2017	**897,101**	**37,469**	**113,210**	**1,283,970**	**7,107**	**141,802**	**3,302**	**59,534**	**2,543,495**

Property, plant and equipment were comprised as follows as of December 31, 2018 and 2017:

Types of Property, Plant and Equipment, Net (Presentation)	12/31/2018 kUSD	12/31/2017 kUSD
Construction in Progress		
Mejillones Energy Infrastructure	886,791	737,749
Andino-Mejillones Port	0	101,981
Other	67,679	57,371
Land	37,469	37,469
Buildings	175,280	113,210
Plant and Equipment		
Combined Cycle Thermoelectric Power Plants	82,842	100,360
Thermoelectric Power Plants	868,371	971,467
Diesel-Fired Power Plants	1,088	1,238
Hydroelectric Power Plants	264	324
Photovoltaic Power Plants	20,002	20,936
Gas pipelines	140,893	153,888
Ports	98,313	35,757
Information Technology Equipment	5,329	7,107

Types of Property, Plant and Equipment, Net (Presentation)	12/31/2018 kUSD	12/31/2017 kUSD
Fixed Facilities and Accessories		
Power lines and substations	145,791	136,671
Other fixed facilities and accessories	4,068	5,131
Motor Vehicles	2,790	3,302
Leased Assets		
Buildings	12,398	0
Power Lines and Substations	47,147	5,613
Other Property, Plant and Equipment	3,895	0
Other Property, Plant and Equipment	35,318	53,921
Total Property, Plant and Equipment	**2,635,728**	**2,543,495**

Types of Property, Plant and Equipment, Gross (Presentation)	12/31/2018 kUSD	12/31/2017 kUSD
Construction in Progress		
Mejillones Energy Infrastructure	886,791	737,749
Andino-Mejillones Port	0	101,981
Other	67,679	57,371
Land	37,469	37,469
Buildings	265,938	178,887
Plant and Equipment		
Combined Cycle Thermoelectric Power Plants	299,730	316,997
Thermoelectric Power Plants	1,716,411	1,710,372
Diesel-Fired Power Plants	41,628	41,628
Hydroelectric Power Plants	6,426	6,426
Photovoltaic Power Plants	22,649	22,649
Gas pipelines	427,318	427,530
Ports	148,500	81,659
Information Technology Equipment	33,462	31,434
Fixed Facilities and Accessories		
Power lines and substations	354,566	337,935
Other fixed facilities and accessories	60,725	60,611
Motor Vehicles	11,437	11,482
Leased Assets		
Buildings	12,716	0
Power Lines and Substations	52,386	9,540
Other Property, Plant and Equipment	3,990	0
Other Property, Plant and Equipment	178,984	184,506
Total Property, Plant and Equipment	**4,628,805**	**4,356,226**

Types of Cumulative Depreciation , Property Plant and Equipment (Presentation)	12/31/2018 kUSD	12/31/2017 kUSD
Buildings	(90,005)	(65,231)
Plant and Equipment		
Combined Cycle Thermoelectric Power Plants	(216,888)	(216,637)
Thermoelectric Power Plants	(785,628)	(738,905)
Diesel-Fired Power Plants	(40,187)	(40,037)
Hydroelectric Power Plants	(6,162)	(6,102)
Photovoltaic Power Plants	(2,647)	(1,713)
Gas pipelines	(286,425)	(273,642)
Ports	(50,187)	(45,902)
Information Technology Equipment	(28,001)	(24,322)
Fixed Facilities and Accesories		
Power lines and substations	(193,849)	(186,339)
Other fixed facilities and accessories	(56,657)	(55,480)
Motor Vehicles	(8,647)	(8,180)
Leased Assets		
Buildings	(318)	0
Power Lines and Substations	(5,239)	(3,927)
Other Property, Plant and Equipment	(95)	0
Other Property, Plant and Equipment	(141,348)	(128,585)
Total Cumulative Depreciation of Property, Plant and Equipment	**(1,912,283)**	**(1,795,002)**

Types of Impairment, Property Plant and Equipment (Presentation)	12/31/2018 kUSD	12/31/2017 kUSD
Buildings	(653)	(446)
Plant and Equipment		
Cumulative Depreciation of Diesel-Fired Power Plants	(353)	(353)
Cumulative Depreciation of Thermoelectric Power Plants	(62,412)	0
Information Technology Equipment	(132)	(5)
Fixed Facilities and Accesories	(14,926)	(14,925)
Other Property, Plant and Equipment	(2,318)	(2,000)
Total Impairment of Property, Plant and Equipment	(80,794)	(17,729)
Total Cumulative Depreciation and Impairment of Property, Plant and Equipment	**(1,993,077)**	**(1,812,731)**

The Company's ownership of property, plant and equipment is unrestricted.

Property, Plant and Equipment is appraised at the amortized cost, which does not differ significantly from the fair value.

The Company had no items of property, plant and equipment temporarily out of service.

17.1 Capitalized Financing Costs

Project	Interest Rate	12/31/2018 kUSD	12/31/2017 kUSD
Mejillones Energy Infrastructure	5.096%	87,518	47,291
Total		**87,518**	**47,291**

The rate used is the weighted rate of the Company's loans (144-A Bond).

17.2 Reconciliation of minimum payments for leased assets

Reconciliation of minimum financial lease payments by lessee	December 31, 2018		
	Gross kUSD	Interest kUSD	Present Value kUSD
Less than one year	7,023	5,875	1,148
From 1 to 5 years	28,093	22,230	5,863
More than 5 years	98,326	46,588	51,738
Total	**133,442**	**74,693**	**58,749**

See Notes 10.5 and 10.6.

NOTE 18 – DEFERRED TAXES

Deferred taxes correspond to the taxes that the Company will have to pay (liabilities) or that it may recover (assets) in future years, related to temporary differences between the tax base and carrying value of certain assets and liabilities.

Our Argentine subsidiary takes into account the effects caused by taxes after the income tax law was amended by Law 27,430, published December 29, 2017.

The main amendment to the corporate tax regime is as follows:

- Article 69 of the Income Tax Law (ITL) reduces the corporate tax rate from 35% to 25% (also applicable to permanent establishments). However, the reduction will be in stages. The tax reduction schedule is as follows, according to article 86 of Law 27,430:

1. The corporate rate will be 30% for the fiscal years beginning January 1, 2018 through December 31, 2019; and
2. The corporate tax rate will be 25% for the fiscal years starting January 1, 2020 and beyond.

- Chapter II of the ITL stipulates that taxes must be withheld on profit distributions by resident entities and assimilated companies. The withholding must be made whether the recipients of the distribution are residents or non-residents. The withholding rate is consistent with the corporate tax rate. Profit distributions were being assessed at a corporate tax rate of 35% on which no withholding was required. However, profits distributed from January 2010 to January 31, 2019 have been subject to a 7% tax withholding. Finally, the withholding rate against the 25% corporate tax (for fiscal years as from January 1, 2020) will be 13%. Equivalent rates are set for profit distributions by permanent establishments.

Closed Fiscal Years	Corporate Rate	Tax Rate on Profits and Dividends	Quantitative Impact	Theoretical Tax
Through 2017	35.00%	0	0	35.00%
2018 and 2019	30.00%	7.00%	7% of 70 = 4.9	34.90%
2020 and beyond	25.00%	13.00%	13% of 75 = 9.75	34.75%

18.1 Deferred tax assets at closing

Deferred Tax Assets	12/31/2018 kUSD	12/31/2017 kUSD
relating to provisions	12,916	11,002
relating to the fair value of property, plant and equipment (not at cost)	35,553	19,800
relating to pre-operating income	5,050	5,271
relating to tax losses	792	832
relating to intangibles	653	697
relating to deferred income	5,657	6,269
relating to other items	715	0
Deferred Tax Assets	**61,336**	**43,871**

The recovery of deferred tax assets depends on whether there will be enough taxable income in the future. According to the Company´s management, future income as forecasted should suffice for the recovery of these assets.

18.2 Deferred tax liabilities at closing

Deferred tax liabilities	12/31/2018 kUSD	12/31/2017 kUSD
relating to depreciation	103,795	100,140
relating to post-employment benefit obligations	1,139	1,112
relating to intangibles	72,169	77,537
relating to compoundable interest	34,964	25,278
relating to cost differentials for property, plant and equipment of subsidiaries	47,058	42,220
for the historic cost differential of property, plant and equipment of Gasoducto Nor Andino Argentina S.A.	14,756	15,595
relating to other items	7,478	6,467
Deferred Tax Liabilities	**281,359**	**268,349**

Deferred taxes are shown in the balance sheet as explained below:

	12/31/2018 kUSD	12/31/2017 kUSD
Non-current assets	2,151	2,195
Non-current liabilities	222,174	226,673
Net	**220,023**	**224,478**

The Company is potentially subject to income tax audits by the tax authorities of each country. Those audits are limited to a number of tax years, which are generally not open to audit after the statute of limitations has expired. Tax audits are, by nature, often complex and may take several years. The tax periods potentially subject to audit are summarized below:

Country	Period
Chile	2013-2018
Argentina	2014-2018

18.3 Reconciliation of effective rates

The reconciliation of tax expense was as follows as of December 31, 2018 and 2017:

18.3.1 Consolidated

Item	2018		2017	
	27% Tax	Effective Rate	25.5% Tax	Effective Rate
	kUSD	%	kUSD	%
Theoretical tax on financial income	**40,240**	**27.00**	**36,566**	**25.50**
Non-deductible expenses	0	0.00	(5,300)	(5.37)
Present value of permanent differences for subsidiaries	(1,766)	(1.18)	(407)	(0.29)
Other permanent differences	(135)	(0.12)	3,625	4.19
Total Permanent Differences	**(1,901)**	**(1.30)**	**(2,082)**	**(1.47)**
Income Tax Expense	**38,339**	**25.70**	**34,484**	**24.03**

18.3.2 Domestic Entities

Item	2018		2017	
	27% Tax	Effective Rate	25.5% Tax	Effective Rate
	kUSD	%	kUSD	%
Theoretical tax on financial income	**40,392**	**27.00**	**36,660**	**25.50**
Non-deductible expenses	0	0.00	0	0.00
Present value of permanent differences for subsidiaries	(1,766)	(1.18)	(407)	(0.29)
Other permanent differences	(2,063)	(1.38)	3,625	2.53
Total Permanent Differences	**(3,829)**	**(2.56)**	**3,218**	**2.24**
Income Tax Expense	**36,563**	**24.44**	**39,878**	**27.74**

18.3.3 Foreign Entities

Item	2018		2017	
	35% Tax	Effective Rate	35% Tax	Effective Rate
	kUSD	%	kUSD	%
Theoretical tax on financial income, Gasoducto Nor Andino Argentina S.A.	**(152)**	**(35.00)**	**(94)**	**(35.00)**
Non-deductible expenses	0	0.00	(5,300)	(2,047.76)
Other permanent differences	1,928	374.21	0	0.00
Total Permanent Differences	**1,928**	**374.21**	**(5,300)**	**(2,047.76)**
Income Tax Expense	**1,776**	**339.21**	**(5,394)**	**(2,082.76)**

18.3.4 Effects of income tax and deferred taxes on income

The debit for income tax against income was as follows:

Item	12/31/2018 kUSD	12/31/2017 kUSD
Current tax expense (tax provision)	45,877	32,539
Article 21 special tax	206	530
Adjustment to tax expense (previous fiscal year)	(4,165)	1,635
Impact of deferred tax assets and liabilities in the fiscal year	(4,761)	(420)
Tax benefit for tax losses	214	(533)
Tax differentials for other jurisdictions	(34)	1,600
Income tax on investments in equity instruments in other comprehensive income	1,002	(867)
Total	**38,339**	**34,484**

18.3.5 Income tax related to other comprehensive income

Item	2018 kUSD	2017 kUSD
Income tax on investments in equity instruments in other comprehensive income	(1,002)	867
Total	**(1,002)**	**867**

18.4 Taxable income of domestic subsidiaries at the end of the period

Taxable income was kUS$163,798 as of December 31, 2018, and kUS$122,065 as of December 31, 2017.

NOTE 19 - OTHER FINANCIAL LIABILITIES

As of December 31, 2018 and 2017, other financial liabilities were:

Other Financial Liabilities	12/31/2018		12/31/2017	
	Current	Non-Current	Current	Non-Current
	kUSD	kUSD	kUSD	kUSD
Interest-bearing loans (Note 19)	108,391	792,211	117,057	731,413
Hedge derivatives (see Note 21)	1,498	0	242	0
Total	**109,889**	**792,211**	**117,299**	**731,413**

Interest-bearing loans

Types of interest-bearing loans	12/31/2018		12/31/2017	
	Current	Non-Current	Current	Non-Current
	kUSD	kUSD	kUSD	kUSD
Bank loans	91,472	0	100,138	0
Bonds	16,919	734,610	16,919	731,413
Total	**108,391**	**734,610**	**117,057**	**731,413**

19.1 Interest-bearing loans, current

Borrower			Lender							Out to 90 days		90 days to 1 year		Total	Total
Tax I.D.	Name	Country	Tax I.D.	Name	Country	Currency	Type of Amortization	Effective Rate	Nominal Rate	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
											kUSD	kUSD	kUSD	kUSD	kUSD
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	Banco de Crédito del Perú (1)	Peru	USD	Bullet	1.690	1.690	0	0	0	15,055	0	15,055
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	Banco de Crédito e Inversiones (1)	Chile	USD	Bullet	1.483	1.483	0	0	0	60,165	0	60,165
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	Banco Scotiabank (2)	Chile	USD	Bullet	1.745	1.745	0	0	0	24,918	0	24,918
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	Banco Scotiabank (3)	Chile	USD	Bullet	2.624	2.624	40,707	0	0	0	40,707	0
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	Banco Estado (4)	Chile	USD	Bullet	2.810	2.810	10,190	0	0	0	10,190	0
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	Banco Estado (5)	Chile	USD	Bullet	3.100	3.100	0	0	40,575		40,575	0
Interest-Bearing Loans, Total										**50,897**	**0**	**40,575**	**100,138**	**91,472**	**100,138**

(1) The short-term loan for USD 60 million with BCI and for USD 15 million with BCP expired in July 2018.

(2) The short-term loan for USD 25 million with Scotiabank expired in October 2018.

(3) The short-term loan for USD 40 million with Scotiabank is accruing interest at a fixed rate. It expires in March 2019 and has been documented by a simple promissory note recording the obligation to make

payment on the agreed date. There are no financial or operating restrictions and the Company can prepay it without being charged any prepayment fee.

(4) The short-term loan for USD 10 million with Banco Estado is accruing interest at a fixed rate. It expires in April 2019 and has been documented by a simple promissory note recording the obligation to make payment on the agreed date. There are no financial or operating restrictions and the Company can prepay it without being charged any prepayment fee.

(5) The short-term loan for USD 50 million with Banco Estado is accruing interest at a fixed rate. It expires in July 2019 and has been documented by a simple promissory note recording the obligation to make payment on the agreed date. There are no financial or operating restrictions and the Company can prepay it without being charged any prepayment fee.

19.2. Bonds

19.2.1 Bonds, current

Borrower			Lender							Out to 90 days		90 days to 1 year		Total	Total
Tax I.D.	Name	Country	Tax I.D.	Name	Country	Currency	Type of Amortization	Effective Rate	Nominal Rate	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
										kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon	USA	USD	Bullet	6.015	5.625	10,313	10,313	0	0	10,313	10,313
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon	USA	USD	Bullet	5.228	4.500	6,606	6,606	0	0	6,606	6,606
Total for Bonds										**16,919**	**16,919**	**0**	**0**	**16,919**	**16,919**

19.2.2 Bonds, non-current

Borrower			Lender								1 To 3 years		3 To 5 years		More than 5 years		Total al	
Tax I.D.	Name	Country	Tax I.D.	Name	Country	Currency	Type of Amortization	Effective Rate	Nominal Rate	Face Value	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
											kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon (1)	USA	USD	Bullet	6.015	5.625	456,250	396,629	0	0	395,677	0	0	396,629	395,677
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon (2)	USA	USD	Bullet	5.228	4.500	452,375	0	0	0	0	337,981	335,736	337,981	335,736
Total for Bonds											**396,629**	**0**	**0**	**395,677**	**337,981**	**335,736**	**734,610**	**731,413**

(1)On December 17, 2010, EECL made a bond issue on the international market for a total of US$400,000,000 under Rule 144-A, Regulation S, of the U.S. Securities Act of 1933. It was listed on the Luxembourg Stock Exchange to be traded on the Euro MTF Market. The bonds have a term of 10 years and the interest rate is 5.625%. Interest is payable semi-annually starting July 15, 2011 and the principal is repayable in one single installment on January 15, 2021.

(2)On October 29, 2014, EECL made a bond issue on the international market for a total of US$350,000,000 under Rule 144-A, Regulation S, of the U.S. Securities Act of 1933. It was listed on the Luxembourg Stock Exchange to be traded on the Euro MTF Market. The bonds have a term of 10 years and the interest rate is 4.500%. Interest is payable semi-annually starting January 29, 2015, and the principal is repayable in one single installment on January 29, 2025.

19.2.3 Bonds, face value

2018

Borrower			Lender								0 to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
											12/31/2018	12/31/2018	12/31/2018	12/31/2018	
Tax I.D.	Name	Country	Tax I.D.	Name	Country	Currency	Type of Amortization	Effective Rate	Nominal Rate	Face Value	kUSD	kUSD	kUSD	kUSD	kUSD
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon (1)	USA	USD	Bullet	6.015	5.625	456,250	22,500	433,750	0	0	456,250
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon (2)	USA	USD	Bullet	5.228	4.500	452,375	15,750	31,500	31,500	373,625	452,375
Total										**908,625**	**38,250**	**465,250**	**31,500**	**373,625**	**908,625**

2017

Borrower			Lender								0 to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
											12/31/2017	12/31/2017	12/31/2017	12/31/2017	
Tax I.D.	Name	Country	Tax I.D.	Name	Country	Currency	Type of Amortization	Effective Rate	Nominal Rate	Face Value	kUSD	kUSD	kUSD	kUSD	kUSD
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon (1)	USA	USD	Bullet	6.098	5.625	478,750	22,500	45,000	411,250	0	478,750
88006900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon (2)	USA	USD	Bullet	5.228	4.500	468,125	15,750	31,500	31,500	389,375	468,125
Total										**946,875**	**38,250**	**76,500**	**442,750**	**389,375**	**946,875**

NOTE 20 – DERIVATIVES AND HEDGE TRANSACTIONS

The assets and liabilities in financial derivatives classifying as hedge transactions were recognized in the statement of financial position as of December 31, 2018 and 2017, as shown below:

Exchange Rate Hedge	12/31/2018				12/31/2017			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Cash flow hedges	0	0	1,498	0	2,792	71	242	0
Total	**0**	**0**	**1,498**	**0**	**2,792**	**71**	**242**	**0**

Below is a description of the financial hedge derivatives and underlying assets:

Hedge Instrument	Description of Hedge Instrument	Description of Hedged Instruments	Fair Value of Hedged Instruments		Nature of Hedged Risks
			12/31/2018 kUSD	12/31/2017 kUSD	
Forward	Exchange rate	Local currency debt	96,000	0	Cash flow
Forward	Exchange rate	Investment projects	0	2,063	Cash flow
Swap	Commodity price	Power purchase agreements	0	3,729	Cash flow

As of December 31, 2018 and 2017, the Company had not recognized any gains or losses due to the ineffectiveness of cash flow hedges.

Derivative contracts have been made to hedge against interest-rate risk exposure. The effects of forwards are shown in income when the Company does not meet the formal documentation requirements needed to qualify those instruments as hedge instruments.

Forwards that qualify as cash-flow hedges are to reduce the variability of the cash flows in a currency other than the functional currency (USD) and to hedge the payments under the contracts related to the Mejillones Energy Infrastructure Project (IEM Project) and under fuel purchase and sale contracts.

The financial instruments recorded at fair value in the statement of financial position are classified at their fair value, according to the levels indicated in Note 3.7.1.

Financial Instruments	12/31/2018	12/31/2018	12/31/2017	12/31/2017
	Carrying Value kUSD	Fair Value kUSD	Carrying Value kUSD	Fair Value kUSD
Cash and cash equivalents				
Cash on hand	38	38	41	41
Bank balances	6,532	6,532	3,199	3,199
Short-term deposits classified as cash equivalents	54,942	54,942	74,901	74,901
Financial assets				
Other financial assets	0	0	53	53
Trade receivables and other accounts receivable, current and non-current	161,798	161,798	122,171	122,171
Intercompany receivables	26,116	26,116	7,183	7,183
Financial liabilities				
Other financial liabilities	903,248	747,770	848,712	810,180
Trade payables and other accounts payable	160,808	160,808	161,218	161,218
Intercompany payables, current and non-current	9,460	9,460	25,206	25,206

Financial Instruments Measured at Fair Value	12/31/18 kUSD	Level 1 kUSD	Level 2 kUSD	Level 3 kUSD
Financial Assets				
Financial assets at fair value through profit or loss	0	0	0	0
Total	**0**	**0**	**0**	**0**
Financial Liabilities				
Financial derivatives used as a cash-flow hedge	0	0	0	0
Total	**0**	**0**	**0**	**0**

Financial Instruments Measured at Fair Value	12/31/17 kUSD	Level 1 kUSD	Level 2 kUSD	Level 3 kUSD
Financial Assets				
Financial assets at fair value through profit or loss	2,863	2,863	0	0
Total	**2,863**	**2,863**	**0**	**0**
Financial Liabilities				
Financial derivatives used as a cash-flow hedge	242	242	0	0
Total	**242**	**242**	**0**	**0**

Hedge Effectiveness – Prospective

Hedge effectiveness should be measured prospectively, simulating different scenarios in the US$-Libor interest-rate curve using the hypothetical derivative method, which consists of structuring a derivative in such a manner that it is 100% effective in hedging the syndicated loan. The changes in the fair value of the hypothetical derivative will be compared to the changes in the fair value of the real derivative, which is the derivative obtained by the Company on the market to make the hedge. The quotient of the change in both fair values attributable to the hedged risk must range between 80%-125% throughout the life of the hedge in order to meet the standard specified in IFRS 9. This test is performed at each accounting closing, simulating different scenarios in the US$-Libor interest-rate curve, which are shown below:

Scenario 1: -50 bps.

Scenario 2: -25 bps.

Scenario 3: -15 bps.

Scenario 4: +15 bps.

Scenario 5: +25 bps.

Scenario 6: +50 bps.

The results support the fact that the expected effectiveness of the hedge is high in the case of changes in cash flows attributable to the hedged risk (US$ Libor), satisfactorily achieving the set-off.

Hedge Effectiveness – Retrospective

The effectiveness of the hedge should be measured retrospectively, using the hypothetical derivative method. This effectiveness must be measured by evaluating changes in the fair value of the hypothetical derivative and of the real derivative using the real changes that occurred on the market for the inputs used in the appraisal.

Hedge Ineffectiveness

The ineffectiveness of a hedge is the difference between the fair value of the real derivative and that of the hypothetical derivative, which must be recognized as a gain or loss in the statement of income for the period of measurement. Should the prospective percentage effectiveness fall outside of the range of 80%-125% allowed by the standard, the derivative stops qualifying as a hedge derivative and becomes a trading derivative. It must then be recognized at the fair value and any future changes in income.

NOTE 21 – RISK MANAGEMENT

Financial Risk Management Policy

EECL is exposed in the ordinary course of business to several risk factors that may impact its performance and financial condition, which are monitored closely from time to time by the company's Finance and Risk and Insurance Areas.

EECL has established procedures for Risk Management where the method of risk assessment and analysis is described, including the building of the risk matrix. The risk matrix is updated and reviewed every six months and the progress in action plans is constantly monitored. Risk management is presented to the Company's board each year.

The Company's financial risk strategy aims to protect EECL's stability and sustainability in relation to all components of financial uncertainty or material risk events.

The market risk management policy of the Company and its subsidiaries can be summarized as follows.

Risk Factors

21.1 Market Risk

Market risk is the risk that the fair value of future cash flows from a financial instrument may fluctuate due to changes in market prices. It is composed of four types of risk: interest rate risk, exchange rate risk, commodity risk, and other risks.

The financial instruments exposed to market risk are mainly bank debt, loans, time deposits, mutual funds and financial derivatives.

21.1.1. Exchange Rate Risk

Exchange rate risk is the risk that the value of an asset or liability (including the fair value of future cash flows of a financial instrument) fluctuate due to variations in exchange rates.

EECL had hedge agreements (forwards and options) outstanding with banks in the period ending December 31, 2018 for the purpose of reducing the impacts of dollar/peso, dollar/Euro and dollar/unidad de fomento exchange-rate fluctuations on the company's cash flows and financial results.

Since most of our income, costs and financial debt are denominated in dollars, our exposure to the risk of fluctuations and exchange rates is limited. The Company's income is mostly denominated in, or indexed to, dollars. The rate for regulated contracts with distribution utilities is set in dollars and converted to pesos using the average monthly observed dollar exchange rate, so the exposure of these contracts to the exchange rate is limited. The main cost in Chilean pesos is for personnel and administrative expenses that accounts for approximately 10% of our operating costs. Therefore, since most of the company's income is denominated in its functional currency, but some operating costs are in Chilean pesos, the Company has decided to partially hedge the peso payment flows for recurrent items that have known payment dates, such as wages and salaries, some service contracts and dividend commitments. In addition, the Company and its subsidiary CTA have signed cash flow hedge derivative agreements for the payments under the EPC agreements with S.K. Engineering and Construction and Belfi, which are considered regular payment flows in currencies other than the Dollar (CLF and EUR), until the end of the respective periods of construction of the projects. In this way, the Company has avoided variations in the costs of investments in property, plant and equipment as a result of fluctuations in exchange rates beyond its control.

In the aim of reducing exposure to exchange rate volatility, the Company also stipulated in its Cash Surplus Investment Policy that at least 80% of the cash surpluses must be invested in U.S. dollars unless a different percentage is required to keep assets and liabilities naturally matched by currency. This policy helps provide a natural hedge of commitments or debt in currencies other than the dollar. As of December 31, 2018, 97.3% of the current accounts and short-term investments used in cash management were denominated in U.S. dollars. The Company's exposure to other foreign currencies is immaterial.

21.1.2 Interest-rate risk

Interest rate risk is the risk that arises from changes in the fair value of the cash flows from the financial instruments in the general balance sheet due to changes in market interest rates. Exposure to interest rate risk arises mainly from long-term debt at floating interest rates. The Company and its subsidiaries manage interest rate risk through fixed interest rates or interest-rate swaps (IRS) in which the Company agrees to swap from time to time the difference between a fixed rate and a variable rate calculated on an agreed notional amount. As of December 31, 2018, the consolidated financial debt of EECL was entirely at a fixed rate.

	12/31/2018	12/31/2017
Fixed interest rate	100.00%	100.00%
Variable interest rate	0.00%	0.00%
Total	**100%**	**100%**

21.2 Share Price Risk

Neither EECL nor its subsidiaries held investments in equity instruments as of December 31, 2018 and 2017.

21.3 Fuel Price Risk

The company is exposed to the volatility of certain commodities since its generation activities require a continuous supply of fossil fuels, mainly coal, diesel oil and liquefied natural gas. The international prices of those fuels fluctuate according to market factors beyond the Company's control. Coal is purchased mostly under annual contracts in which prices are linked to traditional indexes for the international coal market. Diesel oil and certain purchases of liquefied natural gas are bought at prices based on international oil prices (WTI or Brent). The Company has also made long-term liquefied natural gas purchase agreements in which the prices are linked to the Henry Hub index.

Given that EECL's generation is predominantly thermoelectric, fuel prices are a key factor in the dispatching of its power plants, in its average generation costs, and in its marginal costs on the grid where it operates. For this reason, the Company's policy has been to include price indexing in its power purchase agreements based on fluctuations in the prices of fuels material to calculating its variable operating costs. The Company endeavors to align its supply costs with revenue under its power purchase agreements. However, under its energy transformation plan, the Company has decided to give preference to indexing rates to the change in consumer price indexes, which might temporarily increase its exposure to commodity price risk until it has a sufficient renewable energy base to back the inflation-indexed power purchase agreements. The Company has contracted derivatives to hedge the exposure of its income and cash flows to price volatility. Therefore, its exposure to commodity risk is largely mitigated, so no sensitivity analysis is currently being made.

21.4 Credit risk

Our income is dependent upon certain important customers

Most of our sales are to large mining companies and power distribution utilities. These sales are regulated by long-term contracts, which consequently creates a dependency upon the financial capacity of those customers and the fulfillment of their contractual obligations.

A drop in the price of copper and other raw materials could adversely affect the income and financial results of our customers, causing them to reduce mining operations and lower the demand for electricity, which could have an adverse impact on our financial condition, operating income and cash flows.

21.5 Trade receivables

Credit risk is managed by each business unit and it is subject to the policy, procedures and controls established by the Company for the management of customer credit risk. The Company sets credit limits for all customers in line with internal policies. Both the credit limits and the internal policies are reviewed from time to time. Trade receivables are monitored regularly for performance, taking into account the international prices of minerals and other relevant factors. Power companies are analyzed according to their generation capacity and debt. Impairment of all relevant customers is analyzed at each reporting date on an individual basis. The maximum exposure to credit risk as of the reporting date is the current value of trade receivables. The Company has determined that trade receivables risk concentration is acceptable as customers are mostly highly solvent large mining companies, power companies and electricity distribution companies.

21.6 Financial assets and derivatives

The credit risk to which the Company is exposed in transactions with banks and financial institutions for checking accounts, time deposits, mutual funds and financial derivatives is managed by the Corporate Finance Division in accordance with the Company's policy. Investments can only be made with authorized counterparties within the credit limits assigned to each counterparty. The Company also has term and risk diversification limits per financial counterparty. Counterparty credit limits are set on the basis of the national or international risk rating and of liquidity and solvency indicators for each institution, which are reviewed from time to time by management. Limits are set in order to minimize the concentration of risk and thus mitigate losses in the event of default by counterparties.

21.7 Liquidity risk

Liquidity risk is related to the need for money to meet payment obligations. The Company´s objective is to maintain a balance between cash availability and financial flexibility through normal operating cash flows, loans, short-term investments and lines of credit. The company regularly evaluates the concentration of risk in relation to debt refinancing.

As of December 31, 2018, US$90 million of the Company's debt expires in 2019. After that, there are no significant maturities until 2021. The Company holds cash and short-term investments that, when added to the sum of US$100 million available under a long-term credit facility with Mizuho, BBVA, Citibank, Caixabank and HSBC, amply exceed its short-term financial commitments. Therefore, the Company's liquidity risk is currently considered to be low.

21.8 Insurance

We carry insurance for our properties, operations, third parties, directors and executives, personnel and businesses.

We carry an Operational All-Risk policy for EECL and associates. This policy covers our physical assets, such as plants, offices and substations, as well as business interruption. The policy includes coverage for machinery damage, fire, explosions and risks of nature.

Our company and its subsidiaries also carry coverage for transportation under a cargo insurance policy with limits that vary by the type of merchandise carried; and global charterer liability insurance that provides protection and indemnities for ship risks and damage. We also carry a general civil liability insurance policy that covers employer liability and supply outages, as well as motor vehicle accident insurance. Directors and executives are insured under the Director and Officer liability policy.

The Company has contracted other insurance programs, such as life and accident insurance for employees, and vehicle, building, content, contractor equipment and contractor liability insurance policies.

The projects are insured against all risks of construction, including consequential damages caused by delays in start-up, civil liability, employer civil liability and freight.

21.9 Risk Rating (unaudited)

As of December 31, 2018, EECL was risk-rated as follows:

International Risk Rating	Solvency	Outlook
Standard and Poor's	BBB	Stable
Fitch Ratings	BBB	Stable

National Risk Rating	Solvency	Outlook	Shares
Feller-Rate	A+ (*)	Positive (*)	1st Class, Level 2
Fitch Ratings	AA-	Stable	1st Class, Level 2

In July 2018, Standard & Poor's ratified the long-term debt rating of BBB for Engie Energia Chile with a stable outlook. In June 2018, Fitch Ratings confirmed that same rating at BBB, also with a stable outlook. Nationally, Fitch Ratings raised the Company's solvency rating to AA-, with a stable outlook. Feller-Rate did the same in January 2019. Both agencies maintain the rating of Engie Energia Chile's shares as 1st Class, Level 2.

NOTE 22 – TRADE PAYABLES AND OTHER ACCOUNTS PAYABLE

Trade payables and other accounts payable are itemized below:

Trade Payables and Other Accounts Payable, Current	12/31/2018 kUSD	12/31/2017 kUSD
Invoices payable to foreign suppliers	3,972	829
Invoices payable to domestic suppliers	106,729	111,123
Dividends payable	2,255	14,293
Invoices receivable for domestic and foreign purchases	47,852	34,973
Total	**160,808**	**161,218**

The carrying value of these obligations does not differ significantly from their fair value because they are paid on average at 30 days.

Type of supplier	Amounts by Expiration						12/31/2018 KUSD	Average Period of Payment (days)
	Out to 30 days KUSD	31-60 days KUSD	61-90 days KUSD	91-120 days KUSD	121-365 days KUSD	366 days and longer KUSD		
Products	695	0	0	0	0	0	695	30
Services	132,799	0	0	0	0	0	132,799	30
Dividends payable	0	0	0	0	2,255	0	2,255	150
Total	**133,494**	**0**	**0**	**0**	**2,255**	**0**	**135,749**	

Type of supplier	Amounts by Days Past-Due						12/31/2018 KUSD
	Out to 30 days KUSD	31-60 days KUSD	61-90 days KUSD	91-120 days KUSD	121-365 days KUSD	366 days and longer KUSD	
Products	8,466	349	97	6	18	112	9,048
Services	12,697	1,508	236	169	180	1,221	16,011
Dividends payable	0	0	0	0	0	0	0
Total	**21,163**	**1,857**	**333**	**175**	**198**	**1,333**	**25,059**

Type of supplier	Amounts by Expiration						12/31/2017 KUSD	Average Period of Payment (days)
	Out to 30 days KUSD	31-60 days KUSD	61-90 days KUSD	91-120 days KUSD	121-365 days KUSD	366 days and longer KUSD		
Products	17,637	0	0	0	0	0	17,637	30
Services	113,568	0	0	0	0	0	113,568	30
Dividends payable	0	0	0	0	14,293	0	14,293	150
Total	**131,205**	**0**	**0**	**0**	**14,293**	**0**	**145,498**	

Type of supplier	Amounts by Days Past-Due						12/31/2017 KUSD
	Out to 30 days KUSD	31-60 days KUSD	61-90 days KUSD	91-120 days KUSD	121-365 days KUSD	366 days and longer KUSD	
Products	456	217	31	15	28	21	768
Services	12,381	1,604	527	105	35	300	14,952
Dividends payable	0	0	0	0	0	0	0
Total	**12,837**	**1,821**	**558**	**120**	**63**	**321**	**15,720**

NOTE 23 – CURRENT PROVISIONS FOR EMPLOYEE BENEFITS

Provisions for Employee Benefits, Current	12/31/2018 kUSD	12/31/2017 kUSD
Vacation provision	5,472	5,571
Annual bonus provision	6,303	6,952
Social security and health insurance deductions	745	725
Tax withholdings	287	388
Other compensation	468	1,109
Total	**13,275**	**14,745**

NOTE 24 – OTHER NON-FINANCIAL LIABILITIES

Other current non-financial current liabilities were as follows:

Other Current Non-Financial Liabilities	12/31/2018 kUSD	12/31/2017 kUSD
Debitable VAT	481	3,926
Withholding taxes	636	808
Prepaid income	0	975
Prepaid income under GTA with Engie Gas Chile SpA (1)	265	264
Total	**1,382**	**5,973**

(1) As a result of the sale of Engie Gas Chile S.A., EECL S.A. received a prepayment for the gas transportation agreement (GTA).

The carrying value of these obligations does not differ significantly from their fair value since they are paid on average within 60 days.

NOTE 25 – OTHER NON-CURRENT PROVISIONS

Other Non-Current Provisions	12/31/2018 kUSD	12/31/2017 kUSD
Gasoducto Nor Andino S.A. tax contingency (1)		
Starting balance	1,054	1,234
Movement	(540)	(180)
Subtotal	**514**	**1,054**
(1) See Note 39.5.c)		
General Inspection of Units		
General inspection of CTA	1,417	1,417
General inspection of CTH	1,197	3,099
Subtotal	**2,614**	**4,516**
GTA		
Starting balance	1,258	1,522
Movement	(266)	(264)
Subtotal	**992**	**1,258**
Total	**4,120**	**6,828**

NOTE 26 – NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFITS

The balance of employee benefit obligations was as follows:

Non-Current Provisions for Employee Benefits	12/31/2018 kUSD	12/31/2017 kUSD
Severance indemnities	128	267
Total	**128**	**267**

Changes in the benefits obligations were:

Non-Current Provisions for Employee Benefits	12/31/2018 kUSD	12/31/2017 kUSD
Starting balance	267	240
The cost of interest on defined benefit obligations	0	0
The cost of benefits under the defined plan	0	0
Payments in the period	(101)	0
Actuarial severance indemnities (appraised at the closing rate)	(38)	27
Total	**128**	**267**

Expenses recognized in the Statement of Income

Non-Current Provisions for Employee Benefits	12/31/2018 kUSD	12/31/2017 kUSD	Line where recognized in the Statement of Income
The cost of interest on defined benefit obligations	12	12	Ordinary and administrative expenses
The cost of benefits under the defined plan	13	13	Ordinary and administrative expenses
Total	**25**	**25**	

Actuarial assumptions

Actuarial Assumptions Used	12/31/2018	12/31/2017
Nominal discount rate	1.63%	1.63%
Expected rate of salary increase	Change in CPI	Change in CPI
Turnover rate	1.36%	1.36%
Women's retirement age	60 years	60 years
Men's retirement age	65 years	65 years
Mortality table	RV-2009	RV-2009

NOTE 27 - EQUITY

The Company´s capital is represented by 1,053,309,776 issued, subscribed and paid-up shares in one same series, of no par value, that are officially traded on Chilean stock exchanges.

The Company has not issued any shares or convertible instruments during the period, so the number of shares remained the same as of December 31, 2018.

Other Equity Reserves	12/31/2018 kUSD	12/31/2017 kUSD
Investment in subsidiaries, business combinations (1)	327,043	327,043
Cash flow hedge net of taxes	1,328	(5,343)
Total	**328,371**	**321,700**

(1) Increase in the fair value of capital due to the acquisition of Electroandina S.A., Gasoducto Nor Andino SpA, Gasoducto Nor Andino Argentina S.A., Central Termoeléctrica Andina S.A. and Inversiones Hornitos S.A. on December 29, 2009.

27.1 Dividend Policy

EECL's dividend policy is flexible. At least the minimum mandatory dividend of 30% is distributed pursuant to law and the bylaws. If the business situation allows, taking into consideration the company's projects and development plans, interim or final dividends may be paid in excess of the mandatory minimum. Subject to the pertinent approvals, the company endeavors to pay two interim dividends and a final dividend in May of each year.

In relation to Circulars 1945 and 1983 of the Financial Market Commission, the Company's Board of Directors decided that distributable net profits will be the Fiscal Year Profit attributable to shareholders shown in the financial statements, without any adjustment.

Distributable earnings totaled kUS$102,582 as of December 31, 2018 and kUS$100,862 as of December 31, 2017.

On April 24, 2018, our shareholders approved the payment of dividends totalling kUS$30,424, which was 30% of the 2017 fiscal year net profit.

On September 25, 2018, Engie Energy Chile S.A.'s Board approved the payment of an interim dividend totalling kUS$26,000 on account of 2018 fiscal year profits.

In accordance with IFRS, there is an assumed legal obligation to record a liability at the end of each fiscal year for the minimum dividend of 30% of net profits. The Company recorded retained earnings of kUS$30,775 as of December 31, 2018 and of kUS$30,259 as of December 31, 2017.

Dividends	12/31/2018 kUSD
Reversal of 30% legal provision for 2017	30,259
Dividends paid in 2017	(30,424)
Interim dividend in 2018	(26,000)
30% legal provision for 2018	(4,775)
Total Dividends	**(30,940)**

Dividends	12/31/2017 kUSD
Reversal of 30% legal provision for 2016	12,849
Dividend payment	(12,849)
30% legal provision for 2017	(30,259)
Total Dividends	**(30,259)**

27.2 Capital Management

The corporate objective is to maintain an appropriate equilibrium so that there is sufficient capital to support operations and provide prudent leverage while optimizing the return for shareholders and maintaining a sound financial position.

Capital calls are made on the basis of the Company's financing needs, taking care to maintain an adequate level of liquidity and comply with the financial covenants set down in outstanding loan agreements.

NOTE 28 – NON-CONTROLLING INTERESTS

The non-controlling interest of Inversiones Punta Rieles Ltda. in Inversiones Hornitos Ltda. is shown below as of December 31, 2018 and 2017:

Tax I.D.	Company Name	Country of Origin	Percentage Non-Controlling Interest in Subsidiaries		Non-Controlling Interest in Equity		Earnings (Losses) Attributable to Non-Controlling Interests	
			12/31/2018 %	12/31/2017 %	12/31/2018 kUSD	12/31/2017 kUSD	12/31/2018 kUSD	12/31/2017 kUSD
76.009.698-9	Inversiones Hornitos S.A.	Chile	40.00%	40.00%	68,218	73,978	8,641	8,148
Total					**68,218**	**73,978**	**8,641**	**8,148**

Dividends for Non-Controlling Interests	12/31/2018 kUSD
Total dividends	**36,000**
Payment attributable to the controller (Engie)	(21,600)
Total Dividends Attributable to Non-Controlling Interests	**14,401**

NOTE 29 - REVENUES

Revenues

Revenue	12/31/2018 kUSD	12/31/2017 kUSD
Power sales	1,121,561	953,139
Gas sale and transportation	44,401	8,893
Fuel sales	12,525	1,160
Toll sales	77,683	68,819
Lease of facilities	1,138	209
Port services	8,295	8,600
Other sales	9,693	13,242
Total	**1,275,296**	**1,054,062**

Revenues by main customer

Main Customers	12/31/2018 kUSD	%	12/31/2017 kUSD	%
CODELCO Group	283,598	22.24%	317,460	30.12%
EMEL regulated customers	214,704	16.84%	236,692	22.46%
Regulated customers (Central-South Segment of National Grid)	211,053	16.55%	0	0.00%
AMSA Group (1)	256,951	20.15%	245,742	23.31%
El Abra	75,282	5.90%	60,057	5.70%
GLENCORE Group	84,287	6.61%	74,630	7.08%
Other customers	149,421	11.72%	119,481	11.34%
Total Sales	**1,275,296**	**100.00%**	**1,054,062**	**100.00%**

(1) Minera Zaldivar SpA, Minera Michilla SpA, Centinela and Antucoya are operated by the AMSA Group.

Services	12/31/2018 kUSD	12/31/2017 kUSD
Power sales	1,121,561	953,139
Other income	153,735	100,923
Total Sales	**1,275,296**	**1,054,062**

NOTE 30 – COST OF SALES

Cost of sales

Costs of Sale	12/31/2018 kUSD	12/31/2017 kUSD
Fuel and lubricants	320,021	355,540
Energy and capacity	301,481	201,331
Wages and salaries	27,510	25,957
Annual benefits	7,239	6,210
Other employee benefits	11,071	7,538
Post-employment obligations	11	11
Fuel cost of sale	54,265	7,295
Gas transportation	5,441	3,998
Wharfage	11,670	20,109
Maintenance and repairs	8,232	11,145
Outsourcing	23,872	8,559
Consulting and fees	1,277	1,822
Gas pipeline operation and maintenance	4,616	4,358
Tolls	63,453	51,057
Depreciation of property, plant and equipment	113,485	111,293
Depreciation of spare parts	2,843	4,483
Amortization of intangibles	17,201	17,201
Property taxes and business licenses	4,310	2,391
Insurance	9,047	11,114
Other disbursements	18,765	29,129
Total	**1,005,810**	**880,541**

NOTE 31 – OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses

Other Operating Income and Expenses	12/31/2018 kUSD	12/31/2017 kUSD
Leases	377	397
Sale of water	2,614	2,474
Recovery of uncollectibles	394	824
Sale of property, plant and equipment	71	100
Sale of materials	143	178
Recovery of El Aguila Arica loss	117	0
Partial recovery of Mejillones Unit 1 loss	0	1,259
Partial recovery of Mejillones Unit 2 loss	500	0
Recovery of Mejillones Unit 3 loss	735	1,000
Partial recovery of Tocopilla Unit 16 loss	4,000	11,000
Other income	988	3,118
Total	**9,939**	**20,350**

NOTE 32 – ADMINISTRATIVE EXPENSES

Administrative expenses

Administrative Expenses	12/31/2018 kUSD	12/31/2017 kUSD
Wages and salaries	14,146	13,478
Annual benefits	2,824	3,819
Other employee benefits	4,730	2,173
Post-employment obligations	14	14
Outsourcing and consulting	7,721	6,797
Fees	71	317
Depreciation of property, plant and equipment	4,180	4,225
Property taxes and business licenses	401	162
Insurance	5	10
Other	7,433	8,689
Total	**41,525**	**39,684**

NOTE 33 – PERSONNEL EXPENSES

Employee Expenses	12/31/2018 kUSD	12/31/2017 kUSD
Wages and salaries	41,656	39,435
Annual benefits	10,063	10,029
Other employee benefits	15,801	9,711
Post-employment obligations	25	25
Total	**67,545**	**59,200**

NOTE 34 – OTHER EXPENSES (INCOME)

Other expenses (income)

Other Expenses (Income)	12/31/2018 kUSD	12/31/2017 kUSD
Retirement due to sale of property, plant and equipment	75	2
Retirement of property, plant and equipment	8,843	0
Retirement of Unit 16 assets	0	0
Economic impairment (See Notes 11 and 17)	72,529	0
Expenses of projects under development	401	1,110
Uncollectibles	1,264	823
Government fines	0	3,318
Expenses of public office	0	0
Other expenses	2,954	495
Total	**86,066**	**5,748**

NOTE 35 – FINANCIAL INCOME

Financial income

Financial Income	12/31/2018 kUSD	12/31/2017 kUSD
Financial interest	5,846	2,542
Total	**5,846**	**2,542**

NOTE 36 – FINANCIAL EXPENSES

Financial expenses

Financial Expenses	12/31/2018 kUSD	12/31/2017 kUSD
Financial interest	6,792	11,594
Lease financial interest	5,979	0
Total	**12,771**	**11,594**

NOTE 37 – EXCHANGE DIFFERENTIALS

Assets and liabilities that gave rise to exchange differentials and the profit or loss on units of adjustment were as follows as of December 31, 2018 and 2017:

Exchange Differentials	Currency	12/31/2018 kUSD	12/31/2017 kUSD
Assets			
Cash and Cash Equivalents	CLP	(11,433)	(56,670)
Cash and Cash Equivalents	EUR	589	5,376
Cash and Cash Equivalents	Argentine Peso	(345)	128
Cash and Cash Equivalents	UF	10,748	53,282
Trade receivables and other accounts receivable, current	CLP	(3,318)	7,302
Trade receivables and other accounts receivable, current	EUR	(173)	39
Trade receivables and other accounts receivable, current	GBP	(1)	19
Trade receivables and other accounts receivable, current	YEN	0	(2)
Trade receivables and other accounts receivable, current	Argentine Peso	(40)	0
Trade receivables and other accounts receivable, current	UF	0	1
Current tax assets	CLP	0	518
Current tax assets	Argentine Peso	(3,820)	(340)
Intercompany receivables, current	UF	(5)	0
Intercompany receivables, current	CLP	(2,268)	0
Other non-financial assets	CLP	(2,413)	217
Other non-financial assets	Argentine Peso	0	(314)
Other non-financial assets	EUR	65	(5)
Other non-financial assets	YEN	0	(10)
Other non-financial assets, current	CLP	(561)	(634)
Trade receivables and other accounts receivable, non-current	CLP	0	2
Intercompany receivables, non-current	CLP	0	123
Other current assets	CLP	0	(18)
Total Assets		**(12,975)**	**9,014**

Exchange Differentials	Currency	12/31/2018 kUSD	12/31/2017 kUSD
Liabilities			
Trade payables and other accounts payable, current	CLP	(410)	(2,709)
Trade payables and other accounts payable, current	EUR	323	(1,470)
Trade payables and other accounts payable, current	GBP	67	(87)
Trade payables and other accounts payable, current	YEN	(35)	(69)
Trade payables and other accounts payable, current	UF	630	(229)
Trade payables and other accounts payable, current	Argentine Peso	0	62
Trade payables and other accounts payable, current	Swiss Franc	(4)	(2)
Current tax liabilities	Argentine Peso	1,938	(4)
Intercompany payables, current	CLP	2,291	(373)
Intercompany payables, non-current	CLP	0	(123)
Other non-financial liabilities	CLP	2,613	(1,418)
Deferred tax liabilities	Argentine Peso	97	12
Employee benefit provisions	CLP	1,104	(248)
Employee benefit provision (severance indemnities)	CLP	38	(27)
Other Provisions	Argentine Peso	2,038	183
Total Liabilities	**10,690**	**(6,502)**	**(6.502)**
Total Exchange Differentials		**(2,285)**	**2,512**

NOTE 38 – EARNINGS PER SHARE

Disclosures on Basic Earnings per Share	12/31/2018 kUSD	12/31/2017 kUSD
Earnings (loss) attributable to holders of equity instruments of the Controller	102,582	100,852
Basic earnings available to common shareholders	102,582	100,852
Basic weighted average number of shares	1,053,309,776	1,053,309,776
Basic Earnings per Share	**USD 0.097**	**USD 0.096**

Shareholders in the Company

Majority Shareholders as of December 31, 2018	Number of Shares	Percentage Interest
ENGIE Chile S.A.	555,769,219	52.76%
Larrain Vial S.A. Corredora de Bolsa	28,882,850	2.74%
Banco Santander for account of foreign investors	25,515,579	2.42%
Banco Itaú Corpbanca for account of foreign investors	24,257,641	2.30%
AFP Provida S.A. - C Fund	23,132,859	2.20%
AFP Capital S.A. - C Fund	23,130,359	2.20%
AFP Cuprum S.A. - A Fund	21,622,440	2.05%

Majority Shareholders as of December 31, 2018	Number of Shares	Percentage Interest
Banco de Chile for account of non-resident third parties	21,361,300	2.03%
Moneda S.A. AFI for Pioneer Investment Fund	21,105,000	2.00%
AFP Capital S.A. - A Fund	18,594,530	1.77%
AFP Provida S.A. - B Fund	17,814,669	1.69%
AFP Capital S.A. - B Fund	17,253,492	1.64%
Other shareholders	254,869,838	24.20%
Total	**1,053,309,776**	**100.00%**

NOTE 39 – GUARANTEES PROVIDED TO THIRD PARTIES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER ITEMS

39.1 Direct guarantees

Name of Recipient	Type of Collateral	Balance Pending Payment on the Financial Statement Closing Date	
		12/31/2018 kUSD	12/31/2017 kUSD
Regional Office of the Ministry of Public Property	Bond	31,704	33,605
Ministry of Energy	Bond	5,918	0
National Electric Coordinator	Bond	2,100	0
Sierra Gorda	Bond	1,500	1,500
Director General of the Maritime Territory	Guarantee Policy	1,368	2,882
Cementos Polpaico S.A.	Bond	893	0
Enaex S.A.	Bond	772	419
Municipality of Mejillones	Bond	714	785
Banmédica S.A.	Bond	198	0
Ministry of Public Works, General Water Bureau	Bond	174	191
Interchile S.A.	Bond	66	8
Sociedad Austral de Transmisión Troncal S.A	Bond	39	0
Global Group Fund Chile S.A.	Bond	22	0
Servicios y Consultorías Hendaya S.A.	Bond	0	3,798
Cia. Minera Zaldivar SpA	Bond	0	2,180
Sociedad Punta del Cobre S.A.	Bond	0	2,132
Transelec S.A.	Bond	0	2,103
Gerdau Aza S.A.	Bond	0	1,481
Transelec Concesiones S.A.	Bond	0	1,103
Empresa Nacional de Minería	Bond	0	65
Econssa Chile S.A.	Bond	0	44
Total		**45,468**	**52,296**

No assets have been given in guarantee.

39.2 Indirect guarantees

At the close of the financial statements, the Company had provided indirect guarantees for Transmisora Eléctrica del Norte S.A. (TEN).

Name of Recipient	Type of Collateral	Balance Pending Payment on the Financial Statement Closing Date	
		12/31/2018 kUSD	12/31/2017 kUSD
Banco Chile	Collateral signature and joint and several surety	0	56,000
Alstom Grid Chile S.A.	Corporate guarantee	295,821	315,314
Ing. y Contruc.Sigdo Koppers S.A.	Corporate guarantee	321,647	338,873
Total		**617,468**	**710,187**

39.3 Guarantees received from third parties

Name		12/31/2018 kUSD	12/31/2017 kUSD
In favor of ENGIE ENERGIA CHILE S.A.			
SK Engineering & Const.Co. Ltd.	Contract performance guarantee	130,297	113,387
Red Eléctrica Chile SpA	Counterguarantee	0	28,000
Siemens S.A.	Contract performance guarantee	91	2,483
Soc. OGM Mecánica Integral S.A.	Contract performance guarantee	1,274	2092
ABB S.A.	Contract performance guarantee	1,634	862
Copec	Contract performance guarantee	0	1,744
Sergio Cortes Alucema e Hijo Ltda.	Contract performance guarantee	1,500	500
Ing. y Contruc.Sigdo Koppers S.A.	Contract performance guarantee	0	910
Soc.Mantención y Reparación S.A.	Contract performance guarantee	318	0
Grid Solutions Chile S.A.	Contract performance guarantee	329	195
Mantenimiento Técnico Industrial Ltda.	Contract performance guarantee	316	357
B.Bosch S.A.	Garantizar período de garantía	0	501
Ansaldo Energía Chile S.A.	Contract performance guarantee	175	0
Recycling Innovation and Technologies	Contract performance guarantee	0	2,000
Miscellaneous	General contract compliance	3,946	3,581
Subtotal		**139,880**	**156,612**
In favor of Electroandina S.A.			
Soc.Maritima y Com. Somarco Ltda.	Contract performance guarantee	600	0
Copec	Contract performance guarantee	0	400
Miscellaneous	General contract compliance	87	80
Subtotal		**687**	**480**
In favor of Central Termoeléctrica Andina S.A.			
Emp. Constructora Belfi S.A.	Contract performance guarantee	11,042	26,412
IMA industrial Ltda.	Contract performance guarantee	102	0
Instrumentación Menchaca Ind.Ltda.	Contract performance guarantee	81	0
Copec	Contract performance guarantee	0	174
Soc.Maritima y Com. Somarco Ltda.	Contract performance guarantee	75	175
Miscellaneous	General contract compliance	90	167
Subtotal		**11,390**	**26,928**

Name		12/31/2018 kUSD	12/31/2017 kUSD
In favor of Inversiones Hornitos S.A.			
Minera Centinela	Contract performance guarantee	200,000	200,000
Copec	Contract performance guarantee	0	174
Soc.Mantención y Reparación S.A.	Contract performance guarantee	21	80
Soc.Maritima y Com. Somarco Ltda.	Contract performance guarantee	75	75
ABB S.A.	Contract performance guarantee	66	0
Other	Contract performance guarantee	103	110
Subtotal		**200,265**	**200,439**
In favor of Edelnor Transmisión S.A.			
Pozo Almonte Solar 3 S.A.	Contract performance guarantee	54	59
Pozo Almonte Solar 2 S.A.	Contract performance guarantee	47	52
Subtotal		**101**	**111**
In favor of Solairedirect Chile Ltda.			
Termika Servicios de Mantencion S.A.	Contract performance guarantee	70	0
Sub total		**70**	**0**
Total		**352,393**	**384,570**

39.4 Restrictions

The short-term loan for USD 40 million with Scotiabank is accruing interest at a fixed rate. It expires in March 2019 and has been documented by a simple promissory note recording the obligation to make payment on the agreed date. There are no financial or operating restrictions and the Company can prepay it without being charged any prepayment fee.

The short-term loan for USD 10 million with Banco Estado is accruing interest at a fixed rate. It expires in April 2019 and has been documented by a simple promissory note recording the obligation to make payment on the agreed date. There are no financial or operating restrictions and the Company can prepay it without being charged any prepayment fee.

The short-term loan for USD 40 million with Banco Estado is accruing interest at a fixed rate. It expires in July 2019 and has been documented by a simple promissory note recording the obligation to make payment on the agreed date. There are no financial or operating restrictions and the Company can prepay it without being charged any prepayment fee.

EECL has bonds amounting to US$350,000,000.00, issued in October 2014 under Rule 144-A and Regulation S. Interest payments are semi-annual and bullet repayment must be made on January 29, 2025. There are no financial covenants in the bond issue, but there are certain restrictions on the Company granting collateral and security and restrictions on leaseback transactions.

EECL has bonds amounting to US$400,000,000.00, issued in December 2010 under Rule 144-A and Regulation S for a period of 10 years. Interest payments are semi-annual and bullet repayment must be made on January 29, 2025. There are no financial covenants in the bond issue, but there are certain restrictions on the Company granting collateral and security and restrictions on leaseback transactions.

Rule 144-A allows securities issued by foreign issuers to be placed in the United States of America without having to register the issue with the Securities and Exchange Commission (SEC), provided the purchasers are qualified investors. Regulation S allows those securities to be placed simultaneously or later be resold outside of the United States.

39.5 Other Contingencies

a) Various easements are currently being processed with the authorities, which have not yet been granted, for the Chapiquiña-Putre, Capricornio-Alto Norte, Capricornio–Antofagasta and El Negro-Soquimich transmission lines; and for the tap-off at the El Negro Substation.

b) Damage Indemnity Claim against GasAtacama Chile S.A. EECL and its subsidiaries Central Termoelectrica Andina S.A., Inversiones Hornitos S.A. and Electroandina S.A. filed a claim against GasAtacama Chile S.A. before the 22nd Civil Court of Santiago seeking an indemnity for the damages caused to the plaintiffs by GasAtacama because it provided incorrect information to the Economic Load Dispatch Center from January 2011 to October 2015 that raised the costs of the members of the electric system. As of the date of presentation of these Financial Statements, GasAtacama had entered dilatory motions against the claim that have been answered by the plaintiffs. On May 15, 2018, the 24th Civil Court of Santiago ordered that this case be joined to the claim filed by AES Gener. Consequently, we understand that the 24th Civil Court must rule on the dilatory motions entered by GasAtacama and on the merits of the case.

The claims are for the peso equivalent to US$120,370,000 (EECL), US$13,640,000 (Central Termoelectrica Andina S.A.), US$18,910,000 (Inversiones Hornitos S.A.) and US$7,360,000 (Electroandina S.A.). The plaintiffs reserved the right to argue the type and amount of the loss of profit during the enforcement of the ruling or in a separate lawsuit.

c) Other Contingencies of Gasoducto Nor Andino Argentina S.A

1) Income tax contingency

As of the year ending December 31, 2002, the Company accounted for and paid income taxes considering that the price-level restatement standards in the Income Tax Law were applicable. On June 18, 2003, it filed an action seeking a declaration of constitutional right by the courts declaring that the inflation-adjustment regime in the Income Tax Law was in effect or otherwise, that any rule preventing such an adjustment was unconstitutional. On October 27, 2008, the first-instance court dismissed the claim, which was appealed by the Company on November 18, 2008 before the Federal Administrative Appellate Court, which admitted the appeal for hearing on August 11, 2009, revoked the first-instance decision and ordered costs to be paid. The Federal Administrative Appellate Court thus validated the application of the inflation adjustment for the 2002 fiscal year.

The decision is not yet firm because the National Tax Authority filed an ordinary appeal before the National Supreme Court.

On October 27, 2006, the Federal Revenue Administration (AFIP)-General Tax Bureau (DGI) issued Resolution 99/2006 that contested the income tax declaration for the 2002 fiscal year filed by the Company, and as a result, officially calculated an income tax adjustment of US$3,728,682, billed interest of US$3,180,565 through that date, and applied a default fine of US$1,864,341. On November 23, 2006, the Company filed an appeal before the Federal Tax Court. The case is currently in the evidence stage.

As is well known, inflation adjustment is an issue that has led to a number of court cases, and there have been various favorable rulings on solid grounds in different trial courts and federal courts.

In this context, on July 3, 2009, the National Supreme Court of Justice decided a case on inflation adjustment in the 2002 fiscal year (the Candy case) in favor of the taxpayer.

The court held the following in that decision:

- It ratified that the prohibition to adjust for inflation is constitutionally valid unless it results in confiscation.
- It considered that confiscation existed in the specific case, and it therefore allowed the taxpayer to adjust for inflation in the 2002 fiscal year.
- It considered that the income tax was equivalent to confiscation because the difference between the tax calcuated, both with and without the inflation adjustment, was so disproportional that it could be reasonably concluded that the net profit calculated according to governing law, without any adjustment, did not adequately represent the income to be taxed by the income tax law.
- In this specific case, it considered that the actual aliquot of the tax, which accounted for 62% of the adjusted taxable income or 55% of adjusted book profits, used up a substantial portion of income that went beyond a reasonable tax limit and caused an alleged confiscation.
- It expressly clarified that it took into consideration that the 2002 fiscal year was marked by one of the most serious economic, social and political crises in modern history, which was seen in the wholesale price index variation of 117.96% and the consumer price index variation of 40.90%. Also notable were the economic changes, the ban on currency conversion and the variation in the buying power of the currency.

The Company and its legal counsel consider that what was decided by the Supreme Court of Justice in the Candy case applies to the cases of Gasoducto Nor Andino Argentina S.A. since the effective tax aliquots calculated without any inflation adjustment of either adjusted taxable income or book profits generated figures that amply exceeded the 55% and 62% that the Supreme Court considered equivalent to confiscation (as inferred from the expert accounting opinion provided in the declarative action and the opinions of the experts presented by each party in the case before the National Tax Court). This was also the decision by the Federal Administrative Appellate Court when it applied the doctrine set down in the Candy case in the decision rendered August 11, 2009 in the declarative action filed by Gasoducto Nor Andino Argentina S.A. The Argentine Supreme Court finally ruled in favor of Gasoducto Nor Andino Argentina S.A. in November 2012.

In October 2006, while the declarative action was in process, the AFIP rendered an official decision contesting the 2002 fiscal year income tax filing by Gasoducto Nor Andino Argentina S.A. The objection was based solely on the fact that the inflation adjustment was not in effect. The decision was appealed to the National Tax Court ("TFN") and a suspension requested. Two new expert accounting opinions were presented, one by an expert proposed by AFIP and another proposed by the Company. The Company's expert said that if no inflation adjustment would have been applied, the 2002 fiscal year income tax would have been 142.59% of the adjusted taxable profits for that fiscal year and 460.15% of the adjusted book profit. The AFIP's expert said that those same percentages were 85.68% and 93.64%, respectively. The decision rendered by the Supreme Court (in November 2012) was also informed opportunely to the TFN in the aforesaid declarative action.

In November 2013, the TFN rendered a decision granting the Company's appeal and revoking the official decision. The Court held that both the Supreme Court's ruling rendered in the declarative action and the expert accounting opinion presented in the case—including if the percentages cited by AFIP's expert were used—clearly showed that an event of confiscation would have occurred if the inflation adjustment had not been applied.

The AFIP appealed to the Federal Administrative Appellate Court. Room V of that court decided to void the TFN's ruling (notified February 1, 2016) in the understanding that it was not a res judicata (meaning that the decision rendered in the declarative action did not end this lawsuit) and that the Tax Court had to decide on the way in which the Company made the inflation adjustment and the measure of its actual impact on the resulting tax.

Consequently, without deciding on the substance of the matter, it ordered that the case file be returned to the TFN for a new ruling. In view of the Room V Court's decision, Gasoducto Nor Andino Argentina S.A. filed an Extraordinary Federal Appeal with the Supreme Court based on the following grounds:

1. The favorable decision by the Supreme Court in the declarative action.
2. The expert opinions provided in both cases.
3. The fact that the expert proof consisted of requesting that experts themselves calculate the tax, including an inflation adjustment (meaning that the company's tax filing not be used).
4. The official decision by the tax authority.
5. Procedural matters relating to preclusion (meaning the moment when the tax authority made certain arguments and questioned the inflation adjustment used).
6. The fact that TFN's decision adequately took the expert opinions into account.

For these reasons, the company believes that there is a high probability that the Supreme Court will revoke the Room V Court's decision, leave the TFN ruling binding, and thereby definitively resolve the issue. Should the Supreme Court dismiss the appeal, the case file will be returned to the TFN for a new ruling and the Company would return to the actual state of things in this case.

The Company has considered it prudent to establish a total provision of US$514,069.71 as of December 31, 2018 and US$1,053,303.02 as of December 31, 2017.

NOTE 40 – NUMBER OF EMPLOYEES

As of December 31, 2018 and 2017, the Company had the following number of employees under a continuing employment contract:

Number of Employees by Profession and Area	Engineers	Technicians	Other Professionals	Total 2018	Total 2017
Generation	176	376	3	555	554
Transmission	35	61	1	97	98
Administration and Support	129	76	0	205	207
Total	**340**	**513**	**4**	**857**	**859**

NOTE 41 – SANCTIONS

In the 2018 and 2017 fiscal years, neither the Company nor its executives were sanctioned by the Financial Market Commission.

NOTE 42 – THE ENVIRONMENT

The Company and its subsidiaries have an extensive environmental monitoring program that includes air emissions, air quality and discharges into water, marine monitoring and other controls that ensure a total control of their operations in compliance with governing laws and strict internal regulations adopted to attain objectives in harmony with the environment.

In June 2006, the EECL Group received certification under ISO 9001, ISO 14001 and OHSAS 18001 from AENOR, a certification agency. Since then the management system has been audited annually by AENOR to confirm that the system is working and is in compliance with the certified standard models. EECL has also verified that it has incorporated all the recent changes in the standards, such as the definitions of life cycle. Its Management System was re-certified by AENOR in June 2018 for the next 3 years.

The Company participates in several research and development initiatives in UCRE projects, such as wind and solar farms. Some have received environmental approval and others are in the environmental assessment process.

In consideration of new investment projects and in compliance with governing laws, the Company conducts its environmental assessments through Environmental Impact Statements or Environmental Impact Studies prepared by highly experienced consultants. It had disbursed kUS$114 for these reasons as of December 31, 2018 and kUS$254 as of December 31, 2017.

Expenses associated with this item were as follows:

Item	12/31/2018 kUSD	12/31/2017 kUSD
Environmental consulting	99	57
Total	**99**	**57**

The new emissions standard for thermoelectric power plants was approved by Executive Decree 13/2011 enacted on January 18, 2011, and published in the Official Gazette on June 23, 2011. This law regulates emissions of particulate matter (PM), nitrogen oxide, sulfur dioxide and heavy metals like mercury. This law further states that all generating units with a capacity exceeding 50 MW must install and certify continuous emission monitoring (CEMS).

The particulate matter emission limit for thermoelectric power plants entered into effect nationwide on December 23, 2013, and as of June 23, 2015, the hourly limit for sulfur dioxide (SO2) and nitrogen oxide (NOx) emissions entered into force for the Tocopilla Power Plant due to the city of Tocopilla's Particulate Matter Decontamination Plan, while the SO2 and NOx limits entered into effect for all units of the Mejillones Power Plant on June 23, 2016. The following emission abatement systems have been implemented to ensure compliance with emission standards by all generating units of the Tocopilla Power Plant and Mejillones Power Plant:

- Sleeve filters for the control of particulate matter emissions;
- Desulfurizers for the control of sulfur dioxide emissions that use hydrated lime and/or sodium bicarbonate in the units that have pulverized coal-fired furnaces and that use limestone in the units with fluidized bed furnaces;
- Low NOx burners to control nitrogen oxide emissions.

At the close of 2016, the Environmental Commission (abbreviated as SMA in Spanish) issued instructions for all units subject to green taxation (Law 20780) to register and state the method that they will use to quantify their emissions. All of EECL's units have received approval of the emissions calculation methods for the payment of green taxes, which are direct measurement (through CEMS) or indirect measurement (estimates) when there are no CEMS certified by the SMA. The emissions reported in 2017 have been reviewed by the SMA, which found that they were in compliance with the emissions standard for thermoelectric power plants.

The project to replace 5 CEMS by new equipment in all stacks of the company's coal-fired units concluded in December 2017. The testing was conducted in the last quarter of 2017 for initial certification by the Environmental Oversight Technical Entity and the reports on the results were sent to the authorities. The SMA has issued certification on all CEMS installed in the stacks of the Tocopilla and Mejillones Power Plant units. New assays were made in the third and four quarters of 2018 for the annual validation of the coal-fired units' CEMS. Those reports have been submitted to the authorities for re-certification of those systems.

EECL informed the electricity authority that Units 12 and 13 will be retired, and their disconnection was authorized for April 2019. The CEN has been given notice that the Tocopilla turbogas units (back-up units), which are used discontinuously, will not be operated more than 10% of the hours in the year (limited to 876 hours) so that they can be released from compliance with the NOx emission llimit. However, hourly emissions are being estimated by alternative methods and reported to the environmental authorities.

In 2018, the environmental authority conducted three audits on site and 17 documentary audits that resulted in minor observations. The final audit report is pending for all. At this time, the Company has not experienced any material environmental incidents and no sanctions are in process by the SMA or other environmental authorities.

NOTE 43 – SUMMARY FINANCIAL INFORMATION ON SUBSIDIARIES

Summary financial information is provided below as of December 31, 2018 according to International Financial Reporting Standards:

Name of Company	Interest	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Revenue	Net Profit (Loss)
	%	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Electroandina S.A.	100.00%	19,006	36,241	55,247	4,417	0	4,417	15,060	1,266
Gasoducto Nor Andino SpA	100.00%	9,807	99,849	109,656	9,179	32,764	41,943	33,678	5,944
Gasoducto Nor Andino Argentina S.A.	100.00%	11,899	60,059	71,958	2,516	15,694	18,210	13,545	(2,210)
Central Termoeléctrica Andina S.A.	100.00%	52,629	691,416	744,045	34,333	414,979	449,312	150,426	16,691
Edelnor Transmisión S.A.	100.00%	6,735	0	6,735	3,517	0	3,517	11,228	761
Inversiones Hornitos S.A.	60.00%	39,087	335,426	374,513	30,960	173,007	203,967	161,907	21,602
Parque Eólico Los Trigales SpA	100.00%	2	0	2	50	0	50	0	(38)
Solairedirect Transmisión SpA	100.00%	0	0	0	5	0	5	0	(4)
SD Minera SpA	100.00%	0	299	299	31	0	31	0	(4)
Solairedirect Generación II SpA	100.00%	0	534	534	544	0	544	0	(9)
Solairedirect Generación VI SpA	100.00%	0	165	165	169	0	169	0	(4)
Solairedirect Generación IX SpA	100.00%	0	165	165	169	0	169	0	(4)
Solairedirect Generación XI SpA	100.00%	0	153	153	157	0	157	0	(4)
Solairedirect Generación XV SpA	100.00%	0	128	128	132	0	132	0	(4)

The financial information on companies included in the consolidation was as follows as of December 31, 2017:

Name of Company	Interest	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Revenue	Net Profit (Loss)
	%	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Electroandina S.A y filial	100.00%	18,117	38,706	56,823	7,259	0	7,259	15,463	(764)
Gasoducto Nor Andino SpA	100.00%	24,372	111,118	135,490	10,786	37,525	48,311	32,666	6,654
Gasoducto Nor Andino Argentina S.A.	100.00%	10,908	67,264	78,172	1,680	17,505	19,185	13,763	5,126
Central Termoeléctrica Andina S.A.	100.00%	65,847	693,235	759,082	34,599	446,056	480,655	133,348	24,634
Edelnor Transmisión S.A.	100.00%	5,889	20	5,909	3,535	0	3,535	11,276	1,039
Inversiones Hornitos S.A.	60.00%	53,302	352,793	406,095	40,851	180,300	221,151	150,288	20,369

NOTE 44 - SUBSEQUENT EVENTS

No material events have occurred between January 1, 2019, and the date of issuance of the consolidated financial statements that might affect the presentation thereof.

APPENDIX 1 – COMPANIES IN THE ENGIE ENERGIA CHILE S.A. GROUP

a) The following companies are included in the consolidated financial statements:

Tax I.D.	Name of Company	Country of Origin	Functional Currency	Percentage Interest in 2018			Percentage Interest in 2017		
				Direct	Indirect	Total	Direct	Indirect	Total
76.046.791-K	Edelnor Transmisión S.A.	Chile	U.S. Dollar	99.9000	0.1000	100.0000	99.9000	0.1000	100.0000
96.731.500-1	Electroandina S.A. y filial	Chile	U.S. Dollar	99.9999	0.0001	100.0000	99.9999	0.0001	100.0000
76.708.710-1	Central Termoeléctrica Andina S.A.	Chile	U.S. Dollar	99.9999	0.0001	100.0000	99.9999	0.0001	100.0000
78.974.730-K	Gasoducto Nor Andino SpA	Chile	U.S. Dollar	100.0000	0.0000	100.0000	100.0000	0.0000	100.0000
76.009.698-9	Inversiones Hornitos S.A.	Chile	U.S. Dollar	60.0000	0.0000	60.0000	60.0000	0.0000	60.0000
0-E	Gasoducto Nor Andino Argentina S.A.	Argentina	U.S. Dollar	78.9146	21.0854	100.0000	78.9146	21.0854	100.0000
76.379.265-K	Parque Eolico Los Trigales SpA	Chile	Chilean peso	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000
76.274.746-4	Solairedirect Transmisión SpA	Chile	Chilean peso	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000
76.243.585-3	SD Minera SpA	Chile	Chilean peso	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000
76.247.979-6	Solairedirect Generación II SpA	Chile	Chilean peso	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000
76.247.968-0	Solairedirect Generación VI SpA	Chile	Chilean peso	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000
76.267.537-4	Solairedirect Generación IX SpA	Chile	Chilean peso	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000
76.534.501-4	Solairedirect Generación XI SpA	Chile	Chilean peso	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000
76.534.502-2	Solairedirect Generación XV SpA	Chile	Chilean peso	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000

See Note 2.4 Subsidiaries.

b) Companies accounted for using the equity method:

Type of Relationship	Tax I.D.	Name of Company	Country of Origin	Functional Currency	Percentage Interest as of	
					12/31/2018 Direct	12/31/2017 Direct
Join Control	76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	U.S. dollar	50.000	50.000

The Commissioning Period of the Mellijones-Cardones 2x500 kV Transmission System Project ended on November 24, 2017.

See Note 2.5 Investments accounted for using the Equity Method

APPENDIX 2 - ITEMIZATION OF ASSETS AND LIABILITIES IN A FOREIGN CURRENCY

Assets denominated in a foreign currency were as follows:

Assets	Currency	12/31/2018 kUSD	12/31/2017 kUSD
Current Assets			
Cash and cash equivalents	USD	59,207	76,399
Cash and cash equivalents	Non-adjustable CLP$	1,684	1,688
Cash and cash equivalents	Euro	2	5
Cash and cash equivalents	Argentine peso	619	49
Current tax assets	USD	10,216	12,939
Current inventories	Non-adjustable CLP$	2,215	40,626
Current inventories	USD	156,645	88,922
Intercompany receivables	Non-adjustable CLP$	33	103
Intercompany receivables	UF	41	36
Intercompany receivables	USD	3,907	7,043
Intercompany receivables	Argentine peso	1	1
Other non-financial assets	Non-adjustable CLP$	2,756	15,597
Other non-financial assets	USD	3,844	7,278
Other non-financial assets	Argentine peso	1,851	3,017
Other non-financial assets	Euro	643	2,654
Other non-financial assets	Other currencies	19	5
Trade receivables and other accounts receivable, current	USD	149,345	117,107
Trade receivables and other accounts receivable, current	Non-adjustable CLP$	12,317	4,786
Trade receivables and other accounts receivable, current	Argentine peso	137	278
Other financial assets, current	USD	0	2,845
Non-Current Assets			
Trade receivables and other accounts receivable, non-current	USD	0	230
Trade receivables and other accounts receivable, non-current	UF	20	20
Intercompany receivables, non-current	USD	47,774	65,633
Other non-current non-financial assets	Non-adjustable CLP$	0	2,612
Other non-current non-financial assets	USD	10,670	7,272
Deferred tax assets	USD	2,151	2,195
Investments accounted for using the equity method	USD	97,320	80,746
Intangible assets other than goodwill	USD	238,492	255,452
Goodwill	USD	25,099	25,099
Property, plant and equipment	USD	2,635,728	2,543,495
Other non-current financial assets	USD	0	71
Subtotal	**USD**	**3,440,398**	**3,292,726**
	Non-adjustable CLP$	**19,005**	**65,412**
	Euro	**645**	**2,659**
	UF	**61**	**56**
	Argentine peso	**2,608**	**3,345**
	Other currencies	**19**	**5**
Total Assets		**3,462,736**	**3,364,203**

Liabilities denominated in a foreign currency broke down as follows:

Current Liabilities		Out to 90 days		From 90 days to 1 year	
Current Liabilities currently in Operation	**Currency**	**12/31/2018** kUSD	**12/31/2017** kUSD	**12/31/2018** kUSD	**12/31/2017** kUSD
Intercompany payables	Non-adjustable CLP$	899	98	0	0
Intercompany payables	USD	8,624	5,555	55	16,021
Intercompany payables	UF	661	365	0	0
Intercompany payables	Euro	56	0	0	0
Current tax liabilities	USD	0	0	10,117	9,110
Other non-financial liabilities	Non-adjustable CLP$	1,117	4,734	0	0
Other non-financial liabilities	USD	265	1,239	0	0
Trade payables and other accounts payable	Euro	9,438	8,436	0	0
Trade payables and other accounts payable	Non-adjustable CLP$	24,527	45,004	0	0
Trade payables and other accounts payable	Other currencies	1,410	1,465	0	0
Trade payables and other accounts payable	Argentine peso	155	297	0	0
Trade payables and other accounts payable	USD	113,408	84,657	2,255	16,722
Trade payables and other accounts payable	UF	7,738	5,395	0	0
Trade payables and other accounts payable	Yen	1,877	1,877	0	0
Employee benefit provision, current	Non-adjustable CLP$	13,275	14,745	0	0
Other financial liabilities	USD	67,252	16,919	42,637	100,380
Subtotal	**USD**	**189,549**	**108,370**	**55,064**	**142,233**
	Non-adjustable CLP$	**39,818**	**64,581**	**0**	**0**
	Euro	**9,494**	**8,436**	**0**	**0**
	UF	**8,399**	**5,760**	**0**	**0**
	Yen	**1,877**	**1,877**	**0**	**0**
	Argentine peso	**155**	**297**	**0**	**0**
	Other currencies	**1,410**	**1,465**	**0**	**0**
Total Current Liabilities		**250,702**	**190,786**	**55,064**	**142,233**

Non-Current Liabilities	Currency	1 to 3 years		3 to 5 years		More than 5 years	
		12/31/2018 kUSD	12/31/2017 kUSD	12/31/2018 kUSD	12/31/2017 kUSD	12/31/2018 kUSD	12/31/2017 kUSD
Deferred tax liabilities	USD	16,571	16,571	17,523	17,523	188,080	192,579
Intercompany payables	USD	313	532	0	0	0	0
Other non-current financial liabilities	USD	399,282	0	3,210	395,677	389,719	335,736
Employee benefit provisions, non-current	Non-adjustable CLP$	0	0	0	0	128	267
Other non-current provisions	USD	3,408	5,181	198	593	0	0
Other non-current provisions	Argentine peso	514	1,054	0	0	0	0
Subtotal	**USD**	**419,574**	**22,284**	**20,931**	**413,793**	**577,799**	**528,315**
	Non-adjustable CLP$	**0**	**0**	**0**	**0**	**128**	**267**
	Argentine peso	**514**	**1,054**	**0**	**0**	**0**	**0**
Total Non-Current Liabilities		**420,088**	**23,338**	**20,931**	**413,793**	**577,927**	**528,582**

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