Listing Memorandum

U.S.$ 550,000,000
AES Gener S.A.
7.125% Junior Subordinated Capital Notes due 2079

Interest payable on July 6 and January 6 of each year

We are offering U.S.$ 550,000,000 aggregate principal amount of our 7.125% junior subordinated capital notes due 2079 (the "notes"). The notes will mature on March 26, 2079 (the "Maturity Date"). However, at our option, we may redeem the notes, in whole but not in part, on (i) any day during the period commencing on (and including) April 7, 2024) (90 days prior to the First Reset Date (as defined herein)) and ending on (and including) the First Reset Date, and (ii) any Interest Payment Date (as defined herein) thereafter, at their aggregate principal amount, together with any accrued and unpaid interest to, but excluding, the redemption date and any Arrears of Interest (as defined herein). We may also redeem the notes, in whole but not in part, upon the occurrence of a Withholding Tax Event, a Substantial Repurchase Event, a Ratings Methodology Event or a Tax Deductibility Event at the applicable Early Redemption Price as set forth in this listing memorandum. Subject to our right to defer payment, interest on the notes will be payable semi-annually in arrears on July 6 and January 6 of each year, beginning on January 6, 2020. There will be a long first coupon for the period from and including March 26, 2019 to, but excluding, January 6, 2020. There will be a short final coupon for the period from and including January 6, 2079 to, but excluding, March 26, 2079. As an alternative to an early redemption of the notes as described in the preceding sentence, and subject to certain conditions, we may substitute all (but not less than all), or vary the terms of the notes.

As more fully described in this listing memorandum, we may defer interest payments on the notes for any period of time; provided that any such deferred payments will themselves bear interest at the same rate as the principal amount of the notes and will become due and payable on the Mandatory Settlement Dates (as defined herein).

The notes will bear interest on their principal amount from (and including) the Issue Date (as defined herein) to, but excluding, the First Reset Date at a rate of 7.125% per annum. Thereafter, from and including the First Reset Date to, but excluding, the Maturity Date, for each Reset Period (as defined herein), the notes will bear interest at a rate equal to the relevant 5 year Swap Rate (as defined herein), plus (a) in respect of the Reset Period commencing on the First Reset Date: 4.644%; (b) in respect of the Reset Periods commencing on July 6, 2029, July 6, 2034 and July 6, 2039: 4.894%; and (c) in respect of any other Reset Period: 5.644%.

The notes will constitute unsecured, deeply subordinated obligations. The claims of holders under the notes are intended to be senior only to claims of holders of our Common Shares (as defined herein). We currently have no securities outstanding that rank junior to the notes other than our Common Shares. In addition, the notes will be structurally subordinated to all existing and future unsecured and unsubordinated debt and other liabilities (including trade payables) of our operating subsidiaries.

Investing in the notes involves risks. See "Risk Factors" beginning on page 15.

Price: 99.948% plus accrued interest, if any, from March 26, 2019.

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act. Outside the United States, the offering is being made in reliance on Regulation S under the Securities Act.

The notes may not be publicly offered or sold, directly or indirectly, in the Republic of Chile ("Chile"), or to any resident of Chile, except as permitted by applicable Chilean law. The notes will not be registered under Law No. 18,045, as amended, (the "Chilean Securities Market Law") with the Chilean Financial Market Commission (*Comisión para el Mercado Financiero*, the "CMF") and, accordingly, the notes cannot and will not be offered or sold to persons in Chile except in circumstances which have not resulted and will not result in a public offering under Chilean law, and/or in compliance with Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the CMF ("CMF Rule 336"). Pursuant to CMF Rule 336, the notes may be privately offered in Chile to certain "qualified investors," identified as such therein (which in turn are further described in Rule No. 216, dated June 12, 2008, and Rule No. 410, dated July 27, 2016, both issued by the CMF). See "Notice to Chilean Investors."

We have applied to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. This listing memorandum constitutes a prospectus for the purposes of the Luxembourg law on prospectuses for securities, dated July 10, 2005, as amended. Currently, there is no public market for the notes.

None of the U.S. Securities and Exchange Commission, any U.S. state securities commission or any securities regulatory authority have approved or disapproved of these securities or determined whether this listing memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

The delivery of the notes has been made to investors in book-entry form through The Depository Trust Company ("DTC") for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, S.A., on March 26, 2019.

Global Coordinators and Joint Bookrunners

BofA Merrill Lynch **Goldman Sachs & Co. LLC** **J.P. Morgan**

Joint Bookrunners

Itaú BBA **Scotiabank**

Co-Managers

BTG Pactual **LarrainVial** **Santander**

The date of this listing memorandum is March 29, 2019.

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Unless otherwise indicated or the context otherwise requires, all references in this listing memorandum to "AES Gener," "we," "us," "our," "our company," the "Company" and "ourselves" mean AES Gener S.A. and its subsidiaries on a consolidated basis.

This listing memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described in this listing memorandum. This listing memorandum does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire notes, and any person retained to advise such prospective investor with respect to any disclosure of any of the contents of this listing memorandum, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this listing memorandum, agrees to the foregoing. This listing memorandum may only be used for the purposes for which it has been published.

This listing memorandum has been prepared by us, and we are solely responsible for its contents.

The initial purchasers make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this listing memorandum. Nothing contained in this listing memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

Neither we nor the initial purchasers are making an offer to sell the notes in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in your jurisdiction and you must obtain any consent, approval or permission required of you for the purchase, offer or sale of the notes under the laws and regulations in force in your jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this listing memorandum;

- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents, in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this listing memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities which do not involve a public offering. By purchasing notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Transfer Restrictions" in this listing memorandum. The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "Plan of Distribution" and "Transfer Restrictions."

In making an investment decision, prospective investors must rely on their own examination of our company and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this listing memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal, investment or similar laws or regulations.

None of the United States Securities and Exchange Commission (the "SEC"), any United States state securities commission or any other regulatory authority has approved or disapproved of these securities or determined if this listing memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We confirm that, after having made all reasonable inquiries, this listing memorandum contains all information with regard to us and the notes that is material to the offering and sale of the notes, that the information contained in this listing memorandum is true and accurate in all material respects and is not misleading and that there are no omissions of any facts from this listing memorandum which, by their absence herefrom, make this listing memorandum misleading. We accept responsibility for the information contained in this listing memorandum regarding us and the notes.

NOTICE TO CHILEAN INVESTORS

The offer of the notes is subject to CMF Rule 336. The notes being offered will not be registered under the Chilean Securities Market Law in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the CMF and, therefore, the notes are not subject to the supervision of the CMF. As unregistered securities, we are not required to disclose public information about the notes in Chile. Accordingly, the notes cannot and will not be publicly offered to persons in Chile unless they are registered in the corresponding securities registry. The notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with CMF Rule 336. Pursuant to CMF Rule 336, the notes may be privately offered in Chile to certain "qualified investors" identified as such therein (which in turn are further described in Rule No. 216, dated June 12, 2008 and in Rule No. 410, dated July 27, 2016, both issued by the CMF).

LA OFERTA DE LOS BONOS SE ACOGE A LA NORMA DE CARÁCTER GENERAL N°336 DE LA CMF. LOS BONOS QUE SE OFRECEN NO ESTÁN INSCRITOS BAJO LA LEY DE MERCADO DE VALORES EN EL REGISTRO DE VALORES O EN EL REGISTRO DE VALORES EXTRANJEROS QUE LLEVA LA CMF, POR LO QUE TALES VALORES NO ESTÁN SUJETOS A LA FISCALIZACIÓN DE ÉSTA. POR TRATARSE DE VALORES NO INSCRITOS, NO EXISTE OBLIGACIÓN POR PARTE DEL EMISOR DE ENTREGAR EN CHILE INFORMACIÓN PÚBLICA RESPECTO DE ESTOS VALORES. LOS BONOS NO PODRÁN SER OBJETO DE OFERTA PÚBLICA EN CHILE MIENTRAS NO SEAN INSCRITOS EN EL REGISTRO DE VALORES CORRESPONDIENTE. LOS BONOS SOLO PODRÁN SER OFRECIDOS EN CHILE EN CIRCUNSTANCIAS QUE NO CONSTITUYAN UNA OFERTA PÚBLICA O CUMPLIENDO CON LO DISPUESTO EN LA NORMA DE CARÁCTER GENERAL N°336 DE LA CMF. EN CONFORMIDAD CON LO DISPUESTO POR LA NORMA DE CARÁCTER GENERAL N°336, LOS BONOS PODRÁN SER OFRECIDOS PRIVADAMENTE A CIERTOS "INVERSIONISTAS CALIFICADOS," IDENTIFICADOS COMO TAL EN DICHA NORMA (Y QUE A SU VEZ ESTÁN DESCRITOS EN LA NORMA DE CARÁCTER GENERAL N°216 DE LA CMF DE FECHA 12 DE JUNIO DE 2008 Y EN LA NORMA DE CARÁCTER GENERAL N°410 DE LA CMF DE FECHA 27 DE JULIO DE 2016).

The notes have been made available initially only in book-entry form. The notes have been issued in the form of two registered global notes. The global notes have been deposited with, or on behalf of, DTC and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global notes have been shown on, and transfers of beneficial interests in the global notes will be effected through, records maintained by DTC and its participants. The global notes offered under Regulation S under the Securities Act, if any, are to be deposited with the trustee as custodian for DTC, and beneficial interests in them may be held through Euroclear or Clearstream, Luxembourg. After the initial issuance of the global notes, certificated notes may be issued in registered form only in very limited circumstances, which shall be in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000. See "Description of the Notes" for further discussion of these matters.

ENFORCEMENT OF FOREIGN JUDGMENTS

We are a *sociedad anónima abierta*, or a publicly traded open stock corporation, organized under the laws of the Republic of Chile ("Chile"). Three of our seven directors reside in the United States. All of our executive officers and certain of the experts named herein reside in Chile. In addition, all or a substantial portion of our assets and the assets of our directors and officers are located outside the United States. As a result, except as explained below, it may not be possible for investors to effect service of process within the United States upon such persons or us, or to enforce against them or us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States or otherwise obtained in U.S. courts.

We have been advised by Claro & Cía. ("Claro"), our special Chilean counsel, that no treaty exists between the United States and Chile for the reciprocal enforcement of foreign judgments. It is the opinion of our Chilean counsel that Chilean courts would enforce final judgments rendered by U.S. courts by virtue of the legal principles of reciprocity and comity, subject to review in Chile of any such U.S. judgment in order to ascertain whether certain basic principles of due process and public policy have been respected, without retrial or review of the merits of the subject matter. If a U.S. court grants a final judgment, enforceability of this judgment in Chile will be subject to obtaining the relevant *exequatur* decision from the Supreme Court of Chile (*i.e.*, recognition and enforcement of the foreign judgment) according to Chilean civil procedure law in force at that time, and satisfying certain legal requirements. Currently, the most important of these requirements are:

- the existence of reciprocity, absent which the foreign judgment may not be enforced in Chile;
- the absence of any conflict between the foreign judgment and Chilean laws (excluding for this purpose the laws of civil procedure) and public policy;
- the absence of a conflicting judgment by a Chilean court relating to the same parties and arising from the same facts and circumstances;
- the Chilean court's determination that the U.S. courts had jurisdiction and that the judgment does not conflict with Chilean jurisdiction, that process was appropriately served on the defendant and that the defendant was afforded a real opportunity to appear before the court and defend his or her case. Note that, under Chilean law, the service of process by means of mailing copies to us will not be deemed effective to cause a proper service of process and, consequently, any judgment rendered in a legal proceeding in which process was served by means of mailing copies to us may then be effectively contested by us in Chile; and
- the absence of any further means for appeal or review of the judgment in the jurisdiction where judgment was rendered.

We have been advised by Claro that there is doubt as to the enforceability, in original actions in Chilean courts, of liabilities predicated solely on the U.S. federal securities laws and as to the enforceability in Chilean courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws.

We have appointed Corporation Service Company, with an office on the date hereof at 1180 Avenue of the Americas, Suite 210, New York, NY 10036, United States as our authorized agent for service of process in the United States, upon which process may be served in any action which may be instituted in any U.S. federal or state court having subject matter jurisdiction in the Borough of Manhattan, New York City, New York, arising out of or based upon the indenture governing the notes or the notes themselves.

AVAILABLE INFORMATION

AES Gener is a *sociedad anónima abierta*, or a publicly traded open stock corporation, organized under the laws of Chile. Our principal executive offices are located at Rosario Norte #532, Floors 19 and 20, Las Condes, Santiago, Chile, and our telephone number at that address is (56-2) 2686-8900. Our website is www.aesgener.cl.

AES Gener is an issuer in Chile of securities registered with the CMF. Shares of our common stock are traded on the *Bolsa de Comercio de Santiago—Bolsa de Valores*, or the Santiago Stock Exchange and the *Bolsa Electrónica de Chile—Bolsa de Valores*, or Electronic Stock Exchange, which we jointly refer to as the "Chilean Stock Exchanges," under the symbol "AESGENER." Accordingly, we are currently required to file quarterly and annual reports in Spanish and issue *hechos esenciales o relevantes* (notices of essential or material events) to the CMF, and provide copies of such reports and notices to the Chilean Stock Exchanges. All such reports are available at www.cmfchile.cl and www.aesgener.cl.

In addition, we have agreed that while any notes remain outstanding and are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, we will make available, upon request, to any holder or prospective purchaser of notes the information required pursuant to Rule 144A(d)(4) under the Securities Act with respect to us during any period in which we are not subject to Section 13 or 15(d) of the Exchange Act or exempt by virtue of Rule 12g3-2(b) thereunder. Any such request should be directed to us at our principal executive offices listed above.

These reports and notices and any information contained in, or accessible through, our website are not incorporated by reference in, and do not constitute a part of, this listing memorandum.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained in this listing memorandum, certain matters discussed herein, including without limitation under "Management's Discussion and Analysis of Financial Condition and Results of Operations," contain forward-looking statements, within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Although we believe that in making any such statements our expectations are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. When used in this listing memorandum, the words "anticipates," "believes," "expects," "intends" and similar expressions, as they relate to us or our management, are intended to identify such forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. There are important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond our control. These factors, risks and uncertainties include, among other things:

- political, economic, regulatory and demographic developments in Chile, Colombia, Argentina and other countries where we and our equity-method investee currently do business or may do business in the future;
- changes in our regulatory environment, including the costs of complying with electricity, utility and environmental regulations;
- the nature and extent of future competition in our and our equity-method investee's principal markets;
- factors which may increase the cost or delay the construction or commencement of operations of our new facilities;
- the uncertainties of current, pending and threatened litigation;
- trends affecting our and our equity-method investee's financial condition or results of operations;
- inflation and exchange rate instability and government measures to control inflation and exchange rates;
- our and our equity-method investee's ability to implement capital investment programs, including the ability to arrange financing where required, and to complete contemplated refinancings;
- changes in the prices and availability of coal, gas and other fuels (including our ability to have fuel transported to our facilities) and the success of our risk management practices, such as our ability to hedge our exposure to such market price risk, and our ability to meet credit support requirements for fuel and power supply contracts;
- our dividend policy;
- our ability to manage our operation and maintenance costs;
- our ability to collect accounts receivables from our customers;
- the different reporting requirements and protections we have, compared with similar companies based in the U.S.;
- our relationship with our employees and their unions;
- our ability to enter into long-term contracts, which limit volatility in our results of operations and cash flows, such as power purchase agreements, fuel supply, and other agreements and to manage counterparty credit risk in these agreements;
- variations in weather and hydrological conditions in the areas in which we operate;

- the impact of any unavailability of our power generation units;
- our ability to keep up with advances in technology;
- the potential effects of threatened or actual acts of terrorism and war;
- disruptions caused by earthquakes, tsunamis, floods or other natural disasters;
- our ownership by The AES Corporation;
- the expropriation or nationalization of our businesses or assets, whether with or without adequate compensation;
- changes in tax laws and the effects of our strategies to reduce tax payments;
- our ability to maintain adequate insurance;
- a cross-acceleration or cross-default under our debt financing arrangements
- the effect that the encouragement of NCRE's by the relevant regulators in each of the countries in which we operate may have on traditional sources of energy; and
- loss of market share or changes in the pricing environments in the industry in which we operate.

Some of these factors are discussed under "Risk Factors," but there may be other risks and uncertainties not discussed under "Risk Factors" or elsewhere in this listing memorandum that may cause actual results to differ materially from those in forward-looking statements.

We cannot assure you that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what impact they will have on our results of operations or financial condition. We do not intend, and undertake no obligation, to publicly revise any forward-looking statements that have been made to reflect the occurrence of events after the date hereof. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements.

These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, the annual audited financial information in this listing memorandum with respect to 2018, 2017 and 2016 has been derived from financial statements that have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and certain specific regulations issued by the CMF. This listing memorandum includes (i) our consolidated statements of financial position as of December 31, 2018 and 2017 and consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017 together with the notes thereto (our "2018 audited consolidated financial statements" and (ii) our consolidated statements of financial position as of December 31, 2017 and 2016 and consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016 together with the notes thereto (our "2017 audited consolidated financial statements" and, together with our 2018 audited consolidated financial statements, our "audited consolidated financial statements").

We disclose in this listing memorandum our so-called non-IFRS financial measures, primarily Adjusted EBITDA and Total Adjusted Operating Income. Adjusted EBITDA, Total Adjusted Operating Income and our other key performance indicators, as we calculate them, may not be comparable to similarly titled measures reported by other companies. Together with the other key performance indicators listed in this listing memorandum, they serve as additional indicators of our operating performance and are not required by, or presented in accordance with, IFRS. They are not intended as a replacement for, or alternatives to, measures such as cash flows provided by operating activities and net income as defined and required to be presented under IFRS.

We believe that Adjusted EBITDA and Total Adjusted Operating Income are measures commonly used by analysts, investors and peers in our industry. Accordingly, we have disclosed this information to permit a more complete analysis of our operating performance. For comparison purposes, our management believes that Adjusted EBITDA and Total Adjusted Operating Income are useful as objective and comparable measures of operating profitability. Adjusted EBITDA is calculated as net income plus income tax expense, depreciation and amortization, asset retirement obligation accretion expense and finance expense less finance income, foreign currency exchange differences, other gains (losses) (as specified in note 29 to our 2018 audited consolidated financial statements, as defined above) and the participations in earnings of associates (refer to note 17 to our 2018 audited consolidated financial statements, as defined above). Total Adjusted Operating Income is calculated as gross profit plus other operating income less administrative and other operating expenses. Accordingly, our management believes that disclosure of Adjusted EBITDA and Total Adjusted Operating Income provides useful information to investors, financial analysts and the public in their evaluation of our operating performance. Adjusted EBITDA and Total Adjusted Operating Income and our other key performance indicators listed in this listing memorandum may not be indicative of our historical results of operations, nor are they meant to be predictive of future results.

Unless otherwise specified, references herein to "U.S. dollars," "dollars," "$" or "U.S.$" are to United States dollars, references to "peso" or "Ch$" are to Chilean pesos, the legal currency of Chile, references to "Col$" are to Colombian pesos, the legal currency of Colombia, references to "AR$" are to Argentine pesos, the legal currency of Argentina and references to "UF" are to "*Unidades de Fomento*." The UF is a daily indexed Chilean peso-denominated monetary unit calculated by the *Banco Central de Chile*, or the Central Bank of Chile, which we refer to as the "Central Bank of Chile" or the "Chilean Central Bank," that takes into account the effect of the Chilean inflation rate. As of December 31, 2018, one UF was equivalent to Ch$27,565.79. This listing memorandum contains certain translations of Chilean peso amounts into U.S. dollars at specified rates. Unless otherwise indicated and other than information derived from our financial statements prepared in U.S. dollars in accordance with IFRS, the U.S. dollar equivalent for information in Chilean pesos is based on the observed exchange rate reported by the Central Bank of Chile as of December 31, 2018. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos. On March 18, 2019, the observed exchange rate for Chilean pesos was Ch$669.39 to U.S.$1.00. You should not construe these translations as representations that the Chilean peso amounts actually represent, or have been or could be converted, into U.S. dollars at the rates indicated or at any other rate. See "Exchange Rates." Unless otherwise specified, references to the depreciation or the appreciation of the Chilean peso against the U.S. dollar are in nominal terms (without adjusting for inflation) based on the observed exchange rates published by the Central Bank of Chile for the relevant period. Certain numbers included in this listing memorandum have been subject to rounding adjustments. Accordingly, numbers shown as totals in certain tables may not be an arithmetic aggregation of the numbers that precede them.

Under IFRS, subsidiaries are consolidated in accordance with IFRS 10 “Consolidated Financial Statements” from the date of acquisition, which is defined as the date when we obtain control, and continue to be consolidated until the date when such control ceases. Control is presumed when the investor (a) has power over the investee; (b) has exposure, or rights, to variable returns from its involvement with the investee; and (c) has the ability to use its power over the investee to affect the amount of the investor’s returns. An investor is considered to have power over an investee when the investor has existing rights that give it the current ability to direct relevant activities (*i.e.* activities that significantly affect the investee’s returns). In our case, in general, control over subsidiaries is derived from the possession of the majority of the voting rights granted by equity instruments of the subsidiaries. For a discussion of certain new accounting pronouncements, including IFRS 16 “Leases,” please see note 2.1 to our 2018 audited consolidated financial statements included in this listing memorandum.

Our principal consolidated subsidiaries include:

- Norgener Inversiones SpA, or “Norgener”, which is 100% owned by us and owns 99.99% of Eléctrica Ventanas (as defined below), 94.82% of Eléctrica Angamos (as defined below), 60% of Eléctrica Cochrane (as defined below) and 99.99% of Ventanas I and Ventanas II, two coal-fired units with an aggregate capacity of 328 MW in the central part of Chile, which are operated by us;

- Norgener Foreign Investments SpA, or “NFI”, which is 99.99% owned by us and owns 99.99% of AES Chivor (as defined below) and 7.96% of Gener Argentina S.A.;

- Norgener Renovables SpA, or “Norgener Renovables”, which is 100% owned by us and owns 93.30% of Alto Maipo (as defined below) and 100% of Andes (as defined below);

- Empresa Eléctrica Angamos SpA., or “Eléctrica Angamos”, which is 100% owned by us and operates two coal fired units with an aggregate capacity of 558 MW and a 20 MW BESS facility in the northern part of Chile;

- Empresa Eléctrica Ventanas S.A, or “Eléctrica Ventanas”, which is 100% owned by us and operates Nuevas Ventanas and Ventanas IV, two coal-fired units with an aggregate capacity of 544 MW in the central part of Chile;

- AES Chivor & CIA SCA E.S.P., or “AES Chivor”, which is 99.98% owned by us and operates a 1,000 MW hydroelectric plant and a 20 MW run-of-river plant in Colombia;

- Empresa Eléctrica Cochrane SpA, or “Eléctrica Cochrane”, which is 60% owned by us operates a 550 MW coal-fired plant and a 20 MW BESS facility in the northern part of Chile;

- Andes Solar SpA, or “Andes”, which is a 100% owned by us and operates a 22 MW solar plant in the northern part of Chile; and

- Alto Maipo SpA, or “Alto Maipo”, which is 93.30% owned by us and will operate a 531 MW hydroelectric plant in the central part of Chile, currently under construction.

In accordance with the segment information in note 7, “Operating Segments” in the audited consolidated financial statements included in this listing memorandum, the term “our Chilean Operations” refers to the operations of AES Gener, Norgener, NFI, Norgener Renovables, Eléctrica Angamos, Eléctrica Ventanas, Eléctrica Cochrane and Andes, and “our Argentine Operations” refers to TermoAndes S.A., or “TermoAndes,” and InterAndes S.A., or “InterAndes.” In this listing memorandum “our Colombian Operations” refers solely to AES Chivor.

As used in this listing memorandum, the term “equity-method investee” or “associate” refers to an entity in which we have an ownership interest between 20.0% and 50.0% and over which we can exercise significant influence as per IAS 28—Investments in Associates and Joint Arrangements. Our only equity-method investee is:

- Guacolda Energía S.A., or “Guacolda,” which is 50.0% (plus one share) owned by us, currently operates five 152 MW coal-fired generating units with total capacity of 760 MW in Chile. For further details refer to note 17 to our 2018 audited consolidated financial statements.

We also have investments in other equity securities. Since we have less than 20.0% of ownership, we do not have significant influence over these entities and therefore they are not presented as financial assets at fair value through profit or loss, but accounted for under the cost method as these entities are private and their fair value has been deemed as not readily determinable. These investments are:

- Gasoducto GasAndes Argentina S.A., or "GasAndes Argentina," an Argentine company that is 13.0% owned by us and transports natural gas through a pipeline from the Province of Mendoza in Argentina to the Chilean border; and

- Gasoducto GasAndes S.A., or "GasAndes Chile," a Chilean company that is 13.0% owned by us and transports natural gas through a pipeline from the Argentine border to the Santiago Metropolitan Region.

Unless otherwise indicated, information with respect to our electrical capacity includes the total gross capacity of AES Gener, together with the total gross capacity of each of our consolidated subsidiaries and our equity-method investee, Guacolda. For purposes of calculating installed capacity, the Independent Electrical Coordinator considers TermoAndes' installed capacity as part of the SEN, although it is not presently selling energy in that market.

Unless otherwise indicated, financial information and data related to our generation and installed capacity are presented as of December 31, 2018, the date of the most recently published CNE data.

Calculation of Economic Interest

Except in our audited consolidated financial statements, and unless otherwise specified, references to our percentage interest in a subsidiary or equity-method investee refer to our level of economic interest in that subsidiary or equity-method investee. Our economic interest in a subsidiary or equity-method investee is calculated by multiplying our percentage ownership interest in a directly held subsidiary or equity-method investee by the percentage ownership interest of any entity in the chain of ownership of such ultimate subsidiary or equity-method investee. For example, if we own 60.0% of a directly held subsidiary that owns 40.0% of an equity-method investee, our economic ownership interest in that equity-method investee would be 24.0%.

Technical Terms

In this listing memorandum, references to "GW" and "GWh" are to gigawatts and gigawatt hours, respectively, references to "MW" and "MWh" are to megawatts and megawatt hours, respectively, references to "kW" and "kWh" are to kilowatts and kilowatt hours, respectively, and references to "kV" are to kilovolts. Unless otherwise indicated, statistics provided throughout this listing memorandum with respect to electricity generation facilities are expressed in MW, in the case of the nominal capacity of such facilities, and in GWh, in the case of the aggregate electricity production of such facilities. One GW=1,000 MW, and one MW=1,000 kW. Statistics relating to aggregate annual electricity production are expressed in GWh and are based on a year of 8,760 hours, except for the leap years 2004, 2008, 2012 and 2016, which each had 8,784 hours.

Statistical Information

Statistical information contained in this listing memorandum regarding the economies of, and electricity industries in, Chile, Colombia and Argentina, and regarding the competitors of AES Gener and its subsidiaries and equity-method investees in those industries, is based on material obtained from public sources, including publications and materials from participants in those industries and from government entities, such as the Independent Electrical Coordinator, XM, UPME, the Chilean National Institute of Statistics (*Instituto Nacional de Estadísticas*), the Chilean Central Bank and CAMMESA, among others. We believe such information is reliable and accurate, but we have not independently verified it.

SING and SIC Interconnection

Prior to November 2017, Chile was divided into four electricity grids, the SIC, the SING, Magallanes and Aysén. The SIC, or the Central Interconnected Electricity System (*Sistema Interconectado Central*), was Chile's main interconnected power grid, and covered most of Chile except the north (covered by the SING) and the extreme south of the country (covered by Magallanes and Aysén). The SING, or the Northern Interconnected Electricity System (*Sistema Interconectado del Norte Grande*), was a grid that covered the northern regions of Chile (Regions of Tarapacá, Antofagasta and Arica and Parinacota).

The SING and the SIC were interconnected in November 2017 to comprise the SEN. The SEN is expected to become fully operational in June 2019, once the last segment of the Cardones-Polpaico transmission line is completed. In this listing memorandum, we provide separate information on the SIC and the SING for 2017 and 2016 and consolidated information on the SEN for 2018.

Prior to 2018, our operating segments consisted of the SIC, SING, SIN and SADI. Beginning in 2018, our operating segments are now the SEN, SIN and SADI. For purposes of our 2018 audited consolidated financial statements, we reclassified our 2017 operating segments into our new operating segments. For further details, see note 8 to our 2018 audited consolidated financial statements.

GLOSSARY

Argentina: Republic of Argentina.

BESS: Battery Energy Storage System.

Business Day: A day other than a Saturday, Sunday or any day on which banking institutions are authorized or required by law to close in New York, New York or Santiago, Chile.

CAMMESA: Wholesale Electric Market Administrator *(Compañía Administradora del Mercado Mayorista Eléctrico S.A.),* the Argentine organization in charge of coordination, wholesale price setting and management of economic transactions in the wholesale electricity market. CAMMESA's shares are 80.0% owned by Argentine wholesale electricity market members and 20.0% owned by the Argentine Secretariat of Energy (*Secretaría de Gobierno de Energía*).

CDEC-SIC: A Chilean private entity, organized as a limited liability company *(sociedad de responsabilidad limitada*), that was previously in charge of coordinating the operation of the SIC grid until the SIC and the SING were interconnected in November 2017. It has been replaced by the Independent Electrical Coordinator as of January 1, 2017 pursuant to the Chilean Transmission Law.

CDEC-SING.: A Chilean private entity, organized as a limited liability company (*sociedad de responsabilidad limitada*), that was in charge of coordinating the operation of the SING grid until the SIC and the SING were interconnected in November 2017. It has been replaced by the Independent Electrical Coordinator as of January 1, 2017 pursuant to the Chilean Transmission Law.

Chile: Republic of Chile.

Chilean Bankruptcy Law: Law for the Reorganization and Liquidation of Assets of Companies and Individuals ("*Ley de Reorganización y Liquidación de Empresas y Personas*") or Law No. 20,720 of the Ministry of Economy, enacted on January 9, 2014 and effective October 9, 2014, which replaces in its entirety the bankruptcy law previously in effect as contained in Book IV of the Chilean Commercial Code.

Chilean Corporations Law: Corporations Law ("*Ley sobre Sociedades Anónimas*") or Law No 18,046.

Chilean Electricity Law: Decree (*decreto con fuerza de ley*) No. 4-2007 (*Ley General de Servicios Eléctricos*), as amended from time to time, including amendments made pursuant to the Chilean Transmission Law.

Chilean Environmental Law: General Environmental Law ("*Ley de Bases Generales del Medio Ambiente*") or Law No. 19,300.

Chilean Transmission Law: Law No. 20,936, published on July 20, 2016, which extensively amended the Chilean Electricity Law, in particular with regard to electricity transmission regulations.

CMF: Chilean Financial Market Commission (*Comisión para el Mercado Financiero*), a governmental entity in charge of regulating Chilean public companies, issuers of publicly traded securities, the local securities markets and the local insurance sector, among others.

CND: National Dispatch Center (*Centro Nacional de Despacho*), the Colombian entity responsible for planning, supervision and control of the operations in the SIN. The CND is a subdivision of XM (defined below).

CNE: National Energy Commission (*Comisión Nacional de Energía*), a governmental consulting agency in charge of developing and coordinating plans, policies and standards for the proper development of the energy industry, overseeing compliance and advising the Chilean Government on matters related to energy. Among other functions, the CNE calculates retail and wholesale tariffs, or node prices. The CNE also prepares a four-year expansion plan of the grid that must be consistent with the calculated node prices.

Colombia: Republic of Colombia.

Combined cycle gas turbines (CCGT): A type of thermoelectric turbine that can use various fuels, including natural gas or diesel, to drive an alternator to generate power, and then uses the heat that escapes from that process to produce steam to generate additional power via a steam turbine.

CREG: Energy and Gas Regulation Commission (*Comisión de Regulación de Energía y Gas*), a Colombian governmental entity in charge of regulating the energy and gas sectors.

Distribution: The transmission of electricity to the end user.

Distributor: An entity supplying electricity to a group of customers by means of a distribution network.

DS 130: *Decreto Supremo* No. 130, a supreme decree enacted in December 31, 2012 by the Ministry of Energy. This decree provides a mechanism to compensate for the excess costs incurred by generation units running at their technical minimum mode, which according to current regulations, are not paid for their variable operating costs per the Independent Electrical Coordinator's balance of energy transactions among generation companies. The excess cost, at any given time, is equal to the difference between (a) the variable costs reported by electricity generation units operating at their technical minimum mode and (b) the marginal cost, and is paid by all generation companies in proportion to the electricity withdrawn from the system to supply their contracted demand. See "Regulatory Overview—Chile—Fines and Compensations."

ENARGAS: National Gas Regulatory Agency (*Ente Nacional Regulador de Gas*), a governmental agency in Argentina in charge of regulating the supply of natural gas by distribution and transportation companies in Argentina, including the regulation of tariffs and major expansion works required.

End user: A party that uses electricity for its own needs.

Energía Plus Program: A program administered by the Argentine Secretariat of Energy by which generators, cogenerators or self-generators, who are not members of the Wholesale Electricity Market (MEM, for its acronym in Spanish) at the date of the publication of the resolution governing the program, or whose capacity or generation units were not connected to the system at such date, can sell generation to unregulated customers.

Gigawatt (*GW*): One billion watts.

Gigawatt hour (*GWh*): One gigawatt of power supplied or demanded for one hour, or one billion watt hours.

Independent Electrical Coordinator: *Coordinador Eléctrico Nacional*, an autonomous entity in charge of coordinating the efficient operation and dispatch of generation units to satisfy demand pursuant to the Chilean Transmission Law.

Kilovolt (*kV*): One thousand volts.

Kilowatt (*kW*): One thousand watts.

Kilowatt hour (*kWh*): One kilowatt of power supplied or demanded for one hour, or one thousand watt hours.

Liquified Natural Gas (LNG): Natural gas or liquefied natural gas.

Megawatt (*MW*): One million watts.

Megawatt hour (*MWh*): One megawatt of power supplied or demanded for one hour, or one million watt hours.

MEM: Argentine Wholesale Electric Market (*Mercado Eléctrico Mayorista*).

NCREs: Non-conventional renewable energies.

Node price: The regulated price of electric power provided to Regulated customers, calculated twice per year by the CNE by means of a method that estimates the average of the expected spot price for the subsequent 48 months.

Nominal capacity: The total amount of nominal capacity in any company or system.

NOx: Nitrogen oxide.

PPAs: Power purchase agreements.

Regulated customers: Customers in Chile with: (i) a maximum connected capacity lower than 500kW; or (ii) a connected capacity between 500 kW and 5,000 kW that have not opted to be subject to an unregulated regime. Electricity is sold to regulated customers through long-term PPAs with distribution companies at a regulated price. For purposes of this listing memorandum, we refer to these distribution companies as "regulated customers."

RM 39: *Resolución Ministerial* No. 39 of the Ministry of Economy, an administrative regulation issued in 2000, whereby an additional tariff is included in the price at which energy is transacted on the spot market to compensate for the additional costs of complying with certain technical and security requirements, including costs arising from the forced dispatch of combined cycle units, the spinning reserve to respond to temporary shortages of electricity supply and conducting new unit tests that displace efficient generation. See "Regulatory Overview—Chile—Fines and Compensations."

SADI: Argentine Interconnected System (*Sistema Argentino de Interconexión*).

SDEC: Superintendency of Electricity and Fuels (*Superintendencia de Electricidad y Combustibles*), a governmental entity in Chile in charge of supervising the electricity market. The SDEC sets and enforces the technical standards of the system and monitors and enforces compliance with the law and regulations related to energy matters, including all rules related to security and service quality. It is also in charge of processing all easements and concessions related to hydroelectric facilities, transmission lines and distribution networks.

SEN: National Electric System (*Sistema Eléctrico Nacional*), a 3,100 km electrical interconnection system covering the majority of Chile's territory, from the city of Arica in the north, to the Island of Chiloé in the south, composed by a set of electrical interconnected installations. The SEN was created in 2017 after the interconnection of the two largest existing systems in the country, the SIC and the SING. Its operation is coordinated by the Independent Electrical Coordinator.

SIC: Central Interconnected Electricity System (*Sistema Interconectado Central*), Chile's main interconnected power grid, covering most of Chile except the north (covered by the SING) and the extreme south of the country (covered by Magallanes and Aysén).

SIN: Colombia's National Interconnected System (*Sistema Interconectado Nacional).*

SING: Northern Interconnected Electricity System (*Sistema Interconectado del Norte Grande*), a grid covering the northern regions of Chile (Regions of Tarapacá, Antofagasta and Arica and Parinacota).

SO_2: Sulfur dioxide.

Spot market: Wholesale market of electricity in which electricity generation companies purchase electricity as necessary to fulfill their contractual electricity sales requirements or sell electricity to other generation companies when their electricity production exceeds their contractual requirements. Electricity trades on the spot market are made at spot prices set hourly by the Independent Electrical Coordinator based on the marginal cost of production of the last power generation facility dispatched.

Substation: An assemblage of equipment that switches and/or regulates the voltage of electricity in a transmission and distribution system.

Sufficient Capacity: The capacity that a generator contributes to the peak demand of the system, which is the average demand of the 52 highest hourly values of the annual load curve of the system, for the year of calculation. This capacity is calculated based on the maximum capacity that the generating unit can sustain, adjusted according to (i) the uncertainty associated with the availability of the main and alternative input used for power generation, (ii) the forced unavailability of the unit and of the transmission facilities that connect it to the system, (iii) the maintenance periods, and (iv) the consumption of the auxiliary services of said unit. Based on the Sufficient Capacity and the capacity withdrawals of each generator, the Independent Electrical Coordinator determines the remuneration that results from the capacity transfers for each generator.

Thermoelectric plant: A generating unit that uses combustible fuel, such as coal, diesel or natural gas, as the source of energy to drive the power generator.

Transmission: The transmission of electricity on high-voltage, interconnected networks for delivery to the distribution system.

Terawatt hour (TWh): One terawatt of power supplied or demanded for one hour, or one billion watt hours.

Unregulated customers: Customers in Chile with: (i) a maximum hourly demand of at least 5,000 kW; or (ii) a maximum hourly demand of at least 500 kW that opt to be subject to an unregulated regime. The tariffs and conditions of contracts with unregulated customers are negotiated freely between the generator or distributor and the customer. Customers in Colombia with: (i) peak demand of more than 0.1 MW; or (ii) minimum monthly consumption of 55 MWh. Customers in the unregulated market may freely contract for electricity supply directly from a generator or distributor, acting as a trader, or from a pure trader. Tariffs are freely negotiated between the parties. Customers in Argentina (most of whom are industrial customers) with: (i) capacity and energy demand of more than one MW and 4,380 MWh per year, respectively, who have independently executed a commercial agreement for at least 50% of their electricity demand; or (ii) capacity demand of more than 30 kW and less than two MW who have independently executed a commercial agreement for at least 100% of their electricity demand; or (iii) capacity demand of more than 30 kW and less than 100 kW who have independently executed a commercial agreement for at least 100% of their electricity demand.

UPME: Mining and Energetic Planning Unit (*Unidad de Planeación Minero Energética*), a governmental entity in Colombia in charge of analyzing future energy demand and supply and elaborating an integral expansion plan for the electricity sector.

Volt: The basic unit of electric force, equivalent to one joule of energy per coulomb of charge.

Watt: The basic unit of electrical power, equivalent to one joule of energy per second.

XM: Market Experts Company (*Compañía de Expertos en Mercados S.A. E.S.P*), a Colombian company in charge of planning and coordinating the electricity system to ensure safe, reliable and economic operation and administrating energy transfers in the wholesale market.

PRINCIPAL AES GENER ASSETS

CHILE	COLOMBIA	ARGENTINA
7 Cordillera – 271 MW 8 Alto Maipo – 531 MW	16 Chivor – 1,000 MW Tunjita – 20 MW	
1 Norgener – 277 MW 2 Cochrane – 550 MW 3 Angamos – 558 MW 5 Guacolda – 760 MW 6 Ventanas – 872 MW 9 Laguna Verde – 66 MW 10 Laja – 13 MW		14 Termoandes – 643 MW
2 Cochrane – 20 MW 3 Angamos – 20 MW 4 Andes – 12 MW 7 Virtual Dam – 10 MW		
4 Andes Solar I – 22 MW Andes Solar II – 80 MW	17 Castilla – 20 MW	
11 Los Olmos – 21 MW 12 Mesamávida – 80 MW 13 Campo Lindo – 40 MW		
		15 Interandes T-line

Assets under construction or in advance stage of development

SUMMARY

This summary highlights information contained elsewhere in this listing memorandum. It does not contain all the information that you may consider important in making your investment decision. Therefore, you should read the entire listing memorandum carefully, including in particular the "Risk Factors" section and our audited consolidated financial statements and the notes thereto appearing elsewhere in this listing memorandum.

Business Overview

We are the second largest electricity generation company in Chile in terms of gross generation, with a market share of 27% and installed capacity, with a market share of 14%, both as of December 31, 2018 in the newly interconnected SEN. We also have a presence in the SIN in Colombia and the SADI in Argentina. As of December 31, 2018, our installed capacity in Chile totaled 3,388 MW. In Chile, among other projects, we currently have under construction a 531 MW run-of-river power plant (Alto Maipo) as well as a 10 MW BESS adjacent to our Alfalfal I hydroelectric plant in Cajon del Maipo located in the Metropolitan Region, and recently launched 290 MW of solar and wind projects (an 80 MW expansion of our Andes 22 MW solar plant and 210 MW of new wind plants). Additionally, in Colombia (i) in partnership with Ecopetrol S.A., we are currently constructing a 20 MW solar plant (Castilla) and (ii) we recently acquired a portfolio of 648 MW of wind projects (see "—Recent Developments").

In Chile, we have a diversified generation portfolio in terms of geography, technology, customers and fuel source. Our installed capacity is located near the principal electricity consumption centers, including Santiago, Valparaíso and Antofagasta, extending from Tocopilla in the north to Los Angeles in south central Chile. Our diverse generation portfolio, composed of hydroelectric, coal, solar, diesel and biomass facilities, allows us to flexibly and reliably operate under a variety of market and hydrological conditions, efficiently managing our contractual obligations with regulated and unregulated customers and, as required, providing back up energy to the spot market in the SEN.

In Colombia, we own the third-largest hydroelectric facility. As of December 31, 2018, we had a 6% market share based on installed capacity, and a 7% market share based on generation. Based on our generation market share, we are the fifth-largest generation company in the country. This dam-based hydroelectric plant, located approximately 160 km east of Bogota, has total nominal capacity of 1,000 MW. We actively manage the reservoir level by contracting a significant portion of the plant's generation and selling the remaining generation on the spot market. Additionally, our 20 MW Tunjita run-of-river hydroelectric plant started commercial operations in the second half of 2016.

In Argentina, our 643 MW combined cycle facility in Salta, represented 2% of the SADI's installed capacity and net generation, as of December 31, 2018. As of the date of this listing memorandum, TermoAndes sells energy exclusively in Argentina; a portion of its generation is sold to unregulated customers under short-term contracts under the Energía Plus Program and the remainder is sold on the spot market. This plant is also connected to the SEN.

Competitive Strengths

We believe our key competitive strengths are:

- *High-quality and diversified generation assets*. We have a portfolio of high-quality generation assets, diversified in terms of geographic location, technology, customer and energy source. We operate in three independent markets, the SEN in Chile, the SIN in Colombia, and the SADI in Argentina, which provides us with a competitive advantage due to the diversification of our revenues from each market. In the year ended December 31, 2018, the Adjusted EBITDA contribution from the SEN, SIN, and SADI was 67%, 27% and 6%, respectively. As of December 31, 2018, we are the second largest generation company in Chile in terms of generation. In terms of installed capacity, we have a significant presence in the electric system in Chile, with a participation of 14% in the SEN. Size is a competitive advantage given the capital-intensive nature of our industry. We are both geographically and technologically diverse, with generation assets located throughout northern and central Chile, situated close to the major consumption centers, including Santiago, Valparaiso and Antofagasta, thus reducing transmission costs. Our generation facilities in Chile include coal, run-of-river hydroelectric, diesel, solar and biomass plants. Our diversified plant portfolio in terms of technology, customers and energy sources is a competitive advantage as it provides flexibility to reliably meet contractual obligations and sell excess energy on the spot market when market conditions create scarcity, such as dry hydrology or plant outages. Our dam-based hydrological plant in Colombia is counter-cyclical to that of most of the principal Colombian generators, providing us with a competitive advantage to strategically manage our operations. TermoAndes is considered one of the most efficient thermoelectric plants in Argentina and is currently the leader in the Energía Plus Program market with 223.93 MW of contracted energy under this program as of December 31, 2018.

- *Established and robust presence in attractive markets with sound and stable regulatory frameworks.* Our principal businesses are in the Chilean and Colombian markets. We have been supplying electricity to the Chilean market since 1981, and to the Colombian market since 1996, with the acquisition of our AES Chivor plant. Chile and Colombia are two of the most attractive and stable economies in South America, both with investment grade sovereign debt credit ratings, sustainable pro-business policies and developed and liquid capital markets. The regulatory framework for the electricity sector is transparent and market-oriented in both countries, dating back to 1982 in Chile and 1994 in Colombia, during which periods both countries have faced critical electricity supply conditions related to natural disasters, such as floods, droughts and earthquakes. In Chile, regulatory amendments in 2004, 2005 and 2015, improved the allocation of transmission costs and replaced regulated tariffs charged to regulated customers with indexed prices determined by public bids. In Colombia, the regulatory framework was revised in 2006, establishing a new firm energy scheme for Colombian generation companies and thereby increasing reliability charges. We believe that both Chile and Colombia have attractive growth potential. Demand for electricity in Chile's two major power grids (prior to the interconnection), based on energy sales, grew at a compound annual growth rate of 2.87% in the SIC and 2.76% in the SING for the 9-year period from 2008 to 2017. Demand for electricity in Colombia, based on energy sales, grew at a compound annual growth rate of 2.5% from 2009 to 2018 and the UPME projects a compound annual growth rate of 3.3% in the next ten years.

- *Commercial policy based on contracts with high-quality and reliable customers providing stable and predictable cash flows.* Our commercial strategy, which focuses on executing long-term contracts for our expected base load generation, has enabled us to maintain stable cash flows generation. Additionally, the majority of our power purchase agreements are denominated in U.S. dollars, which aligns our functional currency with our revenue and cost structure. In Chile, we align our contracts with our generation capacity, contracting a significant portion of our efficient capacity, currently coal, hydroelectric and solar capacity, under long-term, price-indexed contracts with regulated and unregulated customers. As of December 31, 2018, almost all of our long-term contracts were with high-quality distribution companies, as well as mining and industrial companies. Our principal customers include the distribution companies Enel S.A., a subsidiary of the Italian ENEL Group and formerly ENDESA Chile ("Enel"), Chilquinta Energía S.A ("Chilquinta"), and EMEL S.A. ("EMEL") and mining companies such as Minera Escondida Ltda. ("Minera Escondida"), Minera Spence S.A. ("Minera Spence"), Corporación Nacional del Cobre de Chile ("Codelco"), Sociedad Quimica y Minera de Chile S.A. ("SQM"), Sierra Gorda SCM ("Sierra Gorda"), Quebrada Blanca S.A. ("Quebrada Blanca"), Minera Los Pelambres S.A. ("Pelambres") and Compañía Contractual Minera Candelaria ("Candelaria"). Our long-term contracts with mining companies include both fixed and variable payments along with indexation mechanisms which periodically adjust prices related to the U.S. consumer price index ("CPI") and the international price of coal, even in some cases with clauses related to changes in law and regulatory costs. Our policy also involves contracting a portion of our projects' capacity before the start of construction. Specifically, for the Alto Maipo project we have executed a long-term contract with an unregulated customer (Pelambres). In Colombia, we maximize cash flows and operating margin by applying an integrated business risk management strategy to optimize the use of the La Esmeralda reservoir, determining the desired level of contracts based on projected hydrological conditions and the plant's generation profile. In the year ended December 31, 2018, approximately 28% of our generation in the SIN was sold under contracts with distribution companies, which in some cases were backed by guarantees such as letters of credit or prepayments, as determined by our comprehensive counterparty risk assessment methodology. These contracts, which range from terms of one to four years to terms of 15 years (the latter of which refer to AES Chivor's (i)

876 GWh PPA executed with Gensa S.A. and (ii) 20 MW PPA executed with Ecopetrol S.A.), include indexation mechanisms to adjust for movements in the Colombian producer price index ("PPI"). In Argentina, 306 MW of our TermoAndes' installed capacity were authorized to be sold under the Energía Plus Program with industrial customers. TermoAndes' strategy is to maximize the electricity sold under the Energía Plus Program. These contracts allow TermoAndes to sell electricity at higher margins compared to margins earned on spot market sales.

- *Strong Financial Position*. We maintain a strong financial position with solid liquidity, stable cash flows and broad access to local and international capital markets. As the issuer of senior unsecured debt, we hold, and aim to maintain, international investment grade ratings with the principal international rating agencies, namely Moody's Investors Service, Inc. ("Moody's"), Fitch Ratings, Inc. ("Fitch") and Standard & Poor's Ratings Services ("S&P"). As of December 31, 2018, our total consolidated balance of cash and cash equivalents, including short term time deposits, was equal to U.S.$322 million and we had unused long-term committed credit lines of approximately U.S.$250 million that we may draw on in our sole discretion.

- *Successful project development and construction and attractive development portfolio*. Since 2009, we have constructed and initiated commercial operations of 2,413 MW of new capacity in Chile, representing a significant portion of the increase in installed capacity and investment in what were formerly known as the SIC and SING electric grids. Our successful project development and demonstrated construction skills, evidenced by our ability to generally complete these projects on time and on budget, represent an important competitive advantage. Additionally, in Chile, among other projects, we currently have under construction the 531 MW two unit run-of-river hydroelectric Alto Maipo project which was recently restructured and is expected to be completed in late 2020 (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Alto Maipo Restructuring" for details of the restructuring) as well as a 10 MW battery energy solution and recently launched 290 MW of solar and wind projects (an 80 MW expansion of our Andes 22 MW solar plant and 210 MW of new wind plants). In Colombia, (i) in partnership with Ecopetrol S.A. we are currently constructing a 20 MW solar plant and (ii) we recently acquired a portfolio of 648 MW of wind projects (see "—Recent Developments"). Our development strategy focuses on obtaining environmental permits, solid construction contracts, power purchase agreements and structured financing prior to the initiation of new investments. For further information on our projects under development see "Business—Projects under Development".

- *Experienced management*. Our management team has extensive industry experience and proven expertise in business strategy, operations, engineering, project management, construction, fuel and equipment purchasing and risk management. This experience in project development and construction has recently been demonstrated with the successful completion of new generation projects totaling 2,550 MW since 2007 in Chile.

Business Strategy and Objectives

Our goal is to provide reliable and sustainable electricity in the markets in which we operate by leveraging our operational, commercial and financial excellence.

Our strategy is based on the following:

- *Operational excellence*. We focus on comprehensive operational excellence, which includes safety, operational efficiency, community cooperation and environmental management, in order to achieve sustainable long-term electricity generation. Safety is our top corporate value. To this end, a world-class safety program has been implemented in 2010 to safeguard our employees, our contractors and the communities where our operations are located. Operational efficiency focuses on guaranteeing long-term commercial availability of our generation assets through deploying our extensive operating expertise and continuous maintenance and operational enhancements. We interact with the communities where our assets are located, striving to establish permanent relationships through the creation of social responsibility initiatives and development programs. We also apply integrated environmental management in order to assure full compliance with regulatory requirements and identify environmental improvements.

- *Commercial excellence.* Our commercial policy seeks to optimize the balance of contract and spot sales in order to maximize margins, minimize cash flows volatility and reduce uncertainty from the electricity business, managing and mitigating risks related to market and industry conditions. In Chile, we align our contracts with our generation capacity, contracting our efficient capacity (currently coal, solar and hydroelectric capacity) under long-term indexed price contracts with regulated and unregulated customers. We reserve our higher variable cost units, such as our diesel units in Chile, as back-up facilities for sales to the spot market during scarce system supply conditions, such as dry hydrological conditions and plant outages. In Colombia, we also seek to maximize cash flows and operating margin by applying an integrated business risk management strategy to optimize the use of the reservoir, determining the desired level of contracts based on projected hydrological conditions and the plant's generation profile. Contract revenues are complemented with revenues from the sale of excess non-contracted electricity in the spot market. In Argentina, we seek to maximize cash flows and operating margin by maximizing plant availability.

- *Financial excellence*. Our financial policy focuses on profitability, stability and liquidity in order to maintain and develop our business. Our principal financial objectives include balancing our capital structure, maintaining adequate minimum liquidity, managing our debt amortization schedule and actively mitigating risks to reduce cash flows and earnings volatility. We have funded our recent construction projects with a mix of equity and non-recourse project and corporate debt to match the tenor of these new investments and, in the future, we plan to continue to balance our capital structure in the same manner, maintaining broad and balanced access to both local and international capital markets. Specifically, with the execution of non-recourse project finance debt, we isolate a significant portion of the development risks. As of December 31, 2018, our consolidated outstanding indebtedness was equal to U.S.$3,525 million on a nominal basis (which differs from the U.S.$ 3,434 million recorded in our 2018 balance sheet given that under IFRS debt is recorded at its amortized cost) and we had unused committed credit facilities under our U.S.$250 million revolver credit facility with certain local and international banks. Our financial risk management activities include hedging strategies to mitigate foreign exchange, interest rate and commodity exposure.

- *Greentegra strategy*. In June 2018, we officially launched our new Greentegra strategy to become the energy solution provider of choice in South America, through the integration of additional green or renewable energy projects. We have adopted a customer centric model, focused on providing our customers or business partners, as the case may be, with five business solutions under our Greentegra umbrella, backed by five proven technologies aimed at integrating renewable energy into our portfolio. All this is underpinned by our long-term investment grade ratings. We are very proud to continue to improve lives by providing sustainable, affordable and reliable energy solutions to the continent. We are strongly committed to continuing our focus on our customers and continuously enhance our capabilities to better serve South America's energy needs. The following is a summary of the scope of the commercial opportunities we are currently pursuing under our Greentegra strategy:

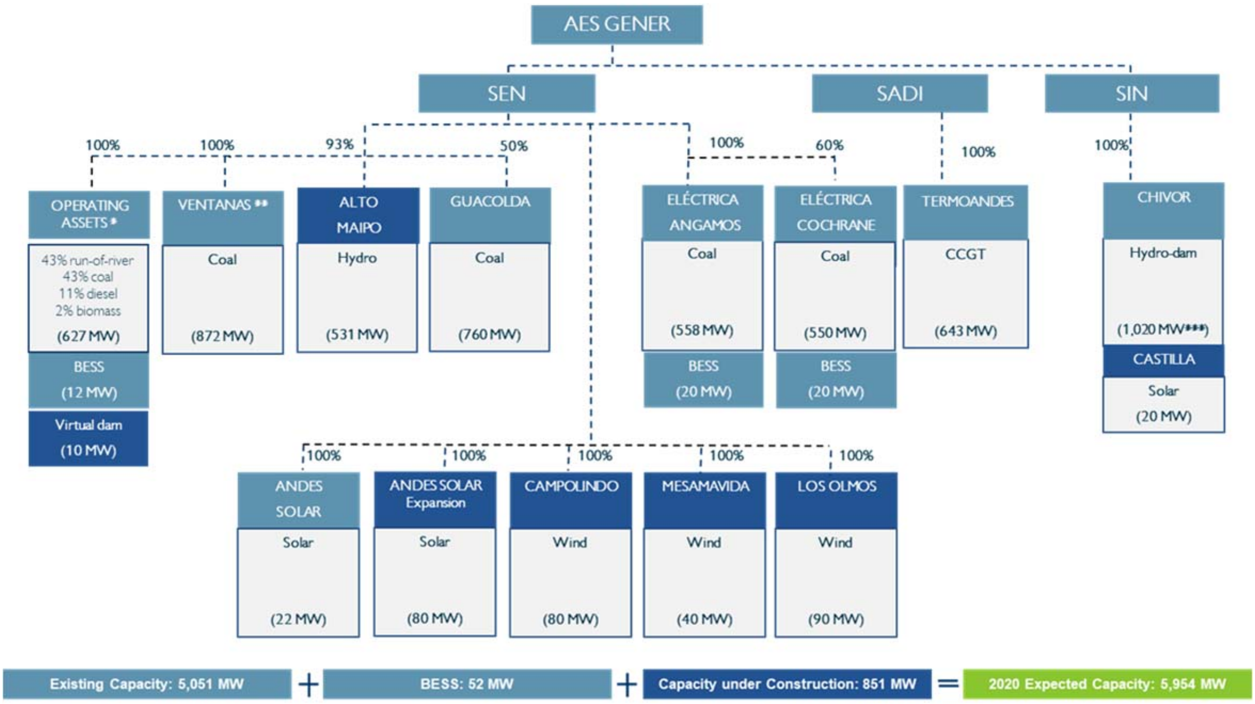
    - *Coal to Green*, whereby we aim to green the mining sector by partially replacing the pass-through of variable costs component of certain of our PPAs with a fixed price component backed by renewables. As of the date of this listing memorandum, we have identified take or pay PPAs with a contracted capacity of approximately 10.5 TWh/year in our portfolio that may qualify for this opportunity, although we offer no assurance as to if and when we will be able to make the change.

    - *Blextend*, whereby we aim to incorporate renewable output into the supply of energy while extending the life of existing conventional PPAs in order to deliver a competitive energy solution at all hours of the day. As of the date of this listing memorandum, we have identified fixed price, conventional PPAs with a contracted capacity of approximately 3.2 TWh/year in our portfolio that may qualify for this opportunity, although we offer no assurance as to if and when we will be able to make the change.

- o *GenerFlex*, whereby we aim to target new customers to integrate PPAs and cutting-edge technology, including energy management, storage and distributed energy, to provide energy solutions in line with the needs of an evolving market. As of the date of this listing memorandum, we have identified a potential of 2.3 TWh/year that may be added to our portfolio under this opportunity, although we offer no assurance as to if and when we would be able to add such customers.

Organizational Structure

We are an operating company and conduct a substantial portion of our business through subsidiaries and an equity-method investee. The following chart presents, as of December 31, 2018, a simplified diagram of our corporate business structure and the approximate direct and indirect percentage equity ownership interest that we hold in our principal operating subsidiaries and equity-method investee.



* Operated directly by us, not our subsidiaries

** Operated by us (Ventanas I and Ventanas II) and Eléctrica Ventanas (Nueva Ventanas and Ventanas IV)

*** This includes 20 MW of Tunjita

Concurrent Tender Offer of our 2073 Notes

Concurrently with the completed offering of the notes, we offered to purchase for cash any and all of the U.S.$450,000,000 we have outstanding of our 8.375% junior subordinated capital notes due 2073 (the "2073 Notes") (the "Tender Offer") pursuant to the terms of, and subject to the conditions set forth under, an offer to purchase and consent solicitation statement, dated as of March 11, 2019, and related documents (the "Tender Offer Documents").

The Tender Offer is conditional, among others, upon our receiving the financing necessary for the payment of the purchase price offered thereby and accrued interest to tendering holders of the 2073 notes, plus fees and expenses and other general conditions set forth in the Tender Offer Documents. We may waive these and other conditions at our sole discretion.

On March 22, 2019 we announced early settlement of the tender offer and the extension of the Early Tender Premium (as defined in the Tender Offer documents) to April 5, 2019. On March 26, 2019 completed early settlement and cancelled U.S.$279,386,000 of notes identified by CUSIP number P0607LAA1 and ISIN number

USP0607LAA19 and cancelled U.S.$55,307,000 of notes identified by CUSIP number 00105DAD7 and ISIN number US00105DAD75. The Tender Offer expires at 11:59 p.m., New York City time, on April 5, 2019 and final settlement is expected on April 8, 2019. The Company intends to redeem any 2073 Notes not tendered in the Tender Offer, although it can offer no assurances that it will be able to do so.

Recent Developments

On February 7, 2019, in accordance with our Greentegra strategy described above, we acquired 100% of the shares of Jemeiwaa Kai S.A. ("JK") from Colwind S.A.R.L. ("Colwind") for an initial purchase price of U.S.$15 million. JK has five projects under development for a maximum installed capacity of 648 MW of wind projects in Colombia.

The five projects, Apotolorru (75 MW), Carrizal (195 MW), Casa Eléctrica (180 MW), Irraipa (99 MW) and Jotomana (99 MW), are all located in the Guajira region in northeast Colombia and expected to be completed in 2022.

As part of the acquisition, we also gained exclusive access to 549 MW of transport capacity on a new transmission line that is expected to link the Guajira region to central Colombia beginning in 2022.

The acquisition is in line with our goal of providing sustainable, affordable and reliable energy solutions to our customers in South America.

THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the notes, see "Description of the Notes" in this listing memorandum.

Issuer	AES Gener S.A.
Notes Offered	U.S.$ 550,000,000 aggregate principal amount of 7.125% junior subordinated capital notes due 2079.
Issue Price..	99.948% of the principal amount.
Maturity Date...	March 26, 2079.
Interest Payment Dates	Subject to our right to defer payment, interest on the notes will be payable semi-annually in arrears on July 6 and January 6 of each year, beginning on January 6, 2020. There will be a long first coupon for the period from and including March 26, 2019 to, but excluding, January 6, 2020. There will be a short final coupon for the period from and including January 6, 2079 to, but excluding, March 26, 2079.
Interest Rate/Step-up	The notes will bear interest on their principal amount as follows: (i) from and including the Issue Date (as defined herein) to but excluding the First Reset Date (as defined herein), at a rate of 7.125% per annum; and (ii) from and including the First Reset Date to but excluding the Maturity Date, for each Reset Period (as defined herein) the notes will bear interest at a rate equal to the relevant 5 year Swap Rate (as defined herein), plus (a) in respect of the Reset Period commencing on the First Reset Date: 4.644%; (b) in respect of the Reset Periods commencing on July 6, 2029, July 6, 2034 and July 6, 2039: 4.894%; and (c) in respect of any other Reset Period: 5.644%.
Optional Interest Deferral	We may, at our sole discretion, elect to defer in whole, but not in part, any payment of interest on the notes otherwise payable on any Interest Payment Date by giving notice to the Trustee and the holder of the notes not less than seven Business Days prior to the applicable Interest Payment Date. If we make such an election, we shall have no obligation to make such payment and any failure to pay shall not constitute a default by us or a breach of obligations under the notes or for any other purpose. Interest on deferred amounts will accrue from the deferred date, and additional interest will be compounded on subsequent Interest Payment Dates, semi-annually, at the applicable interest rate on the notes.
Payment of Arrears of Interest...............	The entire amount (and not any lesser portion) of any Arrears of Interest (as defined herein) in respect of all notes then outstanding shall become due and payable in full by us on the first occurring Mandatory Settlement Date as described under "Description of the Notes—Optional Interest Deferral—Mandatory Payment of Arrears of Interest." Furthermore, we may elect to pay Arrears of Interest, in whole, but not in part at any time, with respect to the notes upon giving not less than seven and not more than 30 Business Days notice to the holders. Notwithstanding the above, as described under "Description of the Notes—Covenants—Dividend Stopper," we are permitted under the Indenture to defer interest payments on the notes while we make the Minimum Legally Required Dividend.

Ranking .... The notes are our unsecured and subordinated obligations. The notes are subordinated to the Senior Indebtedness (as defined herein) and senior only to our Common Shares. In addition, the notes will be structurally subordinated to all existing and future unsecured and unsubordinated debt and other liabilities (including trade payables) of our operating subsidiaries.

As of December 31, 2018, we had U.S.$1,087 million of outstanding debt, including U.S.$578 million of senior debt and no secured debt. As of December 31, 2018, our subsidiaries had U.S.$92 million of outstanding unsecured and unsubordinated debt and U.S.$2,346 million of secured debt.

Each holder agrees that (i) the Trustee will be the only party entitled to receive and distribute amounts paid in respect of the notes in the event of any Insolvency Proceedings (as defined herein) and (ii) upon the occurrence of any Insolvency Proceedings, no payment of principal and interest, including any Arrears of Interest, on the notes will be made unless we have discharged or secured payment in full on the Senior Indebtedness. Prior thereto, holders of the notes will have only a limited ability to influence the conduct of such Insolvency Proceedings. If, upon the occurrence of any Insolvency Proceedings, the Trustee or any holder receives any payment or distribution of any kind or character (except for amounts owed to the Trustee, other than amounts payable by the Trustee to the holders), whether in cash, property or securities, before the Senior Indebtedness is paid in full, that payment or distribution must be paid over or delivered to the Trustee in bankruptcy or other person making payment or distribution of our assets for application to the payment of all the Senior Indebtedness until the Senior Indebtedness is paid in full, after giving effect to any concurrent payment or distribution to the holders of the Senior Indebtedness.

The Indenture will provide that the Trustee will have the exclusive right to file in any Insolvency Proceedings for the recognition of the claims of all holders. By purchasing the notes, the holders are irrevocably directing the Trustee to exercise any voting rights under the notes and vote in accordance with the majority vote of the holders of the Senior Indebtedness in any such Insolvency Proceedings.

Optional Redemption............................ The notes may be redeemed in whole, but not in part, on (i) any day during the period commencing on (and including) April 7, 2024 (90 calendar days prior to the First Reset Date) and ending on (and including) the First Reset Date, and (ii) any Interest Payment Date thereafter at a purchase price of 100% of the principal amount of the notes then outstanding, plus any accrued interest up to, but excluding, the redemption date and any Arrears of Interest. See "Description of the Notes."

Optional Redemption Upon the Occurrence of a Substantial Repurchase Event .... If a Substantial Repurchase Event (as defined herein) occurs, the notes will be redeemable in whole but not in part at a purchase price of 100% of the principal amount of the notes then outstanding, plus any accrued interest up to, but excluding, the relevant redemption date and any Arrears of Interest. See "Description of the Notes."

Optional Redemption Upon the Occurrence of a Withholding Tax Event:	If a Withholding Tax Event (as defined herein) occurs, the notes will be redeemable in whole but not in part at a purchase price of 100% of the principal amount of the notes then outstanding, plus any accrued interest up to, but excluding, the relevant redemption date and any Arrears of Interest. See "Description of the Notes."
Optional Redemption Upon the Occurrence of a Rating Methodology Event	If a Rating Methodology Event (as defined herein) occurs, the notes will be redeemable in whole but not in part at a purchase price of (i) 101% of the principal amount of the notes then outstanding if the relevant redemption date occurs on any date prior to April 7, 2024 (90 calendar days prior to the First Reset Date) and (ii) 100% of the principal amount of the notes outstanding if the relevant redemption date occurs after such date, and in either case, plus any accrued interest up to, but excluding, the relevant redemption date and any Arrears of Interest. See "Description of the Notes."
Optional Redemption Upon the Occurrence of a Tax Deductibility Event	If a Tax Deductibility Event (as defined herein) occurs, the notes will be redeemable in whole but not in part at a purchase price of (i) 101% of the principal amount of the notes then outstanding if the relevant redemption date occurs on any date prior to April 7, 2024 (90 calendar days prior to the First Reset Date) and (ii) 100% of the principal amount of the notes outstanding if the relevant redemption date occurs after such date, and in either case, plus any accrued interest up to, but excluding, the relevant redemption date and any Arrears of Interest. See "Description of the Notes."
Substitution or Variation	If we determine that a Rating Methodology Event, a Withholding Tax Event or a Tax Deductibility Event has occurred and is continuing, then we may, as an alternative to an early redemption of the notes as described above, and subject to certain conditions, substitute all (but not less than all), or vary the terms of, the notes as described under "Description of the Notes—Substitution or Variation."
Additional Amounts	Payments of interest in respect of the notes made by us to non-Chilean holders generally will be subject to Chilean interest withholding tax at a rate of 4.0%. Subject to certain exceptions, we will pay such additional amounts as may be necessary so that the net amount received by the holders of the notes after withholding or deduction for or on account of any Chilean taxes or any taxes imposed by any other jurisdiction through which we make payments under the notes, will not be less than the amount that would have been received in the absence of such withholding or deduction. For a discussion of the tax consequences of, and limitations on, the payment of additional amounts with respect to any such taxes, see "Description of the Notes—Additional Amounts" and "Taxation—Chilean Taxation Considerations."
Events of Default	Each of the following will be an "Event of Default" with respect to the notes: (i) default in the payment of the principal or premium, if any, in respect of any note, at maturity, upon redemption or otherwise;

	(ii) default in the payment of interest or Additional Amounts (as defined herein) in respect of the notes if such default continues for 30 days after any such interest or Additional Amount becomes due (other than Optional Interest Deferral); (iii) any involuntary Insolvency Proceedings against us; or (iv) we institute or consent to Insolvency Proceedings against us. There is no right of acceleration of the payment of principal of the notes upon the occurrence of any Event of Default described in clauses (i) and (ii) above. However, upon the occurrence of an Event of Default described in clauses (iii) and (iv) above (except for certain reorganization proceedings under Chilean law), the maturity of all outstanding notes will automatically be accelerated and the principal amount of the notes, together with accrued and unpaid interest up to but excluding the date on which the notes become due and payable and any Arrears of Interest, will be immediately due and payable. For further information and additional limitations, see "Description of the Notes—Ranking and Subordination" and "Description of the Notes—Events of Default."
Use of Proceeds	We intend to use the net proceeds from the offering to purchase for cash any and all of the U.S.$450 million aggregate principal amount of our outstanding 2073 Notes, that are tendered, not withdrawn and accepted for purchase pursuant to the Tender Offer Documents, excluding the tender premium (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Debt Maturity Schedule," for details of our existing indebtedness). The remainder, if any, will be used for general corporate purposes, including the working capital needs of our subsidiaries. See "Use of Proceeds."
Form and Denomination	The notes have been issued in the form of global notes without coupons, registered in the name of a nominee of DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg. The notes have been issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Transfer and Selling Restrictions...........	We have not registered the notes under the Securities Act. The notes are subject to restrictions on transfer and may be offered only in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Transfer Restrictions." There are restrictions on persons to whom notes can be sold, and on the distribution of this listing memorandum, as described in "Plan of Distribution." The notes will not be registered under the Chilean Securities Market Law, with the CMF and, accordingly, the notes cannot and will not be offered or sold to persons in Chile except in circumstances which have not resulted and will not result in a public offering under Chilean law, and in compliance with CMF Rule 336.
Taxation..	The U.S. federal income tax consequences of your investment in the notes are uncertain. Certain attributes of the notes suggest that the notes are properly characterized as equity of the Company for U.S. federal income tax purposes. You should review the discussion under "Taxation—U.S. Federal Income Tax Considerations" and consult your tax advisor regarding the U.S. federal income tax consequences of an investment in the notes, as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.
Listing	We have applied to list the notes on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market.
Governing Law.....................................	The indenture and the notes are governed by the laws of the State of New York.
Trustee, Registrar, Transfer Agent and Paying Agent	Citibank, N.A.
Luxembourg Listing Agent, Transfer Agent and Paying Agent.......................	Banque Internationale à Luxembourg S.A.

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The following tables present a summary of selected consolidated financial information as of and for the periods ending at each of the dates indicated. The following data for each of the years ended December 31, 2018, 2017 and 2016 has been derived from our audited consolidated financial statements, which have been prepared in accordance with IFRS and are presented in U.S. dollars, included elsewhere in this listing memorandum. The following tables should be read in conjunction with the information contained in "Presentation of Certain Financial and Other Information," "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our audited consolidated financial statements and their related notes, appearing in this listing memorandum.

	For the year ended December 31,		
INCOME STATEMENT DATA	**2018**	**2017**	**2016**
		(Thousands of U.S.$)	
Operating Revenue			
Contract Energy and Capacity Sales [(1)]	1,994,222	1,833,919	1,603,068
Spot Market Energy and Capacity Sales [(2)]	308,596	317,106	425,881
Other Operating Revenue	344,561	285,687	257,452
Total Operating Revenue	**2,647,379**	**2,436,712**	**2,286,401**
Cost of Sales			
Fuel Consumption	(842,626)	(760,848)	(620,717)
Energy and Capacity Purchases	(358,666)	(298,557)	(441,624)
Depreciation and Amortization Expense	(267,270)	(281,524)	(249,926)
Other Cost of Sales	(463,509)	(478,289)	(348,687)
Total Cost of Sales	**(1,932,071)**	**(1,819,218)**	**(1,660,954)**
Gross Profit	**715,308**	**617,494**	**625,447**
Administrative Expenses	(103,883)	(108,656)	(102,296)
Other Operating Income (Expense)	1,691	(1,685)	(738)
Total Adjusted Operating Income [(3)]	**613,116**	**507,153**	**522,413**
Finance Income	4,912	8,173	8,111
Finance Expense	(115,891)	(177,037)	(161,531)
Foreign Currency Exchange Differences	(17,273)	(4,662)	(17,297)
Other Non-Operating Income (Expense) [(4)]	42,969	(20,524)	13,443
Income Before Taxes and Non-Controlling Interest	**527,833**	**313,103**	**365,139**
Income Tax Expense	(222,514)	(115,018)	(106,830)
Net Income	**305,319**	**198,085**	**258,309**
Loss Attributable to Non-Controlling Interests	18,332	13,566	(2,700)
Income Attributable to Shareholders of the Parent	286,987	184,519	261,009

(1) Contract Energy and Capacity Sales is calculated as the sum of regulated and unregulated customers sales in the SEN (2018), the SIC and the SING (2017 and 2016) and contract sales in the SADI and the SIN.

(2) Spot Market Energy and Capacity Sales is calculated as the sum of spot sales in the SEN (2018), the SIC and the SING (2017 and 2016), SADI and SIN and regulated customer without contract sales in the SEN (2018) and the SIC (2017 and 2016).

(3) Total Adjusted Operating Income is a non-IFRS financial measure, which we calculate as gross profit plus other operating income less administrative and other operating expenses. See "Presentation of Certain Financial and other Information" for further information on this non-IFRS measure.(4) Other Non-Operating Income (Expense) is calculated as the sum of other gain (losses) and participation in earnings of associates.

SELECTED INFORMATION FROM THE STATEMENT OF FINANCIAL POSITION

	As of December 31,	
	2018	**2017**
	(*Thousands of U.S.$*)	
Cash and Cash Equivalents	322,373	275,948
Total Current Assets	989,076	1,109,702
Property, Plant and Equipment	6,472,229	6,421,441
Total Non-Current Assets	6,880,285	7,050,105
Total Assets	7,869,361	8,159,807
Total Current Liabilities	889,839	1,745,463
Total Non-Current Liabilities	4,232,272	3,704,274
Total Liabilities	5,122,111	5,449,737
Total Equity Attributable to Owners of the Parent	2,625,321	2,593,920
Non-Controlling Interest	121,929	116,150
Total Liabilities and Equity	**7,869,361**	**8,159,807**

	As of and for the twelve months ended December 31,		
	2018	**2017**	**2016**
	(*Thousands of U.S.$, except ratios and percentages*)		
Cash Flows Data			
Net Cash Flows Provided by (Used in) Operating Activities	313,405	340,657	421,921
Net Cash Flows Used in Investing Activities	(488)	(419,609)	(541,695)
Net Cash Flows Provided by (Used in) Financing Activities	(257,761)	(116,181)	317,209
Other Financial Data			
Capital Expenditures Paid in the Period	(564,693)	(496,938)	(561,919)
Depreciation and Amortization	267,270	281,524	249,926
Adjusted EBITDA(11)	887,358	793,406	778,201
Interest Coverage Ratio (4)(11)	7.66	4.48	4.82
EBITDA Margin (5)(11)	34%	33%	34%
Total Debt (6)	3,889,611	4,112,932	4,154,569
Total Debt / Capitalization (7)	0.60	0.61	0.63
Total Debt / Shareholders' Equity	142%	152%	162%
Dividends Paid	(188,908)	(261,009)	(93,374)
Net Debt (8)	3,562,385	3,826,337	3,663,317
Nominal Net Debt (9)	3,202,688	3,464,662	3,354,215
Times Interest Earned (10)	18%	36%	31%

(4) Interest Coverage Ratio is calculated by dividing EBITDA by Finance Expense, which includes the net effect of swaps.
(5) EBITDA margin is calculated by dividing Adjusted EBITDA by Total Operating Revenue.
(6) Total Debt is the sum of Other Current and Non-Current Financial Liabilities, Related Party Payables and Non-Current Related Party Payables.
(7) The Debt to Capitalization Ratio is Total Debt divided by our Capitalization, which we define as Total Equity Attributable to Owners of the Parent plus Total Debt.
(8) Net debt is calculated as Total Debt less Cash and Cash Equivalents and other short term investments at the end of the period.
(9) Nominal Net Debt refers to our interest bearing liabilities (including financial lease obligations) on a nominal basis less Cash and Cash Equivalents.
(10) Times Interest Earned is calculated by dividing Interest on Bank Loans and Bonds by Income Before Taxes and Non-Controlling Interest plus Interest on Bank Loans and Bonds.
(11) Adjusted EBITDA, is a non-IFRS measure, which we calculate as net income plus income tax expense, depreciation and amortization, asset retirement obligation accretion expense and finance expense less finance income, foreign currency exchange differences, other gains (losses) and the participations in earnings of associates (refer to note 17 to each of our 2018 audited consolidated financial statements and 2017 audited consolidated financial statements). See "Presentation of Certain Financial and other Information" for further information on this non-IFRS measure.

	As of and for the years ended December 31,		
	2018	2017	2016
	(*Thousands of U.S.$, except ratios and percentages*)		
Total Debt / Adjusted EBITDA(6)(11)	4.38	5.18	5.34
Net Debt / Adjusted EBITDA(8)(11)	4.01	4.82	4.71
Nominal Net Debt / Adjusted EBITDA(9)(11)	3.6	4.4	4.3
Adjusted EBITDA Reconciliation			
Income Attributable to the Shareholders of the Parent	286,987	184,519	261,009
Loss Attributable to Non-Controlling Interest	18,332	13,566	(2,700)
Income Tax Expense	222,514	115,018	106,830
Other Non-Operating Income (Expense)	(42,969)	20,524	(13,443)
Foreign Currency Exchange Differences	17,273	4,662	17,297
Finance Expenses	115,891	177,037	161,531
Finance Income	(4,912)	(8,173)	(8,111)
Asset Retirement Obligation Accretion Expense	6,971	4,729	5,863
Depreciation and Amortization	267,270	281,524	249,926
Adjusted EBITDA(11)	**887,358**	**793,406**	**778,201**

(11) Adjusted EBITDA, is a non-IFRS measure, which we calculate as net income plus income tax expense, depreciation and amortization, asset retirement obligation accretion expense and finance expense less finance income, foreign currency exchange differences, other gains (losses) and the participations in earnings of associates (refer to note 17 to each of our 2018 audited consolidated financial statements and 2017 audited consolidated financial statements). See "Presentation of Certain Financial and other Information" for further information on this non-IFRS measure.

RISK FACTORS

You should carefully consider the specific factors listed below and the other information included in this listing memorandum before making an investment decision. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that we do not know about or that we currently think are immaterial may also impair our business operations. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, prospects and financial condition. In that event, the market price of the notes could decline, and you could lose all or part of your investment.

Risk Factors Relating to our Company

Our operations are influenced by the economic conditions of South America and the rest of the world.

All of our operations and investments are located in South America. Our markets are located in Chile, Colombia and Argentina. Accordingly, our consolidated revenues are affected by the overall performance of the South American economy as a whole and in particular by the economies of the three countries in which we operate. If local, regional or worldwide economic trends adversely affect the economies of any of the countries in which we have investments or operations, our financial condition and results of operations could be adversely affected, preventing us from fulfilling our obligations under the notes.

Declines in the price of copper and other commodities could adversely impact the revenues and financial results of both our and our subsidiaries' customers, including through reduced mining operations and related reduced demand for electricity, which could adversely affect our financial condition, results of operations and cash flows.

Approximately 69% of our total contracted capacity as of December 31, 2018 was related to contracts with copper mining customers, whose financial condition is highly dependent upon the international market price of copper. Historically, copper prices have been subject to wide fluctuations and are affected by numerous factors beyond the control of our customers, including international economic and political conditions, levels of supply and demand, the availability and cost of substitutes, inventory levels maintained by producers and others, and the actions of participants in the commodities markets. To a lesser extent, copper prices are also subject to the effects of inventory carrying costs and currency exchange rates. In addition, the market price of copper has occasionally experienced rapid short-term changes.

A sustained decline in copper prices, or a prolonged reduction in demand for copper, could have an adverse impact on the revenues and financial results of our and our subsidiaries customers, who could be forced to curtail or suspend certain of their mining and processing operations, which would have a material adverse effect on their demand for electricity and their ability to comply with their financial obligations under our and our subsidiaries PPAs.

Our businesses are subject to extensive governmental legislation and regulation.

We and our equity-method investee are subject to the extensive regulation of various aspects of our businesses. We are also subject to environmental regulations, which, among other matters, require us to perform environmental impact assessments of future projects and obtain regulatory permits. As with any regulated company, we cannot assure you that the laws or regulations in the countries where we have operations or investments will not change, or will not be interpreted, in a manner that could adversely affect us or our equity-method investee or that any requested environmental approval will be granted by government authorities.

A substantial portion of our operations is conducted through subsidiaries and an equity-method investee.

We conduct a substantial portion of our operations through our subsidiaries and equity-method investee. Generally, claims of creditors of a subsidiary or an equity-method investee, guarantees issued by a subsidiary or an equity-method investee and claims of preferred shareholders of a subsidiary or an equity-method investee will have priority with respect to its assets and earnings over the claims of creditors of its parent company or other shareholders, including the notes in this offering, except to the extent that the claims of creditors of the parent company are guaranteed by the subsidiary or the equity-method investee. The notes issued in this offering are not guaranteed by any of our subsidiaries or equity-method investee. As of December 31, 2018, our subsidiaries had total indebtedness of U.S.$2,438 million outstanding to third parties, which will effectively rank senior to the notes. Additionally, in certain circumstances the ability of each of our subsidiaries and equity-method investee to pay dividends may be restricted by, among other things, its ability to generate cash flows from operations, the laws of the jurisdiction of its incorporation, and the financing agreements to which it is a party. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt Maturity Schedule" in this listing memorandum for a description of our and our subsidiaries' outstanding debt.

A significant portion of our revenues is derived from long-term energy supply contracts, and we cannot assure you that we will be able to renew these contracts on favorable terms or at all.

For the year ended December 31, 2018, we derived 61%, 12% and 3% of our operating revenue in Chile, Colombia and Argentina, respectively, from electricity sales contracts. In Chile, our contracts are long-term in nature, currently with an average term of 11 years. In Colombia, our contracts are typically for one to four year periods (although we have recently entered into two PPAs for 15-year periods and expect that trend to continue). In Argentina, we currently have contracts for up to two years. Such contracts are entered into at the market prices prevailing at the time of execution and typically include indexation mechanisms to adjust the price based on the fluctuation in certain variables specified in each contract. In Chile, our indexation formulae adjust prices primarily based on the U.S. CPI and the price of coal and in Colombia, price indexation is linked to the Colombian PPI. We cannot assure you that we will be able to renew any such contracts upon expiration or that if we do renew such contracts, the renewal will be at prices and conditions that are as favorable as the original prices.

A significant increase in the price or interruption in the supply of fuel could have a material adverse effect on our financial condition and results of operations.

Both our and our equity-method investee's thermoelectric plants burn coal, natural gas and diesel, with the cost of fuel representing a significant portion of our variable costs. Fuel costs, primarily coal, represented 44% and 42% of our total costs of sales in each of 2018 and 2017, respectively. Coal is purchased both locally and internationally as the primary fuel for several of our plants, including our equity-method investee Guacolda. Our back-up plants utilize petroleum-based fuels. Our coal-fired facilities are efficient facilities and as such, we contract a significant portion of their production over the long term. In Argentina, TermoAndes sells both to the spot market and to Energía Plus Program customers under contracts.

We are located far from main international sources of coal and any disruption in the supply, transport and unloading of coal could impact our ability to meet our obligations under our customer contracts and consequently affect our financial performance. We do own some port facilities, thus are dependent on the performance of third parties for the unloading of coal. Although our port services contracts contain protective clauses, failure by our counterparties to fulfill these services could negatively affect our business. Failure to renew, delays in the renewal or absolute failure in the renewal of our port services contracts could negatively affect our business operations and financial results. Our coal supplies are purchased from local and international distributors through short- and medium-term contracts specifying the volume required. The inability of our suppliers to comply with the contracts could negatively affect our business. Although we do not rely on a single supplier of coal or a group of related suppliers, if a significant portion of our suppliers experience production disruptions or are unable to meet their obligations under present or future supply agreements, we may be forced to pay higher prices for the same fuel in order to meet our contractual obligations or to execute purchases in the spot market. Similarly, an extended interruption in the supply of coal or diesel to our thermoelectric plants would adversely affect our results of operations and financial condition.

The majority of our long-term energy supply contracts with customers include indexation mechanisms that adjust prices based on fluctuations in the price of coal in accordance with the indices and adjustment periods specified under each contract, in order to align our energy sales contracts with our costs. Nevertheless, cost variations, including those related to higher coal prices would result in higher operating costs and could adversely affect our operations, at least until the higher coal costs are adequately reflected in electricity prices in the next price adjustment as defined under the applicable contract. Under the current regulated contract scenario, prices are indexed every six months using the variables selected by generators in the bid process and if a variation in a selected indexation factor would result in a change of more than 10.0% in the contract price, the regulated prices are immediately adjusted. Unregulated contracts contain indexation mechanisms bilaterally negotiated by the parties which in most cases result in monthly price adjustments.

Compliance with environmental regulations may require significant expenditures that could adversely affect our ability to expand our business and our results of operations.

Our operations are regulated by a wide range of environmental requirements in the countries in which we operate. We have made, and will continue to make, expenditures to maintain compliance with environmental laws. Failure to comply with environmental requirements can result in civil or criminal fines or sanctions, claims for environmental damages, remediation obligations, the revocation of environmental authorizations or the temporary or permanent closure of facilities. In Chile, in June 2011, a new regulation on air emissions standards for thermoelectric power plants became effective. This regulation provides for stringent hourly limits on emissions of particulate matter and gases produced by the combustion of solid and liquid fuels, including coal. For existing plants, including those under construction at that time, the new limits for particulate matter emissions entered into effect on December 2013 while the new limits for SO_2, NO_x and mercury emissions entered into effect in June 2016, except for those plants located in saturated or latent zones (declared as such by June 2011) where these emission limits became effective in June 2015. We and our equity-method investee, Guacolda made the requisite investments to comply with the new standards. However, while we currently estimate that we will not need to make significant additional investments in the near future with respect to these standards, we cannot offer any assurance that there will not be additional standards (requiring additional investments) in the future.

Some of our PPAs include pass-through clauses with respect to capital, operating or compliance costs resulting from certain changes in law, and in particular, environmental law. Future changes in environmental laws, or in the interpretation of those laws, including new or stricter requirements related to noise, air, hazardous waste and wastewater emissions, and new regulations or agreements related to climate or Green Taxes (as defined below), could subject our business to the risk of higher costs, or in the worst case temporary or permanent closure of facilities, resulting from these changes and could have a material adverse effect on our business, results of operations and financial condition.

The Ministry of Environment has the authority under Chilean law to declare areas as "latent zones" (*zonas latentes*) or "saturated zones" (*zonas saturadas*) if they deem these areas to be at risk of (in the case of latent zones), or in fact affected by (in the case of saturated zones), excessive air and water pollution. The practical effect of either declaration is that the Ministry of Environment must enact a Prevention or Decontamination Plan (*"Planes de Prevención y/o Descontaminación Atmosférica"* or PPDA) in order to limit the increases in air emissions by industries in such zones are barred, and in certain circumstances, to demand the reductions in air emissions. This, in turn, may require new investments or result in an increase in the costs associated with operating existing facilities or prevent the development of new facilities in the zones.

Several of the industrial areas in which our thermoelectric plants are located in Chile include latent and saturated zones and/or Prevention or Decontamination Plans, with respect to certain emissions of particulate matter and sulfur dioxide, among others, such as the Puchuncaví area, where our coal facilities are located. In addition, in recent years the Chilean Environmental Ministry issued decrees declaring certain areas, such as Puchuncaví, Tocopilla and Huasco areas, as latent and saturated zones with respect to certain other emissions of particulate matter as well. We are also expecting the General Comptroller (*Contralor General de la Repúbica*) to approve a new decontamination plan in the Puchuncavi area that is expected to require a decrease in the emissions of particulate matter, SO_2 and NO_x in the area. We may be required to make additional investments to comply with any such decontamination plan. Any such additional investment as a result of that, or future, environmental regulations could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, Chilean environmental regulations have become increasingly stringent in recent years, especially in connection with the approval of new projects, as well as the enforcement of existing legal and permit requirements, and this trend is likely to continue in the near future. New environmental requirements or changes in the application, interpretation or enforcement of existing requirements, could result in substantially increased capital, operating or compliance costs, and could impose conditions that restrict or limit our operations. In addition, changes to environmental regulations that may restrict the use of coal, or increase the costs of using coal as a fuel source, could adversely affect our revenues, and thus could have an adverse effect on our financial condition and results of operations. These environmental regulatory changes could limit the availability of our funds for other purposes, which could adversely affect our business, results of operations and financial condition.

Natural disasters, such as earthquakes, tsunamis or floods, could impact our operational and financial condition.

Natural disasters may damage our generation facilities, adversely affecting our generation capability and increasing our cost of production. If such operational difficulties occur, we may be required to purchase energy on the spot market or enter into additional supply agreements in order to meet our contractual obligations which could negatively affect our financial condition and results of operation. We cannot assure you that natural disasters will not adversely affect our facilities in the future.

Chile and Argentina are located in seismic areas that expose our facilities to earthquakes. Chile lies at the meeting of the Nazca and South American tectonic plates, one of the world's most seismically active regions. Chile has been adversely affected by powerful earthquakes in the past, including an 8.0 magnitude earthquake that struck central Chile in March 1985, a 7.7 magnitude earthquake that struck Tocopilla in November 2007, an 8.8 magnitude earthquake that struck central Chile in February 2010, followed by a tsunami, an 8.2 magnitude earthquake with an epicenter off the coast of Iquique in April 2014 and an 8.4 magnitude earthquake that struck Coquimbo, in northern Chile, in September 2015. Although strict civil work and construction codes are enforced and although our offices and facilities have not been impacted by any recent earthquakes or tsunamis, we cannot assure you that seismic events or other natural disasters will not damage our facilities, which could have a significant effect on our business, results of operations and financial condition.

Additionally, in Chile we experienced a mud-slide in 1987 during the construction of our Alfalfal hydroelectric plant. The mud flow damaged our existing Maitenes hydroelectric plant and the construction work in progress, causing a 12-month delay in the completion of the plant.

In May 2004, extremely high-water inflow levels triggered a mud and silt avalanche at our Chivor plant in Colombia, which principally damaged one of the eight generating units of one of our two sub-facilities. This damaged unit and the other three units in that sub-facility were shut down. We were forced to de-water one of our conduction tunnels in order to conduct the maintenance work necessary for bringing these four generating units back into full service. As a result, all of our generating units were shut down simultaneously for a total of 18 days. For such period, we were forced to purchase energy in the spot market and engage in short-term agreements with other generators in order to fulfill our contractual obligations. In April 2012, there was a significant increase in the water levels of the Lengupá River where turbine waters are discharged due to substantial rainfall in the area where our Chivor plant is located. This rainfall generated an increase in the water level of the discharge channel, which flooded the basement of the power plant and caused a 49-hour outage in seven of the eight units.

We maintain all-risk property insurance for our generation assets which includes earthquake coverage for physical damage and related business interruption. However, we cannot assure you that insurance coverage would be sufficient to cover all losses or that it will continue to be available in the future.

Factors outside our control may increase the cost or delay the construction or commencement of operation of our new facilities.

The successful execution and commencement of operation of the investment projects that we are developing or constructing depends on numerous external factors, including (i) delays in obtaining regulatory approvals, including environmental permits; (ii) court rulings against governmental approvals already granted, such as environmental permits; (iii) shortages or increases in the price of equipment reflected through change orders, materials or labor; (iv) the failure of contractors to complete or commission the facilities or auxiliary facilities by the agreed-upon date; (v) opposition by local and/or international political, environmental and ethnic groups; (vi) strikes; (vii) adverse changes in the political and regulatory environment in Chile; (viii) adverse weather conditions (ix) poor geological conditions; and (x) natural disasters, accidents or other unforeseen events.

In Chile, public opposition to our development projects and those of our competitors have been growing in recent years in the form of protests and advertising campaigns against construction and legal challenges to the permits granted for the projects. Additionally, protests and advertising campaigns by local and environmental non-governmental agencies have been organized against our Alto Maipo run-of-river 531 MW hydroelectric project which is under construction. See "Business—Projects under Development" for a description of other projects we are currently developing including Alto Maipo. We cannot assure you that public opposition or delays in our projects will not adversely affect their development and consequently our business, financial condition and results of operations. Any of these factors may increase the cost of our projects or cause delays in the completion or cancellation of our capital investments resulting in adverse effects on our business, results of operations and financial condition.

Lawsuits and arbitrations against us or our related companies could adversely affect our results of operations.

We and our related companies sell electricity on a contractual basis to several distribution companies, industrial and mining customers and electric generation companies, among others. Additionally, we enter into other legal agreements customary in the ordinary course of business. The interpretation and enforcement of certain provisions of our existing or any additional agreements may result in disputes among us, our customers or third parties. For a description of the most significant proceedings in which we are currently involved, see "Business—Legal Proceedings and Regulatory Actions," which relate to Green Taxes, environmental damages and transmission tolls, among other matters. In addition, we and our subsidiary Alto Maipo are currently involved in a number of arbitrations stemming from the delay in the construction of said project as further explained in "Business—Legal Proceedings and Regulatory Actions." We cannot assure you that any claims, suits or other legal proceedings arising from such agreements or from construction delays, whether brought against us or initiated by us or our related companies, will not adversely affect our results of operations or financial condition.

The Chilean Government's heightened requirements regarding the use of NCREs may lead to increased competition, increased volatility in spot prices and accelerated deterioration of thermal plants.

As the Chilean Government heightens its requirements regarding the use of NCREs, see "Regulatory Overview—Environmental Regulation," we expect new participants in the renewable energy sector to enter the SEN. The current regulatory framework targets a 20% NCREs power generation requirement by 2025. If new participants enter the SEN, we could experience downward pricing pressure, including pressure from our customers to renegotiate our PPAs, which could have a material adverse effect on our profit margins and/or assets, thereby adversely affecting our business, financial condition and results of operations. In addition, NCREs are likely to lead to very low spot prices at certain times of the day, and very high prices at other times, particularly at night. This may create instability in spot prices and may have a negative impact on our financial condition and results of operations.

Additionally, the integration of NCREs in the SING, primarily solar power plants, starting in 2014, imposed a series of technical challenges. For instance, flexible thermoelectric power plants are required to increase and decrease their load factor in order to run at night in order to provide constant, consistent and efficient energy to the SING (now part of the SEN). This requirement and other dynamic changes that have occurred in the SING (now part of the SEN) have the risk of accelerating the deterioration of thermoelectric power plants, including our Complex, which could result in operational failure or higher maintenance costs due to variable dispatch.

The risk of mechanical or electrical failure or accidents affecting the availability of our efficient capacity could have a material adverse effect on our business.

Although we perform regular maintenance and operational enhancements to guarantee the commercial availability of our generation plants, mechanical or electrical failure or accidents could result in periods of commercial unavailability. Significant periods of unavailability of our efficient plants would require us to meet our contractual obligations by using our more expensive back-up generation or by purchasing energy on the spot market, both of which could result in higher costs that would adversely affect our results of operations and financial condition. In addition, a failure at one of our plants or another generation company could impact the operation of the rest of the grid, leading to business interruption losses and fines. Although we maintain insurance policies to cover us in the event of an interruption to our business, we cannot assure you that our insurance coverage will be sufficient. Not having sufficient insurance to cover such losses could adversely affect our results of operations and financial condition.

Our insurance policies may not fully cover damage or we may not be able to obtain insurance against certain risks.

We maintain insurance policies intended to mitigate our losses due to customary risks. These policies cover our assets against loss for physical damage, loss of revenue and also third-party liability. However, we cannot assure you that the scope of damages suffered in the event of a natural disaster or catastrophic event would not exceed the policy limits of our insurance coverage. We maintain all-risk physical damage coverage for losses resulting from, but not limited to, earthquakes, fire, explosions, floods, windstorms, strikes, riots, mechanical breakdowns and business interruption. Our level of insurance may not be sufficient to fully cover all losses that may arise in the course of our business or insurance covering our various risks may not continue to be available in the future. In addition, we may not be able to obtain insurance on comparable terms in the future. We may be materially and adversely affected if we incur losses that are not fully covered by our insurance policies.

Our ability to refinance our debt facilities could be adversely affected by variations in our international and local credit ratings and for other reasons.

Our debt maturities, as well as those of our subsidiaries, in coming years include U.S.$ 272 million in 2019, U.S.$ 145 million in 2020 and U.S.$ 340 million in 2021. Our ability to refinance our indebtedness, on favorable terms or at all, could be adversely affected by variations in our international and local credit ratings and by prevailing capital and financial market conditions over which we have no control. If we are unable to refinance our indebtedness, or find alternative sources of financing, we may have to restrict or reduce our business activities or plans, which could have a material adverse effect on our business, results of operations and financial condition.

A default, by us or by any of our subsidiaries, could result in all or a portion of our outstanding debt becoming immediately due and payable.

Some of our debt financing arrangements and those of our subsidiaries contain cross-acceleration and cross-default provisions. Under these provisions, a default or acceleration of one debt agreement may result in the default and acceleration of our other debt agreements (regardless of whether we were in compliance with the terms of such other debt agreements), providing the lenders under such other debt agreements the right to accelerate the obligations due under such other debt agreements. Accordingly, a default, whether by us or any of our subsidiaries, could result in all or a portion of our outstanding debt becoming immediately due and payable.

Our cash flows may be adversely affected by difficulties in collecting accounts receivable from our customers.

Difficulties in collecting payments for electricity supply from contract or spot market customers may adversely affect our results of operations and cash flow. In the first quarter of 2011, the SIC (now part of the SEN) experienced a drought and the low hydrological conditions caused by this drought resulted in significant financial losses for Campanario Generación S.A., one of the generators in the system. As a result, that generator was declared bankrupt. In the subsequent bankruptcy proceeding, we and our equity-method investee presented evidence that the outstanding debt owed by such generator was U.S.$3.0 million, plus applicable interest, of which we recovered U.S.$1.4 million.

In Colombia, we have had difficulties in collecting payments from some of our customers in the past. In response, in 2004, we developed an internal credit analysis which in some cases requires that we obtain guarantees from potential customers such as letters of credit or prepayment terms prior to the execution of contracts. In 2005, and later in 2010, during periods of extremely dry weather conditions and high spot market prices, we experienced collection problems in Colombia related to energy sales made on the spot market which were purchased by two different traders. The traders failed to pay the outstanding balances of U.S.$0.8 million and U.S.$1.3 million and as a result, we recorded a loss of both amounts in 2005 and 2010, respectively. In both cases, these traders were suspended from participating in the *bolsa* or spot market and we filed actions against the traders to attempt to recover the outstanding debt and such actions are pending. As a participant in the Colombian spot market, which is managed by a market administrator, our operations in Colombia are exposed to this risk. The market regulator has implemented and enforced rules for participating in the spot market, reducing both the exposure to, and the potential for, future defaults. Included in these regulations is a rule that spot market participants must provide one of the following guaranties to participate in the market: (i) post bank bonds or letters of credit or (ii) provide monthly prepayments which are adjusted weekly. Additionally, the market regulator has proposed a resolution providing for a solvency ratio test that measures the proportionality between the agent's market transactions and its equity. This measure seeks to ensure that agents are able to account for the derivative risks from their market operations and reduce systemic risks.

We have different reporting requirements and protections than similar companies based in the United States.

The information about us available to you will not be the same as the information available about a company required to file reports with the SEC. We disclose and comply with accounting, financial reporting and securities requirements in accordance with Chilean law and prepare our statutory financial statements in conformity with instructions and standards of preparation and presentation of financial information issued by the CMF, which are comprised of IFRS as issued by the IASB and certain specific regulations issued by the CMF. There may be material differences between IFRS and U.S. GAAP.

In addition, Chilean Securities Market Law, which governs open or publicly listed companies such as AES Gener, impose different disclosure requirements than those in the United States. Although Chilean law imposes restrictions on insider trading and price manipulation, applicable Chilean securities laws and regulations are different from those in the U.S. and some investor protections available in the U.S. may not be available in the same form, or at all, in Chile.

Our business and expansion plans require significant capital expenditures.

We are committed to comprehensive operational excellence for sustainable generation which requires, among other things, continual maintenance and operational enhancements together with environmental improvements and investments at our existing plants. Additionally, we plan to continue growing with the construction of new generation plants in the markets in which we operate. We plan to fund our capital expenditures with cash generated internally from our operations combined, if necessary, with proceeds of debt, equity offerings in domestic and international capital markets, and any debt incurred by such offerings may rank senior to the notes. In addition, if necessary, we may sell equity positions in certain of our subsidiaries, such as Eléctrica Angamos and/or AES Chivor, or equity-method investee, Guacolda. We estimate that our Alto Maipo hydroelectric project will require an additional equity contribution in the amount of U.S.$ 200 million, which we estimate will be funded by us once the Alto Maipo Facility (as defined herein) has been fully disbursed, which is expected to be near the expected completion date in late 2020. Financing for the total expected investment for this project has already been arranged through a project finance credit facility with local and international banks and the project was recently restructured to respond to construction delays. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Alto Maipo Restructuring" for a description of the Alto Maipo restructuring. However, we cannot assure you that we will obtain sufficient funds from internal or external sources to fund our capital expenditure requirements in the future or in case of cost overruns at our existing projects. Our failure to generate sufficient cash flows from operations or to obtain financing at acceptable costs and terms could adversely affect or cause delays in our expansion plan.

Labor relations may negatively impact us.

As of December 31, 2018, 81% of our employees were represented by unions under ten separate collective bargaining agreements. Although we currently enjoy good relations with our employees and their unions, we cannot assure you that labor relations will continue to be positive or that deterioration in labor relations will not materially and adversely affect us.

The interests of our controlling shareholder could conflict with your interests.

We are currently controlled by Inversiones Cachagua SpA (*sociedad por acciones*, or shares company), a subsidiary of The AES Corporation, which has a 66.7% ownership stake in us. Our controlling shareholder is in a position to influence our management and to determine the result of substantially all matters to be decided by majority vote of our shareholders, including the election of a majority of the members of our board of directors, determining the amount of dividends distributed by us (subject to the minimum required by law), adopting certain amendments to our by-laws, enforcing or waiving our rights under existing agreements, leases and contractual arrangements and entering into certain agreements with entities affiliated with us, subject to Chilean law. Our controlling shareholder may also have an interest in pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its equity investment, even though such transactions might involve risks to you. For example, our controlling shareholder could cause us to make acquisitions that increase our indebtedness or to sell revenue-generating assets. As a result, circumstances may occur in which our controlling shareholder's interest in us could be in conflict with your interests as holders of the notes offered hereby.

Our financial results can be adversely affected by foreign exchange fluctuations.

As of December 31, 2018, on a consolidated basis, 93.6% of our consolidated debt was denominated in U.S. dollars and 84% of our revenues for the year ended on December 31, 2018 were denominated in U.S. dollars. The Chilean peso, the Colombian peso and the Argentine peso have been subject to significant fluctuations in the past and may be subject to significant fluctuations in the future. In Chile, a significant portion of our consolidated debt has been denominated in U.S. dollars and a substantial portion of our revenues in Chile is linked to U.S. dollars. However, we generally have been, and will continue to be, exposed to fluctuations of the Chilean peso against the U.S. dollar because of time lags and other limitations in the indexation of Chilean contract prices to the U.S. dollar. In Colombia, AES Chivor's revenues and cost of sales are primarily in Colombian pesos. Therefore, a devaluation of the Colombian peso in relation to the U.S. dollar may adversely affect our financial condition and results of operations. In Argentina, TermoAndes' spot sales are denominated in U.S. dollars and contract sales under the Energía Plus Program are denominated in U.S. dollars but paid in Argentine pesos. Similarly, the majority of TermoAndes' costs of sales are denominated in U.S. dollars. Hence, a devaluation of the Argentine peso to the U.S. dollar would not have a significant negative effect on TermoAndes' financial condition and results of operations. However, we cannot offer any assurance that this will continue to be the same in the future.

Since the U.S. dollar is our functional currency for IFRS reporting purposes, our financial results in IFRS are not affected by foreign exchange fluctuations, except for those asset, liability and cost line items expressed in Chilean pesos and other non-U.S.-denominated currencies, such as VAT receivables, salaries and wages, consultant fees, import duties and onshore payments to EPC contractors related to project construction costs, among others. Consequently, an appreciation of the Chilean peso or other non-U.S. denominated currencies would have a negative effect on our cost structure in U.S. dollar terms.

Inflation and government measures to curb inflation may adversely affect the countries in which we operate and have an adverse effect on us.

Chile, Colombia and Argentina have experienced high levels of inflation in the past in accordance with statistics published by the International Monetary Fund (the "IMF"). In Chile, the Chilean CPI increased by 2.43%, 4.21% and 1.78%, in 2018, 2017 and 2016, respectively. In Colombia, the CPI increased by 3.24%, 4.32% and 7.51%, in 2018, 2017 and 2016, respectively. In Argentina according to the City of Buenos Aires' public information, the CPI increased by 45.46%, 26.13% and 41.05%, in 2018, 2017 and 2016, respectively. Although inflation rates were relatively low in Chile and Colombia in recent years, we cannot assure you that this trend will continue. Measures taken by the governments in these countries to control inflation could restrict the availability of credit and impede economic growth. Periods of higher inflation may also slow the growth rate of these economies, which could lead to reduced demand for our generation and decreased sales. Inflation is also likely to increase some of our costs and expenses, and we may not be able to fully pass such increases on to our customers, which could have a material adverse effect on us.

We are subject to a number of laws, violations of which may result in the imposition of fines and reputational damage; our risk management and internal controls may not be successful in preventing or detecting all violations of law or of company-wide policies.

In addition to environmental and electricity industry regulations, our business is subject to a significant number of laws, rules and regulations, including those relating to competition and antitrust, anti-bribery and anti-corruption, health, safety and the environment, labor and employment, and taxation. We are subject, from time to time, to investigations and proceedings by authorities for alleged infringements of these laws. These proceedings may result in fines or other forms of liability and could have a material adverse effect on our reputation, business, financial condition and results of operations.

Our existing compliance processes and internal control systems may not be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by any such persons, employees or officers. We may in the future discover instances in which we have failed to comply with applicable laws and regulations or internal controls. If any such subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

A cyber-attack could adversely affect our business, financial condition and results operation.

Information security risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication and activities of cyber-attacks as well as increased connections of equipment and systems to the Internet. In the event of a cyber-attack, we could have our business operations disrupted; experience losses and incur response costs; and be subject to litigation and damage to our reputation. A cyber-attack could adversely affect our business, results of operations and financial condition.

Our business faces risks from the promotion of decarbonization efforts both on a global and on a national scale and from the related shift in demand away from conventionally generated energy. In addition, potential legislative and regulatory actions addressing climate change and environmental issues could significantly impact our industry and our business.

Decarbonization refers to the transition of the energy sector towards lower emission of carbon dioxide (CO_2). At the World Climate Conference in Paris, France, held at the end of 2015, the participants agreed on the first global climate protection treaty that bindingly pledges a so-called two-degree cap (the reduction of global warming to less than two degrees Celsius compared to the pre-industrialization level) under international law and obligates the signatories to achieve greenhouse gas neutrality in the second half of the century. The agreement reached in Paris could also have a significant impact on the development of the world's electricity and gas markets and gives rise to the expectation that individual countries may adopt increasingly strict climate protection requirements. According to the targets set at the World Climate Conference in Paris, greenhouse gas emissions should be reduced globally by 40% to 70% by 2050, compared to the levels of 2010. In particular, this requires a transition from fossil-fuel based energy sources to renewable energy generation.

Pursuant to the Paris Agreement, Chile's nationally determined contribution (INDC) includes the following targets: (i) reduce CO_2 emissions per GDP unit by 30% below their 2007 levels by 2030, considering future economic growth which allows it to implement adequate measures to reach this commitment and (ii) subject to international support, increasing this reduction target to between 35% and 45% below 2007 levels by 2030. In addition, the *Asociacion de Generadoras* (which we are part of) executed an agreement with the government to stop developing greenfield coal-fired power plants and source 70% of national electricity generation from renewables by 2050. The Paris Agreement was approved in Chile through Supreme Decree No. 30, published in the Official Gazette on May 23, 2017, and has been in effect since March 12, 2017.

Compliance with legal and regulatory changes relating to climate change, including those resulting from the implementation of international treaties or national laws mentioned above, may in the future increase our costs associated with (i) operating and maintaining our facilities; (ii) installing new emission controls on our facilities; and (iii) administering and managing greenhouse gas emissions programs. Our revenue generation and strategic growth opportunities may also be adversely affected.

In addition, increased regulation of greenhouse gases may create greater incentives for use of alternative energy sources which we cannot guarantee you that we will be positioned to take advantage of.

Risks arise for our business from technological change in the energy market

The energy market is subject to far-reaching technological change, both in generation and demand. For example, with respect to energy generation, the development of energy storage devices (battery storage in the megawatt range) or facilities for the temporary storage of power through conversion to gas (so-called "power-to-gas-technology"), and increases in energy supply due to new technological applications such as fracking or the digitalization of generation and distribution networks could potentially disrupt our business.

New technologies to increase energy efficiency and improve heat insulation, for the direct generation of power at the consumer level, or that improve refeeding (for example, by using power storage for renewable generation) may, on the demand side, lead to structural market changes in favor of energy sources with low or zero carbon dioxide emissions or in favor of decentralized power generation, for instance via small-scale power plants within or close to residential areas or industrial facilities which could impact our centralized generation.

If our business is unable to react to changes caused by such new technological developments and the associated changes in market structure, we could suffer a material adverse effect on our business, financial condition and results of operations.

Risk Factors Related to Our Chilean Operations

Chilean and international political and economic conditions directly and indirectly affect our business and the market price of the notes.

Our business, results of operations and financial condition depend, to a considerable extent, upon economic conditions prevailing in Chile. Although the Chilean economy proved resilient during the last international financial crisis, it is smaller than the economies of certain other South American countries. Additionally, economic conditions in Chile are substantially dependent on exports of raw materials, such as copper, which depend on international commodity prices. As commodity prices go down, copper exports decrease, thereby decreasing the generation demand of our mining customers, which in turn may negatively affect our sales and results of operations. In particular certain of our subsidiaries are dependent on the mining industry, and in particular the copper industry for their sales of electricity. In addition, we cannot assure you that the Chilean economy will continue to grow in the future or that future developments in the Chilean economy will not materially and adversely affect our business, financial condition or results of operations or our ability to fulfill our obligations under the notes and the market price of the notes.

The Chilean Government has modified, and has the ability to modify, monetary, fiscal, tax and other policies in order to influence the Chilean economy. We have no control over government policies and cannot predict how those policies or government intervention will affect the Chilean economy or, directly and indirectly, our business, results of operations and financial condition. Changes in policies involving exchange controls, taxation and other matters related to our sector may adversely affect our business, results of operations and financial condition and the market price of the notes.

Furthermore, we are exposed to economic and political volatility in the United States and Latin American countries. Due to the importance of copper exports and overall mining activity to Chilean economic growth, the Chinese-U.S. trade war or other developments may drive copper prices down and adversely affect the Chilean economy. In addition, changes in social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in Brazil, the United States, Asia and Europe, among other nations and regions, as well as crises and political uncertainties in other Latin American countries, could adversely affect economic growth in Chile and neighboring countries, and accordingly may have an adverse effect on our business and the ability to pay any amounts due under the notes.

We are dependent on hydrological conditions in Chile.

Our hydro-electric assets in Chile currently account for 8% of our installed capacity in Chile, and we expect this to rise to 24% with the completion of the recently restructured Alto Maipo project in 2020. Our hydro-electric operations are run under existing water rights in Chile. The AES Gener hydroelectric plants have an installed capacity of 271 MW distributed in four run-of-river facilities.

Because 8% of our current installed capacity and 24% of our future installed capacity in Chile is run-of-river hydroelectric, we are dependent on the prevailing hydrological conditions in the Andean region and the impact on the snow-melting season. Additionally, adverse hydrological conditions may be increased due to the impact of climate change. Hydrological conditions largely influence our plant’s dispatch and the spot prices in the SEN at which we sell our non-contracted electricity generation in Chile. Accordingly, adverse hydrological conditions could have a material adverse impact on our business, results of operations and financial condition.

Restrictions in transmission systems could affect our contract prices and our energy sales.

Our generation facilities are connected to the main Chilean grid, the SEN. We provide this energy utilizing existing transmission lines that by law have an open access policy. Consequently, we can dispatch energy to a substation and our customers can withdraw such energy in another substation closer to their facilities. We also rely on services provided by third parties, who own or control the transmission lines and substations we use to provide energy. In the event there are transmission restrictions due to technical or design conditions, our ability to supply energy to our customers could be limited and could materially affect our business and financial condition.

In addition, we and our competitors are connected to the same electrical grid, the SEN, which has limited capacity for transportation and hence, under certain circumstances, may reach its capacity limit. The addition of new renewable capacity to the system, by us or third parties, may have an adverse impact in the operation of the transmission system, as a result of congestion. As new generators connect, or existing generators increase, their outputs and dispatch more electricity to the same grid, we could be prevented from delivering our energy to our customers and require us to buy energy in another part of the system to fulfill our contract requirements. If the power transmission infrastructure in the SEN is inadequate, our recovery of wholesale costs and our profit generation may be limited, which, in turn, could adversely affect our business, results of operations and financial condition.

Regulatory authorities may impose fines on us or our subsidiaries as a result of energy supply failures.

We may be subject to regulatory fines in Chile for breach of current regulations, including the system experiencing a blackout and/or a delay in reestablishing energy after a blackout. All electricity companies participating in the SEN may be subject to these fines if a system blackout results from any generator's or the transmission system operator's operational mistake, including failures related to the coordination of duties of system participants. A power generation company may also be obligated to make compensatory payments to regulated customers affected by electricity shortages or to unregulated customers.

The Ministry of Energy may dictate a rationing decree when an electricity system is facing or is expected to face a generation deficit as a consequence of prolonged breakdown of generating units, or as a consequence of a drought or as a result of unusually high demand. If a rationing decree is enacted, fines may be imposed on power generation companies that do not comply with the measures ordered in the decree. Moreover, if the company is forced to purchase energy at the spot market during periods when a rationing decree is in effect such purchases will be valued at the cost of system failure. Failure costs are the average costs incurred by final users in providing one kWh by their own means and are predictably much higher than costs of production.

If Argentina increases the liberalization of natural gas exports to Chile, our results of operations and financial condition could be adversely affected.

Argentina began to gradually restrict natural gas exports in 2004 and ultimately suspended such exports in 2007. In connection therewith, exports to Chile were restricted and Chilean power generating companies were forced to substitute natural gas with other fuels. During September 2018, Argentina started to liberalize natural gas exports to Chile. If the volume of these imports increases in the future, these power generating companies may return to use natural gas as their primary fuel, thereby potentially offering a cheaper energy option to Chilean industrial and mining companies, including our existing customers. If this situation were to materialize when our PPAs expire, to the extent we are unable to negotiate new PPAs on similar terms, our energy and capacity sales could decrease and our results of operations and financial condition could be adversely affected.

Future modifications to the Chilean tax system may have a material adverse effect on us.

On September 29, 2014, Law No. 20,780 (as amended by Law No. 20,899, the "Tax Reform") was published in the Chilean official gazette (*Diario Oficial* or "Official Gazette") and introduced significant changes to the Chilean taxation system and strengthened the powers of the Chilean Internal Revenue Service (*Servicio de Impuestos Internos*, the "Chilean IRS") to control and prevent tax avoidance. The Tax Reform introduced changes to the corporate tax system by allowing coexistence of two alternative tax regimes: (i) the partially integrated regime (*régimen parcialmente integrado*); or (ii) the attributable taxation regime (*regimen de renta atribuida*). As a public stock company (*sociedad anónima abierta*), our applicable regime is the partially integrated regime, which implies a 27% corporate tax rate from 2018 onwards.

In addition, in August 2018, a tax reform bill was presented in the Chilean congress, which proposes to reverse the current coexistence of two alternative tax regimes established in the Tax Reform by going back to a fully integrated system with a 100% credit of the corporate tax against individual or foreign entity taxes. Additionally, this tax reform bill seeks to modernize and provide more certainty with respect to the current tax system. For example, the bill proposes to modernize the current ledgers system and to include tax deductions for certain ordinary course business disbursements that are a part of, but not directly associated with, an entity's primary business activities. In addition, this tax reform bill includes an amendment to the green tax regulation, allowing for taxation of all pollution credits and tax credits for reductions in all polluting emissions, which should in totality reduce most businesses' net green tax payments. As currently proposed, we do not expect any material adverse effect on our business from this bill. However, we cannot offer any assurance that there will not be additional changes made to the tax bill that would negatively affect our business, results of operations or financial condition.

A new specific tax applicable to air emissions was enacted in connection with the Tax Reform and went into effect in 2017 with initial payments due in 2018, which could have an adverse effect on our business, financial condition and results of operations if we cannot pass through increased costs relating to this tax to our customers.

The Tax Reform also established a new annual tax on emissions of particulate matter, nitrogen oxide, sulfur dioxide and carbon dioxide by establishments whose stationary sources, such as boilers or turbines, have individually or in the aggregate, thermal power over or equal to 50 MW ("Green Taxes"), which is applicable to us.

Currently, the Green Tax applicable to carbon dioxide emissions is approximately U.S.$5.00 per emitted ton, while the Green Tax on nitrogen oxides, sulfur dioxide and particulate matter is approximately U.S.$0.10 per emitted ton, multiplied by a predetermined formula which considers the dispersion factor of the polluter, the social cost per capita of the polluter and the population of the county. The Green Tax was implemented and began to accrue on emissions in 2017 and initial payments of the Green Tax were made in April 2018 in the net amount of U.S.$ 49.7 million.

Pursuant to some of our PPAs, we are able to pass through to our customers some of the increased costs resulting from certain changes in laws, however, we may be unable to pass all of the increased costs of these specific Green Taxes to our customers under the change-in-law provisions in our PPAs. If we are unable to pass through all these Green Taxes to some of our existing customers and any future customers, our business, financial condition and results of operations may be adversely affected. Eléctrica Angamos and Eléctrica Cochrane are currently in arbitration proceedings with certain of their contracted customers over the pass through of Green Taxes. See "Business—Legal Proceedings" for additional information on these proceedings. We cannot assure you that Eléctrica Angamos or Eléctrica Cochrane will be successful in these arbitration proceedings.

Further, we can offer no assurance that Green Taxes will not be increased in the future or that we would continue to be able to pass through all such increased costs under our PPAs, which could have a material adverse effect on our business, financial condition and results of operations.

Chile's new energy agenda (Ruta Energética 2018-2022) and other recently proposed environmental regulations and policies may lead to significant changes in our industry, particularly in respect of environmental matters and the future use of coal.

On May 25, 2018, the Energy Minister Susana Jiménez, published the "*Ruta Energética, liderando la modernizacion con sello ciudadano,*" which sets out public directives regarding the future development of the Chilean electricity industry. This agenda includes changes to the Chilean electricity regulation framework that may alter the conditions under which we currently develop our business. This agenda has seven main focus areas: energy modernization, the social impact of energy, energy development, low emission energy, sustainable transport, energy efficiency and energy education and training. This agenda will be the guide for the Chilean Ministry of Energy for the next four years and may present risks that could have a material adverse effect on us, including with respect to the modernization of electricity distribution regulation, the establishment of a regulatory framework for energy efficiency focused on certain high consumption sectors (e.g. mining, transport and buildings), the process of moving away from carbon-based energy sources and the decommissioning or conversion of coal-fired plants, among others. See "Regulatory Overview—Chilean Government's New Energy Agenda." These changes, or any future change, to the extent we are unable to pass through any increased costs to our customers under our PPAs, could have a material adverse effect on our business, financial condition and results of operations.

On July 31, 2018, the Chilean government proposed legislation to modify the Environmental Evaluation Impact System (*Sistema de Evaluación de Impacto Ambiental* or "SEIA") in order to (i) increase the technical standard of environmental assessment processes by reducing political interventions, (ii) promote citizen participation in the decision-making processes, (iii) advocate for more and equal access to environmental justice, and (iv) solve a number of issues which have been debated in environmental courts, especially in relation to environmental judicial actions. In addition, on January 22, 2019, the Chilean Government presented another bill to Congress, which seeks to prosecute environmental crimes by sanctioning companies that cause significant environmental damage. This proposed legislation is still under consideration by the Chilean Congress and, as of the date of this listing memorandum, we are unable to anticipate the impact it will have on our business, if and when approved.

Furthermore, the former Chilean Government indicated a policy of supporting renewable energy sources and reducing reliance on coal. In connection with this policy, the former Chilean Government's agenda called for at least 70% of national electricity generation to be from renewable energy sources by 2050, indicating that requirements for renewable energy sources may increase. The current regulatory framework targets a 20% NCREs power generation requirement by 2025. While the former Chilean Government elected not to participate in the Powering Past Coal Alliance, an alliance of governments, businesses and other partners that are working towards rapidly phasing out tradition coal power, it demonstrated its intention to shift from coal to renewable energy generation technologies. The former Chilean Government and the partner companies of the Association of Generators of Chile, AES Gener, Colbun S.A., Enel, and Engie Energía Chile S.A., a subsidiary of the Engie Group ("Engie") have entered into a non-binding agreement by which they agreed (i) not to start or support the development of new coal-fired power plants that do not have carbon capture and storage systems or other equivalent technologies and (ii) to set up a working group to analyze a gradual cessation of coal-fired power plants that do not have carbon capture and storage systems or other equivalent technologies.

We can offer no assurances that the Chilean Government will not pass regulations that affect our ability to operate coal-fired plants or that coal will continue to be the main source of electricity generation in Chile. Furthermore, the Chilean Government held a "Decarbonization Workshop" directed by the Minister of Energy, in which different players, including us, participated and contributed in discussions to evaluate the technical, economic, environmental and social feasibility of the decommissioning of coal plants. A variety of studies, including those conducted by the Ministry of Energy, have also indicated that the process of moving away from carbon-based energy sources, would significantly affect the reliability, investment costs and transmission of energy in Chile. While there have not yet been any regulations passed pursuant to any such studies or workshops, any changes in regulations to limit or terminate our ability to operate coal plants or that limit or increase the cost of coal-fired plants, including, for example, an increase in Green Taxes, could have a material adverse effect on our business, financial condition and results of operations.

The Chilean Government could seize or expropriate our assets under certain circumstances.

Pursuant to Article 19 No. 24 of the Chilean Constitution, the Chilean Government may exercise its eminent domain powers in respect of our assets, in the event such action is required in order to protect public interests. According to Decree Law No. 2,186 of 1978, eminent domain powers may be exercised through an administrative expropriation process, the result of which can be appealed before a civil court. In the case of expropriation, we would be entitled to compensation for the expropriated assets. However, the compensation may be lower than the price for which the expropriated asset could be sold in a free market sale or the value of the asset as part of an ongoing business, which may adversely affect our ability to make payments under the notes.

Risk Factors Related to Our Colombian Operations

Our financial condition and results of operations are dependent on economic and political conditions prevailing in Colombia.

We generate a significant portion of our consolidated operating revenue and consolidated operating income in Colombia. For the years ended December 31, 2018, 2017 and 2016, our Colombian operations accounted for 33%, 29% and 29%, respectively, of our consolidated gross profit. As a result, economic conditions in Colombia have a significant impact on our results of operations and financial condition.

According to preliminary figures from the IMF, the Colombian structural balance of payments for each of 2018 and 2019 is estimated to be a deficit of 2.1% of GDP. Due to the volatility in the current global economic environment, no assurances can be given concerning actual results for 2019 and beyond.

A significant decline in the economic growth of the world economy or of any of Colombia's major trading partners, such as the United States, Venezuela, or the European Union, or deterioration in trading relationships could have a material adverse impact on Colombia's balance of trade and adversely affect the country's economic growth.

Our Colombian subsidiary, AES Chivor, is a partnership limited by shares (*sociedad en comandita por acciones*) registered as a utility company under the laws of Colombia. Most of AES Chivor's assets and income are located or earned in Colombia and denominated in Colombian pesos. AES Chivor's assets and income are subject to political, economic and other uncertainties, including expropriation, nationalization, and renegotiation or voiding of existing contracts, currency exchange restrictions and international monetary fluctuations. Accordingly, AES Chivor's financial condition and results of operations depend significantly on macroeconomic and political conditions prevailing in Colombia. We cannot assure you that any crises, such as those described above, or similar events will not negatively affect Colombia's economy and consequently our operations in Colombia.

We are dependent on hydrological conditions in Colombia.

Our principal asset in Colombia consists of the 1,000 MW AES Chivor dam-based hydroelectric facility which is located in the east central region of Boyacá, about 160 km east of Bogotá.

Given our geographic location in Colombia, our basin's hydrology consists of one rainy season from May to November, during which our reservoir is filled, and one dry season from December to April, during which our energy generation rate exceeds the water inflow rate and our reservoir is drained. This differs from the hydrology of the Andean region, where most of our hydroelectric competitors are located, which consists of two rainy seasons and two dry seasons. Because 100% of our installed capacity in Colombia is hydroelectric, we are dependent on the prevailing hydrological conditions in the geographic region in which we operate. Additionally, adverse hydrological conditions may be increased due to the impact of climate change. Hydrological conditions largely influence our generation and the spot prices at which we sell our non-contracted generation in Colombia. Our physical sales are typically lower during adverse hydrological conditions as a result of reduced hydroelectric generation capacity. Therefore, adverse hydrological conditions could have a material adverse effect on our business, results of operations and financial condition.

There have been certain events in Colombia and abroad, which have resulted in political tensions between Colombia and some of its neighboring countries.

Diplomatic relations between Colombia and some of its neighboring countries, in particular Ecuador and Venezuela, have been tense in the past. These political tensions were heightened by the Colombian Government's allegations that neighboring countries were supporting the guerrilla groups, as well as by claims made by Venezuela stating that the Colombian army has entered its territory while in pursuit of the FARC (*Fuerzas Armadas Revolucionarias de Colombia*) members. Although relations with these countries have stabilized, there can be no assurance that similar allegations that may result in new and heightened tensions with Colombia's neighbors would not be made again as was done in the past, and would not have a negative impact on Colombia's economy and general security situation.

The Colombian electricity power industry has been adversely affected by guerilla attacks in the past.

Guerilla organizations have long been active in Colombia. In many remote regions of the country that have traditionally lacked an effective government presence, the guerrillas have exerted influence over the local population. In recent years, the guerrilla organizations have employed acts of terrorism to draw attention to their causes. Despite efforts by the Colombian government to address the situation, Colombia continues to be affected by social friction and violence related to guerilla activity in some regions of the country, particularly in the Southwest and Northeast. In the past the guerrilla actions which have affected the energy sector have primarily been attacks to power towers which, in certain cases, have led to short-term regional power outages and/or transmission restrictions which increased the cost of power to end users.

On November 30, 2016, the Colombian Congress approved a peace agreement between the Colombian government and the Revolutionary Armed Forces of Colombia, or FARC. Currently, the Colombian government is in the process of gradually integrating FARC members into civilian life.

On the other hand, the National Liberation Army, or ELN, an insurgency guerrilla group, has increased its actions against the Colombian security forces and the critical infrastructure of the Nation in recent months, which we believe is an attempt to show its presence and influence in some regions and put pressure on the ongoing peace negotiations which formally began in February 2016. In February 2017, the public dialogue phase began in Quito, Ecuador. These dialogues were interrupted as a result of the terrorist attacks carried out by the ELN since January 9, 2018, when the bilateral ceasefire ended. The Colombian Government decided to resume the dialogue in April 2018, due to the suspension of ELN terrorist actions during the electoral period in March 2018. It is expected that attacks against critical infrastructure will continue until a new bilateral ceasefire can be agreed upon. In addition, the government of President Duque suspended peace negotiations with the ELN in January 2019 as a result of a carbomb attack that led to the death of 22 military cadets. This may lead to an increase of guerrilla activity against the energy sector as well as the military and civil population.

Despite the progress made with the FARC and the now stalled negotiations with the ELN, some guerrilla groups may continue their illegal and terrorist activities, resulting in a deterioration of Colombia's national security. Although our Colombian facilities have never been subject to attacks by any guerilla group, we cannot assure you that such attacks will not occur in the future.

New or higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia could adversely affect our results of operations and financial condition.

New tax laws and regulations, and uncertainties in the interpretation of existing and future tax policies pose risks to us. On December 28, 2018, the Colombian Congress enacted an integral tax reform that includes major changes to the Colombian tax law. The highlights of the tax reform include:

- reduction of the general corporate income tax rate to 32% for 2020, 31% for 2021, and 30% for 2022 and onward;
- reduction of the minimum presumptive tax rate to 3% for 2019, 1.5% for 2020, and 0% for 2021 and onward;
- thin-capitalization rules will apply only to related-party debt transactions (local and cross-border), and should observe a 2:1 debt-to-equity ratio;
- indirect transfers of Colombian assets (including shares) will become taxable for Colombian tax purposes, with certain exceptions. The local entity whose shares are indirectly transferred and the non-resident seller should be jointly liable with respect to the tax due;
- creation of a new 'Holding Entity Regime" which, if certain requirements are met, provides participation exemption benefits for dividends paid to and out of Colombia, as well as exemption for capital gains on the disposition of the shares of the Colombian holding entity (when there are no Colombian activities) and its subsidiaries;

- creation of a preferential tax regime for large taxpayers that meet certain job creation and investing requirements. The special tax regime provides a reduction of the corporate income tax rate to 27%, and exemption from both the dividend tax and the re-introduced equity tax.

- general income tax withholding rate on cross-border payments increased to 20% (from 15%);

- income tax withholding rate on cross-border payments related to administrative services increased to 33% (from 15%);

- branches and permanent establishments are now taxed on attributable domestic and foreign-source income;

- minimum pricing on the sale of goods and services is increased to 85% of fair market value on the date of the transaction (up from 75%);

- the dividend tax now applies to distributions to domestic entities and permanent establishments (previously it only applied to cross border distributions); the rate is increased to 7.5% (from 5%);

- the "Equity Tax" is re-introduced for 2019 through 2021. The triggering event is holding net equity in excess of five billion Colombian pesos (approximately U.S.$1.5 million) as of January 1, 2019. The tax rate is 1%; the taxable base should be the taxpayer's net equity as of January 1;

- introduction of a one-time tax applicable to taxpayers that come forward to disclose under-reported assets or unsupported liabilities as of January 1, 2019. The tax rate is 13% and applies on the tax basis (for under-reported assets) or the tax cost (for unsupported liabilities);

- a new tax credit is available for 50% of the industry and trade tax (a city tax on gross receipts) and 50% of banking tax;

- taxes and levies, other than income and equity tax, are fully deductible for income tax purposes (previously, only a few were deductible); and

- introduction of a criminal penalty for the commitment of fraud and tax evasion (applicable under certain specific conditions and thresholds).

Furthermore, we cannot offer any certainty about the impact of this reform, which could have a material adverse effect on our business, results of operations and financial condition in Colombia.

In addition, tax authorities and tax courts may interpret tax regulations differently than we do, which could result in tax litigation and associated costs and penalties. Any change in the tax law or interpretation of the existing laws could have an adverse effect on our results of operations and financial condition.

Risk Factors Related to Our Argentine Operations

Argentine economic and political conditions may have a direct impact on our business.

Some of our operations, properties and customers are located in Argentina, and, as a result, our business is to some extent dependent upon economic conditions prevailing in Argentina. The changes in economic, political and regulatory conditions in Argentina and measures taken by the Argentine government have had and are expected to continue to have an impact on us.

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high levels of inflation and currency devaluation, and may experience further volatility in the future.

As a consequence, our business and operations could in the future be, affected from time to time to varying degrees by economic and political developments and other material events affecting the Argentine economy, such as inflation; price controls; foreign exchange controls; fluctuations in foreign currency exchange rates and interest rates; governmental policies regarding spending and investment, national, provincial or municipal tax increases and other initiatives increasing government involvement with economic activity; civil unrest and local security concerns. The Argentine economy continues to remain vulnerable. It is possible that similar measures could be adopted by the current or future Argentine government or that economic, social and political developments in Argentina, over which we have no control, could have a material adverse effect on the Argentine economy and, in turn, adversely affect our financial condition and results of operations.

Argentina's tax regulations are susceptible to differing and changing interpretations as well as future modifications.

Argentine federal, provincial and other local authorities have interpreted some tax regulations differently from private companies and have also changed their interpretations and implemented new tax regimes over time. Some of these changes may result in increases in our tax payments, which could adversely affect industry profitability and increase the prices of our energy generation, restrict our ability to do business and cause our financial results to suffer. We cannot assure you that we will be able to maintain our projected cash flows and profitability following any increases in Argentine taxes, due to changes in the tax laws or their interpretation, applicable to us and our operations.

Argentina's legal regime and economy are susceptible to changes that could adversely affect the operations of our TermoAndes facility located in Argentina.

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth and high and variable levels of inflation. Argentina is still experiencing high levels of poverty and unemployment leading to social and political tensions that could create political and economic instability. TermoAndes' assets and income are subject to political, economic and other uncertainties, including expropriation, nationalization and renegotiation or voiding of existing contracts, currency exchange restrictions and international monetary fluctuations. Accordingly, TermoAndes' financial condition and results of operations depend significantly on macroeconomic and political conditions prevailing in Argentina and we cannot assure you that future developments in the Argentine economy will not materially and adversely affect our business, financial condition or results of operations.

The Argentine government has intervened in the electricity sector in the past and is likely to continue intervening.

To address the 2001-2002 Argentine economic crisis, the Argentine Congress enacted the Public Emergency Law and other regulations, which made a number of material changes to the regulatory framework applicable to the electricity sector. Such changes included the conversion to Argentine pesos and freezing of tariffs, the cancellation of inflation adjustment mechanisms and the introduction of a complex pricing system in the wholesale electricity market (*Mercado Eléctrico Mayorista* or "MEM"), which materially affected electricity generators, transporters and distributors, and generated substantial price differences within the market.

The Argentine government continues to intervene in this sector, including granting temporary margin increases, establishing maximum spot prices for transfers among generators, proposing a new social tariff regime for residents of poverty-stricken areas, creating specific charges to raise funds that are transferred to government-managed trust funds that finance investments in distribution, generation and transmission infrastructure and mandating investments for the construction of new generation plants and expansion of existing transmission and distribution networks.

In March 2013, the Secretary of Energy (*Secretario de Gobierno de Energía*) released Resolution 95/2013, which affects the remuneration of generators whose sales prices had been frozen since 2003. This resolution converted the Argentine electricity market into a tolling system in which prices are meant to cover generators' costs of production and banning the possibility of private parties entering into new PPAs. The only permissible private contracts are (i) those under the Energía Plus Program, which allows for contracting by thermal plants installed after 2006 and (ii) those under Resolution 281/2017, which allows NCREs to enter into PPAs. In addition, in May 2014, the Secretary of Energy released Resolution 529/2014, which updated the prices set forth in Resolution 95/2013, and made further updates in 2015 and 2016 with Resolution 482/2015 and Resolution 22/2016, respectively. Resolution

19/2017 ("Resolution 19/2017") was issued in 2017, which modified Resolution 22/2016 by setting prices in U.S. dollars, eliminating the receivables portion of sales and establishing a new mechanism to pay for fixed costs. Lastly, on February 28, 2019, the Argentine Secretary of Renewable Resources and Electric Market issued Resolution 1/2019 ("Resolution 1/2019"), which, effective March 1, 2019, updated and lowered the prices set forth in Resolution 19/2017. Under the new regulatory framework, both fixed and variable prices continue to be in U.S. dollars, but a new mechanism for fixed prices was established, pursuant to which such prices are set according to the use factor of each thermal unit.

While TermoAndes' PPAs under the Energía Plus Program have not been affected by these regulatory changes, as of the date of this listing memorandum we are still analyzing the effect, if any, Resolution 1/2019 will have on TermoAndes. In addition, we cannot assure you that other measures that may be adopted by the Argentine government will not have a material adverse effect on our business, financial condition and results of operations or that the Argentine government will not adopt emergency legislation in the future similar to the Public Emergency Law, or other similar resolutions that may further increase our regulatory obligations, including increased taxes, unfavorable alterations to our tariff structures and other regulatory obligations, compliance with which would increase our costs and have a direct negative impact on our financial condition and results of operations.

New measures encouraging renewable energy generation projects may affect our sales under the Energía Plus program.

On October 15, 2015, Law No. 27,191 was enacted by the Argentine Ministry of Energy which requires that, through gradual increases year by year, by the end of 2025, 20% of the total domestic energy demand be met by NCREs. The new law also provides tax and other incentives to new NCREs projects.

Under the new law, customers have three different options to choose in order to meet the renewable energy goal: (i) PPAs with renewable generators, (ii) renewable self-generation, or (ii) purchase renewable energy from CAMMESA. In the case of (i), customers are allowed to decide if they want to apply that new contract to the portion of the energy provided by CAMMESA or to the energy contracted under the Energía Plus program. Accordingly, the risk of renegotiation or losing part of these contracts if clients were to choose to replace Energy Plus PPAs with renewable PPAs could increase in the coming years. We cannot make any assurances that the implementation of this law and related regulation will not affect our sales, particularly sales under the Energy Plus regime, which, in turn, could adversely affect our results of operations and financial condition.

Exchange controls, transfer restrictions, restrictions imposed by the IMF, and other policies of the Argentine government have in the past limited the availability of international and local credit or otherwise adversely affect our business, as well as our ability to repay the notes.

In the past, the Fernández de Kirchner administration increased its direct intervention in the Argentine economy, through the implementation of expropriation and nationalization measures, price controls and measures to directly or indirectly control the access of private companies and individuals to foreign trade and foreign exchange markets, such as restricting its free access and imposing the obligation to repatriate and sell within the local foreign exchange market all foreign currency revenues obtained from exports. These regulations prevented or limited us from offsetting the risk derived from our exposure to the U.S. dollar.

However, since the election of President Mauricio Macri, a significant portion of foreign exchange restrictions have been eliminated through the partial abrogation of certain regulations in force. Even though the Macri administration took several measures that had the positive effect of lifting most exchange controls in Argentina, we cannot provide any assurance that we will be able to access foreign exchange markets or that these measures will not cause fluctuations in the value of the Argentine peso. In the future the Argentine government could re-introduce exchange controls, impose restrictions on transfers abroad, impose restrictions on the movement of capital or take other measures in response to capital flight or a significant depreciation of the Argentine Peso, which could limit our ability to access the international capital markets. The lifting of certain exchange controls and other future economic, social and political developments in Argentina, over which we have no control, may adversely affect our business, results of operations, financial condition, the value of our securities, and our ability to meet our financial obligations.

Furthermore, on June 7, 2018, the Argentine government and the IMF (the "IMF") reached an agreement on a U.S.$50 billion three-year stand-by agreement. Pursuant to this agreement, the IMF imposed specific requirements on the Argentine government, including inflation targets. If Argentina were not to reach these targets, the IMF may terminate their financing arrangement and declare Argentina in default. This could limit the availability of international and local credit to Argentina and Argentine companies and could hence adversely affect our financial condition and results of operations.

Risks Relating to the Notes

Our obligations under the notes will be subordinated to other claims and obligations and the Indenture will provide that holders of the notes waive certain rights and limit certain claims.

Our obligations under the notes will be unsecured and subordinated. In the event of the acceleration of the maturity of the notes due to our insolvency or liquidation and upon any distribution of assets to creditors upon any liquidation, dissolution, winding up, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, *procedimientos concursales, quiebra* or similar proceedings in connection with our insolvency or bankruptcy, (i) all principal, premium, if any, and interest due or to become due on all Senior Indebtedness (as defined in "Description of the Notes") must be paid in full before the holders of Parity Securities (as defined in "Description of the Notes" and including the notes) are entitled to receive or retain any payment in respect thereof, and (ii) the holders of Parity Securities (including the notes) will be entitled to receive *pari passu* among themselves any payment in respect thereof.

Additionally, the Indenture will provide that holders waive certain rights and limit certain claims against us and our creditors. The notes will be subordinated to our Senior Indebtedness (as defined in "Description of the Notes"). In addition, the notes will be structurally subordinated to all existing and future unsecured and unsubordinated debt and other liabilities (including trade payables) of our operating subsidiaries. As of December 31, 2018, we had U.S.$1,087 million of outstanding debt, including U.S.$578 million of senior debt and no secured debt. As of December 31, 2018, our subsidiaries had U.S.$92 million of outstanding unsecured and unsubordinated debt and U.S.$2,346 million of secured debt. For additional information and a description of the rights of holders and of the Senior Indebtedness, see "Description of the Notes—Ranking and Subordination" and "Description of the Notes—Ranking and Subordination—Holders' Acknowledgement of Subordination of Notes."

By virtue of the subordination described above, payments to holders will, in the events described above, only be made after all our obligations resulting from higher ranking claims have been satisfied. Holders may, therefore, recover significantly less than the holders of Senior Indebtedness. Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, an investor in subordinated securities such as the notes may lose some or all of its investment if we become subject to any such bankruptcy, insolvency, *procedimientos concursales*, *quiebra* or similar proceedings as described above.

The notes may not be a suitable investment for all investors.

Each potential investor in the notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the notes, the merits and risks of investing in the notes and the information contained or incorporated by reference in this listing memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the notes;
- understand thoroughly the terms of the notes and be familiar with the behavior of the relevant financial markets and of any financial variable which might have an impact on the return on the notes; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The notes are complex financial instruments and such instruments may be purchased by potential investors as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the notes will perform under changing conditions, the resulting effects on the value of the notes and the impact this investment will have on the potential investor's overall investment portfolio.

We will have the right to defer interest payments on the notes.

We may elect to defer, in whole but not in part, payment of interest in respect of the notes in respect of any interest period by giving a deferral notice to the Trustee and the holders. Such deferral is not subject to any time limitations or mandatory termination, except in connection with a Mandatory Settlement Date (as defined in "Description of the Notes"). If we make such an election, we shall have no obligation to make such payment and any such non-payment of interest will not constitute a default by us for any purpose. Any interest in respect of the notes the payment of which is deferred will, so long as the same remains outstanding, constitute Arrears of Interest, and Arrears of Interest will only be payable as described in "Description of the Notes—Optional Interest Deferral."

During any period of deferral of interest, we will not be prohibited from making payments on any indebtedness ranking senior to the notes. Any deferral of interest payments will likely have a material adverse effect on the market price of the notes. In addition, as a result of the interest deferral provisions of the notes, the market price of the notes may be more volatile than the market prices of other debt securities that are not subject to such deferrals and may be more sensitive generally to adverse changes in our financial performance.

The notes will be subject to optional redemption by us, including upon the occurrence of certain specified events.

The notes will be redeemable, in whole, but not in part, at our option 90 calendar days prior to the First Reset Date and on any Interest Payment Date thereafter at their aggregate principal amount, together with any accrued and unpaid interest to, but excluding, the redemption date and any Arrears of Interest.

In addition, upon the occurrence of a Rating Methodology Event, a Tax Deductibility Event, a Withholding Tax Event, or a Substantial Repurchase Event, we shall have the option to redeem, in whole but not in part, the notes at the applicable Early Redemption Price set forth in "Description of the Notes—Redemption", in each case together with any accrued and unpaid interest up to, but excluding, the redemption date and any Arrears of Interest. If we redeem the notes, holders may not be able to reinvest the redemption proceeds at favorable rates or in other securities with the same or similar features.

The notes will be subject to substitution or variation by us upon the occurrence of certain specified events.

If we determine that a Rating Methodology Event, a Withholding Tax Event or a Tax Deductibility Event has occurred and is continuing, then we may, as an alternative to an early redemption of the notes as described under "Description of the Notes," and subject to certain conditions, substitute all (but not less than all), or vary the terms of, the notes so that they become Qualifying Notes (as described under "Description of the Notes—Substitution or Variation"). While Qualifying Notes are required to have terms that are not materially less favorable to holders than the terms of the notes, there can be no assurance that substitution or variation of the notes for Qualifying Notes will not have a significant adverse effect on the price of, and/or the market for, the notes, nor that there will not be any adverse tax consequences to holders of the notes arising from any such substitution or variation.

The interest rate on the notes will reset on the applicable First Reset Date and for Reset Periods thereafter, which can be expected to affect the interest payment on, and the market value of, the notes.

The notes will accrue interest at a fixed rate until, but excluding, the applicable First Reset Date (as defined in "Description of the Notes"). The initial fixed rate of interest for the notes will be reset on the First Reset Date and for subsequent Reset Periods as set forth in "Description of the Notes—Interest Rates and Interest Amount." Holders should be aware that movements in market interest rates can adversely affect the price of the notes and can lead to losses for holders if they sell the notes. Holders of securities with a fixed interest rate that will be reset during the term of the securities are exposed to the risk of fluctuating interest rate levels and uncertain interest income as the reset rates could affect the market value of an investment in the applicable securities.

The five-year Swap Rate Quotation is based on a hypothetical interest rate swap referencing a three-month U.S. dollar benchmark rate, currently LIBOR. U.K. regulators will no longer persuade or compel banks to submit rates for calculation of LIBOR after 2021 and the interest rate benchmark may be discontinued.

The five-year Swap Rate Quotation that will be used to reset the interest rate on the notes in respect of a Reset Period is based on hypothetical interest rate swaps referencing, as of the date of this listing memorandum, the three-month U.S. dollar London Inter-Bank Offered Rate ("LIBOR"). On July 27, 2017, the Chief Executive of the U.K. Financial Conduct Authority ("FCA"), which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR (which includes the three-month U.S. dollar LIBOR rate) after 2021. Such announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Notwithstanding the foregoing, it appears highly likely that LIBOR will be discontinued or modified by 2021. It is not possible to predict the effect that this announcement or any such discontinuance or modification will have on the three-month U.S. dollar LIBOR rate, the five-year Swap Rate Quotation or the notes. If on the Reset Date a Reset Reference Bank Rate needs to be determined and the three-month U.S. dollar LIBOR rate has been discontinued or is unavailable and the Company has determined that an industry-accepted substitute or successor rate for such rate has been established, it will notify the Calculation Agent in writing and the Calculation Agent will request each Reset Reference Bank to adjust such five-year swap rate quotation to include any necessary adjustment factor that is necessary to make the five-year swap rate quotation comparable to a five-year swap rate quotation based on the three-months interbank deposit rate. If this occurs, the value of the notes, the return on the notes and any trading market for the notes may be adversely affected.

Regulation and reform of "benchmarks", including LIBOR and other types of benchmarks, may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted.

LIBOR and other interest rate, equity, foreign exchange rate and other types of indices which are deemed to be "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the notes.

Any of the international, national or other proposals for reform or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". The disappearance of a "benchmark" or changes in the manner of administration of a "benchmark" could result in discretionary valuation by the Company, affect the level of the published rate including to cause it to be lower and/or more volatile than it would otherwise be, or other consequence in relation to the notes. Any such consequence could have a material adverse effect on the value of and return on the notes.

Holders may be required to bear the financial risks of an investment in the notes for a long period.

The notes will mature on March 26, 2079. We will be under no obligation to redeem or repurchase the notes prior to such date, although we may elect to do so in certain circumstances. Holders will have no right to call for the redemption of the notes, and the notes will become due and payable only in the limited circumstances relating to specified Events of Default (see "Description of the Notes—Events of Default"). Furthermore, holders may only be able to transfer their notes at a price less than the principal amount thereof or not at all. Holders should therefore be aware that they may be required to bear the financial risks associated with an investment in long-term securities and may not recover their investment in the foreseeable future.

The notes will not limit our ability to issue senior or pari passu securities.

The Indenture will not limit the amount of the liabilities ranking senior to, or *pari passu* with, the notes that may be incurred or assumed by us from time to time, whether before or after the Issue Date (as defined in "Description of the Notes"). The incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders upon our bankruptcy, insolvency, *procedimientos concursales, quiebra* or similar proceeding and/or may increase the likelihood of a deferral of interest payments under the notes.

The notes will contain limited Events of Default and remedies.

Holders will have limited rights to enforce payment or the performance of our obligations in respect of the notes. Payment of principal on the notes will not accelerate if we fail to make payment of any principal, interest or premium when due. Moreover, if we fail to make payment of any principal or interest when due, the rights of holders are limited to requesting that the Trustee initiate proceedings to compel the performance of such obligation, as further described in "Description of Notes—Events of Default."

The notes will become immediately due and payable only in the event of certain events involving our insolvency, liquidation, dissolution, winding up, assignment for the benefit of creditors, marshaling of assets or any bankruptcy (including *procedimientos concursales* and *quiebra*) or similar proceedings in connection with our insolvency or bankruptcy. If accelerated within the financial protection period (*periodo de protección financiera concursal*) following the commencement of a reorganization procedure under the Chilean Bankruptcy Law, payment of principal and interest on the notes shall be subordinated to all creditors bound by a reorganization agreement resulting from such reorganization proceeding. In addition, under the Indenture, each holder will be deemed to have agreed that the Trustee will be the only party entitled to receive and distribute amounts paid in respect of the notes upon our insolvency or similar event.

The notes do not have "cross-default," "cross-acceleration" or similar protections.

The notes will not include an Event of Default relating to a payment or covenant default with respect to other indebtedness, or acceleration of any other indebtedness. In contrast, our currently outstanding bonds and loans generally have events of default relating to defaults and accelerations with respect to other instruments, and it is likely that future bonds and loans will also contain such provisions. Accordingly, there may be circumstances where we will be required to repay the principal, interest and other amounts due under other indebtedness, but holders will not have the right to require repayment of the notes. In such circumstances, we may have an incentive to pay or restructure other debt instruments prior to paying or restructuring the notes. In addition, in situations of financial distress short of insolvency or similar event, holder may be unable to accelerate the notes or take enforcement action for a significant time after other creditors have exercised such rights.

The notes do not include the types of covenants we provide in other debt instruments.

The notes will have the protections of only limited material covenants. Accordingly, holders will not benefit from many of the covenants that we have included in indentures and credit agreements in the past and are likely to include in indentures and credit agreements in the future. As a result, holders of other indebtedness may have the right to pursue remedies against us when holders of the notes may not. In addition, we may be required to seek consents or waivers from holders of other indebtedness (or even prepay or redeem such indebtedness) without taking any action with respect to the notes.

The rating of the notes may be lowered or withdrawn depending on various factors, including the rating agencies' assessments of our financial strength and Chilean sovereign risk.

The rating of the notes addresses the likelihood of payment of principal at their maturity. The rating also addresses the timely payment of interest on each payment date. The rating of the notes is not a recommendation to purchase, hold or sell the notes, and the rating does not comment on market price or suitability for a particular investor.

Any downgrade in or withdrawal of our corporate or senior debt ratings may adversely affect the rating and price of the notes. We cannot assure holders of the notes that the rating of the notes or our corporate rating will continue for any given period of time or that the rating will not be lowered or withdrawn. A downgrade in or withdrawal of our corporate credit rating or the rating of the notes, will not be an event of default under the Indenture. An assigned rating may be raised or lowered depending, among other things, on the respective rating agency's assessment of our financial strength, as well as its assessment of Chilean sovereign risk generally. Any downgrade in or withdrawal of the rating of the notes or our corporate rating, may adversely affect the price of the notes. A credit rating is not a statement as to the likelihood of interest deferral on the notes. Holders of the notes have a greater risk of interruption of interest payments than holders of other securities with similar credit ratings but no, or more limited, interest deferral provisions.

Creditors of our subsidiaries will have priority over holders in claims to assets of our subsidiaries.

The notes will be direct obligations of AES Gener and not of any of our subsidiaries. We conduct substantially all of our business and hold substantially all of our assets through our subsidiaries. Claims of creditors of our subsidiaries, including trade creditors and bank and other lenders, will have priority over those of holders of the notes with respect to assets of our subsidiaries. In addition, our ability to meet our obligations, including under the notes, will depend, in significant part, on our receipt of cash dividends, advances and other payments from our subsidiaries.

The notes are a new issue of securities for which there is currently no public market. You may be unable to sell your notes if a trading market for the notes does not develop.

The offer and sale of the notes have not been registered under the Securities Act or the securities law of any other jurisdiction and the notes are being offered and sold only to qualified institutional buyers within the meaning of Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons pursuant to Regulation S under the Securities Act. The notes will constitute a new issue of securities with no established trading market. If a trading market does not develop or is not maintained, holders of the notes may experience difficulty in reselling the notes or may be unable to sell them at all. Accordingly, an active trading market for the notes may not develop.

The notes cannot be publicly offered in Chile unless they are registered with the CMF. The definition of a public offering of securities under Chilean law includes both offers directed to the general public and offers directed to a part or specific group thereof. We do not expect to register the notes with the CMF. We may privately sell the notes in Chile to certain qualified investors, as defined by the CMF, pursuant to applicable law and regulation.

There are restrictions on your ability to transfer the notes.

The notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. For a discussion of certain restrictions on resale and transfer, see "Plan of Distribution" and "Transfer Restrictions." Consequently, a holder of notes and an owner of beneficial interests in those notes must be able to bear the economic risk of their investment in the notes for the term of the notes.

In the event we elect to defer interest payments on the notes, the dividend stopper provision in the notes may not prevent us from paying the Minimum Legally Required Dividend.

We are permitted under the Indenture to defer interest payable on the notes. In the event we elect to defer interest payments on the notes, we will be required, to the fullest extent permitted by applicable law (which includes compliance by our board of directors with any applicable fiduciary duties prescribed by Chilean law), our board of directors will recommend to our shareholders not to declare nor pay any dividends or distributions on our share capital until we have paid all amounts due but unpaid on the notes and any Arrears of Interest has been paid.

Chilean law requires any open stock company (*sociedad anónima abierta*) to declare and distribute a minimum dividend of 30% of the company's annual net consolidated profits for each year (calculated under IFRS), except when accumulated losses from previous years need to be absorbed (the "Minimum Legally Required Dividend"). Our by-laws mirror that legal provision and provide for a minimum dividend threshold equivalent to 30% of our annual net consolidated profit for each year, except when accumulated losses from previous years need to be absorbed. In addition, as described below, our by-laws require that in order to pay a dividend above the Minimum Legally Required Dividend certain conditions must be met. Chilean law only allows us to refrain from declaring the Minimum Legally Required Dividend in a given year if we have the unanimous consent of our shareholders. Therefore, in the event we opt to defer the payment of interest on the notes, the dividend stopper provision would only limit our obligation to pay the Minimum Legally Required Dividend if we have the unanimous consent of our shareholders. In such circumstance, the deferral of interest and the subsequent payment of some or all of the Minimum Legally Required Dividend would not constitute a default under the notes.

Furthermore, we have a legal duty to declare and distribute such Minimum Legally Required Dividend at our annual shareholders meeting and pay it within 30 days of such meeting, and the CMF has ruled that such obligation is enforceable against us whenever we are under the legal obligation to declare and distribute the Minimum Legally Required Dividend. In addition, our shareholders may file a complaint with the CMF and/or present a legal claim against us if we do not declare and pay the Minimum Legally Required Dividend, and we and our directors and management may ultimately be subject to penalties and liability. In addition, in the case of open stock companies such as us, Chilean law entitles any shareholder to require the CMF to certify a copy of the minutes of the annual shareholders' meeting and board's meeting in which dividends were declared and approved, which together with the corresponding share certificates may be used for initiating summary proceedings against us in order to enforce our obligation to distribute and pay the Minimum Legally Required Dividend or any other higher dividend agreed to at such shareholders' meeting and board's meeting.

However, our by-laws provide for exceptional circumstances where dividends in excess of the Minimum Legally Required Dividend cannot be declared and paid: (i) if our credit rating is less than BBB- or Baa3 by at least two of S&P's, Moody's and Fitch, or any successor thereto and, prior to declaring that excess dividend has not received confirmation from such rating agencies that as a result of the excess dividend the credit rating of our debt will not be downgraded to less than BBB- or Baa3; or (ii) our interest coverage ratio as defined for our bonds issued in 2004 is less than 2.4 times for the immediately preceding four quarters, provided, that in any quarter such dividend payment shall not exceed U.S.$40 million.

Accordingly, the dividend stopper may have a more limited impact on our incentive to pay interest than may be the case in other jurisdictions because, despite the dividend stopper, we may be required to pay a subsequent Minimum Legally Required Dividend. For a further description of the dividend stopper and our ability to defer interest, see "Description of the Notes—Covenants—Dividend Stopper" and "Description of the Notes—Optional Interest Deferral."

The obligations under the notes will be subordinated to certain statutory liabilities.

Under Chilean bankruptcy law, the obligations under the notes are subordinated to certain statutory preferences. In the event of liquidation, such statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses, will have preference over any other claims, including claims by any investor in respect of the notes.

In the event of liquidation our obligations under the notes would be subject to special rules on subordination and may not be converted.

Under Chile's Civil Code and Bankruptcy Law (Law No. 20.720), if we were declared under liquidation, upon any such declaration, our obligations under the notes (which are irrevocable by us):

- would be satisfied after all the claims of our other non-subordinated unsecured creditors (*acreedores valistas*) are satisfied, given the subordination to which the notes are subject, the terms of which are described below;

- would be subject to the outcome of, and priorities recognized in, the relevant liquidation proceeding;

- would continue to accrue interest but interest accrued after the commencement of the liquidation proceeding would be paid after the principal of all debts are fully paid;

- would be paid in U.S. dollars, pursuant to Article 139 of the Chilean Bankruptcy Law, which provides that obligations denominated and payable in foreign currency shall be paid in such currency;

- would not be adjusted to take into account any depreciation of the Chilean peso against the U.S. dollar occurring after such declaration; provided that for distributions out of the bankruptcy proceedings obtained in Chilean pesos or other currency, the trustee shall purchase U.S. dollars, at an exchange rate prevailing at the time of payment or at the time of our default in payment, whichever is highest, according to Law No. 18,010;

- in order for the subordination to be effective in a liquidation proceeding, it shall be evidenced in a unilateral statement made by us by means of a public deed subject to Chilean law or a private instrument made before a notary public in Chile and duly filed in its registry, and recorded with such notary public (*protocolizado*) and has to be invoked by the creditors who benefit from the subordination at the time they file their claims in the liquidation proceedings or notified to the trustee in bankruptcy (*liquidador*) or when challenging the ranking of the payment obligations of principal and interest under the notes in accordance with the Chilean Bankruptcy Law (the latter can also be invoked by the liquidator at the time of the challenge that he or she may file); and

- creditors affected by the subordination of the notes will be entitled to challenge (*impugnar*) other credits. However, unsubordinated unsecured creditors shall not be barred from being paid out of the bankruptcy proceedings, subject to the outcome of, and priorities recognized in, the relevant applicable law.

Judgments of Chilean courts enforcing our obligations under the notes would be payable in U.S. dollars.

If proceedings were brought in Chile seeking to enforce in Chile our obligations in respect of the notes, we would be required to discharge our obligations in Chile in U.S. dollars. However, there is no assurance that at the moment of purchasing U.S. dollars to repay the holders of the notes such currency will be available in the market.

Holders of the notes may find it difficult or impossible to enforce civil liabilities against us or our directors, officers and controlling persons.

We are organized under the laws of Chile and our principal place of business is in Santiago, Chile. Some of our directors and most of our controlling persons reside outside of the United States. In addition, all or a substantial portion of our assets are located outside of the United States. As a result, it may be difficult for holders of the notes to effect service of process within the United States on such persons or to enforce judgments against them or us, including in any action based on civil liabilities under the U.S. federal securities laws. Based on the opinion of our Chilean counsel, there is doubt as to the enforceability against such persons in Chile, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws. See "Enforcement of Foreign Judgments."

The U.S. federal income tax consequences of your investment in the notes are not entirely certain. You are urged to read the more detailed discussion of the U.S. federal income tax treatment of the notes set forth under "Taxation—U.S. Federal Income Tax Considerations—Treatment of the Notes".

The U.S. federal income tax treatment of a financial instrument with terms similar to the features of the notes is not entirely certain. The notes are in form indebtedness and provide for a repayment of their principal amount at maturity. Notwithstanding the attributes described in the preceding sentence, other factors, such as (i) the term of the notes, (ii) the provisions relating to the potential deferral of interest payments on the notes and (iii) certain of the provisions relating to the creditor rights of holders, suggest that the notes may be characterized as our equity for U.S. federal income tax purposes. The Company is not a U.S. taxpayer and therefore is not required to file U.S. federal income tax returns. Accordingly, the Company does not intend to adopt a position with respect to the characterization of the notes for U.S. federal income tax purposes. However, by purchasing the notes each U.S. Holder (as defined in "Taxation—U.S. Federal Income Tax Considerations") will be deemed to agree to treat the notes as equity for U.S. federal income tax purposes, unless such U.S. Holder discloses that it is taking a contrary position on its U.S. federal income tax return. However, it is possible that the U.S. Internal Revenue Service could seek to characterize the notes as indebtedness of the Company for U.S. federal income tax purposes and, consequently, the notes may be subject to the U.S. Treasury regulations governing original issue discount, in which case you may be subject to adverse tax consequences, as discussed in "Taxation—U.S. Federal Income Tax Considerations—Potential Alternative Characterizations of the Notes." You are urged to consult your own tax advisor concerning the significance and potential impact of the above considerations.

A holder of the notes may be required to recognize taxable income, even if no cash is actually paid on the notes.

If we pay dividends on any class of stock (or other notes treated as equity for U.S. federal income tax purposes), such as the Common Shares, as permitted under the terms and conditions of the notes under certain circumstances, and accrue but do not make interest payments in cash on the notes, such accrual may constitute a deemed distribution by us for U.S. federal income tax purposes. Please see "Taxation—Certain U.S. Federal Income Tax Considerations—Section 305 Rules."

There are exchange rate risks and exchange controls associated with the notes.

We will pay principal and interest on the notes in U.S. dollars. This presents certain risks relating to currency conversion if a note holder's financial activities are denominated principally in a currency or currency unit (the "Holder's Currency") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar, or revaluation of the Holder's Currency) and the risk that authorities with jurisdiction over the Holder's Currency may impose or modify exchange controls. An appreciation in the value of the Holder's Currency relative to the U.S. dollar would decrease (i) the Holder's Currency-equivalent yield on the notes, (ii) the Holder's Currency-equivalent value of the principal payable on the notes and (3) the Holder's Currency-equivalent market value of the notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, holders of the notes may receive less interest or principal than expected, or no interest or principal at all.

EXCHANGE RATES

Chile

Chile has two currency markets, the Formal Exchange Market (*Mercado Cambiario Formal*), in which we conduct our Chilean transactions, and the Informal Exchange Market (*Mercado Cambiario Informal*). The Formal Exchange Market comprises banks and other entities authorized by the Chilean Central Bank (*Banco Central de Chile*). The Informal Exchange Market comprises entities that are not expressly authorized to operate in the Formal Exchange Market, such as certain foreign exchange houses and travel agencies, among others.

Both the Formal and Informal Exchange Markets are driven by free market forces. The Chilean Central Bank is empowered to determine that certain purchases and sales of foreign currencies be carried out on the Formal Exchange Market. Current regulations require that the Chilean Central Bank be informed of certain transactions and that these transactions be effected through the Formal Exchange Market.

The U.S.$ Observed Exchange Rate (*dólar observado*), which is reported by the Chilean Central Bank and published on each Chilean Business Day in the Official Gazette, is computed by taking the weighted average exchange rate of the previous Business Day's transactions in the Formal Exchange Market. The Chilean Central Bank has the power to intervene by buying or selling foreign currency on the Formal Exchange Market to attempt to maintain the U.S.$ Observed Exchange Rate within a desired range. During the past few years, the Chilean Central Bank has attempted to keep the U.S.$ Observed Exchange Rate within a certain range only under special circumstances. Although the Chilean Central Bank is not required to purchase or sell U.S. dollars at any specific exchange rate, it generally uses spot rates for its transactions. Other banks generally carry out authorized transactions at spot rates as well.

The Informal Exchange Market reflects transactions carried out at an informal exchange rate (the "Informal Exchange Rate"). There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the U.S.$ Observed Exchange Rate. In recent years, the variation between the U.S.$ Observed Exchange Rate and the Informal Exchange Rate has not been significant. On March 18, 2019, the U.S.$ Observed Exchange Rate was Ch$669.39 per U.S. dollar.

The following table sets forth the annual low, high, average and period-end U.S.$ Observed Exchange Rate for U.S. dollars for each year starting in 2016, and on a monthly basis (except as provided below) for the previous three months in 2019, as reported by the Chilean Central Bank. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

U.S.$ Observed Exchange Rates (Ch$ per U.S.$1.00[(1)])

	High[(2)]	Low[(2)]	Average[(3)]	Close[(4)]
2016	730.31	645.22	676.83	667.29
2017	679.05	615.22	649.33	624.20
2018	698.56	588.28	640.29	695.69
2019				
January	697.64	666.76	677.06	666.76
February	660.82	652.78	656.21	660.49
March (through March 18)	670.83	651.79	662.65	669.39

(1) Nominal figures (*i.e.*, not adjusted for inflation).
(2) Exchange rates are the actual high and low, on a day-by-day basis, for each period.
(3) The yearly average rate is obtained from the Chilean Central Bank's webpage (www.bcentral.cl). The monthly average rate is calculated on a day-to-day basis for each month.
(4) Each year period ends on December 31, and the respective period-end exchange rate is published by the Chilean Central Bank on the first business day of the following year. Each month period ends on the last calendar day of such month, and the respective period-end exchange rate is published by the Chilean Central Bank on the first business day of the following month.

Source: Chilean Central Bank

We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all.

Colombia

In 1990, the Colombian government initiated a policy of gradual currency liberalization. Foreign currency holdings abroad were permitted, and, in a series of decrees, control of the exchange rate was shifted from the Central Bank to the spot foreign exchange market.

The general principles that govern Colombia's legal aspects concerning general foreign exchange and international investments regulations ("FX Regulations") were established by Law 9 of 1991. Based on the general authority granted to the Colombian Central Bank pursuant to this law, the Board of Directors of the Colombian Central Bank enacted Resolution 8 of 2000 (hereinafter "Resolution 8," as amended) which is considered to be the main framework governing Colombia's FX Regulations.

Resolution 8 establishes two types of markets for foreign currency exchange: (i) the free market, which consists of all foreign currencies originated in sales of services, donations, remittances and all other inflows or outflows that do not have to be channeled through the FX Market (as defined in numeral (ii) below), and which also includes assets and investments abroad, including the profits, owned by Colombian residents prior to September 1, 1990; and (ii) the controlled market (the "FX Market"), which consists of (a) all foreign currencies originated in operations considered to be operations of the FX Market, which may only be transacted through foreign exchange intermediaries or through the registered compensation accounts mechanism ("Compensation Accounts"), or (b) foreign currencies. Compensation Accounts are accounts opened abroad by Colombian residents (individuals and legal entities), which are registered with the Colombian Central Bank in order to channel foreign currency originated in controlled operations of the FX Market. Although foreign currencies are not required to be bought from a foreign exchange, including through the FX Market, they are voluntarily channeled through such market.

Colombian law allows the Colombian Central Bank to intervene in the foreign exchange market if the value of the Colombian peso is subject to significant volatility. The Colombian Central Bank may also limit the remittance of dividends and/or investments of foreign currency received by Colombian residents whenever the international reserves fall below an amount equal to three months of imports.

The following table sets forth the annual low, high, average and period-end exchange rate for U.S. dollars for each year starting in 2016, and on a monthly basis (except as provided below) for the previous three months in 2019, as reported by the Colombian Central Bank. The Federal Reserve Bank of New York does not report a noon buying rate for Colombian pesos.

Exchange Rate of Col$ per U.S.$(1)

Year	Low(1)	High(1)	Average(2)	Period-end(3)
2016	2,833.78	3,434.89	3,050.98	3,000.71
2017	2,837.90	3,092.65	2,950.99	2,984.00
2018	2,705.34	3,289.69	2,956.43	3,249.75
2019				
January	3,120.56	3,250.01	3,165.19	3,163.46
February	3,089.40	3,132.61	3,110.58	3,131.10
March (through March 18)	3,077.35	3,168.35	3,123.25	3,123.28

(1) Nominal figures (*i.e.*, not adjusted for inflation).
(2) Exchange rates are the actual high and low, on a day-by-day basis, for each period.
(3) The yearly average rate is calculated as the average of the exchange rates on the last day of each month during the period. The monthly average rate is calculated on a day-to-day basis for each month.
Source: Colombian Central Bank

We make no representation that the Colombian peso or the U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Colombian pesos, as the case may be, at the rates indicated, at any particular rate or at all.

Argentina

From April 1, 1991 until early 2002, the Convertibility Law No. 23,928 and Regulatory Decree No. 529/91 (*Ley de Emergencia Pública y Reforma del Régimen Cambiario*, collectively referred to herein as the

"Convertibility Law") established a fixed exchange rate under which the Central Bank of Argentina was obliged to sell U.S. dollars at a fixed rate of one Argentine peso per U.S. dollar. On January 6, 2002, the Argentine Congress enacted the Public Emergency Law which suspended certain provisions of the Convertibility Law, including the fixed exchange rate of AR$1.00 to U.S.$1.00, and granted the executive branch of the Argentine government the power to set the exchange rate between the Argentine peso and foreign currencies and to issue regulations related to the foreign exchange market. The Public Emergency Law, which has been extended on an annual basis as is in effect until December 31, 2017, granted the Argentine government the power to set the exchange rate between the peso and foreign currencies and to issue regulations related to the MULC. Following a brief period during which the Argentine government established a temporary dual-exchange rate system, pursuant to the Public Emergency Law, the Argentine peso has been allowed to float freely against other currencies since February 2002. However, the Argentine Central Bank has had the power to intervene in the exchange rate market by buying and selling foreign currency for its own account, a practice in which it engaged on a regular basis. In recent years and particularly since 2011, the Argentine government has increased controls on exchange rates and the transfer of funds into and out of Argentina.

In 2003 and 2004, the Argentine government reduced some of the foreign exchange restrictions, including those requiring the Argentine Central Bank's prior authorization for the transfer of funds abroad in order to pay principal and interest on debt obligations. Nevertheless, significant government controls and restrictions remain in place. With the tightening of exchange controls beginning in late 2011, in particular with the introduction of measures that allowed limited access to foreign currency by private sector companies and individuals (such as requiring an authorization of tax authorities to access the foreign currency exchange market), the implied exchange rate, as reflected in the quotations for Argentine securities that trade in foreign markets, compared to the corresponding quotations in the local market, increased significantly over the official exchange rate.

Most of the foreign exchange restrictions were gradually lifted in since December 2015, and finally on May 19, 2017 the Central Bank issued Communication "A" 6244, which substantially modified the applicable foreign exchange regulations and eliminated the set of restrictions for accessing the Argentine foreign exchange market (the "MULC" for its acronym in Spanish). As a result of the elimination of the limit amount for the purchase of foreign currency without specific allocation or need of prior approval the substantial spread between the official exchange rate and the implicit exchange rate derived from securities transactions has substantially decreased. See "Exchange Controls."

The following table sets forth the annual low, high, average and period-end exchange rates for the periods indicated, expressed in Argentine pesos per U.S. dollar and not adjusted for inflation. The Federal Reserve Bank of New York does not report a noon buying rate for Argentine pesos.

Exchange Rate of AR$ per U.S.$[(1)]

Year	Low[(1)]	High[(1)]	Average[(2)]	Period-end[(3)]
2016	13.07	16.04	14.78	15.85
2017	15.17	18.25	16.54	18.25
2018	18.42	40.90	28.09	37.81
2019				
January	37.04	37.93	37.41	37.04
February	37.20	38.32	37.68	38.15
March (through March 18)	39.45	41.65	40.70	39.71

(1) Nominal figures (*i.e.*, not adjusted for inflation).
(2) Exchange rates are the actual high and low, on a day-by-day basis, for each period.
(3) The yearly average rate is calculated as the average of the exchange rates on the last day of each month during the period. The monthly average rate is calculated on a day-to-day basis for each month.
Source: Central Bank of Argentina

We make no representation that the Argentine peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Argentine pesos, as the case may be, at the rates indicated, at any particular rate or at all.

EXCHANGE CONTROLS

Chile

The Chilean Central Bank is the entity responsible for monetary policies and exchange controls in Chile. Chilean issuers are authorized to offer securities internationally provided they comply with, among other things, the provisions of Chapter XIV of the Compendium of Foreign Exchange Regulations of the Chilean Central Bank (*Compendio de Normas de Cambios Internacionales*, or the "Compendium"*)*.

Pursuant to the provisions of Chapter XIV of the Compendium, it is not necessary to seek the Chilean Central Bank's prior approval in order to issue the notes. The Chilean Central Bank only requires that (i) the remittance of funds in excess of U.S.$ 10,000 obtained from the sale of the notes into Chile be made through the Formal Exchange Market and disclosed to the Chilean Central Bank as described below; and (ii) all remittances of funds to make payments under the notes made from Chile be made through the Formal Exchange Market and disclosed to the Chilean Central Bank as described below.

The proceeds of the sale of the notes may be brought into Chile or held abroad. If we remit the funds obtained from the sale of the notes into Chile, such remittance must be made through the Formal Exchange Market, and we must deliver to the Department of Statistics Information of the Chilean Central Bank, directly or through an entity participating in the Formal Exchange Market, an annex providing information about the transaction together with a letter instructing such entity to deliver us the foreign currency or the peso equivalent thereof. If we do not remit the funds obtained from the sale of the notes into Chile, we have to provide the same information to the Department of Statistics Information of the Chilean Central Bank, directly or through an entity of the Formal Exchange Market, within the first ten days of the month following the date on which the transaction took place. The Compendium requires that the information provided describes the financial terms and conditions of the securities offered, related guarantees and the schedule of payments.

All payments in connection with the notes made from Chile must be made through the Formal Exchange Market. Pursuant to Chapter XIV of the Compendium, no prior authorization from the Chilean Central Bank is required for such payments in U.S. dollars. The participant of the Formal Exchange Market involved in the transfer must provide certain information to the Chilean Central Bank on the banking Business Day following the day of payment. In the event payments are made outside Chile using foreign currency held abroad, we must provide the relevant information to the Chilean Central Bank directly or through an entity of the Formal Exchange Market within the first ten days of the month following the date on which the payment was made.

Under Chapter XIV of the Compendium, payments and remittances of funds from Chile are governed by the rules in effect at the time the payment or remittance is made. Therefore, any change made to Chilean laws and regulations after the date hereof will affect foreign investors who have acquired the notes. We cannot assure you that further Chilean Central Bank regulations or legislative changes to the current foreign exchange control regime in Chile will not restrict or prevent us from acquiring U.S. dollars or that further restrictions applicable to us will not affect our ability to remit U.S. dollars for payment of interest or principal on the notes.

The above is a summary of the Chilean Central Bank's foreign exchange regulations with respect to the issuance of debt securities, including the notes, as in force and effect as of the date of this listing memorandum. We cannot assure you that restrictions will not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed. This summary does not purport to be complete and is qualified in its entirety by reference to the provisions of Chapter XIV of the Compendium, a copy of which is available from us upon request and also available at the website of the Chilean Central Bank (www.bcentral.cl).

Colombia

During 2007, the peso appreciated against the U.S. dollar by 10.0% and the Central Bank intervened in the foreign exchange markets to control currency fluctuation. During 2008, the peso depreciated by 11.3% and closed at an exchange rate of Col$2,243.59 per U.S.$1.00. During 2009, the peso appreciated against the dollar by 8.8%. As of December 31, 2010, the peso appreciated against the U.S. dollar by 6.4%. The Colombian Central Bank and the *Ministerio de Hacienda y Crédito Público* ("MHCP") have consistently adopted a set of measures intended to tighten monetary policy and control the fluctuation of the peso against the U.S. dollar. Resolution 5 of 2008, which was last amended on April 24, 2015, and Resolution 11 of 2008 of the Colombian Central Bank, established measures that include, among others, reserve requirements on private demand deposits, government demand deposits, savings deposits and other deposits on liabilities currently set at 11.0%, reserves of 4.5% for deposits with maturities for less than 180 days and 0.0% for term deposits with maturities for more than 540 days. The deposit requirements with respect to indebtedness in a foreign currency are currently 0.0%. During 2007 and 2008, both the MHCP and the Colombian Central Bank adopted several measures aimed at controlling the fluctuation of the Colombian peso against the U.S. dollar. These measures include, among others, the following:

- a 50.0% non-interest bearing deposit requirement at the Colombian Central Bank, currently applicable to short-term portfolio investments in assets other than shares or convertible bonds or collective investment funds that only invest in shares or convertible bonds, for a period of six months, which was rescinded in 2008;
- a six-month 40.0% non-interest bearing deposit at the Colombian Central Bank applicable to corporate reorganization transactions, including mergers, acquisitions and spin-offs, if the successor thereof is a Colombian resident required to repay foreign indebtedness which would have otherwise been subject to the deposit requirement of Resolution No. 2 of May 6, 2007;
- exemptions to the 40.0% non-interest bearing deposit requirement applicable to foreign investment in local private equity funds and ADR and GDR programs of Colombian issuers;
- two-year restrictions on the repatriation of foreign direct investments;
- increases to the reference rate (repo rate); and
- interest-free deposits with the Central Bank applicable to the proceeds resulting from imports financings.

Since October 8, 2008 and October 9, 2008, through Decree 3913, which currently remains in force, and Resolution 10, issued by the Colombian government and the Central Bank, respectively, the deposit requirement was set at 0.0% in connection with foreign portfolio investment and foreign indebtedness operations, including foreign loans, import financing and export financing. Additionally, on September 1, 2008 by means of Decree 3264, the Colombian government eliminated restrictions on the repatriation of foreign direct investments.

On March 3, 2010, the Colombian Central Bank resumed intervention in the foreign exchange market, accumulating international reserves through daily purchases of U.S.$20.0 million in competitive auctions during the first half of 2010 in response to indications of an exchange rate misalignment. From March to June 2010, the Colombian Central Bank accumulated U.S.$1.6 billion. In May 2010, the Colombian Central Bank made public its decision to extend its intervention in the Colombian foreign exchange market indefinitely. On November 5, 2010, the Colombian government issued Decree 4145, pursuant to which, among other things, interest payments on foreign indebtedness by Colombian companies became subject to a 33.0% withholding tax rate. On December 29, 2010, the Colombian government enacted Law 1430 of 2010, which, among other things, reduced the withholding tax rate on interest payments on foreign indebtedness of Colombian companies. Under one interpretation of Law 1430 of 2010, the withholding tax rate applicable to the interest payments made to foreign holders of the notes could be determined to be 14.0%, and under another interpretation such withholding tax rate could be determined to be 0.0%. Some articles of this law have been modified and challenged before the Constitutional Court of Colombia. However, no major modification has yet been approved.

The Colombian government and the Colombian Central Bank have considerable power to determine governmental policies and to take action that relates to the Colombian economy and, consequently, to affect the operations and financial performance of businesses. The Colombian government and the Colombian Central Bank may seek to implement additional measures aimed at controlling further fluctuation of the Colombian peso against other currencies and fostering domestic price stability.

Argentina

Prior to December 1989, the Argentine foreign exchange market was subject to exchange controls. From December 1989 until April 1991, Argentina had a freely floating exchange rate for all foreign currency transactions, and the transfer of dividend payments in foreign currency abroad and the repatriation of capital were permitted without prior approval of the Central Bank of Argentina. From April 1, 1991, when the Convertibility Law became effective, until December 21, 2001, when the Central Bank of Argentina decided to regulate the foreign exchange market, the Argentine currency was freely convertible into U.S. dollars.

On December 3, 2001, the Argentine government imposed a number of monetary and currency exchange control measures through Decree 1570/01, which included restrictions on the free disposition of funds deposited with banks and tightened existing restrictions on transferring funds abroad without the Central Bank of Argentina's prior authorization (subject to specific exceptions for transfers related to foreign trade).

On June 9, 2005, the executive branch of the Government issued Decree No. 616/05, which established significant amendments to the rules for capital movements into and from Argentina. Through Decree No. 616/2005, the Argentine executive branch established that (a) all inflows of funds into the domestic foreign exchange market arising from foreign debts incurred by individuals or entities in the private sector, excluding foreign trade financing and primary issuances of debt securities authorized for public offering in Argentina and listing and/or trading on self-regulatory markets; and (b) all inflows of funds of non-residents channeled through the local foreign exchange market to be applied to holdings of local currency, acquisition of all types of financial assets or liabilities in the financial or non-financial private sector, other than direct foreign investment and primary issuances of debt securities and shares authorized for public offering in Argentina and listing and/or trading in self-regulatory markets and investments in government securities acquired in secondary markets must meet the following requirements: (i) the funds entering the country may only be transferred out of the local foreign exchange market at the expiration of a term of 365 calendar days counted as from the date the funds were received in Argentina; (ii) the proceeds of the foreign exchange settlement of the funds received in Argentina must be credited to an account in the local banking system; (iii) a registered, non-transferable and non-interest bearing deposit equivalent to 30% of the amount involved in the relevant transaction must be maintained for a term of 365 calendar days under the conditions prescribed by regulations; and (iv) such deposit must be made in U.S. dollars and held in a financial institution in Argentina. Such deposit shall not accrue interest or any other type of benefits and it may not be used to secure credit facilities of any type. It should be noted that there are several exceptions to the requirements of Decree No. 616/2005, including, among others, those detailed below.

In December 2015, the Argentine Ministry of Economy and Public Finances issued Resolution No. 3/2015 and the Argentine Central Bank ("BCRA") issued Communication "A" 5850, which introduced substantial changes in exchange rate regulations, relating to the regime applicable to inflow and outflow of foreign exchange in the exchange market. These regulations modify the regime applicable to foreign exchange earnings in the foreign exchange market with respect to the effects of the previous Decree N° 616/2005. As a result, such deposit will no longer be applicable to, among other transactions, foreign financial debts, inflows by non-residents and repatriations by residents. In addition, Resolution No. 3/2015 reduced the minimum term that proceeds received from any new financial indebtedness (incurred by residents and granted by foreign creditors) must be kept in Argentina from 365 calendar days to 120 calendar days from the date the funds were transferred. Recently, Resolution 01/2017 of the Ministry of Finances eliminated the minimum stay period.

Furthermore, by means of Communication "A" 6244, the BCRA established an integral rearrangement of foreign exchange regulations that normalizes the access to the MULC, effective as of July 1, 2017. The main changes are the following:

- Argentine residents as well as non-Argentine residents may freely access the MULC.
- All regulations that restricted access to the MULC have been repealed, leaving in place only the obligation to comply with certain reporting regimes, such as foreign notes and liabilities by the financial and private non-financial section established by Communication "A" 3602 and the "Survey on direct investments" established by Communication "A" 4237, even when the funds have not been sold in the MULC and/or there is no expectation to access the MULC in the future in relation to the funds that must be reported.

- Financial and foreign exchange entities may freely determine the level and use of their general foreign exchange positions.

- Foreign exchange transactions have been simplified, requiring from customers only their ID. There is no need to neither formalize the transaction through a sales contract nor to indicate a concept code for the transaction.

- Transactions from abroad will be automatically credited to local accounts. In case that the currency of the transaction is different than the currency in which the account is denominated, the amount credited shall be determined by the exchange rate of the day of the transaction.

- Time restrictions for carrying out foreign exchange transactions have been eliminated.

- The retail exchange rates offered in the City of Buenos Aires may be consulted at the BCRA web page. Such exchange rate reflects the information provided by financial and foreign exchange entities that voluntarily choose to provide such information.

- The mandatory settlement of export proceeds through the MULC within the term of ten years is kept in place.

- The types of financings that may be canceled abroad through the direct use of export proceeds have been increased.

Pursuant to Communication "A" 6401 dated December 26, 2017 a new reporting regime was created by means of which the "Survey on the issuance of foreign notes and liabilities by the financial and private non-financial sector" established by Communication "A" 3602 and the "Survey on direct investments" established by Communication "A" 4237, were replaced by a unified report on Direct Investments and Debt. Only Argentine residents (both legal entities or natural persons) whose flow or balance of foreign assets or debts during the previous calendar year reaches or exceeds the equivalent of U.S.$1 million in Argentine pesos are required to report foreign holdings of: (i) shares and other capital participations; (ii) instruments of non-negotiable debt; (iii) instruments of negotiable debt; (iv) financial derivatives; and (v) real estate on annual basis. Argentine residents (both legal entities or natural persons) whose flow or balance of foreign assets or debts during the previous calendar year reaches or exceeds the equivalent of U.S.$50 million in Argentine pesos, shall comply with the report on a quarterly basis.

USE OF PROCEEDS

The net proceeds from the issuance of the notes, after the deduction of expenses and the underwriting discount associated with the offering, are estimated to be approximately U.S.$540.4 million.

We intend to use the net proceeds from the offering to purchase for cash any and all of the U.S.$450 million aggregate principal amount of our outstanding 2073 Notes, that are tendered, not withdrawn and accepted for purchase pursuant to the Tender Offer Documents, excluding the tender premium (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Debt Maturity Schedule," for details of our existing indebtedness). The remainder, if any, will be used for general corporate purposes, including the working capital needs of our subsidiaries.

CAPITALIZATION

The following table should be read in conjunction with "Presentation of Certain Financial and other Information," "Summary Consolidated Financial and Operating Data," "Selected Consolidated Financial Data," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and the related notes thereof included in this listing memorandum.

The following table sets forth our consolidated capitalization as of December 31, 2018 on an actual basis, and as adjusted to give effect to the proceeds from this offering.

Consolidated	**As of December 31, 2018**	
	Actual[(1)]	**As Adjusted[(2)]**
	(in millions of U.S. dollars)	
Cash and Cash Equivalents	322.4	404.2
Short-Term Debt[(3)]	316.9	315.5
Long-Term Debt[(4)]	3,267.4	2,825.2
Notes Offered Hereby[(5)]	-	540.4
Non-Controlling Interest	121.9	121.9
Total Equity Attributable to Owners of the Parent[(6)]	2,625.3	2,610.3
Total Capitalization[(7)]	6,331.6	6,413.3

(1) The capitalization table above includes (i) U.S.$442.2 million outstanding under the 2073 Notes, as of December 31, 2018, given that under IFRS debt is recorded at its amortized cost using the effective interest rate method (amortized cost is calculated by taking into account any initial premium or discount on the notes and includes any transaction costs that are an integral part of the effective interest rate) and (ii) accrued interest of U.S.$1.4 million owed under the 2073 Notes, as of December 31, 2018. We intend to repay the full U.S.$450 million nominal amount of the 2073 Notes, assuming all of our outstanding 2073 Notes are tendered, not withdrawn and accepted for purchase on the early settlement date as described in the Tender Offer Documents, with the net proceeds of this offering.

(2) As adjusted to reflect (i) the receipt of the estimated net proceeds from the issuance of the notes, after deduction of expenses and the underwriting discount associated with the offering, of U.S.$540.4 million, and (ii) the payment of the purchase price under the Tender Offer, excluding the tender premium, assuming all of our outstanding 2073 Notes are tendered, not withdrawn and accepted for purchase on the early settlement date as described in the Tender Offer Documents, which, as explained in footnote (1) above, for purposes of the as adjusted column above, amounts to payments of U.S.$442.2 million in principal amount and U.S.$1.4 million in accrued interest.

(3) Short-Term Debt corresponds to the "Other Current Financial Liabilities" line item of our statement of financial position.

(4) Long-Term Debt corresponds to the "Other Non-Current Financial Liabilities" line item of our statement of financial position.

(5) This includes deferred financing costs of the notes issuance of U.S.$9.3 less the related tax effect.

(6) Total Equity Attributable to Owners of the Parent as adjusted to reflect expenses related to the Tender Offer, including the payment of the tender premium, which are estimated to be U.S.$7.2 million.

(7) Total Capitalization does not include cash and cash equivalents.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present selected consolidated financial information as of and for each of the periods indicated. You should read the information below together with our audited consolidated financial statements and the related notes thereto included elsewhere in this listing memorandum, as well as the sections entitled "Presentation of Certain Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this listing memorandum. Information included below as of December 31, 2018 and 2017 and for the years ended December 2018, 2017 and 2016 data appears in our audited consolidated financial statements included elsewhere in this listing memorandum.

	For the year ended December 31,		
INCOME STATEMENT DATA	**2018**	**2017**	**2016**
		(Thousands of U.S.$)	
Operating Revenue			
Contract Energy and Capacity Sales[(1)]	1,994,222	1,833,919	1,603,068
Spot Market Energy and Capacity Sales[(2)]	308,596	317,106	425,881
Other Operating Revenue	344,561	285,687	257,452
Total Operating Revenue	**2,647,379**	**2,436,712**	**2,286,401**
Cost of Sales			
Fuel Consumption	(842,626)	(760,848)	(620,717)
Energy and Capacity Purchases	(358,666)	(298,557)	(441,624)
Depreciation and Amortization Expense	(267,270)	(281,524)	(249,926)
Other Cost of Sales	(463,509)	(478,289)	(348,687)
Total Cost of Sales	**(1,932,071)**	**(1,819,218)**	**(1,660,954)**
Gross Profit	**715,308**	**617,494**	**625,447**
Administrative Expenses	(103,883)	(108,656)	(102,296)
Other Operating Income (Expense)	1,691	(1,685)	(738)
Total Adjusted Operating Income[(3)]	**613,116**	**507,153**	**522,413**
Finance Income	4,912	8,173	8,111
Finance Expense	(115,891)	(177,037)	(161,531)
Foreign Currency Exchange Differences	(17,273)	(4,662)	(17,297)
Other Non-Operating Income (Expense)[(4)]	42,969	(20,524)	13,443
Income Before Taxes and Non-Controlling Interest	**527,833**	**313,103**	**365,139**
Income Tax Expense	(222,514)	(115,018)	(106,830)
Net Income	**305,319**	**198,085**	**258,309**
Loss Income Attributable to Non-Controlling Interests	18,332	13,566	(2,700)
Income Attributable to Shareholders of the Parent	286,987	184,519	261,009

(1) Contract Energy and Capacity Sales is calculated as the sum of regulated and unregulated customers sales in the SEN (2018), the SIC and the SING (2017 and 2016) and contract sales in the SADI and the SIN.

(2) Spot Market Energy and Capacity Sales is calculated as the sum of spot sales in the SEN (2018), the SIC and SING (2017 and 2016), SADI and SIN and regulated customer without contract sales in the SEN (2018) and the SIC (2017 and 2016).

(3) Total Adjusted Operating Income is a non-IFRS financial measure, which we calculate as gross profit plus other operating income less administrative and other operating expenses. See "Presentation of Certain Financial and other Information" for further information on this non-IFRS measure.

(4) Other Non-Operating Income (Expense) is calculated as the sum of other gain (losses) and participation in earnings of associates.

	As of December 31,	
	2018	2017
ASSETS	(*Thousands of U.S.$*)	
Cash and Cash Equivalents	322,373	275,948
Other Current Financial Assets	4,853	10,647
Other Current Non Financial Assets	4,361	5,529
Trade and Other Receivables	435,509	444,905
Related Party Receivables	29,313	10,066
Inventory	186,358	155,157
Taxes Receivables	6,309	25,911
Assets Held for Sale	-	181,539
Total Current Assets	**989,076**	**1,109,702**
Other Non-Current Financial Assets	17,610	34,398
Other Non-Current Non-Financial Assets	27,308	24,274
Trade and Other Receivables	10,000	18,929
Investments in Associates	213,315	410,882
Intangible Assets	63,101	52,589
Property, Plant and Equipment	6,472,229	6,421,441
Deferred Taxes	76,722	87,592
Total Non-Current Assets	**6,880,285**	**7,050,105**
Total Assets	**7,869,361**	**8,159,807**

	As of December 31,	
	2018	2017
LIABILITIES	(*Thousands of U.S.$*)	
Other Current Financial Liabilities	316,943	1,052,448
Trade and Other Payables	333,411	355,108
Related Party Payables	140,347	278,918
Provisions	226	1,450
Taxes Payable	60,588	25,542
Employee Benefits	3,239	4,507
Other Current Non-Financial Liabilities	35,085	27,490
Total Current Liabilities	**889,839**	**1,745,463**
Other Non-Current Financial Liabilities	3,267,438	2,781,566
Trade and Other Payables	2,202	15,314
Non-Current Related Party Payables	164,883	-
Provisions	117,591	286,047
Deferred Taxes	622,876	575,871
Employee Benefits	31,367	35,981
Other Non-Current Non-Financial Liabilities	25,915	9,495
Total Non-Current Liabilities	**4,232,272**	**3,704,274**
Total Liabilities	**5,122,111**	**5,449,737**
Issued Capital	2,052,076	2,052,076
Retained Earnings	484,640	412,913
Share Premium	49,864	49,864
Other Components of Equity	238,944	238,157
Accumulated Other Comprehensive Income	(200,203)	(159,090)
Total Equity Attributable to Owners of the Parent	**2,625,321**	**2,593,920**
Non-Controlling Interest	121,929	116,150
Total Equity	**2,747,250**	**2,710,070**
Total Liabilities and Equity	**7,869,361**	**8,159,807**

	As of December 31,		
	2018	**2017**	**2016**
STATEMENT OF CASH FLOWS DIRECT METHOD		***(Thousands of U.S.$)***	
Cash Flows from Operating Activities:			
Proceeds from Sales of Goods and Services	2,935,816	2,714,959	2,471,871
Other Proceeds from Operating Activities	17,344	21,888	29,892
Payments to Suppliers for Goods and Services	(1,881,190)	(1,662,077)	(1,537,769)
Payment to Employees	(87,767)	(81,695)	(78,232)
Other Payments for Operating Activities	(227,517)	(136,158)	(103,436)
Dividends Paid	(188,908)	(261,009)	(93,374)
Dividends Received	16,325	36,409	-
Interest Paid	(166,754)	(184,517)	(156,745)
Interest Received	3,778	3,330	3,077
Income Taxes Paid	(89,344)	(101,453)	(97,603)
Other Operating Cash Outflows	(18,378)	(9,020)	(15,760)
Net Cash Flows Provided by Operating Activities	**313,405**	**340,657**	**421,921**
Proceeds from Sale of Investments	513,208	-	616
Purchases of Property, Plant and Equipment	(564,963)	(496,938)	(561,919)
Proceeds from sales of Intangible Assets	3,072	109	1,704
Purchases of Intangible Assets	(448)	(564)	(766)
Proceeds from Financial Assets Sales	229	171,690	163,506
Purchases of Other Assets	(1,088)	(162,907)	(144,787)
Other Investing Inflows (Outflows)	48,886	68,406	(60)
Net Cash Flows Provided by (Used in) Investing Activities	**(488)**	**(419,609)**	**(541,695)**
Proceeds from Share Issuance	-	22,156	21,280
Payment to acquirer or redeem the shares of the entity	(11,610)	(33,600)	(10)
Proceeds from Borrowings	526,630	393,971	632,137
Loan Payments	(768,336)	(484,669)	(312,482)
Payments on Finance Lease Obligations	(4,445)	(1,275)	(1,879)
Interest Paid	-	(9,939)	-
Other Financing Inflows (Outflows)	-	(2,825)	(21,837)
Net Cash Flows Provided by (Used in) Financing Activities	**(257,761)**	**(116,181)**	**317,209**
Net Cash and Cash Equivalent Decrease, before Foreign Exchange Difference	55,156	(195,133)	197,435
Net Foreign Exchange Differences	(8,731)	1,521	4,892
Cash and Cash Equivalents at the Beginning of Period	275,948	469,560	267,233
Cash and Cash Equivalents at the End of Period	**322,373**	**275,948**	**469,560**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based on our financial statements and should be read in conjunction with the financial statements and the notes thereto included elsewhere in this listing memorandum, as well as the data set forth in "Selected Consolidated Financial Data" and "Presentation of Certain Financial and Other Information." Our audited consolidated financial statements included herein have been prepared in accordance with IFRS and are presented in U.S. dollars.

Overview

We are the second largest electricity generation company in Chile in terms of gross generation, with a market share of 27% and installed capacity, with a market share of 14%, both as of December 31, 2018 in the newly interconnected SEN. We also have a presence in the SIN in Colombia and the SADI in Argentina. As of December 31, 2018, our installed capacity in Chile totaled 3,388 MW. In Chile, among other projects, we currently have under construction a 531 MW run-of-river power plant (Alto Maipo) as well as a 10 MW BESS adjacent to our Alfalfal I hydroelectric plant in Cajon del Maipo located in the Metropolitan Region, and recently launched 290 MW of solar and wind projects (an 80 MW expansion of our Andes 22 MW solar plant and 210 MW of new wind plants). Additionally, in Colombia (i) in partnership with Ecopetrol S.A., we are currently constructing a 20 MW solar plant (Castilla) and (ii) we recently acquired a portfolio of 648 MW of wind projects (see "Summary—Recent Developments").

In Chile, we have a diversified generation portfolio in terms of geography, technology, customers and fuel source. Our installed capacity is located near the principal electricity consumption centers, including Santiago, Valparaíso and Antofagasta, extending from Tocopilla in the north to Los Angeles in south central Chile. Our diverse generation portfolio, composed of hydroelectric, coal, solar, diesel and biomass facilities, allows us to flexibly and reliably operate under a variety of market and hydrological conditions, efficiently managing our contractual obligations with regulated and unregulated customers and, as required, providing back up energy to the spot market in the SEN.

In Colombia, we own the third-largest hydroelectric facility. As of December 31, 2018, we had a 6% market share based on installed capacity, and a 7% market share based on generation. Based on our generation market share, we are the fifth-largest generation company in the country. This dam-based hydroelectric plant, located approximately 160 km east of Bogota, has total nominal capacity of 1,000 MW. We actively manage the reservoir level by contracting a significant portion of the plant's generation and selling the remaining generation on the spot market. Additionally, our 20 MW Tunjita run-of-river hydroelectric plant started commercial operations in the second half of 2016.

In Argentina, our 643 MW combined cycle facility in Salta, represented 2% of the SADI's installed capacity and net generation, as of December 31, 2018. As of the date of this listing memorandum, TermoAndes sells energy exclusively in Argentina; a portion of its generation is sold to unregulated customers under short-term contracts under the Energía Plus Program and the remainder is sold on the spot market. This plant is also connected to the SEN.

Trends and Factors Affecting Our Results of Operations

Developments in Chile

Historical Overview

The Chilean electricity sector has experienced significant technological change in the recent decades. In the late 1990s, the arrival of low-cost natural gas from Argentina via pipelines constructed across the Andes mountains triggered significant investment in natural gas-fired combined cycle gas turbines ("CCGTs"), with 10 plants with installed capacity of more than 2,500 MW built in the SIC (now part of the SEN) and five plants with installed capacity of over 2,000 MW in the SING (now part of the SEN), including TermoAndes. These low cost natural-gas fired plants were dispatched as base load plants, significantly reducing regulated and spot energy prices during the period. In 2004, Argentine natural gas curtailments began and became increasingly more severe over the next several years until natural gas exports to Chile were essentially halted in 2007. In order to maintain plant availability and meet existing contractual obligations, electric power generators with CCGTs were often forced to replace natural gas with more expensive diesel oil in dual-fueled CCGTs. As a result, spot market prices increased significantly, registering historically high levels in both the former SIC and SING particularly during 2007 and 2008.

The natural gas crisis produced the need for the construction of new cost-efficient capacity, not generated with natural gas, to alleviate the imbalance between demand and efficient supply. We responded to the market opportunities presented in both the SIC and SING by developing and successfully commencing commercial operations of a significant expansion plan of new generation projects with total installed capacity of 2,274 MW, including 10 coal-fired generation units with combined installed capacity of 2,252 MW to increase efficient base load generation and two diesel-fired back-up facilities with combined installed capacity of 273 MW. We have also completed 52 MW BESS facilities to improve system reliability and 22 MW of NCREs in a solar power plant (our Andes Solar plant). We are also in the process of completing construction of an additional 531 MW in a run-of-river power plant (our Alto Maipo project), which has been recently restructured.

In addition, in response to the lack of natural gas from Argentina, LNG regasification terminals were installed in both the former SIC and the SING, providing another source of fuel for gas-fired facilities. We are not a member of the off-take or purchasing pool in the regasification terminals, as prices and purchase terms offered in Chile are not yet competitive with coal-based generation for base load power or as flexible as diesel supply for back-up power. We started to purchase occasional supplies of LNG under short-term contracts for our CCGT in the former SIC in October 2010, which has continued through the present.

The SING and the SIC were interconnected in November 2017 to comprise the SEN. The SEN is expected to become fully operational in June 2019, once the last segment of the Cardones-Polpaico transmission line is completed. We expect this interconnection to lead to both an increase in electricity demand and supply in Chile. The SEN now provides electricity to almost the entire country and, as of 2018, we supply the SEN in Chile and the SIN and the SADI in Colombia and Argentina, respectively.

As of December 31, 2018, gross maximum demand in the SEN was 10,569 MW. As of December 31, 2018, the SEN had a total net installed capacity of 23,411 MW, providing the system with a substantial amount of reserve margin to satisfy demand peaks at increased variable cost of production given expensive gas and diesel turbines. These numbers exclude our TermoAndes CCGT physically located in Argentina, which stopped delivering electricity to the SING (now part of the SEN) in 2008. From time to time, the system still needs to run CCGTs with diesel to meet demand.

In addition, we own a 268 km 345 kV transmission line that extends from our TermoAndes plant in Argentina to the Paso Sico on the Chilean border, and a 140 km 345 kV transmission line that extends from Paso Sico to the Andes substation in what was previously the SING. These transmission lines, which we used until 2011 to export energy generated by our TermoAndes plant to what was previously the SING, are currently the only lines connecting both countries. During 2014, we successfully tested these lines with bilateral electrical transfers of up to 200 MW, achieving improvements in what was previously the SING's frequency regulation. In June 2015, the Chilean Ministry of Energy issued Decree No.7, pursuant to which we were authorized to export energy to the SADI. However, in order to avoid an impact in Chilean local prices and to ensure the operational reliability of both systems, we only expect to export SEN energy generation surpluses.

SIC

Driven by the Argentinian natural gas crisis described above, we responded to the SIC's (now part of the SEN) need for additional power generation capacity by initiating an ambitious expansion under which we have successfully added 1,119 MW in new installed capacity since 2006. Our immediate response to alleviate the supply and demand imbalance in the SIC related to the gas crisis and ongoing organic growth was the installation of new back-up capacity. This new back-up capacity includes two diesel-fired turbines with installed capacity of 132 MW and 139 MW, the Los Vientos and Santa Lidia plants, respectively, which initiated commercial operations in 2007 and 2009 and which were sold alongside with Sociedad Eléctrica Santiago S.p.A.'s ("Eléctrica Santiago") assets in 2018. See "—Trends and Factors Affecting Our Results of Operations— Sales of non-core assets" below. We have also added significant new cost-efficient generation in the SIC, with a total of 848 MW in coal-fired facilities that initiated commercial operations in 2009, 2010 and in the first quarter of 2013. This efficient capacity is composed of the 272 MW Nueva Ventanas coal-fired facility, our equity-method investee Guacolda's, third and fourth coal-fired units, with installed capacity of 152 MW each, and our 272 MW Ventanas IV coal-fired facility. Our equity-method investee Guacolda has built a fifth 152 MW coal-fired unit in the SIC which began operations in the last quarter of 2015.

In addition to the project mentioned above, we expect the 531 MW run-of-river hydroelectric Alto Maipo power plant to diversify and complement our current portfolio of generation and to provide an important source of energy to the metropolitan area of Santiago.

SING

In the SING (now part of the SEN), our only asset directly affected by the gas supply curtailments was our 643 MW TermoAndes CCGT owned by our subsidiary TermoAndes. Although TermoAndes is located in northwest Argentina in the province of Salta, the plant was constructed in the late 1990s primarily in order to export natural gas-fired generation to the SING. TermoAndes is connected to the SING (now part of the SEN) by a transmission line owned by us which crosses the Andes mountains. The plant commenced operations in 2000, selling exclusively in the Chilean SING market. As a result of shortages in the Argentine energy market and ongoing gas supply restrictions, Argentine authorities requested the connection of one unit from the TermoAndes plant to supply power to the SADI in 2007, and later in 2008, requested the connection of two of the three units. From mid-December 2011, 100% of TermoAndes' production has been utilized to supply demand in the SADI in Argentina. The export permit to deliver energy to the SING in Chile expired on January 31, 2013. Currently, TermoAndes sells energy exclusively in Argentina and a portion of its generation is sold to unregulated customers under short-term contracts and the remainder on the spot market.

We also responded to the SING's need for new capacity with our Angamos project consisting of 545 MW in new cost-efficient installed capacity and 32 MW in BESS capacity. After approximately three years of construction, both units of our Angamos coal-fired plant initiated commercial operations in April and October 2011, respectively. Additionally, in 2009, we installed a 12 MW BESS in the SING, the first BESS investment project in Chile, which allowed us to replace system required spinning reserve at our existing Norgener coal plant, thereby increasing the plant's base load generation by approximately 4.0%. An additional 20 MW BESS project was installed at our Angamos coal plant, which initiated operations in December 2011, also allowing Angamos to replace the system required spinning reserve. We built two 275 MW pulverized coal-fired power generation units, Cochrane I and Cochrane II, with a total gross capacity of 550 MW, and related facilities; a 153 km 220 kV transmission line connecting our complex to the SING grid; receiving, storage, delivery and processing facilities for fuel and line; cooling towers; two desulfurization and selective catalytic reduction plants; and desalinization, demineralization, water storage and treatment plants. The complex commenced commercial operations in 2016, with Cochrane I starting in July 2016 and Cochrane II in October 2016. This project also includes a BESS facility which allows us to increase our generation capacity by 20 MW, or 130 – 150 GWh per year. We also (i) completed a 22 MW solar power plant (our Andes Solar project) in 2016, which we are currently expanding by 80 MW and (ii) launched 210 MW of new wind plants.

In addition to our Cochrane I and Cochrane II units, which together provide 550 MW of gross installed capacity and commenced operations in 2016, the following thermoelectric power plants commenced operations in recent years: (i) Engie's CTA and CTH plants (which together provide 355 MW of gross installed capacity), (ii) in 2011, the Angamos I and Angamos II units (which together provide 558 MW of gross installed capacity), and (iii) in 2016, Tamakaya's, a subsidiary of BHP Billiton, Kelar CCGT unit (which provides 532 MW of gross installed capacity). According to the work plans published by the CNE, there are power generation projects currently under construction with an aggregate net capacity of 2,747 MW in the SEN. These projects include 2,159 MW of NCREs projects, which consist primarily of solar photovoltaic and wind projects.

NCREs Developments

During the last few years, NCRE generation in Chile has shown a solid growth trend faster than expected, mainly as a consequence of the declining capital requirements to deploy wind and solar technologies. This growth trend is boosted by several initiatives that the Chilean government is promoting with the energy agenda. NCREs have increased their share in the Chilean market from 4% of installed capacity in 2012 to 18% of installed capacity in 2018. This shift has lowered spot prices while at the same time increased volatility and seasonality.

The increasing addition of NCRE power plants to the SEN will require further market flexibility and focus on operational efficiency to combine the different technologies while maintaining the security and attempting to maintain the system's supply continuity, which is typically an NCRE weakness. Wind and solar sources, the NCRE most widely used, have higher intermittency than conventional generation facilities since they can only generate electricity when the wind blows or the sun shines. In addition, some customers are also expected to be able to generate their own energy based on NCRE higher availability and new technologies, such as net billing and distributed generation. This will require the grid operator and distribution companies to address these changes and adapt to these upcoming events as well as to the upcoming storage of energy, which development will lead to a new growth momentum. BESS facilities will likely play a key role in the next decade, providing a crucial solution for frequency control and grid stability in the context of significant wind and solar penetration.

Through the execution of our new Greentegra strategy, we seek to diversify our portfolio of assets in Chile, by integrating NCRE and BESS facilities into our portfolio. We expect this strategy to allow us to compete more efficiently by enabling us to (i) offer electricity generated from a wide array of sources, (ii) use such sources individually or in a combined manner, (ii) better satisfy the needs and demands of the system and the market at any given time and (iv) reduce risks through an enhanced generation portfolio. We remain committed to continuing to increase the efficiency and operational flexibility of our thermal units in Chile and further supporting the incorporation of additional NCREs into the system, while at the same time maintaining the reliability of the SEN.

Developments in Argentina

The Argentine electricity sector has experienced significant changes in the past decade affected by government intervention and driving a lack of investment in generation capacity. At the end of 2006, largely to provide new generators with incentives to make capital investments in needed new generation plants, the Energía Plus Program was created. Energía Plus Program is a service that can be provided by generators, cogenerators or self-generators, which were not members of the MEM at the date of the publication of the resolution, or whose capacity or generation units were not connected to the system at such date, by selling generation to unregulated customers. The purpose of this service was to support increases in demand from large users over actual demand they had in 2005. The provision of Energía Plus Program service requires the execution of a supply contract between the parties at an agreed upon monomic price composed of associated costs and a profit margin. These contracts and the associated costs must be approved by and the profit margin must be determined by the Argentine Secretariat of Energy (*Secretaría de Gobierno de Energía*). Energía Plus Program prices are determined in U.S. dollars and paid in Argentine pesos based on the existing exchange rate on the respective invoice dates.

In 2008, 406 MW of TermoAndes' installed capacity, specifically its two gas turbines, which were not connected to the SADI at the time the Energía Plus Program was created but connected later in September 2007, were certified by the Argentine Secretariat of Energy to participate in the Energía Plus Program for all generation capacity in excess of 100 MW. As of December 31, 2018, our Energía Plus Program contracts with unregulated customers totaled 182 MW, the average energy price was U.S.$ 73.8/MWh and the average term of the contracts was one year. Going forward, our commercial strategy for TermoAndes will focus on continuing to increase the portion of unregulated contract sales in Argentina in order to improve our operating margin in the SADI. During the year 2018, TermoAndes registered an average spot price in the SADI of U.S.$ 7.0/MWh for sales under the base energy framework ("Energía Base Framework") and an average Energía Plus Program contract price of 73.8 U.S.$/MWh.

Developments in Colombia

The Colombian electricity sector has changed in the past two decades, moving from an environment of over-installed capacity to new generation growth. In 2006, a new methodology for compensating generators for firm capacity was established, titled the "reliability charge mechanism." The reliability charge mechanism is based on firm capacity obligations which are assigned through a public auction process. In this process, existing plants receive firm energy allocations for one-year periods while new plants are able to ensure reliability charge revenue for periods of up to 20 years. The last reliability charge auction was carried out at the end of February 2019 for energy deliveries starting on December 1, 2022. The clearance price of the auction was U.S.$ 15.1/MWh and 91,450

GWh per year of new firm energy capacity were assigned. In order to cover for a possible lack of energy due to the non-entry into commercial operation of the 2,400 MW hydroelectric Ituango project, which is being developed by Empresas Públicas de Medellín E.S.P ("EPM"), the assigned firm energy capacity was 10% higher than demand. Of the new capacity assigned (4,010 MW), 1,240 MW correspond to thermal, 1,372 MW to hydroelectric, 1,160 MW to wind and 238 MW to solar energy. Both AES Chivor (2,896 GWh/year) and our recently acquired project Casa Electrica (324 GWh/year) were fully assigned. AES Chivor was assigned for one year and Casa Electrica (one of the JK wind projects we recently acquired, see "Summary – Recent Developments") for 20 years.

Electricity Demand and Electricity Supply

Chile

SIC

Electricity demand in the SIC grew at a compound annual growth rate of 2.87% between 2008 and 2017.

The SIC served about 92% of the Chilean population and was mostly oriented toward regulated customers. Total installed capacity in the SIC amounted to 17,427 MW at the end of December 31, 2017, which accounted for 76% of the total installed capacity in the SIC and SING grids in Chile. In 2017, of the total installed capacity in the SIC, 37% was hydroelectric, 44% was thermoelectric and 18% corresponded to other generation technologies. In 2017, 39.5% of total energy demand in the SIC was supplied by hydroelectric plants, 46.2% by thermoelectric generation and the remaining 14.3% was supplied by wind and other technologies. Total electric power production in the SIC in 2017 was 54,894 GWh, 1.8% % higher than in 2016.

SING

Electricity demand in the SING grew at a compound annual growth rate of 2.76% for the nine-year period from 2008 to 2017.

The SING served about 6% of the Chilean population and was mostly oriented toward mining companies. Total installed capacity in the SING amounted to 5,436 MW at the end of December 31, 2017, which accounted for 24% of the total installed capacity in the SIC and SING grids in Chile. This total installed capacity included CCGTs which cannot be economically operated at full capacity due to a lack of natural gas supply. Of the total installed capacity in the SING as of December 31, 2017, 90% was thermoelectric, while the remaining 10% was hydroelectric, wind and solar generation. In 2017, 76.7% of total energy demand in the SING was supplied by coal generation, 9.9% by gas generation, and 13.4% was supplied by diesel, hydroelectricity, wind and solar generation. Total electric power production in the SING in 2017 was 19,242 GWh, 1% lower than in 2016.

Given that our contracts in the SING had previously been and, in the SEN continue to be, exclusively executed with unregulated customers and that the majority of such contracts include take-or-pay provisions, changes in electricity demand have not, and we believe will continue to not, significantly affect our expected contract operating margins.

SEN

The SING and the SIC were interconnected in November 2017 to comprise the SEN. The SEN is expected to become fully operational in June 2019, once the last segment of the Cardones-Polpaico transmission line is completed. Total installed capacity in the SEN amounted to 24,031 MW at the end of December 31, 2018. In 2018, 30.6% of total energy demand in the SEN was supplied by hydroelectric plants, 54.48% by thermoelectric generation and the remaining 14.92% was supplied by solar, wind and other technologies. Total electric power production in the SEN in 2018 was 75.6 GWh, 2% higher than in 2017.

Colombia

Electricity demand in the SIN grew at a compound annual growth rate of 2.5% for the 10-year period from 2009 to 2018. In its last report, the UPME projected a compound annual growth rate in electricity demand of 3.3% for the next ten years.

Total installed capacity in the SIN amounted to 17,212 MW at the end of 2018. Of the total capacity, 68.3% was hydroelectric, 30.7% was thermoelectric, and 1% was cogeneration and other self-generation. In 2018, 83.9% of total energy demand was supplied by hydroelectric plants, 15.0% by thermoelectric generation and the remaining 1.1% by cogeneration power. Total energy production in the SIN in 2018 was 68,943 GWh, which represented a 3.4% increase from 2017. During 2018, net exports were 106 GWh, which represented a 462% increase from 2017.

Argentina

Electricity demand in the SADI grew at a compound annual growth rate of 1.2% for the five-year period from 2013 to 2018. In Argentina, there is no official energy demand growth projection rate and unofficial market estimates project a compound annual growth rate of 2.4% for the next 10 years. Most of the investments made in the last 10 years to meet demand growth were made by the Argentine Government, as there were no attractive incentives to stimulate investment in new generating capacity from private investors.

Total installed capacity in the SADI amounted to 38,538 MW at the end of 2018, from which 63.7% was conventional thermoelectric, 28% was hydroelectric, 4.6% was nuclear, and 3.8% was NCREs (including small hydroelectrical plants), cogeneration and self-generation plants. In 2018, 64% of total energy demand was supplied by conventional thermoelectric generation, 28% by hydroelectric plants, 5% by nuclear generation and the remaining 4% by NCREs (including small hydroelectrical plants), cogeneration and self-generation plants. Total electric power production in the SADI in 2018 was 137,482 GWh, which represented a 0.75% increase from 2017. During 2018, there were no energy imports from Brazil because of the dry hydrological conditions suffered in the southern Brazil region.

As a result of demand growth and the lack of new investments, regulations were put in place providing that upcoming industrial demand growth should be covered by PPAs under the Energía Plus Program. Considering the lack of supply in Argentina and that TermoAndes is the most efficient Energía Plus Program facility compared to its competitors, we expect TermoAndes to continue supplying a significant portion of the industrial demand growth in Argentina.

Contract and Spot Energy and Capacity Sales

Chile

The amount of our capacity that is contracted or left uncommitted to be sold at spot prices is important to our profitability. In Chile, we align our contracts with our efficient generation capacity, contracting a significant portion of our efficient or base load capacity, currently coal and hydroelectric capacity, under long-term contracts with regulated and unregulated customers. We reserve our higher variable cost units, designated as back-up facilities, principally our diesel units in Chile, for sales to the spot market during tight system supply conditions, such as dry hydrological conditions, plant outages and fuel shortages, among others.

This contracting strategy provides us with stable long-term earnings and cash flows under normal hydrological conditions and improved earnings and cash flows under extreme hydrological conditions. All contracts are supplied from the system regardless of whether the generator who contracted the supply is capable of generating the electricity to meet the contract. The Independent Electrical Coordinator clears the exposure of individual generators to the energy spot market from the difference between its contractual energy and its generated energy obtained from the centralized dispatch, and to the capacity market from the difference between the capacity demanded by its customers at the hour of the system's maximum demand and its Sufficient Capacity.

To reduce our exposure to the potential imbalance between supply and demand and ensure investment recovery, our policy is to not engage in any expansion projects unless a significant portion of the new project capacity is committed through long-term PPAs. As of December 31, 2018, we had long-term contracts with distribution companies, mining and industrial companies for a total of 2.6 TW. As of December 31, 2018, the average term of our contracts was approximately 11 years. Our principal customers include the distribution companies Enel, Chilquinta and EMEL and mining companies Minera Escondida, Minera Spence, Codelco, SQM, Sierra Gorda, Quebrada Blanca, Pelambres and Candelaria. We have signed a long-term energy supply contract for our Alto Maipo project with an unregulated customer (Pelambres).

In Chile, at present we have achieved an optimal contract level by aligning our efficient generation with long-term contracts. Going forward we expect stable operating margins until the expiration of our existing contracts; however, we expect to renew these contracts as they mature. As a result, our spot market sales are generally made during tight conditions such as natural gas restrictions and droughts. Spot market sales will depend on system conditions and always provide an upside to our contract margin from efficient generation.

Colombia

In Colombia, we also seek to maximize cash flows and operating margin by applying an integrated business risk management strategy to optimize the use of the reservoir, determining the desired level of contracts based on projected hydrological conditions and the plant's generation profile. We maximize revenues from the sale of excess non-contracted electricity on the spot market during optimal price conditions. Our commercial strategy focuses on allocating approximately 75% to 85% of annual expected output under contracts principally with distribution companies, generators in the system and commercial and industrial customers, based on a credit risk policy that favors a low-risk customer portfolio. As of December 31, 2018, our contracts with distribution companies totaled 4,243 GWh and our contracts with commercial and industrial customers totaled 237 GWh, representing approximately 94.7% and 5.3% of the total generation, respectively. In Colombia, sales on the spot market are made to other generation and trading companies at the system spot price.

In accordance with our commercial strategy, we have currently committed approximately 73% for 2019, 78% for 2020, 57% for 2021 and 31% for 2022 of our annual expected generation under medium-term contracts for the next few years. In the future, given the expected growth of the Colombian system and the low-cost competitive nature of our generation, we expect to be able to renew the contracts as they become due, maintaining stable results of operations.

Argentina

Resolution 95/2013, released by the Secretary of Energy (*Secretario de Gobierno de Energía*) in March 2013, converted the Argentine electricity market into a tolling system in which prices are meant to cover generators' costs of production and banning the possibility of private parties entering into new PPAs. The only permissible private contracts are (i) those under the Energía Plus Program, which allows for contracting by thermal plants installed after 2006 and (ii) those under Resolution 281/2017, which allows NCREs to enter into PPAs. In addition, in May 2014, the Secretary of Energy released Resolution 529/2014, which updated the prices set forth in Resolution 95/2013, and made further updates in 2015 and 2016 with Resolution 482/2015 and Resolution 22/2016, respectively. Resolution 19/2017 was issued in 2017, which modified Resolution 22/2016 by setting prices in U.S. dollars, eliminating the receivables portion of sales and establishing a new mechanism to pay for fixed costs. Lastly, on February 28, 2019 the Argentine Secretary of Renewable Resources and Electric Market issued Resolution 1/2019, which, effective March 1, 2019, updated and lowered the prices set forth in Resolution 19/2017. Under the new regulatory framework, both fixed and variable prices continue to be in U.S. dollars, but a new mechanism for fixed prices was established, pursuant to which such prices are set according to the use factor of each thermal unit. As of the date of this listing memorandum, we are still analyzing the effect, if any, Resolution 1/2019 will have on TermoAndes' PPAs.

In Argentina, 306 MW of our TermoAndes' installed capacity was authorized to be traded under PPAs under the Energía Plus Program with industrial customers. The remaining capacity (i.e. over 306 MW and up to 643 MW) must be sold at the spot market under the Energía Base Framework regulation. The TermoAndes strategy is to maximize the electricity sold under Energía Plus Program contracts with industrial customers and to maximize plant availability. These contracts allow TermoAndes to sell electricity at higher prices compared to spot prices. Under the Energía Plus Program, as of December 31, 2018, the average price was approximately U.S.$ 73.8/MWh while the average spot price in the SADI was U.S.$ 7.0/MWh for sales under the Energía Base Framework. Prices of the PPAs under the Energía Plus Program are denominated in U.S. dollars.

Currently, TermoAndes supplies 104 industrial customers under the Energía Plus Program, with a total contracted capacity of 182MW, representing 59.5% of total capacity authorized by the Secretary of Energy to be sold under PPAs under the Energía Plus Program. As contracts under this program are executed for periods of up to 22 months, TermoAndes will continue to participate in auctions in 2019 and 2020 in order to renew contracts or to obtain additional contracted capacity in order to reach the 306 MW authorized by the Argentine Government.

PPAs under the Energía Plus Program are short-term sales contracts, usually with a term of one year to up to 22 months. As these contracts cover the excess demand of industrial customers, the utilization factor from contracted capacity is usually low. Furthermore, these contracts are supplemented with back-up contracts signed with other generators, to sell the contracted non-utilized energy, resulting in a higher capacity factor.

Sufficient Capacity and Firm Energy Sales

Chile

In Chile, we also receive capacity payments for contributing to the system's ability to meet peak demand. These payments are added to the final electricity price paid by both unregulated and regulated customers. The Independent Electrical Coordinator annually determines the Sufficient Capacity amount allocated to each power plant. A plant's initial Sufficient Capacity is defined as the capacity that a generator contributes to the peak demand of the system, which is the average demand of the 52 highest hourly values of the annual load curve of the system, for the year of calculation. This capacity is calculated based on the maximum capacity that the generating unit can sustain, adjusted according to (i) the uncertainty associated with the availability of the main and alternative input used for power generation, (ii) the forced unavailability of the unit and of the transmission facilities that connect it to the system, (iii) the maintenance periods and (iv) the consumption of the auxiliary services of said unit. Based on the Sufficient Capacity and the capacity withdrawals of each generator, the Independent Electrical Coordinator determines the remuneration that results from the capacity transfers for each generator.

In Chile, at present, our Sufficient Capacity payments received from our customers and other operators provide a stable source of revenue. We plan to add new installed capacity to the SEN in the medium-term with Alto Maipo's two run-of-river hydroelectric units in the first quarter of 2021 thereby increasing our Sufficient Capacity allotments. Our operational excellence strategy also strives to maintain the availability of our existing plants and their Sufficient Capacity allocations going forward. Since our firm capacity allocation depends on the availability of our plants during tight market conditions as well as the available capacity of other generators in order to meet system peak demand, in the future, if available capacity in excess of peak demand increases due to new construction projects, our allocation of Sufficient Capacity would decrease.

Colombia

In 2006, the regulatory framework for the electricity sector was amended with the adoption of a reliability payment mechanism. The reliability charge is denominated in U.S. dollars and payable in Colombian pesos at the exchange rate of the end of the relevant month. This charge was designed to compensate generation companies for making available extra firm capacity, particularly during conditions of scarcity, allowing the system to improve the predictability and stability of generation. The new charge was designed to compensate and stimulate investment in the generation sector and includes special firm energy auctions for projects with construction periods longer than the planning period, such as large-scale hydroelectric projects.

The new methodology for compensating generators for firm capacity is called the "reliability charge mechanism." The reliability charge mechanism is based on firm capacity obligations which are assigned through a public auction process. In this process, existing plants receive firm energy allocations for one-year periods while new plants are able to ensure reliability charge revenue for periods of up to 20 years. The system has had two firm energy auctions in 2008 and 2011 in order to satisfy the future growth in demand. The last reliability charge auction was carried out at the end of February 2019 for deliveries starting December 1, 2022. The clearance price of the auction was U.S.$ 15.1/MWh and 91,450 GWh per year of new firm energy capacity were assigned. In order to cover for a possible lack of energy due to the non-entry into commercial operation of the 2,400 MW hydroelectric Ituango project, which is being developed by EPM, the assigned firm energy capacity was 10% higher than demand. Of the new capacity assigned (4,010 MW), 1,240 MW correspond to thermal, 1,372 MW to hydroelectric, 1,160 MW to wind and 238 MW to solar energy. Both AES Chivor (2,896 GWh/year) and our recently acquired project Casa Electrica (324 GWh/year) were fully assigned. AES Chivor was assigned for one year and Casa Electrica (one of the JK wind projects we recently acquired, see "Summary – Recent Developments") for 20 years.

In Colombia, at present, our reliability charge receipts provide a stable source of revenue, and we plan to continue our operational excellence program to maintain ongoing availability. To date, our reliability charge revenues have been determined through the year 2023, including the recently held auction. We estimate that we will continue to maintain similar reliability revenues in the future, potentially experiencing a reduction of approximately 5-10% if significant new capacity is added to the system. However, in such case, we estimate that the reliability charge price would likely compensate any reduction in volume.

In Colombia, we also actively participate in the ancillary services market, which includes automatic, autonomous and rapid action by the plant to respond to changes in frequency and prevent system outages. Bids for ancillary service are presented on a daily basis and assigned by the CND on a competitive basis.

Argentina

In our Argentine operations, capacity payments are included in energy sales. For uncommitted capacity under contracts, TermoAndes should receive approximately U.S.$7,000/MW per month under Resolution 19/2017. As of March 1, 2019, under Resolution 1/2019, previously described above, this amount will remain at $7,000/MW per month during the summer months of December, January, February and the winter months of June, July, August but will decrease to U.S.$5,500 for March, April, May, September, October and November.

Prices

Chile

In Chile, we maintain long-term contracts with distribution companies and unregulated customers in the portion of the SEN that was previously the SIC and at present, solely with unregulated customers in the portion of the SEN that was previously the SING. The sales prices that we are able to obtain under these contracts depend on many factors, including the type of customer, length of contract, the price of certain fuels, such as coal and diesel, and indices such as the U.S. CPI and foreign exchange, among others. An important price reference in both systems in Chile is the spot price, which represents the marginal cost of the energy generated. See "Business—System Operation and Production." The spot price fluctuates hourly depending on the system's equilibrium, as influenced by fuel prices, hydrology, and other operational factors often resulting in a volatile pattern. As there are virtually no natural resources of water in the portion of the SEN that was previously the SING, spot prices are influenced by fuel prices, such as coal and LNG. Generation from our back-up facilities is sold on the spot market. Given the replacement of natural gas with diesel in the portion of the SEN that was previously the SIC and the lack of sufficient cost-efficient capacity, spot prices reached historical highs during the period from 2013 – 2015. Renewable energy penetration in recent years has helped to stabilize prices in the SEN, even reaching zero price events during low demand and high supply although this price reduction has been diluted by subsequent dry years. Spot prices in the portion of the SEN that was previously the SING have recently stabilized.

Under the existing regulatory framework in Chile, prices charged to distribution companies are awarded to generation companies offering the lowest supply price in regulated public bid processes. These prices, termed long-term node prices, are set in U.S. dollars and include indexation formulae which are valid for the entire term of the respective contract, up to a 20-year maximum. More precisely, the long-term energy price for a particular contract is the lowest energy price offered by the generation companies participating in the respective public bid, while the long-term capacity node price is that set in the node price decree in effect at the time of the bid process. The long-term capacity price is also set in U.S. dollars and indexed to the U.S. CPI. Although long-term node energy and capacity node prices are set in U.S. dollars, monthly payments are made in Chilean pesos at the exchange rate published in the node price report by the CNE every six months.

We participated in the distribution auctions carried out during 2009, 2008 and 2007 and were awarded 5,529 GWh of energy contracts. All of our regulated contracts with distribution companies contain price indexation formulae which adjust contract prices for fluctuations in variables selected by us, specifically the price of coal and the U.S. CPI. See "Business—Contract Level—Chile."

Prices under our contracts with unregulated customers are negotiated bilaterally. The tariffs in our unregulated PPAs are denominated in U.S. dollars and include a capacity and energy charge. Although the unregulated prices are set in U.S. dollars, monthly payments are made in Chilean pesos at the exchange rate defined under contract, which is typically the exchange rate on the invoice date or the average exchange rate during the month in which energy is sold. The capacity charge is designed to pay for the installed capacity that we commit to meet the maximum amount of electricity demanded at any time by our customer under the contract. The energy charge is designed to pay for the actual electricity sold to the customer. The sum of both the capacity charge and the energy charge divided by the actual energy sold, expressed in U.S.$/MWh or mills/kWh, is known as the monomic price. The energy charge in the majority of our unregulated contracts is made up of an initial fixed value reflecting, among other factors, the cost of the actual fuel mix to be used to service the contract and an indexation formula, which periodically adjusts prices based on our generation cost structure related to the U.S. CPI and the international price of coal, even in some cases with pass through of full fuel and regulatory costs.

The capacity charge in our regulated and unregulated contracts is based on the capacity charge defined by the CNE consulting with the Independent Electrical Coordinator at the end of every year for the next 12 months. The capacity charge is measured in U.S.$/kW per month and is calculated based on the capacity that a generator contributes to the peak demand of the system, which is the average demand of the 52 highest hourly values of the annual load curve of the system, for the year of calculation.

The current pricing system for regulated and unregulated contracts, which includes indexation formulae to adjust for selected cost variations, effectively hedges our contract margin. Up until the end of 2010, our regulated contracts in the SIC were based on the node price and, as a result, cost variations were not directly reflected in prices. Under the current regulated contract scenario, prices are indexed every six months using the variables selected by generators in the bid process. Additionally, if a variation in a selected indexation factor would result in a change of more than 10.0%, the regulated prices are immediately adjusted. Unregulated contracts contain indexation mechanisms bilaterally negotiated by the parties, which in most cases results in monthly price adjustments.

Colombia

In Colombia, we generally sell our electricity under medium-term (one to four year) contracts, principally with distribution companies, commercial and industrial customers, generators and on the spot market. However, we recently signed two contracts, each with terms of up to 15 years. Occasionally, we also enter into additional short-term contractual arrangements with trading companies, other generators or unregulated end-users with contracts between two to 10 years. The contract prices in agreements with distribution companies are determined through closed envelope public bids and include indexation mechanisms to adjust for the Colombian PPI. Contract prices with trading companies, other generators or unregulated end-users are negotiated in direct bilateral negotiations.

Our generation not sold under contract is sold in the spot market. The dominance of hydroelectric generation and the marked seasonal variations in Colombia’s hydrology result in price volatility in the spot market. Under the Colombian regulatory framework, each electricity generator sets its daily price offer and its hourly availability declaration without considering the physical and technical restrictions of the transmission network. Electricity resources to be dispatched at a particular time are selected based on the lowest price offers. The price of the last resource used to meet the total demand in each hour is known as the spot price. In normal hydrological conditions, the spot price is typically set in accordance with the price of natural gas and closely linked to international oil prices. In drier than normal conditions, such as those during the “El Niño” phenomenon in Colombia, the spot price is often set by diesel turbines; conversely, in wet years, such as those during the “La Niña” phenomenon, the spot price is generally set by hydroelectric generation based on the daily bid offers.

Given our location, historically, hydrological conditions at our reservoir have often been countercyclical to the rest of the Colombian system. This means that when Colombia as a whole experienced drier than average hydrological conditions, our reservoir experienced conditions close to normal. In parallel, when the rest of Colombia experienced wet hydrological conditions, the water inflows to our reservoir have historically been lower than normal. In such cases, when the Colombian system as a whole experiences drier than normal conditions, we are able to sell our generation at higher than average contract and spot prices. Similarly, when the Colombian system as a whole experiences wet conditions, we sell our generation at lower than average historical spot prices, while at the same time increasing our contract levels in order to sell our generation at prices above spot market prices, partially compensating the effect on our results of operation.

Argentina

In Argentina, certain industrial customers are required to purchase their energy requirements under contracts negotiated in direct bilateral negotiations under the Energía Plus Program, which are denominated in U.S. dollars and include capacity and energy payments. While prices are set in U.S. dollars, monthly payments are made in Argentine pesos at the exchange rate established in the invoice (which is the official exchange rate as established by the Argentine Central Bank). Although these industrial customers are subject to a fine if they purchase their energy in the spot market instead, given the recent devaluation of the Argentine peso against the U.S. dollar, the price of purchasing energy in the spot market in Argentine pesos, plus the applicable fine, was close to the dollarized price of purchasing energy under the Energía Plus Program. The Energia Plus Program pricing mechanisms were recently updated per Resolution 1/2019 as described above.

Generation sold in the spot market is sold at the prices set forth in Resolution 19/2017 enacted by the Argentine Secretary of Energy in February 2017, which has been set at 7 U.S. dollars /MWh for power generated using natural gas. As of March 1, 2019, this amount is now U.S.$5.4/MWh under Resolution 1/2019, previously described above.

PPAs sales are collected 30 days from the supply month while spot sales are collected around 45 days from the supply month.

Hydrology

SIC

In the portion of the SEN that was previously the SIC, where hydroelectric plants represent approximately 28.8% of the system's installed capacity, hydrological conditions largely influence plant dispatch and therefore, spot market prices. Given their location, our run-of-river hydroelectric facilities generally exhibit more stable generation during extreme hydrological conditions as compared to our competitors' reservoir-based hydroelectric plants which are located in south-central Chile. At present, given the balance between our cost-efficient generation and our contractual commitments, under normal and dry hydrological conditions, we can be expected to generate with our efficient, base load facilities, utilizing generation from these plants to meet our contracts. Our contract strategy also protects us from severe hydrological conditions, under which our earnings improve. We become a spot purchaser of electricity from other generation companies during wet hydrological conditions, when spot market prices are at their lowest, and our spot sales of electricity generated by our back-up facilities increase in periods of low water conditions, when spot market prices are at their highest.

SIN

Hydrological conditions largely influence our generation and the spot prices at which we sell our non-contracted generation in Colombia. Our physical sales are typically lower during adverse hydrological conditions as a result of reduced hydroelectric generation capacity. Additionally, our spot market sales are typically lower during adverse hydrological conditions because the excess of our production over our contracted sales decreases and we are no longer able to sell that excess generation in the spot market. Our commercial risk management and contracting strategy flexibly determines the desired level of contracts based on projected hydrological conditions in order to maximize our commercial margin and minimize volatility, increasing contractual commitments in periods of high water inflows to compensate for spot price reductions and decreasing contracts in periods of low water inflows in order to reduce spot price purchase exposure.

Given our geographic location in Colombia, our basin's hydrology consists of one rainy season from May to November, during which our reservoir is filled, and one dry season from December to April, during which our energy generation rate exceeds the water inflow rate, and thus our reservoir is drained. This differs from the hydrology of the Andean region, where most of our hydroelectric competitors are located, which hydrology consists of two rainy seasons and two dry seasons. In addition, our rainfall levels have historically fluctuated less than the overall Colombian system, even during extreme hydrological phenomena. The result of our hydrological pattern is that, although we share one dry season with the entire country, we benefit from part of our rainy season occurring during the second dry season of the Andean region.

Hydrology in Colombia is significantly influenced by the temperatures of the equatorial Pacific Ocean. When the Pacific experiences neutral El Niño-Southern Oscillation (ENSO) conditions (absence of "El Niño" or "La Niña"), the parameters that govern the climate are smaller-scale variables such as (i) the inter-tropical convergence zone, (ii) tropical cyclones in the Atlantic and Pacific Oceans, and (iii) other factors such as the Madden and Julian Oscillation (or MJO), and others microscale and mesoscale climate phenomenons, which can eventually change weather patterns in a very short time scale, especially in our basin; making hydrology very variable. However, under appropriate conditions of weather monitoring and data from national and international climate agencies, complemented with our own mathematical inflow models based on artificial neural networks, singular spectral analysis and rain runoff, among others, an acceptable probability of hydrological forecasts can be obtained.

SADI

There are several basins in Argentina with different conditions and hydrological behavior. In some basins the hydrological conditions depend on rain, others on snowmelt and rain, and still others exclusively on snowmelt during spring and summer.

Given the lack of new installed capacity in recent years and the increase in demand, Argentine electric systems require the utilization of thermal capacity throughout the year.

Costs

In determining the prices of our long-term power supply contracts, one of the most important variables is the projected cost of supplying the contract. Under our commercial strategy, we typically commit to providing power generation from our hydroelectric plants and our lower-cost thermoelectric plants, specifically our coal plants. Given that generation from our back-up facilities is typically sold on the spot market at the spot market price, which is determined based on the last unit dispatched, it provides sufficient compensation to cover the costs of these facilities. Our main costs of sales of electricity generation are the following:

- fuel to supply our thermoelectric plants, including coal, liquefied natural gas and diesel;
- purchase of energy in the spot market;
- transmission tolls;
- fuel transportation, including natural gas, coal and diesel;
- depreciation; and
- operating and maintenance expenditures.

Other cost of sales includes the cost of sales related to the sale of coal by us to third parties, including our subsidiaries. Our main administrative and selling expenses are wages, salaries, taxes other than income taxes, such as the equity tax in Colombia, and other expenses.

Fuel purchases used to generate, including coal, diesel, natural gas and LNG, are our most significant cost of operations. Fuel costs, primarily coal, represented 44% and 42% of our total costs of sale in 2018 and 2017, respectively. Coal is purchased both locally and internationally as the primary fuel for several of our plants, including our equity-method investee Guacolda. Our back-up plants utilize petroleum-based fuels. Our coal-fired facilities are efficient facilities and as such, we contract a significant portion of their production over the long-term. The generation from our petroleum-based plants is not contracted and instead is sold on the spot market.

Our coal supplies are sourced from international and local distributors through short and medium term contracts specifying the volume required. The inability of our suppliers to comply with the contracts could negatively affect our business. Although we do not rely on a single supplier of coal, if a significant portion of our suppliers experience production disruptions or are unable to meet their obligations under present or future supply agreements, we may be forced to pay higher prices to obtain the same fuel or may be forced to meet our contractual obligations with more expensive generation or through purchases in the spot market. In Chile, diesel is purchased from local suppliers under short term bilateral agreements, based on the international price of diesel. Argentine natural gas is purchased under contracts for TermoAndes' combined cycle plant.

The current pricing system for regulated and unregulated contracts, which includes indexation formulae to adjust for selected cost variations, effectively hedges our contract margin. Regulated contract prices are indexed every six months using the variables selected by generators in the bid process awards. Additionally, if a variation in a selected indexation factor would result in a change of more than 10%, the regulated prices are immediately adjusted. Unregulated contracts contain indexation mechanisms bilaterally negotiated by the parties, which in most cases results in monthly price adjustments.

Exchange Rate Fluctuations

The Chilean peso floats freely and has been subject to significant fluctuations in the past. In the year ended December 31, 2018, the value of the Chilean peso relative to the U.S. dollar has fluctuated between a low of Ch$588 to U.S.$1.00 and a high of Ch$699 to U.S.$1.00, based on U.S.$ Observed Exchange rates. See "Exchange Rates."

Our functional currency is the U.S. dollar, given that our revenues, costs and investments in equipment are principally denominated in U.S. dollars. Additionally, we and our Chilean subsidiaries have been authorized to file and pay income taxes in U.S. dollars. Exchange rate risk is associated with revenue, costs, investments and debt denominated in currencies other than the U.S. dollar, primarily the Chilean peso. The principal components denominated in Chilean pesos include the accumulated accounts receivable (partly offset by foreign exchange forward contracts), short term investments in Chilean pesos, in addition to tax credits, primarily VAT associated with our construction projects and local salaries. As of December 31, 2018, we maintained several foreign exchange forward contracts in order to reduce our exposure to the Chilean peso associated with variations in the U.S. to Chilean peso exchange rate during each one-month regulated price period, since long-term node energy and capacity node prices determined in distribution company bid processes are paid in Chilean pesos at the monthly average exchange rate published by the Chilean Central Bank. As of December 31, 2018, the impact of a variation of 10% in the Chilean peso to the U.S. dollar exchange rate would have resulted in a variation of approximately U.S.$ 9.4 million in our net income. During 2018, approximately 84% of our revenue and 87% of our costs were denominated in U.S. dollars.

The functional currency for AES Chivor is the Colombian peso since its revenue, specifically contract sales, and its cost of sales are primarily in Colombian pesos. In 2018, approximately 100% of our consolidated revenues were contract sales denominated in Colombian pesos. Additionally, AES Chivor's dividends are denominated in Colombian pesos, although financial coverage mechanisms are utilized to fix the amounts in U.S. dollars.

Spot prices in the Argentine market are denominated in U.S. dollars and Energía Plus Program sales are denominated in U.S. dollars but paid in Argentine pesos. SADI spot sales represented just 3% of our consolidated revenues in 2018. See "Exchange Rates."

Investments in new plants and maintenance equipment are principally in U.S. dollars. Short-term investments are also mostly held in U.S. dollars. As of December 31, 2018, 85% of AES Gener's short-term investments and bank account balances were denominated in U.S. dollars, 2% in Argentine pesos, 10% in Chilean pesos and 3% in Colombian pesos. Cash balances in Argentine pesos are subject to foreign exchange restrictions and exchange rate volatility inherent to the Argentine market.

We entered into a cross currency swap to mitigate the foreign currency risk associated with our UF-denominated bonds issued in 2007 for approximately U.S.$219.5 million which extends through the duration of the debt. As of December 31, 2018, 93.6% of our consolidated debt was denominated in U.S. dollars, including the local bonds mentioned above.

Alto Maipo Restructuring

On December 10, 2013, Alto Maipo executed (i) a project finance facility for the construction of the Alto Maipo 531 MW run-of-the-river power plant (the "Alto Maipo Facility") for up to U.S.$1,451 million and (ii) letters of credit for up to U.S.$14 million. The financing was provided by a syndicate of Chilean and international multilateral and commercial banks. The Alto Maipo Facility has a 22-year maturity and is secured with the assets, shares and cash flows from the project.

In June 2017, Alto Maipo terminated its contract with Constructora Nuevo Maipo S.A. (hereinafter "CNM") for the construction of a tunnel complex at the project site based on multiple material contract breaches by the contractor. Given that such termination was made without the consent of Alto Maipo's lenders, the project went into technical default and thus the disbursements under the Alto Maipo Facility were put on hold. Following such termination, we entered into negotiations to restructure the financing. By May 2018, we and Alto Maipo were able to successfully restructure the project financing and the disbursements recommenced. The following is a summary of the key features of the refinancing:

- Entry into a new engineering, procurement and construction (EPC) with a new project contractor, Strabag SpA, who is the Chilean subsidiary of Austria's civil engineering group, Strabag. Under the new EPC contract, Strabag (i) was granted a 6.7% equity interest in Alto Maipo, (ii) agreed to provide corporate guarantees, and (iii) assumed the project's geological and construction risks. Strabag also agreed to provide financing in the amount of U.S.$392 million for the project to be repaid by Alto Maipo during a 20-year term starting from the end of the construction period. The amended and restated construction contract was signed on February 19, 2018.

- New estimated construction cost of U.S.$3.048 billion and estimated completion date in late 2020.

- Capitalization of interest payments under the project finance facility during the construction period.

- We agreed to contribute (i) U.S.$200 million for the project to match loan disbursements under the project finance facility (which we have already contributed), (ii) additional non-recourse debt at the Alto Maipo level and (iii) up to U.S.$200 million in an equity contribution for additional project costs and debt service, which we estimate will be funded by us once the Alto Maipo Facility has been fully disbursed, which is expected to be near the expected completion date in late 2020.

- Pelambres, a subsidiary of Antofagasta Minerals S.A., who was a minority shareholder with a 40% equity interest in the Alto Maipo project, was bought out by us for an aggregate purchase price of U.S.$10,000. Following the restructuring, we have a 93.3% equity interest and Strabag a 6.7% equity interest.

As of December 31, 2018, the amount disbursed and outstanding under the Alto Maipo Facility was U.S.$817 million.

Sales of non-core assets

In order to continue executing our strategy of focusing primarily on long-term contracts, we sold the following non-core assets in 2018:

- <u>Eléctrica Santiago Sale</u>: In May 2018 we sold 100% of the shares of Eléctrica Santiago to Generadora Metropolitana SpA for a purchase price of U.S.$307 million. This sale consisted of all of Eléctrica Santiago's power plants: Renca, Nueva Renca, Los Vientos and Santa Lidia, with a consolidated generation capacity of 750 MW.

- <u>Transmission Line Sale</u>: In December 2018 we sold 100% of the shares of Compañía Transmisora del Norte Grande S.A. ("Transmisora Norte Grande") to Transmisión S.A., a subsidiary of Chilquinta for a purchase price of U.S.$226 million.

The proceeds from such sales were used to prepay debt.

Results of Operations

Operating Segments

Prior to 2018, our operating segments consisted of the SIC, SING, SIN and SADI. Beginning in 2018, our operating segments are now the SEN, SIN and SADI. For purposes of our 2018 audited consolidated financial statements, we reclassified our 2017 operating segments into our new operating segments. For further details, see note 7 to our 2018 audited consolidated financial statements.

Our SIC segment included the operations of our hydroelectric and thermoelectric plants and the operations of our operating subsidiaries in the SIC, Eléctrica Ventanas and Eléctrica Santiago (sold in 2018). Our SING segment included the operations of the "Norgener" facilities owned and operated by us and of our subsidiaries Eléctrica Cochrane and Eléctrica Angamos. The operations of all these subsidiaries are now included in the SEN operating segment. The SADI segment relates to the operations of TermoAndes in Argentina. The SIN segment relates exclusively to the operations of our subsidiary AES Chivor in Colombia.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Operating Revenue

The following table presents our operating revenue for the periods indicated:

	For the year ended December 31,					
	2018		2017[1]		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenue SEN[1]	2,075.9	78%	1,974.0	81%	101.9	5%
Operating Revenue – SADI	146.5	6%	138.8	6%	7.7	6%
Operating Revenue – SIN	427.6	16%	325.9	13%	101.7	31%
Consolidation Adjustments	(2.6)	0%	(2.1)	0%	(0.6)	28%
Total Operating Revenue	**2,647.4**	**100%**	**2,436.7**	**100%**	**210.7**	**9%**

(1) The data in the table above pertaining to the SEN operating segment for the year ended December 31, 2017 has been derived from our 2018 audited consolidated financial statements and thus represents a reclassification of the same data as presented in our 2017 audited consolidated financial statements when we had two operating segments in Chile, the SIC and the SING.

Operating revenue increased by U.S.$ 211 million, or 9%, for the year ended December 31, 2018 as compared to the same period in 2017, primarily due to an increase of U.S.$102 million in operating revenue in the SEN primarily due to the commencement of energy supply under new contracts at AES Gener, Eléctrica Cochrane and Eléctrica Angamos. In the SIN, operating revenue increased U.S.$102 million, or 31%, due to an increase in contract sales, primarily due to increases in both energy prices and volumes sold. Lastly, operating revenue in the SADI increased U.S.$8 million, or 6%, primarily due to the impact of the last step up of capacity prices as set forth in Resolution 19/2017.

SEN

The following table presents our operating revenue and physical energy sales in the SEN for the periods indicated:

	For the year ended December 31,					
	2018		2017[(1)]		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating revenue						
Contract Energy and Capacity Sales – Regulated Customer	422.4	20%	517.1	26%	(94.7)	(18%)
Contract Energy and Capacity Sales – Unregulated Customer	1,192.1	57%	992.4	50%	199.7	20%
Spot Energy and Capacity Sales	128.5	6%	195	10%	(66.6)	(34%)
Other Operating Revenue	333.0	16%	269.5	14%	63.4	24%
Total Operating Revenue	2,075.9	100%	1,974.0	100%	101.9	5%
Physical Data (in GWh)						
Sales of Energy To Regulated Customers	3,799	24%	4,623	28%	(824)	(18%)
Sales of Energy To Unregulated Customers	10,366	65%	9,551	57%	815	9%
Sales of Energy To Spot Market – Re-Routing[(2)]	1,746	11%	2,098	13%	(352)	(17%)
Sales of Energy To Spot Market	-	0%	340	2%	(340)	(100%)
Total Energy Sales	**15,911**	**100%**	**16,612**	**100%**	**(701)**	**(4%)**

(1) The data in the table above pertaining to the SEN operating segment for the year ended December 31, 2017 has been derived from our 2018 audited consolidated financial statements and thus represents a reclassification of the same data as presented in our 2017 audited consolidated financial statements when we had two operating segments in Chile, the SIC and the SING.

(2) Sales of Energy to Spot Market - Re-routing refers to contracted energy and capacity sales originally allocated to certain offtakers but which was unconsumed by them and hence sold by us in the spot market.

In the SEN, operating revenue increased by U.S.$ 102 million, or 5%, for the year ended December 31, 2018 as compared to the same period in 2017, primarily due to: (i) an increase of U.S.$ 200 million, or 20%, in contract energy and capacity sales to unregulated customers, primarily due to the start of energy supply to mining companies under new contracts at AES Gener, Eléctrica Cochrane and Eléctrica Angamos and (ii) an increase of U.S.$ 63 million, or 24%, in other operating revenue, which in turn reflects an increase in our revenues from coal sales.

This increase was partially offset by (i) a decrease of U.S.$ 95 million, or 18%, in our contract energy and capacity sales to regulated customers, primarily due to a decrease of 824 GWh in physical sales to such customers, which in turn was due to migration of certain mid-sized customers from the regulated to the unregulated market and (ii) a decrease of U.S.$ 67 million, or 34% in our energy and capacity sales to the spot market, which in turn was primarily due to lower capacity sales, primarily as a consequence of our sale of Eléctrica Santiago.

SADI

The following table presents our operating revenue and physical energy sales in the SADI for the periods indicated:

	For the year ended December 31,					
	2018		2017		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenue						
Contract Energy and Capacity Sales	73.0	50%	75.7	55%	(2.7)	(4%)
Spot Energy and Capacity Sales	73.4	50%	63.1	45%	10.4	16%
Total Operating Revenue	**146.5**	**100%**	**138.8**	**100%**	**7.7**	**6%**
Physical Data (in GWh)						
Contract Sales	966	23%	1,013	23%	(47)	(5%)
Sales of Energy to Spot Market	3,215	77%	3,464	77%	(249)	(7%)
Total Energy Sales	**4,181**	**100%**	**4,477**	**100%**	**(296)**	**(7%)**

In the SADI, operating revenue increased by U.S.$8 million, or 6%, for the year ended December 31, 2018, as compared to the same period in 2017.

Spot energy and capacity sales increased by U.S.$10 million, or 16%, primarily due to the full one year impact of the increase in capacity prices granted by Resolution 19/2017. This price increase was gradual with step ups granted in February, May and November 2017. This increase was partially offset by the 249 GWh decrease in physical sales of energy to the spot market, primarily due to the lower dispatch of the TermoAndes plant in the second half of the year.

Contract energy and capacity sales decreased slightly by U.S.$3 million, or 4%, primarily due to the 47GWh, or 5%, decrease in our physical sales under the Energia Plus Program.

SIN

The following table presents our operating revenue and physical energy sales in the SIN for the periods indicated:

	For the year ended December 31,					
	2018		2017		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenue						
Contract Energy and Capacity Sales	321.2	75%	249.0	76%	72.2	29%
Spot Energy and Capacity Sales	92.2	22%	58.8	18%	33.4	57%
Other Operating Revenue	14.2	3%	18.2	6%	(4.0)	(22%)
Total Operating Revenue	**427.6**	**100%**	**325.9**	**100%**	**101.7**	**31%**
Physical Data (in GWh)						
Contract Energy and Capacity Sales	4,274	57%	3,952	65%	322	8%
Spot Energy and Capacity Sales	3,239	43%	2,123	35%	1,116	53%
Total Energy Sales	**7,513**	**100%**	**6,075**	**100%**	**1,438**	**24%**

In the SIN, operating revenue increased by U.S.$102 million, or 31%, for the year ended December 31, 2018 as compared to the same period in 2017.

Contract energy and capacity sales increased by U.S.$72 million, or 29%, primarily due to higher average contract prices in U.S. dollars, to U.S.$ 67/MWh from an average of U.S.$ 62/MWh, as a result of higher contract prices in Colombian pesos and the positive impact of the decrease in the average Colombian peso/U.S. dollar exchange rate. Additionally, physical contract sales increased by 322 GWh.

Spot energy and capacity sales increased by U.S.$33 million, or 57%, primarily due to significantly higher physical sales due to better hydrological conditions in Colombia.

Cost of Sales

The following table presents our cost of sales for the periods indicated:

	For the year ended December 31,					
	2018		2017[1]		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages)					
Cost of Sales - SEN[1]	1,627.4	84%	1,538.8	85%	88.6	6%
Cost of Sales - SADI	118.9	6%	132.9	7%	(14.0)	(11)%
Cost of Sales - SIN	188.4	10%	149.5	8%	38.9	26%
Consolidation Adjustments	(2.6)	0%	(2.1)	0%	(0.6)	28%
Total Cost of Sales	**1,932.1**	**100%**	**1,819.2**	**100%**	**112.9**	**6%**

(1) The data in the table above pertaining to the SEN operating segment for the year ended December 31, 2017 has been derived from our 2018 audited consolidated financial statements and thus represents a reclassification of the same data as presented in our 2017 audited consolidated financial statements when we had two operating segments in Chile, the SIC and the SING.

In 2018, cost of sales increased by U.S.$113 million, or 6%, for the year ended December 31, 2018, as compared to the same period in 2017, primarily due to the increase in cost of sales of U.S.$89 million in the SEN and U.S.$39 million in the SIN, partially offset by a decrease of U.S.$14 million in cost of sales in the SADI.

SEN

The following table presents our cost of sales and generation in the SEN for the periods indicated:

	For the year ended December 31,					
	2018		2017[1]		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Fuel Consumption	579.4	36%	524.4	34%	55.0	10%
Energy and Capacity Purchases	235.1	14%	210.8	14%	24.5	12%
Transmission Tolls	101.9	6%	96.9	6%	5.0	5%
Fuel Cost of Sales	192.8	12%	150.8	10%	42.0	28%
Depreciation and Amortization Expense	225.9	14%	240.4	16%	(14.5)	(6%)
Other Cost Of Sales	292.3	18%	315.6	21%	(23.4)	(7%)
Total Cost of Sales	**1,627.4**	**100%**	**1,538.8**	**100%**	**88.6**	**6%**
Physical data (in GWh)						
Coal Generation	13,092	91%	13,059	89%	33	0%
Hydroelectric Generation	1,135	8%	1,314	9%	(179)	(14%)
Biomass Generation	35	0%	26	0%	9	35%
Gas/Diesel Generation	-	0%	140	1%	(140)	(100%)
Solar Generation	62	1%	64	1%	(2)	(3%)
Total Generation	**14,324**	**100%**	**14,603**	**100%**	**(279)**	**(2%)**

(1) The data in the table above pertaining to the SEN operating segment for the year ended December 31, 2017 has been derived from our 2018 audited consolidated financial statements and thus represents a reclassification of the same data as presented in our 2017 audited consolidated financial statements when we had two operating segments in Chile, the SIC and the SING.

In the SEN, cost of sales increased by U.S.$89 million, or 6%, for the year ended December 31, 2018 as compared to the same period in 2017, primarily due to the following movements:

- Fuel consumption increased by U.S.$55 million, or 10%, principally due to higher coal prices. In physical terms, coal generation increased slightly by 33 GWh, whereas there was a significant decrease in gas/diesel generation of 140 GWh, primarily resulting from corresponds to the deconsolidation of Eléctrica Santiago after its sale in May 2018.

- Fuel cost of sales increased by U.S.$42 million, or 28%, primarily due to the increase in our coal sales to our equity investee Guacolda.

- Energy and capacity purchases, including spot market purchases, purchases from our equity-method investee Guacolda and purchases from other third parties under contract, principally qualified NCREs suppliers, increased by U.S.$25 million, or 12% primarily driven by an increase in the already listed marginal cost or spot price in the southern section of the SEN that increased to an average of U.S.$59.5/MWh from U.S.$55.8/MWh (at the Quillota 220 kV substation).

These increases were partially offset by:

- The decrease of U.S.$15 million, or 6%, in depreciation and amortization expense, primarily due to our sale of transmission assets in December 2018 and our sale of Eléctrica Santiago in May 2018.

- The decrease of U.S.$23 million, or 7%, in other cost of sales, primarily due to a decrease in maintenance costs associated with programmed maintenance of Ventanas II performed in 2017 and savings associated with our sale of Eléctrica Santiago's operations.

SADI

The following table presents our cost of sales and generation in the SADI for the periods indicated:

	For the year ended December 31,					
	2018		2017		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Fuel Consumption	70.5	59%	85.7	64%	(15.2)	(18%)
Energy and Capacity Purchases	2.0	2%	0.6	0%	1.4	252%
Transmission tolls	(0.2)	0%	0.9	1%	(1.1)	(118%)
Depreciation and Amortization Expense	29.6	25%	29.2	22%	0.4	1%
Other Cost of Sales	17.0	14%	16.6	12%	0.4	2%
Total Cost of Sales	**118.9**	**100%**	**132.9**	**100%**	**(14.0)**	**(11%)**
Physical Data (in GWh)						
Gas Generation	4,150	100%	4,477	100%	(327)	(7%)
Total Generation	**4,150**	**100%**	**4,477**	**100%**	**(327)**	**(7%)**

In the SADI, cost of sales decreased by U.S.$14 million, or 11%, for the year ended December 31, 2018 as compared to the same period in 2017, primarily due to lower fuel consumption driven by lower gas generation.

SIN

The following table presents our cost of sales and generation in the SIN for the periods indicated:

	For the year ended December 31,					
	2018		2017		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Energy and Capacity Purchases	121.5	64%	87.3	58%	34.2	39%
Depreciation and Amortization Expense	11.8	6%	11.9	8%	(0.2)	(1%)
Other Cost Of Sales	55.2	29%	50.3	34%	4.9	10%
Total Cost of Sales	**188.4**	**100%**	**149.5**	**100%**	**38.9**	**26%**
Physical Data (in GWh)						
Hydro Generation	4,977	100%	3,852	100%	1,125	29%
Total Generation	**4,977**	**100%**	**3,852**	**100%**	**1,125**	**29%**

In the SIN, cost of sales increased by U.S.$39 million, or 26%, for the year ended December 31, 2018 as compared to the same period in 2017, mainly as a result of the 39% increase in our energy and capacity purchases, which in turn was due to higher demand from contracted customers and a slight increase in spot prices to an average of U.S.$38/MWh in 2018 from U.S.$36/MWh in 2017.

Gross Profit

The following table presents our gross profit for the periods indicated:

	For the year ended December 31,					
	2018		2017[1]		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages)					
Gross Profit – SEN[1]	448.6	63%	435.2	70%	13.3	3%
Gross Profit – SADI	27.6	4%	5.9	1%	21.7	370%
Gross Profit – SIN	239.2	33%	176.4	29%	62.8	36%
Total Gross Profit	**715.3**	**100%**	**617.5**	**100%**	**97.8**	**16%**

(1) The data in the table above pertaining to the SEN operating segment for the year ended December 31, 2017 has been derived from our 2018 audited consolidated financial statements and thus represents a reclassification of the same data as presented in our 2017 audited consolidated financial statements when we had two operating segments in Chile, the SIC and the SING.

Total Adjusted Operating Income

The following table presents our total adjusted operating income for the periods indicated:

	For the year ended December 31,			
	2018	2017	Variation	
	(in U.S.$ millions, except for percentages)			
Total Adjusted Operating Income[1]				
Operating Revenue	2,650.0	2,438.8	211.2	9%
Consolidation Adjustments	(2.6)	(2.1)	(0.6)	(28%)
Total Operating Revenue	**2,647.4**	**2,436.7**	**210.7**	**9%**
Total Cost of Sales	**1,934.7**	**1,821.3**	**113.4**	**6%**
Consolidation Adjustments	(2.6)	(2.1)	(0.6)	(28%)
Cost of Sales	1,932.1	1,819.2	112.9	6%
Gross Profit	715.3	617.5	97.8	16%
Administrative Expenses and Other Operating Income (Expense)	102.2	110.3	(8.1)	(7%)
Total Adjusted Operating Income	**613.1**	**507.2**	**106.0**	**21%**

(1) For the convenience of the reader, we have included "total adjusted operating income" which is not an IFRS financial statement line item. Total Adjusted Operating Income is the sum of the following financial statement line items: gross profit plus (less) other operating income (expense) and less administrative expenses. Total Adjusted Operating Income is a non-IFRS measure.

Total adjusted operating income increased by U.S.$106 million, or 21%, for the year ended December 31, 2018 as compared to the same period in 2017 due to a U.S.$ 98 million increase in gross profit primarily resulting from the increase in our gross profit in all the markets in which we operate.

Administrative expenses and other operating income decreased by U.S.$8 million, or 7%, for the year ended December 31, 2018 as compared to the same period in 2017. This decrease was primarily driven by a decrease in personnel costs, as a result of our organizational restructuring in early 2018, and the recovery of stamp taxes in Colombia.

Other Operating Income (Losses)

The following table presents our other operating income (losses) for the periods indicated:

	For the year ended December 31,			
	2018	2017	Variation	
	(in U.S.$ millions, except for percentages)			
Other Operating Income (Losses)				
Finance Income	4.9	8.2	(3.3)	(40%)
Finance Expense	(115.9)	(177.0)	61.1	(35%)
Other Gains / (Losses)	225.5	(44.1)	269.6	(611%)
Foreign Currency Exchange Differences	(17.3)	(4.7)	(12.6)	271%
Equity in Earnings of Associates Participation in Net Income of Associates	(182.5)	23.6	(206.1)	(874%)
Total Other Operating Income (Losses)	**(85.3)**	**(194.1)**	**108.8**	**(56%)**

We saw a reversal of our other gains (losses) from a loss for the year ended December 31, 2017 to a gain for the year ended December 31, 2018, primarily due to the positive impact of the sales of Eléctrica Santiago and Transmisora Norte Grande to Generadora Metropolitana SpA and Chilquinta respectively, partially offset by early amortized deferred financing costs and nonrecurring tender premiums paid by us and Eléctrica Angamos pursuant to partial debt prepayments as described under "—Liquidity and Capital Resources—Cash Flows Provided by (Used In) Financing Activities." In 2017, we also recognized two significant losses related to (i) the early amortized deferred financing costs and nonrecurring tender premiums we paid pursuant to two partial debt prepayments as described under "—Liquidity and Capital Resources—Cash Flows Provided by (Used In) Financing Activities" and (ii) the write-off of tax credits associated with water rights we returned to the relevant Chilean authorities.

Finance expenses decreased by U.S.$61 million for the year ended December 31, 2018 as compared to the same period in 2017, primarily due to lower interest expenses, given additional partial debt prepayments by us and Eléctrica Angamos (as described under "—Liquidity and Capital Resources—Cash Flows Provided by (Used In) Financing Activities"), scheduled principal payments on certain of our debt facilities and the de-designation of Alto Maipo interest rate swap derivatives for hedge accounting before our successful restructuring of the Alto Maipo project in May 2018.

Our share of income from associates decreased by U.S.$206 million, or 874% for the year ended December 31, 2018 as compared to the same period in 2017, primarily due to the recognition of an impairment of long-lived assets recorded at Guacolda. Additionally, we recognized an impairment loss for the excess of the book value of our equity investment in Guacolda with respect to its corresponding fair market value at the end of 2018.

Net foreign currency exchange differences losses increased by U.S.$13 million for the year ended December 31, 2018 as compared to the same period in 2017, due to the negative impact the depreciation of the Chilean peso and the Argentine peso against the U.S. dollar had on our accounts receivable and tax credits denominated in either Chilean pesos and Argentine pesos. This increase was partially offset by lower foreign currency exchange losses in Colombia given that AES Chivor was in the money on certain forward contracts it entered in 2018 whereas they were out of the money on such instruments in 2017.

Income Tax Expense

Income tax expense increased by U.S.$107 million, to a tax expense of U.S.$222 million for the year ended December 31, 2018 from a tax expense of U.S.$115 million for the same period in 2017 primarily due to (i) the negative impact on our capital gains tax resulting from our sale of Eléctrica Santiago and Transmisora Norte Grande in Chile and (ii) an increase in our income before income tax.

Net Income

The following table presents our tax expense and net income for the periods indicated:

	For the year ended December 31,			
	2018	2017	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Net Income				
Income Before Income Taxes and Non-Controlling Interest	527.8	313.1	214.7	69%
Income Tax Expense	(222.5)	(115.0)	(107.5)	93%
Non-Controlling Interest	(18.3)	(13.6)	(4.8)	35%
Net Income Attributable to Shareholders of the Parent	**287.0**	**184.5**	**102.5**	**56%**

As a result of the factors discussed above, net income increased U.S.$102 million, or 56%, to U.S.$287 million in the year ended December 31, 2018 from U.S.$185 million in the same period in 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

The following table presents our operating revenue for the periods indicated:

	For the year ended December 31,					
	2017(1)		2016		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages)					
Operating Revenue – SIC	1,437.9	59%	1,211.1	53%	226.7	19%
Operating Revenue – SING	816.3	34%	646.7	28%	169.7	26%
Operating Revenue – SADI	138.8	6%	112.2	5%	26.6	24%
Operating Revenue – SIN	325.9	13%	434.7	19%	(108.8)	(25%)
Consolidation Adjustments	(282.2)	(12%)	(118.3)	(5%)	(163.8)	(138%)
Total Operating Revenue	**2,436.7**	**100%**	**2,286.4**	**100%**	**150.3**	**7%**

(1) The data in the table above pertaining to the SIC and/or SING operating segments for the year ended December 31, 2017 has been derived from our 2017 audited consolidated financial statements. This same data has been reclassified in our 2018 audited consolidated financial statements into just one operating segment, the SEN.

Operating revenue increased by U.S.$150 million, or 7%, for the year ended December 31, 2017 as compared the same period in 2016 driven by increases of U.S.$227 million, U.S.$ 170 million and U.S.$27 million in the SIC, SING and SADI revenues, respectively. These increases were partially offset by the decrease of U.S.$ 109 million in the SIN's operating revenues.

SIC

The following table presents our operating revenue and physical energy sales in the SIC for the periods indicated:

	For the year ended December 31,					
	2017[(1)]		2016		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenue						
Contract Energy and Capacity Sales – Regulated Customer	529.2	37%	485.6	40%	43.6	9%
Contract Energy and Capacity Sales – Unregulated Customer	337.7	23%	257.4	21%	80.3	31%
Spot Energy and Capacity Sales	30.5	2%	106.0	9%	(75.5)	(71%)
Other Operating Revenue	540.5	38%	362.1	30%	178.4	49%
Total Operating Revenue	**1,437.9**	**100%**	**1,211.1**	**100%**	**226.7**	**19%**
Physical data (in GWh)						
Sales of Energy To Regulated Customers	4,623	53%	5,010	54%	(387)	(8%)
Sales of Energy To Unregulated Customers	3,789	44%	2,965	32%	824	28%
Sales of Energy To Spot Market	231	3%	1,229	13%	(998)	(81%)
Total Energy Sales	**8,643**	**100%**	**9,204**	**100%**	**(561)**	**(6%)**

(1) The data in the table above pertaining to the SIC and/or SING operating segments for the year ended December 31, 2017 has been derived from our 2017 audited consolidated financial statements. This same data has been reclassified in our 2018 audited consolidated financial statements into just one operating segment, the SEN.

In the SIC, operating revenue increased by U.S.$227 million, or 19%, for the year ended December 31, 2017 compared to the same period 2016.

Contract energy and capacity sales to regulated customer increased by U.S.$44 million, or 9%, primarily due to an increase in the average price indexation formula in such contracts. Physical sales in this segment decreased by 387 GWh, or 8%, primarily driven by a decrease in the demand from distribution companies, which in turn resulted primarily from the migration of medium sized customers to the unregulated market segment.

Contract energy and capacity sales to unregulated customer increased by U.S.$80 million, or 31%, primarily due to an increase in physical sales of energy sales to unregulated customers of 824GWh, or 28%, driven primarily by the start of supply of new contracts with commercial and industrial customers.

Spot energy and capacity sales decreased by U.S.$76 million, or 71% due to a 998 GWh, or 81%, decrease in physical energy sales to the spot market. This decrease was primarily due to a decrease in generation, which in turn was primarily due to scheduled maintenance at our Ventanas II Complex and the absence of a non-recurring event in 2016, namely a natural gas supply agreement under which Eléctrica Santiago was granted significantly higher dispatch.

The 49% increase in other operating revenue is mainly driven by the increase in our related party coal sales in the SING and our coal sales to our equity-method investee Guacolda.

SING

The following table presents our operating revenue and physical energy sales in the SING for the periods indicated:

	For the year ended December 31,					
	2017[1]		2016		Variation	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenue						
Contract Energy and Capacity Sales to Unregulated Customer	643.1	79%	579.9	90%	63.2	11%
Spot Energy and Capacity Sales	164.6	20%	61.0	9%	103.5	170%
Other Operating Revenue	8.7	1%	5.7	1%	3.0	52%
Total Operating Revenue	**816.3**	**100%**	**646.7**	**100%**	**169.7**	**26%**
Physical Data (in GWh)						
Sales of Energy to Unregulated Customers...........	5,762	70%	6,851	84%	(1,089)	(16%)
Sales of Energy to Spot Market – Re-routing[2]	2,098	25%	593	7%	1,505	254%
Sales of Energy to Spot Market	377	5%	721	9%	(344)	(48%)
Total Energy Sales	**8,237**	**100%**	**8,165**	**100%**	**72**	**1%**

(1) The data in the table above pertaining to the SIC and/or SING operating segments for the year ended December 31, 2017 has been derived from our 2017 audited consolidated financial statements. This same data has been reclassified in our 2018 audited consolidated financial statements into just one operating segment, the SEN.

(2) Sales of Energy to Spot Market - Re-routing refers to contracted energy and capacity sales originally allocated to certain offtakers but which was unconsumed by them and hence sold by us in the spot market.

In the SING, operating revenue increased by U.S.$170 million, or 26%, for the year ended December 31, 2017 as compared to the same period in 2016.

Contract energy and capacity sales to unregulated customers sales increased by U.S.$63 million, or 11%, primarily due to the start of operations of Eléctrica Cochrane (in July and October 2016) and the commencement of supply of additional PPAs by Eléctrica Cochrane, AES Gener and Eléctrica Angamos since September 2017.

Spot energy and capacity sales increased by U.S.$104 million, in line with an increase in our generation of 1,185 GWh, or 17%, primarily associated with the start of operations of Eléctrica Cochrane.

SADI

The following table presents our operating revenue and physical energy sales in the SADI for the periods indicated:

	For the year ended December 31,					
	2017		2016		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenue						
Contract Energy and Capacity Sales	75.7	55%	59.7	53%	16.0	27%
Spot Energy and Capacity Sales............................	63.1	45%	52.5	47%	10.5	20%
Total Operating Revenue	**138.8**	**100%**	**112.2**	**100%**	**26.6**	**24%**
Physical Data (in GWh)						
Contract Sales	1,013	23%	828	18%	185	22%
Sales of Energy to Spot Market.............................	3,464	77%	3,809	82%	(345)	(9%)
Total Energy Sales	**4,477**	**100%**	**4,637**	**100%**	**(160)**	**(3%)**

In the SADI, operating revenue increased by U.S.$27 million, or 24%, for the year ended December 31, 2017 as compared to the same period in 2016.

Contract energy and capacity sales increased by U.S.$16 million, or 27%, primarily due to an increase of 185GWh, or 22%, in physical contracted energy sales driven by higher demand from customers under the Energía Plus Program.

Spot energy and capacity sales increased by U.S.$11 million, or 20%, primarily due to higher energy and capacity spot prices granted by Resolution 19/2017 enacted in February 2017.

SIN

The following table presents our operating revenue and physical energy sales in the SIN for the periods indicated:

	For the year ended December 31,					
	2017		2016		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenue						
Contract Energy and Capacity Sales	249.0	76%	212.6	49%	36.4	17%
Spot Energy and Capacity Sales	58.8	18%	214.2	49%	(155.4)	(73%)
Other Operating Revenue	18.2	6%	7.9	2%	10.3	129%
Total Operating Revenue	**325.9**	**100%**	**434.7**	**100%**	**(108.8)**	**(25%)**
Physical Data (in GWh)						
Contract Energy and Capacity Sales	3,952	65%	3,535	52%	417	12%
Spot Energy and Capacity Sales	2,123	35%	3,310	48%	(1,187)	(36%)
Total Energy Sales	**6,075**	**100%**	**6,845**	**100%**	**(770)**	**(11%)**

In the SIN, operating revenue decreased by U.S.$109 million, or 25%, for the year ended December 31, 2017 as compared to the same period in 2016.

Contract energy and capacity sales increased by U.S.$36 million, or 17%, primarily due to an increase of 417GWh, or 12%, in physical sales. Additionally, contract prices increased to an average of U.S.$62/MWh in 2017 from an average of U.S.$53/MWh in the previous year.

Spot energy and capacity sales decreased by U.S.$155 million, or 73%, primarily due to a decrease in physical sales on the spot market as a result of drier hydrological conditions in AES Chivor's basin.

Cost of Sales

The following table presents our cost of sales for the periods indicated:

	For the year ended December 31,					
	2017(1)		2016		Variation	
	Amount	% of costs	Amount	% of costs	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales SIC	1,194.7	66%	915.4	55%	279.4	31%
Cost of Sales SING	623.5	34%	499.8	30%	123.8	25%
Cost of Sales SADI	132.9	7%	108.4	7%	24.5	23%
Cost of Sales SIN	149.5	8%	255.8	15%	(106.2)	(42%)
Consolidation Adjustments	(281.5)	(15%)	(118.3)	(7%)	(163.2)	(138%)
Total Cost of Sales	**1,819.2**	**100%**	**1,661.0**	**100%**	**158.3**	**10%**

(1) The data in the table above pertaining to the SIC and/or SING operating segments for the year ended December 31, 2017 has been derived from our 2017 audited consolidated financial statements. This same data has been reclassified in our 2018 audited consolidated financial statements into just one operating segment, the SEN.

Cost of sales increased by U.S.$158 million, or 10%, for the year ended December 31, 2017 as compared to the same period in 2016, primarily due to an increase in cost of sales of U.S.$279.4 million in the SIC, U.S.$123.8 million in the SING and U.S.$24.5 million in the SADI, partially offset by a decrease of U.S.$106.2 million in the SIN.

SIC

The following table presents our cost of sales and generation in the SIC for the periods indicated:

	For the year ended December 31,					
	2017[(1)]		2016		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Fuel Consumption	209.5	18%	225.5	25%	(16.0)	(7%)
Energy and Capacity Purchases	183.2	15%	107.8	12%	75.4	70%
Transmission Tolls	75.7	6%	82.4	9%	(6.7)	(8%)
Fuel Cost of Sales	430.9	36%	259.8	28%	171.1	66%
Depreciation and Amortization Expense	109.9	9%	109.9	12%	0	0%
Other Cost Of Sales	185.4	16%	129.9	14%	55.5	43%
Total Cost of Sales	**1,194.7**	**100%**	**915.4**	**100%**	**279.4**	**31%**
Physical Data (in GWh)						
Coal Generation	4,936	77%	5,890	72%	(954)	(16%)
Hydroelectric Generation	1,314	20%	1,420	17%	(106)	(7%)
Diesel Generation	133	2%	134	2%	(1)	(1%)
Gas Generation	7	0%	724	9%	(717)	(99%)
Biomass Generation	26	0%	40	0%	(14)	(35%)
Total Generation	**6,416**	**100%**	**8,208**	**100%**	**(1.792)**	**(22%)**

(1) The data in the table above pertaining to the SIC and/or SING operating segments for the year ended December 31, 2017 has been derived from our 2017 audited consolidated financial statements. This same data has been reclassified in our 2018 audited consolidated financial statements into just one operating segment, the SEN.

In the SIC, cost of sales increased by U.S.$279 million, or 31%, for the year ended December 31, 2017 as compared to the same period in 2016, primarily due to a U.S.$171 million increase in fuel cost of sales as a result of higher coal related party coal sales in the SING and our coal sales to our equity-method investee Guacolda.

Energy and capacity purchases, including spot market purchases, purchases from our equity-method investee Guacolda and purchases from other third parties under contract, principally qualified NCREs suppliers, increased by U.S.$75 million, or 70%, primarily due to an increase in physical energy purchases to 2,160 GWh in the year ended December 31, 2017 from 1,033 GWh in 2016. This increase was primarily driven by (i) lower availability of our efficient coal fleet mainly associated to programmed maintenance of Ventanas II in the third quarter of 2017 and (ii) lower hydroelectric generation mainly associated to lower river inflows at our run-of-the-river plants.

Additionally, other cost of sales increased by U.S.$56 million, or 43%, primarily due to the impact of new taxes on emissions as set forth in the Chilean tax reform from 2014.

These increases were partially offset by a U.S.$16 millon, or 7% decrease in coal generation principally related to programmed maintenance activities mentioned above. This decrease in coal generation was in turn partially offset by higher coal prices.

SING

The following table presents our cost of sales and generation in the SING for the periods indicated:

	For the year ended December 31,					
	2017[(1)]		2016		Variation	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**%**
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Fuel Consumption	314.9	50%	182.1	36%	132.8	73%
Energy and Capacity Purchases	28.0	4%	130.0	26%	(101.9)	(78%)
Transmission tolls	21.2	3%	11.3	2%	9.9	88%
Depreciation and Amortization Expense	130.5	21%	102.6	21%	27.9	27%
Other Cost of Sales	129.0	21%	73.8	15%	55.1	75%
Total Cost of Sales	**623.5**	**100%**	**499.8**	**100%**	**123.8**	**25%**
Physical data (in GWh)						
Coal Generation	8,123	99%	6,938	99%	1,185	17%
Solar Generation	64	1%	49	1%	15	31%
Total Generation	**8,187**	**100%**	**6,987**	**100%**	**1,200**	**17%**

(1) The data in the table above pertaining to the SIC and/or SING operating segments for the year ended December 31, 2017 has been derived from our 2017 audited consolidated financial statements. This same data has been reclassified in our 2018 audited consolidated financial statements into just one operating segment, the SEN.

In the SING, cost of sales increased by U.S.$124 million, or 25%, for the year ended December 31, 2017 as compared to the same period in 2016.

Fuel consumption increased by U.S.$133 million, or 73%, primarily due to a full year of operations for Eléctrica Cochrane in 2017 (unit I and unit II started operations in July and October 2016 respectively).

Eléctrica Cochrane's full year of operations also impacted our depreciation and amortization expense which increased by U.S.$28 million, or 27%, for the year ended December 31, 2018 as compared to the same period of 2017.

Additionally, the other cost of sales increased by U.S.$55 million, or 75%, mainly due to accrual of Green Taxes and operating costs associated with the effect of a full year of operations of Eléctrica Cochrane mentioned above.

These increases were partially offset by a U.S.$102 million, or 78%, decrease in energy and capacity purchases, primarily as a result of the termination of contracts at Norgener to supply Sierra Gorda before Eléctrica Cochrane started commercial operations.

SADI

The following table presents our cost of sales and generation in the SADI for the periods indicated:

	For the year ended December 31,					
	2017		2016		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Fuel Consumption	85.7	64%	69.0	64%	16.6	24%
Energy and Capacity	0.6	1%	0.2	0%	0.4	186%
Transmission tolls	0.9	1%	0.4	0%	0.6	158%
Depreciation and Amortization Expense	29.2	22%	26.2	24%	2.9	11%
Other Cost of Sales	16.6	12%	12.6	12%	4.0	32%
Total Cost of Sales	**132.9**	**100%**	**108.4**	**100%**	**24.5**	**23%**
Physical Data (in GWh)						
Gas Generation	4,477	100%	4,637	100%	(160)	(3%)
Total Generation	**4,477**	**100%**	**4,637**	**100%**	**(160)**	**(3%)**

In the SADI, cost of sales increased by U.S.$25 million, or 23%, for the year ended December 31, 2017 as compared to the same period in 2016, primarily due to a U.S.$17 million increase in fuel consumption as a result of higher gas purchases to supply the increase in demand from TermoAndes' Energía Plus Program customers.

SIN

The following table presents our cost of sales and generation in the SIN for the periods indicated:

	For the year ended December 31,					
	2017		2016		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Energy and Capacity Purchases	87.3	58%	203.7	80%	(116.4)	(57%)
Depreciation and Amortization Expense	11.9	8%	11.2	4%	0.8	7%
Other Cost Of Sales	50.3	34%	41.0	16%	9.3	23%
Total Cost of Sales	**149.5**	**100%**	**255.8**	**100%**	**(106.2)**	**(42%)**
Physical Data (in GWh)						
Hydro Generation	3,852	100%	4,373	100%	(521)	(12%)
Total Generation	**3,852**	**100%**	**4,373**	**100%**	**(521)**	**(12%)**

In the SIN, cost of sales decreased by U.S.$106 million, or 42%, for the year ended December 31, 2017 as compared to the same period in 2016, primarily due to lower energy purchases of U.S.$116 million due to a decrease in spot energy prices to an average of U.S.$36/MWh in 2017 from an average of U.S.$96/MWh in 2016, driven by more favorable hydrological conditions in Colombia. Additionally, physical spot purchases decreased to 2,168 GWh in 2017 from 2,450 GWh in 2016.

Gross Profit

The following table presents our gross profit for the periods indicated:

	For the year ended December 31,			
	2017[1]	2016	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Gross Profit – SIC	242.5	295.8	(53.3)	(18%)
Gross Profit – SING	192.8	146.9	45.9	31%
Gross Profit – SADI	5.9	3.8	2.0	53%
Gross Profit – SIN	176.4	179.0	(2.6)	(1%)
Total Gross Profit	**617.5**	**625.4**	**(8.0)**	**(1%)**

(1) The data in the table above pertaining to the SIC and/or SING operating segments for the year ended December 31, 2017 has been derived from our 2017 audited consolidated financial statements. This same data has been reclassified in our 2018 audited consolidated financial statements into just one operating segment, the SEN.

Total Adjusted Operating Income

The following table presents our total adjusted operating income for the periods indicated:

	For the year ended December 31,			
	2017	2016	Variation	
	(in U.S.$ millions, except for percentages)			
Total Adjusted Operating Income[1]				
Operating Revenue	2,718.9	2,404.7	314.2	13%
Consolidation Adjustments	(282.2)	(118.3)	(163.8)	138%
Total Operating revenue	**2,436.7**	**2,286.4**	**150.3**	**7%**
Cost of Sales	2,100.7	1,779.3	321.4	18%
Consolidation Adjustments	(281.5)	(118.3)	(163.2)	138%
Total Cost of Sales	**1,819.2**	**1,661.0**	**158.3**	**10%**
Gross Profit	617.5	625.4	(8.0)	(1)%
Administrative Expenses and Other Operating Income	111.0	103.0	8.0	8%
Consolidation Adjustments	(0.7)	-	(0.7)	(100%)
Total Administrative Expenses and Other Operating Income	110.3	103.0	7.3	7%
Total Adjusted Operating Income	**506.5**	**522.4**	**(15.9)**	**3%**

(1) For the convenience of the reader, we have included "total adjusted operating income" which is not an IFRS financial statement line item. Total Adjusted Operating Income is the sum of the following financial statement line items: gross profit plus (less) other operating income (expense) and less administrative expenses. Total Adjusted Operating Income is a non-IFRS measure.

As a result of the abovementioned factors, total adjusted operating income decreased by 3%, or U.S.$16 million, for the year ended December 31, 2017 compared to the same period in 2016.

Administrative expenses and other expenses increased by U.S.$7 million, or 7%, primarily driven by the increase in insurance expenses related to Eléctrica Cochrane's operating risk policy and an increase in municipal taxes. This increase was partially offset by a decrease in personnel costs.

Other Operating Income (Losses)

The following table presents our other operating income (loss) for the periods indicated:

	For the year ended December 31,			
	2017	2016	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Other Operating Income (Losses)				
Finance Income	8.2	8.1	0.1	1%
Finance Expense	(177.0)	(161.5)	(15.5)	10%
Other Gains / (Losses)	(44.1)	0.5	(44.6)	(8,360%)
Foreign Current Exchange Differences	(4.7)	(17.3)	12.6	(73%)
Equity Participation in Net Income of Associates	23.6	12.9	10.7	83%
Total Other Operating Income (Losses)	**(194.1)**	**(157.3)**	**(36.8)**	**23%**

Finance expense decreased by U.S.$16 million, or 10%, for the year ended December 31, 2017 as compared to the same period in 2017, primarily associated with lower capitalized interest expenses after the start of operations at Eléctrica Cochrane (as described above).

We saw a reversal in our other gains (losses) from a slight gain for the year ended December 31, 2016 to a loss for the year ended December 31, 2017, primarily due to early amortized deferred financing costs and nonrecurring tender premiums paid by us pursuant to two partial debt prepayments, as described under "—Liquidity and Capital Resources—Cash Flows Provided by (Used In) Financing Activities". In 2017, we were also negatively affected by the write-off of tax credits associated with water rights we sold to third parties and returned to the relevant Chilean authorities.

Foreign currency exchange differences decreased by U.S.$13 million, or 73% primarily due to the positive effect the appreciation of the Chilean peso against the U.S. dollar had on currency derivative instruments entered into by our Alto Maipo subsidiary.

The increase in our share of income from associates of U.S.$11 million, or 83% was principally due to higher net income from our equity-method investee Guacolda, primarily explained by an increase in its positive operational results.

Income Tax Expense

Even though our income before taxes for the year ended December 31, 2017 was 14% lower than the 2016, our income tax expense increased by U.S.$8 million, or 8%, primarily due to the negative impact the sale of Eléctrica Santiago in May 2018 had on our taxes.

Net Income

The following table presents our tax expense and net income for the periods indicated:

	For the year ended December 31,			
	2017	2016	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Net Income				
Income Before Income Taxes And Non-Controlling Interest	313.1	365.1	(52.0)	(14)%
Income Tax Expense	(115.0)	(106.8)	(8.2)	(8)%
Non-Controlling Interest	(13.6)	2.7	(16.3)	(604)%
Net Income Attributable to Shareholder of Parent	**184.5**	**261.0**	**(76.5)**	**(29)%**

As a result of the factors discussed above, net income decreased by U.S.$77 million to U.S.$185 million in the year ended December 31, 2017 from U.S.$261 million in the year ended December 31, 2016.

Liquidity and Capital Resources

Cash generated by operations is our primary source of liquidity, supplemented by issuance of foreign and local bonds, borrowings from foreign and Chilean banks by way of corporate loans and project finance loans, and proceeds from capital increases. Our principal cash outflows are related to cost of sales, principally fuel and energy purchases, capital expenditures, dividend payments and financing costs, including interest payments and debt amortizations.

The following table presents our cash flows by category for the periods indicated:

	For the year ended December31,		
Cash Flow	**2018**	**2017**	**2016**
		(in U.S.$millions)	
Cash Flows Provided by (Used in) Operating Activities ...	313.4	340.7	421.9
Cash Flows Provided by (Used in) Investing Activities	(0.5)	(419,6)	(541.7)
Cash Flows Provided by (Used in) Financing Activities ...	(257.8)	(116.2)	317.2
Total Cash Flows..	**55.2**	**(195.1)**	**197.4**
Effects of Foreign Exchange Variations	(8.7)	1,5	4.9
Total Cash at the End of the Period	**322.4**	**275.9**	**469.6**

Cash Flows Provided by Operating Activities

Cash flows provided by operating activities decreased by U.S.$27.2 million for the year ended December 31, 2018, compared to the same period in 2017. This decrease is principally the result of increased tax payments associated with Green Taxes and lower dividends received from our subsidiaries in the three main markets in which we operate. This decrease was partially offset by lower dividend payments to our shareholders and lower interest payments resulting the debt prepayments made by us and certain of our affiliates as described below in "—Debt Maturity Schedule".

Cash Flows Used in Investing Activities

Cash flows used in investing activities increased by U.S.$419 million for the year ended December 31, 2018, compared to the same period in 2017, principally due to investments made for the construction of our Alto Maipo project. This was partially offset by cash proceeds received from our sale of our subsidiaries Eléctrica Santiago and Transmisora Norte Grande for a combined amount of U.S.$513 million.

Cash Flows Provided by (Used in) Financing Activities

Cash flows used in financing activities were equal to a net outflow of U.S.$258 million for the year ended December 31, 2018, which represents a decrease of U.S.$142 million compared to the year ended December 31, 2017.

During the year ended December 31, 2018, our principal financing activities were as follows:

- Disbursements totaling U.S.$154 million received by Alto Maipo under the Alto Maipo Facility.
- Partial prepayment in July 2018 by us of U.S$100 million of our outstanding 5.25% Senior Notes due 2021.
- Partial prepayment in July 2018 by Eléctrica Angamos of U.S.$100 million of its outstanding 4.875% Senior Secured Notes due 2029.
- Scheduled debt payments totaling U.S.$136 million made by Eléctrica Angamos and Eléctrica Cochrane under their financing agreements described below.

Cash flows used in financing activities were equal to a net outflow of U.S.$116 million for the year ended December 31, 2017, which represents a decrease of U.S.$433 million compared to the year ended December 31, 2016.

During the year ended December 31, 2017, our principal financing activities were as follows:

- Partial prepayment in December 2017 by us of approximately U.S.$217.6 million of our outstanding 5.000% Senior Notes due 2025.

- Partial prepayment in December 2017 by us of U.S.$110 million of our outstanding 5.25% Senior Notes due 2021.

- Disbursements totaling U.S.$269 million received by our subsidiary Alto Maipo under the Alto Maipo Facility.

Cash flows provided by financing activities were equal to a net inflow of U.S.$ 317 million for the year ended December 31, 2016, which represents a decrease of U.S.$ 479 million compared to the year ended December 31, 2015.

During the year ended December 31, 2016, our principal financing activities were as follows:

- Disbursements totaling U.S.$280 million received by our subsidiary Alto Maipo under the Alto Maipo Facility and U.S.$ 130 million received by our subsidiary Eléctrica Cochrane under its facility described below.

- Partial prepayment in April 2016 by Eléctrica Angamos of approximately U.S.$199 million of its outstanding 4.875% Senior Secured Notes due 2029.

Debt Maturity Schedule

The following table sets forth our debt maturity schedule related to interest bearings liabilities, including financial lease obligations. This table shows the nominal amount of our debt balances as of December 31, 2018:

	Debt Maturity Schedule					
	Amortizations due by year, as of December 31, 2018					
	Total	**2019**	**2020**	**2021**	**2022**	**2023 and beyond**
	(in U.S.$ millions)					
Bond Debt	1,482	85	60	253	63	1,021
Bank Debt	1,997	183	80	83	85	1,566
Total Interest Bearing Liabilities	**3,479**	**268**	**140**	**336**	**148**	**2,587**
Financial Lease Obligations	**46**	**4**	**4**	**4**	**4**	**30**

The following table sets forth a breakdown of our debt maturity schedule into non-recourse and recourse debt. This table shows the nominal amount of our debt balances as of December 31, 2018:

	Non-Recourse/ Recourse Debt Maturity Schedule					
	Amortizations due by year, as of December 31, 2018					
	Total	**2019**	**2020**	**2021**	**2022**	**2023 and beyond**
	(in U.S.$ millions)					
Non-Recourse Debt	2,346	121	123	126	128	1,847
Recourse Debt	1,179	151	21	214	24	770

The credit agreements executed by us with financial institutions and the indentures governing our local and international bonds impose certain financial covenants during the term of these agreements which are usual for these types of agreements. As of December 31, 2018, we were in compliance with all restrictions and covenants related to our obligations in our credit agreements and bond indentures. See note 31 to our 2018 audited consolidated financial statements.

In the table above, bank debt principally includes drawings under the project finance credit facilities executed by our subsidiaries (i) Eléctrica Cochrane, for the construction of the Cochrane coal-fired facility and (ii) Alto Maipo, for the construction of the Alto Maipo run-of-river plant (which was recently restructured). Additionally, bank debt includes the financial lease obligation associated with AES Chivor for the construction of its Tunjita hydro run-of-river plant.

As of December 31, 2018, the outstanding principal due under project finance facilities, totaled U.S.$1,711 million on a nominal basis as detailed below:

- On March 27, 2013, Eléctrica Cochrane executed a project finance facility for the construction of the Cochrane thermoelectric power plant for up to U.S.$1,000.0 million in a senior secured construction loan converting to a term loan and up to U.S.$55.0 million letter of credit. The financing was granted by a syndicate of international financial institutions made up of export credit agencies from Japanese, Korean and other commercial banks. The loan has an 18-year maturity including a three and a half year construction period and is secured with the assets, shares and cash flows from the project. As of December 31, 2018, the amount disbursed and outstanding under this credit agreement was U.S.$893.9 million.

- On December 10, 2013, Alto Maipo executed (i) a project finance facility for the construction of the Alto Maipo 531 MW run-of-the-river power plant for up to U.S.$1,451 million and (ii) letters of credit for up to U.S$14 million. The financing was provided by a syndicate of Chilean and international multilateral and commercial banks. The loan has a 22-year maturity and is secured with the assets, shares and cash flows from the project. As of December 31, 2018, the amount disbursed and outstanding under this credit agreement was U.S.$817 million. The Alto Maipo Facility was recently restructured as described above under "—Alto Maipo Restructuring."

- In November 2014, our subsidiary Eléctrica Angamos completed a refinancing process of its outstanding indebtedness, including the repayment of its project finance facilities and the termination of the associated swaps, through the issuance of U.S.$800 million 4.875 % Senior Secured Notes due 2029 pursuant to a private placement under Rule 144A and Regulation S under the Securities Act. In April 2016 Eléctrica Angamos completed a tender offer where it purchased U.S.$199 million of the outstanding 2029 Senior Notes. This tender offer was financed through new bank loans entered into with Banco de Chile, Itaú Corpbanca, Banco del Estado de Chile and Banco de Crédito e Inversiones. Additionally, in July 2018, Eléctrica Angamos completed a tender offer where it purchased U.S.$100 million of the outstanding 2029 Senior Notes. As of December 31, 2018, the outstanding debt under the 2029 Senior Notes was U.S.$453.2 million and the outstanding debt under the bank loan was U.S$181.7 million.

- In July 9, 2015, we completed a refinancing process of our subsidiary Eléctrica Ventanas' outstanding indebtedness, including the repayment of its project finance facility for the construction of the Nueva Ventanas thermoelectric power plant and the termination of the associated interest rate swap agreements, through the issuance of U.S.$425 million 5.000% Senior Notes due 2025 pursuant to a private placement under Rule 144A and Regulation S under the Securities Act. In December 2017, we completed a tender offer where we purchased U.S.$217.6 million of the outstanding 2025 Senior Notes. As of December 31, 2018, the outstanding debt under the 2025 Senior Notes was U.S.$172.3 million.

The remaining outstanding debt (on a nominal basis) in the table above relates to the following:

- In December 2007, we issued our UF 4,400,000 Series N Notes at 4.30% due 2028. Our Series N Notes are registered with the CMF under number 517. As of December 31, 2018, the outstanding principal amount was U.S.$156.6 million based on the amount of debt hedged under a cross currency swap executed on December 19, 2007 and December 20, 2007 that fully covers this UF denominated obligation. Under the current terms of the Series N Notes we are subject to the following financial covenants: (i) our debt to equity coverage ratio must not exceed 1.2 times; and (ii) our EBITDA to interest coverage ratio must be higher than 2.5 times. As of the date of this listing memorandum we are in compliance with these financial covenants. On July 1, 2015, we successfully received required consents from the holders of these bonds, to amend the covenants, so that the debt of our project finance subsidiaries is not included in the covenant calculations.

- In April 2009, we issued our Series Q Notes for U.S.$196.0 million at 8.0% due in 2019. Our Series Q Notes are registered with the CMF under number 517. In August 2011, the Series Q Notes were part of a refinancing process detailed below. As of December 31, 2018, the outstanding principal amount was U.S.$ 24.5 million. Under the terms of the Series Q Notes we are subject to the following financial covenants: (i) our debt to equity coverage ratio must not exceed 1.2 times; and (ii) our EBITDA to interest coverage ratio must be higher than 2.5 times. As of the date of this listing memorandum we are in compliance with these financial covenants. On July 1, 2015, we successfully received required consents from the holders of these notes to amend these convenants, so that the debt of our project finance subsidiaries is not included in the covenant calculations.

- In August 2011, we completed a refinancing process which included the exchange and voluntary tender of approximately 63% of the U.S.$400.0 million 7.5% Senior notes due 2014, the voluntary tender of approximately 48% of the 8.0% Series Q notes due 2019, and the issuance of new Senior Notes for a total of U.S.$401.7 million due 2021 at an interest rate of 5.25%. Upon the closing of the transaction, the outstanding amount under the 2014 Senior Notes totaled U.S.$147.1 million and the outstanding amount under the 2019 Series Q Notes totaled U.S.$102.2 million. As part of the refinancing process, the covenants under the 2014 Senior notes were modified and the indebtedness and restricted payments covenants were eliminated. In December 2017, we completed a tender offer where we purchased U.S.$110 million of the outstanding 2021 Senior Notes. In addition, in July 2018, we completed a tender offer where we purchased U.S.$100 million of the outstanding 2021 Senior Notes. As of December 31, 2018, the outstanding debt under the 2021 Senior Notes was U.S.$191.7 million.

- In July 2012, AES Chivor executed a financial lease with a Colombian bank for up to approximately U.S.$62.5 million. The loan has a 14-year maturity including a two-year construction period. As of December 31, 2018 the amount disbursed and outstanding under this financial lease was U.S.$45.6 million.

- In December 2013, we issued U.S.$450 million 8.375% Junior Subordinated Capital Notes due 2073 in the U.S. pursuant to a private placement under Rule 144A and Regulation S under the Securities Act. As of December 31, 2018, the outstanding debt under the 2073 Junior Subordinated Capital Notes was U.S.$450 million.

In addition, in April 2015, our equity-method investee Guacolda completed a refinancing process of its outstanding indebtedness, including the repayment of its project finance facilities and the termination of certain swaps, through the issuance of U.S.$500 million 4.560% Senior notes due 2025 in the U.S. pursuant to a private placement under Rule 144A and Regulation S under the Securities Act, and the entry into a five-year unsecured syndicated loan facility with various financial institutions for a total amount of U.S.$330 million. As of December 31, 2018, the outstanding debt under the 4.560% Senior notes was U.S.$500 million and under the syndicated loan facility was U.S.$158 million.

We intend to use the net proceeds from the offering to purchase for cash any and all of the U.S.$450 million that was outstanding of our 2073 Notes, that are tendered, not withdrawn and accepted for purchase pursuant to the Tender Offer Documents, excluding the tender premium (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Debt Maturity Schedule," for details of our existing indebtedness). The remainder, if any, will be used for general corporate purposes, including the working capital needs of our subsidiaries.

Capital Expenditures

Our long-term strategy is to remain an important and profitable participant in the electricity generation business in our main markets. To address rising demand from regulated and unregulated customers, we have invested in several projects and plan to continue to grow organically by constructing new electricity generation plants and to ensure diversification in terms of fuel sources and compliance with environmental regulations. We have been actively adding electricity generation capacity in recent years. Between January 1, 2015 and December 31, 2018, we have added the following power plants: Cochrane in Chile, a thermoelectric plant with 550 MW of installed capacity, Andes Solar in Chile, a photovoltaic plant of 22 MW of installed capacity and Tunjita in Colombia, a run-of-river hydroelectric plant of 20 MW of installed capacity.

Our most significant investing activities in the past three years have been related to the Alto Maipo project and Cochrane plant. We have also made capital expenditures related to the overhaul of our power plants, equipment maintenance and refurbishing, and environmental improvements, among others. The projects that we are currently constructing include our 531 MW hydroelectric run-of-river power plant Alto Maipo, with an estimated date of completion of late 2020, as well as a 10 MW battery energy solution. In addition, we recently launched 290 MW of solar and wind projects (and 80 MW expansion of our 22 MW Andes Solar plant and 210 MW of new wind plants). Additionally, in Colombia (i) in partnership with Ecopetrol S.A., we are currently constructing a 20 MW solar plant (Castilla) and (ii) we recently acquired a portfolio of 648 MW of wind projects (see "Summary—Recent Developments"). See "Business—Projects under Development" for a description of other projects we are currently developing.

Our capital expenditures from January 1, 2016 through December 31, 2018 totaled U.S.$ 1,624 million. Our principal capital expenditures from January 1, 2016 through December 31, 2018 include the following:

- our Alto Maipo run-of-river plant, currently under construction, scheduled for completion in late 2020.
- our Cochrane thermoelectric plant, which has been connected to the grid since October 2016.

The following table presents our capital expenditures by principal category for the periods indicated:

	For the year ended December31,	
Capital Expenditures	**2018**	**2017**
	(in U.S.$millions)	
Construction		
Alto Maipo Hydro Plant	464	356
Cochrane Plant	1	35
Major Maintenance & Other		
Major Maintenance	30	24
Other	70	82
Total Capital Expenditures	**565**	**497**

We have initiated the 531 MW run-of-river hydroelectric Alto Maipo power plant in what was formerly known as the SIC. Due to construction delays, we recently restructured the project as explained above under "—Alto Maipo Restructuring." As of December 31, 2018, the amount disbursed and outstanding under the Alto Maipo Facility was U.S.$817 million. Other projects that we are currently constructing and/or developing in Chile are a 10 MW battery energy solution and 290 MW of solar and wind projects (an 80 MW expansion of our 22 MW Andes Solar plant and 210 MW of new wind plants).

In addition to the development projects mentioned above, in Colombia (i) in partnership with Ecopetrol S.A., we are currently constructing a 20 MW solar plant (Castilla) and (ii) we recently acquired a portfolio of 648 MW of wind projects (see "Summary—Recent Developments").

Dividend Policy

Chilean law requires the distribution of at least 30% of our net income in each fiscal year in the form of an obligatory minimum dividend payment, unless the regular annual shareholders' meeting unanimously votes against such distribution, or approves a lower amount, or in the case that we have unabsorbed losses from prior years. Our dividend payment policy is set by our shareholders on an annual basis, with the dividend payment for each year being based on the financial performance for the year, our available cash balance, projected financing requirements for capital expenditures and investments for the following years. The dividend payment is determined by our board of directors and subsequently submitted for approval at the regular annual shareholders' meeting as established by Chilean law.

In April 2018, our shareholders approved a total annual dividend payment equivalent to 100% of our 2017 net income, which was divided into two payments, including the obligatory minimum payment required by law of at least 30% of our net income paid out in May 2018, which was equal to 30% of our 2017 net income. The remaining portion was paid in an additional dividend payment in November, 2018. We expect that our shareholders will approve another dividend payment in respect of our 2018 net income at their annual shareholders meeting in April 2019.

The dividends paid during the years ended December 31, 2018 and 2017 are shown in the following table:

Dividends paid by AES Gener

Payment Date	Dividend Type	Amount U.S.$	U.S.$ per share
November 29, 2018	Final Dividend	129,163,303.27	0.015376
May 25, 2018	Final Dividend	55,355,581.40	0.00659
June 5, 2018	Final Dividend	4,389,629.14	0.02478
November, 28, 2017	Final Dividend	55,008,648.23	0.0065484
September 27, 2017	Final Dividend	60,000,117.71	0.0071426
May 08, 2017	Final Dividend	146,000,062.42	0.0173803

In addition, in April 2018, our shareholders also set our dividend policy for 2018, which will be to distribute up to 100% of our net income generated during the fiscal year, subject to the factors described above.

Hedging Policy

Our hedging policy covers the following risks to which we are exposed:

Business Risk and Commodity Hedging

The fuels used by us, which are primarily coal and natural gas, are commodities with international prices set by external market factors. Fuel price risk is associated with fluctuations in these prices. The price of fuel is a key factor for dispatch and spot prices both in Chile and Colombia. Variations in the price of fuels, such as coal, diesel and natural gas, can modify our cost composition through changes in the marginal cost of energy. Since a significant portion of our generation is thermoelectric, fuel costs represent a significant portion of our cost of sales.

Coal is purchased both locally and internationally as the primary fuel for several of our plants, including our equity-method investee Guacolda. Given the technology of our coal plants, we are able to burn a variety of different types of coal, providing us with substantial supply sources. Coal is primarily purchased in an international bidding process through which we acquire coal on a portfolio basis for our plants. Through this bidding process, we execute contracts with terms of between one to three years. In terms of pricing, we select different mechanisms in order to align sale price indexation formula with our cost of sales.

Our TermoAndes CCGT is fueled alternatively by gas or diesel. Our TermoAndes' facility located in Argentina, continues to receive gas supplies purchased under contracts with Argentine producers at a fixed price under a medium-term contract. TermoAndes currently sells electricity exclusively in the SADI, although it is also connected to the SING (now part of the SEN) via a transmission line owned by us. The export permit to deliver energy to the SING (now part of the SEN) in Chile expired on January 31, 2013. TermoAndes currently generates at its maximum capacity, delivering its energy to the SADI.

In order to align our generation costs with energy sales contract revenues, the majority of our PPAs currently include indexation mechanisms that adjust prices based on the variation in coal prices in accordance with the indices and adjustment periods specified under each contract. In addition, we maintain a structured coal acquisition strategy, purchasing both at fixed and variable prices, in order to align generation costs with contract revenues. Although no financial hedges for fuel were executed in 2017, or 2018, we actively analyze the execution of fuel price hedging mechanisms to stabilize our operating margin.

In the SADI, our TermoAndes plant sells energy on the spot market and under short-term, one-year contracts.

Currency Hedging

With the exception of operations in Colombia, our functional currency is the U.S. dollar given that our revenues, costs and investments in equipment are principally determined in that currency. We hold our short-term cash investments mostly in U.S. dollars. As of December 31, 2018, 85% of AES Gener's short term cash investments were denominated in U.S. dollars, 2% in Argentine pesos, 10% in Chilean pesos and 3% in Colombian pesos. The impact of a variation of 10.0% in the Chilean peso to U.S. dollar exchange rate would have resulted in a negative variation of approximately U.S.$9.4 million in net income given our net asset position in Chilean pesos, as of December 31, 2018.

AES Chivor's functional currency is the Colombian peso since most of its revenue, specifically contract sales, and its operating costs are linked primarily to the Colombian peso. For the year ended December 31, 2018, sales in Colombian pesos represented 16% of consolidated revenue, while these sales represented 12% of consolidated revenue for the year ended December 31, 2017.

In Argentina, spot prices are set in U.S. dollars and these sales represented 3% of consolidated revenue for each of the year ended December 31, 2018 and for the year ended December 31, 2017. The impact of a variation of 10.0% in the Argentine peso to U.S. dollar exchange rate would have resulted in a variation of approximately U.S.$1.5 million in net income.

With regard to debt denominated in currencies other than the U.S. dollar, we have executed hedges in the form of cross currency swaps to eliminate the majority of exchange rate risk. We executed a cross currency swap for the UF-denominated bonds issued in 2007 for approximately U.S.$219.5 million, which extends throughout the duration of the debt. Series N matures in 2028 for U.S.$172.3 million. As of December 31, 2018, 96% of our and our subsidiaries' debt was denominated in U.S. dollars, including the local bonds for which we executed a cross-currency hedge as mentioned above.

Credit Risk

Credit risk relates to the credit quality of counterparties with which we and our subsidiaries establish relationships. These risks are reflected primarily in accounts receivable, financial assets and derivatives. With regard to accounts receivable, our counterparties in Chile are contract customers and spot market purchasers. In Chile, our contract customers are principally highly solvent distribution companies and industrial customers, the majority of which or their parent companies have local and/or international investment grade credit ratings. Our spot market customers in Chile are obligatorily other SEN generator participants which have registered energy deficits in accordance with the Independent Electrical Coordinator's monthly economic dispatch report.

In Colombia, AES Chivor performs counterparty risk assessments based on an internal credit quality evaluation, which in some cases may include guarantees such as letters of credit and prepayment conditions.

In Argentina, TermoAndes' principal counterparties are CAMMESA and large and diversified unregulated consumers with contracts under the Energía Plus Program. On February 2, 2017, Resolution 19/2017 was issued. This resolution amended the regulatory framework by setting prices in U.S. dollars, eliminating the receivables portion of sales and establishing a new mechanism to pay for fixed costs. On February 28, 2019 the Argentine Secretary of Renewable Resources and Electric Market issued Resolution 1/2019, which, effective March 1, 2019, updated and lowered the prices set forth in Resolution 19/2017. Under the new regulatory framework, both fixed and variable prices continue to be in U.S. dollars, but a new mechanism for the recognition of fixed prices was established, pursuant to which such prices are set according to the use factor of each thermal unit. As of the date of this listing memorandum, we are still analyzing the effect, if any, Resolution 1/2019 will have on TermoAndes' PPAs.

Our financing and investment agreements are executed with high-quality local and foreign financial institutions, which have national and/or international credit ratings greater than or equal to "A" under the S&P and Fitch scales and "A2" under the Moody's scale. Similarly, derivatives for financial debt are executed with highly rated international entities. Cash, investment and treasury policies direct the management of our cash portfolio, focusing principally on minimizing credit risk.

Off-Balance Sheet Agreements

Our principal off-balance sheet agreements in the form of letters of credit include the following:

- Alto Maipo provided a letter of credit to the Water Agency (*Dirección General de Aguas*) of the Ministry of Public Works of Chile, for an amount of UF180,859 (U.S.$7.1 million) with an expiration date of December 9, 2021, to guarantee hydraulic works related to the Alto Maipo project;

- a stand-by letter of credit from Citibank N.A., New York, for the amount of U.S.$137.5 million expiring on June 30, 2019, in favor of Eléctrica Cochrane to guarantee KGHM's obligations under the Sierra Gorda PPAs;

- a stand-by letter of credit from Deutsche Bank AG, New York Agency, for the amount of U.S.$12.3 million, which expires on September 20, 2019, in favor of Eléctrica Cochrane to guarantee Poscos's warranty claims under its engineering, procurement and construction agreement dated November 11, 2011 with us, and the extension of which is currently under evaluation;

- Eléctrica Cochrane has obtained a committed debt service reserve letter of credit for the total amount of U.S.$55.0 million due on November 9, 2018, associated with its project finance credit facility to guarantee debt service under the facility for six months; and

- on December 19, 2007, we entered into a cross currency swap with Credit Suisse International in order to swap the Chilean inflation indexed unidad de *fomento* (UF) bond issued in December 2007 into U.S. dollars. On September 16, 2009, this cross currency swap agreement was amended and a portion was novated to Deutsche Bank Securities. Both swap contracts include provisions which require AES Gener to provide credit support in terms of collateral when the mark-to-market value of the swap exceeds the thresholds established in the agreements. As of December 31, 2018, credit support was required and provided by us in the form of three stand-by letters of credit for an aggregate amount of U.S.$25 million.

Our principal off-balance sheet agreements in the form of corporate guarantees include the following:

- a corporate guarantee from us in favor of Ecopetrol S.A. to guarantee the construction at a 20MW solar plant in Colombia and subsequently our obligations under the project's PPA;

- a corporate guarantee from Sumitomo Corporation, for the amount of U.S.$33.75 million expiring on December 31, 2034, in favor of Eléctrica Cochrane to guarantee Sumitomo Corporation's obligations under the Sierra Gorda PPAs;

- a corporate guarantee from Sumitomo Metal Mining Co., Ltd., for the amount of U.S.$78.75 million expiring on December 31, 2034, in favor of Eléctrica Cochrane to guarantee Sumitomo Metal Mining Co., Ltd.'s obligations under the Sierra Gorda PPAs;

- a corporate guarantee from Teck Resources Ltd. to Eléctrica Cochrane that covers the remaining portion of the full amount under the Quebrada Blanca PPA, for the amount of U.S.$394.2 million;

- a corporate guarantee from Teck Resources Ltd. to Eléctrica Angamos that covers the remaining portion of the full amount under the Quebrada Blanca PPA, for the amount of U.S.$216.7 million; and

- a corporate guarantee from Strabag in favor of Alto Maipo to guarantee the construction of the Alto Maipo plant under the new EPC contract executed between Alto Maipo and Strabag in connection with Alto Maipo's restructuring process.

We do not have any other material off-balance sheet arrangements.

Please refer to note 32 to each of our 2018 audited consolidated financial statements and 2017 audited consolidated financial statements, respectively, for further details.

Quantitative and Qualitative Disclosures about Interest Rate and Foreign Exchange Risk

We are exposed to risks arising from changes in interest rates and currency exchange rates. Periodically, we assess our exposure and monitor opportunities to manage these risks, including entering into derivative contracts. In the normal course of business we also face risks that are either non-financial or non-quantifiable. Such risks primarily include country risk, credit risk and legal risk, and are not represented in the information included below. The following discussion about our risk management activities includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those projected in such forward-looking statements.

Interest Rate Risk

Interest rate risk exists principally with respect to our indebtedness that bears interest at floating rates. As of December 31, 2018, we had an outstanding principal amount of interest-bearing consolidated debt of U.S.$3,525 million on a nominal basis (which differs from the U.S.$ 3,434 million recorded in our 2018 balance sheet given that under IFRS debt is recorded at its amortized cost), of which U.S.$3,253 million had maturities beyond 2019.

The following table presents the outstanding principal amount for our interest-bearing indebtedness for the periods indicated:

As of December 31, 2018

		Expected contractual maturity date				
	Average interest rate	**2019**	**2020**	**2021**	**2022**	**2023 and beyond**
		(in U.S.$ millions)				
Fixed Rate						
(U.S.$)	8.4%	-	-	-	-	450
(U.S.$)	8.0%	25	-	-	-	-
(U.S.$)	5.3%	-	-	192	-	-
(U.S.$)	5.0%	-	-	-	-	172
(UF Swapped to U.S.$)	7.3%	16	16	16	16	94
(U.S.$)	3.3%	59	-	-	-	-
(UF)	10.3%	1	2	2	4	24
(U.S.$)	4.9%	43	43	43	43	280
(U.S.$)	4.5%	17	17	17	17	112
(U.S.$)	4.3%	48	52	52	54	510
(U.S.$)	6.7%	-	-	-	-	817
(Col$)	3.7%	46	-	-	-	-
Variable Rate						
(U.S.$)	LIBOR + Spread	12	13	13	14	179
(Col$)	ICP + Spread	4	4	4	4	46
Total		**272**	**145**	**340**	**152**	**2.618**

A portion of the debt associated with Eléctrica Cochrane and Alto Maipo project finance debt has been swapped to cover the risk of variations in the LIBOR rate. Accordingly, 80%, and 100% of the total variable rate debt, equal to U.S.$1,532 million, has effectively been swapped to fixed rate debt as of December 31, 2018. As a result of these interest rate swaps, as of December 31, 2018, fixed rate debt, including swapped debt, represents U.S.$ 3,301 million, or 94% of the total principal of our outstanding debt.

Foreign Currency Risk

Our principal exchange rate risk involves changes in the value of the Chilean peso relative to the U.S. dollar. In year ended December 31, 2018 the majority of our consolidated net sales, revenues, costs and expenses were denominated in or indexed to the U.S. dollar. As of and for the year ended December 31, 2018:

- approximately 84% of our sales are denominated in or indexed to U.S. dollars or are associated with currency hedging;
- approximately 87% of our costs of sales are denominated in or indexed to U.S. dollars; and
- approximately 94% of our consolidated debt is denominated in U.S. dollars or is associated with currency hedging.

Accordingly, variations in the value of the Chilean peso relative to the U.S. dollar will not have a significant effect in the cost in U.S. dollars of our foreign debt service obligations. See "—Hedging Policy."

The functional currency for AES Chivor is the Colombian peso since most of its revenue, specifically contract sales, and cost of sales are primarily in Colombian pesos. For the year ended December 31, 2018, sales in Colombian pesos represented 16% of our consolidated revenue. Additionally, AES Chivor's dividends are determined in Colombian pesos, although financial coverage mechanisms are utilized to fix the amounts in U.S. dollars distributed to us. Furthermore, in the SADI, spot prices are denominated in Argentine pesos and Energía Plus Program contract prices are determined in U.S. dollars but paid in Argentine pesos. SADI sales represented 6% of our consolidated revenue in the year ended December 31, 2018.

Critical Accounting Policies and Estimates

In the preparation of our financial statements, we have identified key accounting policies which are fundamental to our consolidated statement of financial position and consolidated comprehensive income. These key accounting policies, including disclosures, often involve complex quantitative analyses or are based on subjective judgments or decisions. We continually evaluate these estimates, including those related to revenue recognition, useful lives of property, plant and equipment, post-employment benefit plans, income taxes and the fair value of financial instruments, including derivatives. We base our estimates on historical experience and other assumptions which we believe to be reasonable under the circumstances.

For a summary description of our significant accounting policies, see note 4 to each of our 2018 audited consolidated financial statements and 2017 audited consolidated financial statements, respectively, included in this listing memorandum.

BUSINESS

General

We are the second largest electricity generation company in Chile in terms of gross generation, with a market share of 27% and installed capacity, with a market share of 14%, both as of December 31, 2018 in the newly interconnected SEN. We also have a presence in the SIN in Colombia and the SADI in Argentina. As of December 31, 2018, our installed capacity in Chile totaled 3,388 MW. In Chile, among other projects, we currently have under construction a 531 MW run-of-river power plant (Alto Maipo) as well as a 10 MW BESS adjacent to our Alfalfal I hydroelectric plant in Cajon del Maipo located in the Metropolitan Region, and recently launched 290 MW of solar and wind projects (an 80 MW expansion of our Andes 22 MW solar plant and 210 MW of new wind plants). Additionally, in Colombia (i) in partnership with Ecopetrol S.A., we are currently constructing a 20 MW solar plant (Castilla) and (ii) we recently acquired a portfolio of 648 MW of wind projects (see "—Recent Developments").

In Chile, we have a diversified generation portfolio in terms of geography, technology, customers and fuel source. Our installed capacity is located near the principal electricity consumption centers, including Santiago, Valparaíso and Antofagasta, extending from Tocopilla in the north to Los Angeles in south central Chile. Our diverse generation portfolio, composed of hydroelectric, coal, solar, diesel and biomass facilities, allows us to flexibly and reliably operate under a variety of market and hydrological conditions, efficiently managing our contractual obligations with regulated and unregulated customers and, as required, providing back up energy to the spot market in the SEN.

In Colombia, we own the third-largest hydroelectric facility. As of December 31, 2018, we had a 6% market share based on installed capacity, and a 7% market share based on generation. Based on our generation market share, we are the fifth-largest generation company in the country. This dam-based hydroelectric plant, located approximately 160 km east of Bogota, has total nominal capacity of 1,000 MW. We actively manage the reservoir level by contracting a significant portion of the plant's generation and selling the remaining generation on the spot market. Additionally, our 20 MW Tunjita run-of-river hydroelectric plant started commercial operations in the second half of 2016.

In Argentina, our 643 MW combined cycle facility in Salta, represented 2% of the SADI's installed capacity and net generation, as of December 31, 2018. As of the date of this listing memorandum, TermoAndes sells energy exclusively in Argentina; a portion of its generation is sold to unregulated customers under short-term contracts under the Energía Plus Program and the remainder is sold on the spot market. This plant is also connected to the SEN.

Competitive Strengths

We believe our key competitive strengths are:

- *High-quality and diversified generation assets*. We have a portfolio of high-quality generation assets, diversified in terms of geographic location, technology, customer and energy source. We operate in three independent markets, the SEN in Chile, the SIN in Colombia, and the SADI in Argentina, which provides us with a competitive advantage due to the diversification of our revenues from each market. In the year ended December 31, 2018, the Adjusted EBITDA contribution from the SEN, SIN, and SADI was 67%, 27% and 6%, respectively. As of December 31, 2018, we are the second largest generation company in Chile in terms of generation. In terms of installed capacity, we have a significant presence in the electric system in Chile, with a participation of 14% in the SEN. Size is a competitive advantage given the capital-intensive nature of our industry. We are both geographically and technologically diverse, with generation assets located throughout northern and central Chile, situated close to the major consumption centers, including Santiago, Valparaiso and Antofagasta, thus reducing transmission costs. Our generation facilities in Chile include coal, run-of-river hydroelectric, diesel, solar and biomass plants. Our diversified plant portfolio in terms of technology, customers and energy sources is a competitive advantage as it provides flexibility to reliably meet contractual obligations and sell excess energy on the spot market when market conditions create scarcity, such as dry hydrology or plant outages. Our dam-based hydrological plant in Colombia is counter-cyclical to that of most of the principal Colombian generators, providing us with a competitive advantage to strategically manage our operations. TermoAndes is considered one of the most efficient thermoelectric plants in Argentina and is currently the leader in the Energía Plus Program market with 223.93 MW of contracted energy under this program as of December 31, 2018.

- *Established and robust presence in attractive markets with sound and stable regulatory frameworks.* Our principal businesses are in the Chilean and Colombian markets. We have been supplying electricity to the Chilean market since 1981, and to the Colombian market since 1996, with the acquisition of our AES Chivor plant. Chile and Colombia are two of the most attractive and stable economies in South America, both with investment grade sovereign debt credit ratings, sustainable pro-business policies and developed and liquid capital markets. The regulatory framework for the electricity sector is transparent and market-oriented in both countries, dating back to 1982 in Chile and 1994 in Colombia, during which periods both countries have faced critical electricity supply conditions related to natural disasters, such as floods, droughts and earthquakes. In Chile, regulatory amendments in 2004, 2005 and 2015, improved the allocation of transmission costs and replaced regulated tariffs charged to regulated customers with indexed prices determined by public bids. In Colombia, the regulatory framework was revised in 2006, establishing a new firm energy scheme for Colombian generation companies and thereby increasing reliability charges. We believe that both Chile and Colombia have attractive growth potential. Demand for electricity in Chile's two major power grids (prior to the interconnection), based on energy sales, grew at a compound annual growth rate of 2.87% in the SIC and 2.76% in the SING for the 9-year period from 2008 to 2017. Demand for electricity in Colombia, based on energy sales, grew at a compound annual growth rate of 2.5% from 2009 to 2018 and the UPME projects a compound annual growth rate of 3.3% in the next ten years.

- *Commercial policy based on contracts with high-quality and reliable customers providing stable and predictable cash flows.* Our commercial strategy, which focuses on executing long-term contracts for our expected base load generation, has enabled us to maintain stable cash flows generation. Additionally, the majority of our power purchase agreements are denominated in U.S. dollars, which aligns our functional currency with our revenue and cost structure. In Chile, we align our contracts with our generation capacity, contracting a significant portion of our efficient capacity, currently coal, hydroelectric and solar capacity, under long-term, price-indexed contracts with regulated and unregulated customers. As of December 31, 2018, almost all of our long-term contracts were with high-quality distribution companies, as well as mining and industrial companies. Our principal customers include the distribution companies Enel, Chilquinta, and EMEL and mining companies such as Minera Escondida, Minera Spence, Codelco, SQM, Sierra Gorda, Quebrada Blanca, Pelambres and Candelaria. Our long-term contracts with mining companies include both fixed and variable payments along with indexation mechanisms which periodically adjust prices related to the U.S. CPI and the international price of coal, even in some cases with clauses related to changes in law and regulatory costs. Our policy also involves contracting a portion of our projects' capacity before the start of construction. Specifically, for the Alto Maipo project we have executed a long-term contract with an unregulated customer (Pelambres). In Colombia, we maximize cash flows and operating margin by applying an integrated business risk management strategy to optimize the use of the La Esmeralda reservoir, determining the desired level of contracts based on projected hydrological conditions and the plant's generation profile. In the year ended December 31, 2018, approximately 27.9% of our generation in the SIN was sold under contracts with distribution companies, which in some cases were backed by guarantees such as letters of credit or prepayments, as determined by our comprehensive counterparty risk assessment methodology. These contracts, which range from terms of one to four years to terms of 15 years (the latter of which refer to AES Chivor's (i) 876 GWh PPA executed with Gensa S.A. and (ii) 20 MW PPA executed with Ecopetrol S.A.), include indexation mechanisms to adjust for movements in the Colombian PPI. In Argentina, 306 MW of our TermoAndes' installed capacity were authorized to be sold under the Energía Plus Program with industrial customers. TermoAndes' strategy is to maximize the electricity sold under the Energía Plus Program. These contracts allow TermoAndes to sell electricity at higher margins compared to margins earned on spot market sales.

- *Strong Financial Position.* We maintain a strong financial position with solid liquidity, stable cash flows and broad access to local and international capital markets. As the issuer of senior unsecured debt, we hold, and aim to maintain, international investment grade ratings with the principal international rating agencies, namely Moody's, Fitch and S&P. As of December 31, 2018, our total consolidated balance of cash and cash equivalents, including short term time deposits, was equal to U.S.$322 million and we had unused long-term committed credit lines of approximately U.S.$250 million that we may draw on in our sole discretion.

- *Successful project development and construction and attractive development portfolio.* Since 2009, we have constructed and initiated commercial operations of 2,413 MW of new capacity in Chile, representing a significant portion of the increase in installed capacity and investment in what were formerly known as the SIC and SING electric grids. Our successful project development and demonstrated construction skills, evidenced by our ability to generally complete these projects on time and on budget, represent an important competitive advantage. Additionally, in Chile, among other projects, we currently have under construction the 531 MW two unit run-of-river hydroelectric Alto Maipo project which was recently restructured and is expected to be completed in late 2020 (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Alto Maipo Restructuring" for details of the restructuring) as well as a 10 MW battery energy solution and recently launched 290 MW of solar and wind projects (an 80 MW expansion of our Andes 22 MW solar plant and 210 MW of new wind plants). In Colombia, (i) in partnership with Ecopetrol S.A. we are currently constructing a 20 MW solar plant and (ii) we recently acquired a portfolio of 648 MW of wind projects (see "—Recent Developments"). Our development strategy focuses on obtaining environmental permits, solid construction contracts, power purchase agreements and structured financing prior to the initiation of new investments. For further information on our projects under development see "Business—Projects under Development".

- *Experienced management.* Our management team has extensive industry experience and proven expertise in business strategy, operations, engineering, project management, construction, fuel and equipment purchasing and risk management. This experience in project development and construction has recently been demonstrated with the successful completion of new generation projects totaling 2,550 MW since 2007 in Chile.

Business Strategy and Objectives

Our goal is to provide reliable and sustainable electricity in the markets in which we operate by leveraging our operational, commercial and financial excellence.

Our strategy is based on the following:

- *Operational excellence.* We focus on comprehensive operational excellence, which includes safety, operational efficiency, community cooperation and environmental management, in order to achieve sustainable long-term electricity generation. Safety is our top corporate value. To this end, a world-class safety program has been implemented in 2010 to safeguard our employees, our contractors and the communities where our operations are located. Operational efficiency focuses on guaranteeing long-term commercial availability of our generation assets through deploying our extensive operating expertise and continuous maintenance and operational enhancements. We interact with the communities where our assets are located, striving to establish permanent relationships through the creation of social responsibility initiatives and development programs. We also apply integrated environmental management in order to assure full compliance with regulatory requirements and identify environmental improvements.

- *Commercial excellence.* Our commercial policy seeks to optimize the balance of contract and spot sales in order to maximize margins, minimize cash flows volatility and reduce uncertainty from the electricity business, managing and mitigating risks related to market and industry conditions. In Chile, we align our contracts with our generation capacity, contracting our efficient capacity (currently coal, solar and hydroelectric capacity) under long-term indexed price contracts with regulated and unregulated customers. We reserve our higher variable cost units, such as our diesel units in Chile, as back-up facilities for sales to the spot market during scarce system supply conditions, such as dry hydrological conditions and plant outages. In Colombia, we also seek to maximize cash flows and operating margin by applying an integrated business risk management strategy to optimize the use of the reservoir, determining the desired level of contracts based on projected hydrological conditions and the plant's generation profile. Contract revenues are complemented with revenues from the sale of excess non-contracted electricity in the spot market. In Argentina, we seek to maximize cash flows and operating margin by maximizing plant availability.

- *Financial excellence*. Our financial policy focuses on profitability, stability and liquidity in order to maintain and develop our business. Our principal financial objectives include balancing our capital structure, maintaining adequate minimum liquidity, managing our debt amortization schedule and actively mitigating risks to reduce cash flows and earnings volatility. We have funded our recent construction projects with a mix of equity and non-recourse project and corporate debt to match the tenor of these new investments and, in the future, we plan to continue to balance our capital structure in the same manner, maintaining broad and balanced access to both local and international capital markets. Specifically, with the execution of non-recourse project finance debt, we isolate a significant portion of the development risks. As of December 31, 2018, our consolidated outstanding indebtedness was equal to U.S.$3,525 million on a nominal basis (which differs from the U.S.$ 3,434 million recorded in our 2018 balance sheet given that under IFRS debt is recorded at its amortized cost) and we had unused committed credit facilities under our U.S.$250 million revolver credit facility with certain local and international banks. Our financial risk management activities include hedging strategies to mitigate foreign exchange, interest rate and commodity exposure.

- *Greentegra strategy*. In June 2018, we officially launched our new Greentegra strategy to become the energy solution provider of choice in South America, through the integration of additional green or renewable energy projects. We have adopted a customer centric model, focused on providing our customers or business partners, as the case may be, with five business solutions under our Greentegra umbrella, backed by five proven technologies aimed at integrating renewable energy into our portfolio. All this is underpinned by our long-term investment grade ratings. We are very proud to continue to improve lives by providing sustainable, affordable and reliable energy solutions to the continent. We are strongly committed to continuing our focus on our customers and continuously enhance our capabilities to better serve South America's energy needs. The following is a summary of the scope of the commercial opportunities we are currently pursuing under our Greentegra strategy:

  - *Coal to Green*, whereby we aim to green the mining sector by partially replacing the pass-through of variable costs component of certain of our PPAs with a fixed price component backed by renewables. As of the date of this listing memorandum, we have identified take or pay PPAs with a contracted capacity of approximately 10.5 TWh/year in our portfolio that may qualify for this opportunity, although we offer no assurance as to if and when we will be able to make the change.

  - *Blextend*, whereby we aim to incorporate renewable output into the supply of energy while extending the life of existing conventional PPAs in order to deliver a competitive energy solution at all hours of the day. As of the date of this listing memorandum, we have identified fixed price, conventional PPAs with a contracted capacity of approximately 3.2 TWh/year in our portfolio that may qualify for this opportunity, although we offer no assurance as to if and when we will be able to make the change.

  - *GenerFlex*, whereby we aim to target new customers to integrate PPAs and cutting-edge technology, including energy management, storage and distributed energy, to provide energy solutions in line with the needs of an evolving market. As of the date of this listing memorandum, we have identified a potential of 2.3 TWh/year that may be added to our portfolio under this opportunity, although we offer no assurance as to if and when we would be able to add such customer.

AES Gener and our Subsidiaries

AES Gener S.A. was founded on June 19, 1981 under the original name Compañía Chilena de Generación Eléctrica S.A. ("Chilectra Generación S.A."). Our by-laws were approved by the Chilean Securities and Insurance Authority in resolution 410-S of July 17, 1981 and were published in Official Gazette No. 31,023 on July 23 of the same year. We are registered in the Business Registry of the Santiago Property Registrar on pages 13,107 No. 7,274 of 1981.

Our origins date back to 1889 when the Chilean Electric Tramway and Light Company was founded in Santiago. The assets were merged in 1921 with those of the Compañía Nacional de Fuerza Eléctrica to form the Compañía Chilena de Electricidad. Compañía Chilena de Electricidad was a privately owned company until 1970, when it was nationalized and taken over by the Corporation for the Development of Production ("CORFO"). In June 1981, it was restructured into a holding company, Chilectra S.A., with three subsidiaries: Chilectra Metropolitana S.A., a distribution company serving the Santiago Metropolitan Area; Chilectra Quinta Región S.A., a distribution company serving Valparaiso and the Aconcagua Valley; and Chilectra Generación S.A., an electricity generation company and owner of the former Chilectra's Transmission Assets.

Chilectra Generación S.A. began operating as an independent company on August 1, 1981. In 1986, CORFO began privatizing the Company, and by January 1988, 100% of its ownership had been transferred to the private sector. At the annual shareholders' meeting in September 1989, it was decided to change Chilectra Generación S.A.'s name to Chilgener S.A ("Chilgener"). At that time Chilgener had installed capacity of 579 MW distributed throughout Chile's Metropolitan and V Regions.

During the 1990s, the Company expanded significantly in Chile and entered other Latin American countries including Colombia, Argentina, Perú and the Dominican Republic. During this decade, in addition to participating in the electricity generation business, AES Gener was also engaged in other non-generation activities.

In the 1990s, the Company added significant new installed capacity in Chile, including its Alfalfal hydroelectric plant (178 MW), subsidiary Energía Verde's two biomass plants (18 MW), subsidiary Norgener's two coal-fired units (277 MW), and equity-method investee Guacolda's two coal-fired units (304 MW). In Argentina, our investments in this period included acquisitions of several electric generation assets, which were subsequently sold in 2001, and construction of our TermoAndes CCGT (643 MW). During this period we also acquired minority stakes in generation companies in Peru and the Dominican Republic which were sold in 1999 and 2008, respectively. In March of 1998, Chilgener's shareholders agreed once again to change our name, this time to Gener S.A ("Gener"), principally to reflect Gener's new international standing as it expanded its operations to new markets and businesses both in Chile and abroad.

In April 2000, AES Gener began searching for a strategic partner that would enable it to continue growing within the industry's new structure. This decision was based on the growth and development restrictions imposed on the Company by its smaller size and debt capacity, compared to its large international competitors. At the end of this process, The AES Corporation, through its subsidiary Inversiones Cachagua Limitada, currently Inversiones Cachagua SpA ("Inversiones Cachagua"), launched a tender offer for a controlling percentage of AES Gener. Additionally, The AES Corporation entered into an agreement with the French company TotalFinaElf under which the latter agreed to purchase AES Gener's electricity assets in Argentina if the tender offer was successful.

On December 28, 2000, the Santiago Stock Exchange auctioned AES Gener shares, and Inversiones Cachagua purchased 61.1% of AES Gener's capital stock. On the following day in the United States, AES Gener's ADRs, representing a 34.6% stake in AES Gener, were exchanged for The AES Corporation shares. After taking control of AES Gener, Inversiones Cachagua held a second public offering in Chile in February 2001, acquiring an additional 2.9% of AES Gener's stock. At that point, Inversiones Cachagua's ownership equaled 98.5% and would later increase to 98.7% through other minor purchases on the stock market.

As part of the AES Group, AES Gener changed its name to AES Gener S.A. in 2001 and began to sell assets in order to concentrate its business activities in power generation, primarily in Chile and Colombia. In 2004, through a capital increase, Inversiones Cachagua's stake in AES Gener increased to 98.8%. In April 2006, Inversiones Cachagua sold 7.6% of its shares in AES Gener to other investors. In May 2007, Inversiones Cachagua sold 0.9%, and in October it sold an additional 10.2%, which left it with participation of 80.1% in AES Gener.

In June 2008, AES Gener concluded the preemptive rights period of a capital increase process for approximately U.S.$269.8 million. Inversiones Cachagua took part in the process and increased its ownership to 80.2% by the end of the preemptive rights period. Later, in November 2008, Inversiones Cachagua sold 9.6% of AES Gener on the market, reducing its participation to 70.6%. In February 2009, AES Gener concluded the preemptive right period of a capital increase process for U.S.$245.8 million. Inversiones Cachagua took part in the process and increased its participation slightly. In April 2014, AES Gener concluded the preemptive rights offering for U.S.$150.4 million. Inversiones Cachagua took part in the process through the subscription of its proportional shares and increased its participation slightly to 70.7%. As of December 31, 2018, Inversiones Cachagua's stake in AES Gener was 66.7%.

In 2007, we started our first phase of plan of expansion which involved the construction and start-up of 1,664 MW, representing a significant portion of the increase in installed capacity and an investment of approximately U.S.$3.0 billion. Our new cost-efficient generation assets include: subsidiary Eléctrica Ventanas' Nueva Ventanas plant (272 MW), subsidiary Eléctrica Angamos' two units (558 MW), subsidiary Eléctrica Ventanas' Ventanas IV plant (272 MW) and equity-method investee Guacolda's two coal-fired units (304 MW). We also completed construction of two battery energy storage facilities in Chile, Norgener BESS (12 MW), and Angamos BESS (20 MW), in November 2009 and December 2011, respectively. During mid-March 2013, with the fourth Ventanas unit, Ventanas IV, which started commercial operations to the SIC, we completed the first phase of this expansion plan, which has enabled the Company to continue to be a key contributor in satisfying the growing demand for energy in the Chilean grid.

The second phase of expansion began in 2012 with the start of construction of both the Tunjita (20 MW) hydroelectric project in Colombia and the fifth unit (152 MW) of the Guacolda complex in the SIC in July 2012 and October 2012, respectively. In late March 2013, we initiated construction of the Cochrane project, a 550 MW coal facility in the SING, with Mitsubishi Corporation as a minority partner, with a 40% ownership interest. In December 2013, we also began construction of the Alto Maipo project with a gross capacity of 531 MW and added Pelambres, a subsidiary of Antofagasta Minerals S.A., as a minority partner, with a 40% participation in the project. This project was recently restructured and Pelambres ceased to be our partner in the project, as explained above under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Alto Maipo Restructuring." This phase of expansion involved an investment of approximately U.S.$4.0 billion and will increase installed capacity by 25%, or 1,274MW. Additionally, in the last quarter of 2012, we initiated investments in emission control equipment for a total investment of U.S.$251 million.

On March 28, 2014, we entered into an agreement to acquire the remaining 50% equity stake of Guacolda from Copec and Inversiones Ultraterra for U.S.$ 728 million. Subsequent to this purchase, on April 11, 2014, we sold 50% minus one share of Guacolda to Global Infrastructure Partners (GIP) on essentially the same terms and conditions. We do not consolidate our equity-method investee Guacolda in our financial statements.

In 2016, our two coal-fired power units, Cochrane I and Cochrane II, run by our subsidiary Eléctrica Cochrane became fully operational in July 2016 and October 2016, respectively. They are located on the Pacific coast of northern Chile in the town of Mejillones, in the Region of Antofagasta. Additionally, our 20 MW BESS was completed which allowed us to increase our generation by 130 – 150 GWh per year, by replacing generation capacity usually set aside for frequency regulation and spinning reserve.

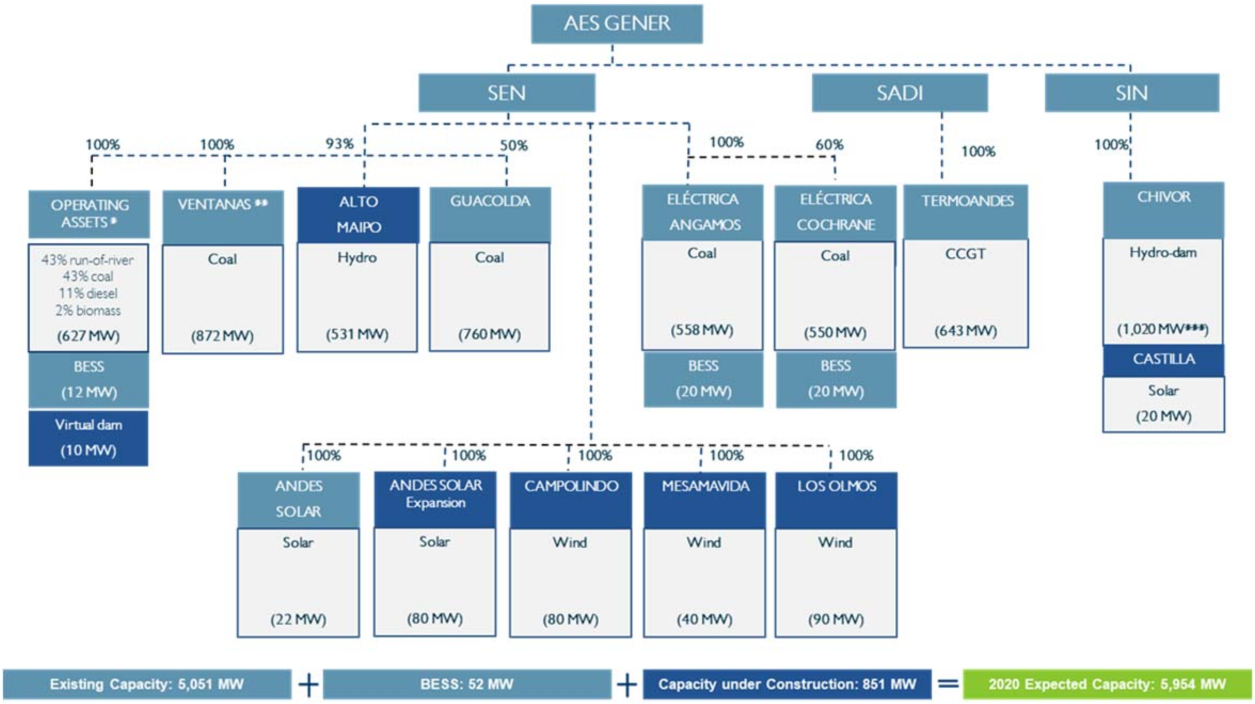
Through 2017, we sold electricity in the SING and SIC. The SING and the SIC were interconnected in November 2017 to comprise the SEN. Once the interconnection of the SING and the SIC is fully operational, which is expected to occur in June 2019, we expect there to be both an increase in electricity demand and supply in Chile. The SEN now provides electricity to almost the entire country and, as of 2018, we supply the SEN.

As of December 31, 2018, AES Gener's installed gross capacity in Chile totaled 3,388 MW. AES Gener is the second largest electricity generation company in Chile in terms of gross generation with a market share of 27%, and the second largest in terms of installed capacity with a market share of 14%, both as of December 31, 2018 in the newly interconnected SEN. In Colombia, (i) we own the third-largest hydroelectric facility with a total nominal capacity of 1,000 MW and (ii) our 20 MW Tunjita run-of-river hydroelectric plant started commercial operations in the second half of 2016. As of December 31, 2018, in Colombia, we have a 6% market share based on installed capacity and a 7% market share based on generation. Based on our generation market share, we are the fifth-largest generation company in the country. In Argentina, our 643 MW combined cycle facility in Salta, represented 2% of the SADI's installed capacity and net generation, as of December 31, 2018.

In addition to the Alto Maipo project mentioned above, we have a number of projects under development in Chile and Colombia. See "—Projects under Development" below for a summary of such projects.

Organizational Structure

We are an operating company and conduct a substantial portion of our business through subsidiaries and an equity-method investee. The following chart presents, as of December 31, 2018, a simplified diagram of our corporate business structure and the approximate direct and indirect percentage equity ownership interest that we hold in our principal operating subsidiaries and equity-method investee.



* Operated directly by us, not our subsidiaries

** Operated by us (Ventanas I and Ventanas II) and Eléctrica Ventanas (Nueva Ventanas and Ventanas IV)

*** This includes 20 MW of Tunjita

Recent Developments

On February 7, 2019, in accordance with our Greentegra strategy described above, we acquired 100% of the shares of JK from Colwind for an initial purchase price of U.S.$15 million. JK has five projects under development for a maximum installed capacity of 648 MW of wind projects in Colombia.

The five projects, Apotolorru (75 MW), Carrizal (195 MW), Casa Eléctrica (180 MW), Irraipa (99 MW) and Jotomana (99 MW), are all located in the Guajira region in northeast Colombia and expected to be completed in 2022.

As part of the acquisition, we also gained exclusive access to 549 MW of transport capacity on a new transmission line that is expected to link the Guajira region to central Colombia beginning in 2022.

The acquisition is in line with our goal of providing sustainable, affordable and reliable energy solutions to our customers in South America.

Our Subsidiaries and Related Companies

The following table summarizes the ownership, date of incorporation or acquisition, location and principal line of business for our significant subsidiaries and related companies.

Subsidiaries (in alphabetic order)

Company Name	Abbreviated Name	Ownership*	Date of Incorporation or Acquisition	Headquarters	Principal Business
AES Chivor & Cía SCA E.S.P.	AES Chivor	99.98%	1996	Colombia	Owns and operates a 1,000 MW hydroelectric plant in Colombia and 20 MW run-of-river hydroelectric plant
Andes Solar SpA	Andes Solar	100.00%	2016	Chile	Owns and operates a 22 MW solar plant in the SEN
Empresa Eléctrica Angamos SpA	Eléctrica Angamos	100%	2008	Chile	Owns and operates a 558 MW coal-fired generation facility with two units, a water desalinization plant and a 20 MW BESS facility in the SEN
Empresa Eléctrica Cochrane SpA	Eléctrica Cochrane	60.00%	2009	Chile	Owns a 550 MW coal-fired generation facility with two units and a 20 MW BESS facility in the SEN
Empresa Eléctrica Ventanas S.A.	Eléctrica Ventanas	100%	2006	Chile	Owns and operates two 272 MW coal-fired generation plants in the SEN (Nuevas Ventanas and Ventanas IV)
Alto Maipo SpA	Alto Maipo	93.30%	2009	Chile	Owns a 531 MW hydroelectric plant with two units currently under development in the SEN
Gener Argentina S.A.	Gener Argentina	100%	1993	Argentina	Owns 86.9% and 66.9% of InterAndes and TermoAndes, respectively
InterAndes S.A.	InterAndes	100.00%	1997	Argentina	Owns a 345 kV, 268 km transmission line connecting TermoAndes to the SEN
Norgener Inversiones SpA	Norgener	100.00%	1993	Chile	Owns 99.99% of Eléctrica Ventanas, 60% of Eléctrica Cochrane, 94.82% of Eléctrica Angamos and 99% of Ventanas I and Ventanas II, two coal-fired units with an aggregate capacity of 328 MW in the central part of Chile, which are operated by us.
Norgener Foreign Investment SpA	Norgener Foreign	99.99%	1993	Chile	Owns 99.99% of AES Chivor and 7.95 of Gener Argentina
Norgener Renovables SpA	Norgener Renovables	100.00%	2017	Chile	Owns 93.30% of Alto Maipo and 100% of Andes Solar
TermoAndes S.A.	TermoAndes	100.00%	1996	Argentina	Owns and operates a 643 MW combined cycle plant in Argentina which is connected to the SADI and the SEN

Subsidiaries (in alphabetic order)

Company Name	Abbreviated Name	Ownership*	Date of Incorporation or Acquisition	Headquarters	Principal Business
Related Companies					
Company Name	**Short Name**	**Ownership**	**Acquisition / Creation**	**Headquarters**	**Description**
Guacolda Energía S.A.	Guacolda	50.00% (plus one share)	1992	Chile	Owns and operates five (approximately 152 MW each) coal-fired generating units, with total capacity of 764 MW, and a multipurpose mechanized port in the SEN
Gasoducto GasAndes S.A.	GasAndes	13.00%	1994	Chile	Owns and operates a 149 km. pipeline in Chile
Gasoducto GasAndes Argentina S.A.	GasAndes Argentina	13.00%	1995	Argentina	Owns and operates a 314 km. pipeline in Argentina

* *Owned directly by us and/or indirectly through other subsidiaries.*

Generation Assets

As of December 31, 2018, our total gross installed capacity was 3,388 MW, of which 3,020 MW (89%) is coal-fired, 271 MW (8%) is hydroelectric, 63 MW (2%) is diesel-fired, 22 MW (0.6%) is solar and 12.6 MW (0.4%) is biomass-fired.

In what was formerly the SIC, our generating portfolio includes 872 MW in base load coal-fired plants located near Valparaíso and 271 MW in run-of-river hydroelectric plants located in the Santiago Metropolitan Area. We also own and operate 63 MW in back-up plants, which are available to sell on the spot market under scarce supply conditions in the system, such as dry hydrological conditions or plant outages. Additionally, we own 13 MW in biomass plants near Concepción. The fifth coal-fired unit of 156 MW of our equity-method investee Guacolda initiated operations during the last quarter of 2015.

In what was formerly the SING, our generation portfolio is comprised by coal-fired plants, with a total gross installed capacity of 1,384 MW and a solar plant, with a total gross installed capacity of 22 MW as of December 31, 2018. We also own 52 MW of BESS facilities. Our 550 MW Eléctrica Cochrane coal-fired facility started commercial operations of units I and II in July and October of 2016, respectively.

In Argentina, through our subsidiary TermoAndes, we operate our 643 MW CCGT TermoAndes, which is connected to both the SEN and SADI and can alternatively utilize gas and diesel.

In Colombia, through our subsidiary AES Chivor, we own the third-largest hydroelectric plant in the country with installed capacity of 1,000 MW, according to data provided by XM. Additionally, our 20 MW Tunjita run-of-river hydroelectric plant started commercial operations in the second half of 2016.

The table below shows our generation assets by market as of December 31, 2018:

Generation Assets by Market

Generation Assets – Former SIC

Plant	Location	Start-up Year	Type	Primary Energy Source	Units	Installed Capacity (MW)
AES Gener						
Ventanas I and II	Ventanas, Region V	1964-1977	Coal-steam	Coal	2	328
Laguna Verde	Laguna Verde, Valparaíso, Region V	1939-1949	Diesel Plant	Diesel	2	47
Laguna Verde (TG)	Laguna Verde, Valparaíso, Region V	1990	Turbo Gas-diesel	Diesel	1	16
Maitenes	Los Maitenes, Cajón Río Colorado, R.M.	1923-1989[1]	Hydroelectric Run-of-River	Snow melt	5	31
Queltehues	Los Queltehues, Cajón Río Maipo, R.M	1948	Hydroelectric Run-of-River	Snow melt	3	49
Volcán	Cajón Río Maipo, R.M.	1949	Hydroelectric Run-of-River	Snow melt	1	13
Alfalfal	Cajón Río Colorado, R.M.	1991	Hydroelectric Run-of-River	Snow melt	2	178
Laja	Cabrero, Region VIII	1995	Biomass Cogeneration	Biomass	1	13
Eléctrica Ventanas						
Nueva Ventanas	Ventanas, Region V	2010	Coal-steam	Coal	1	272
Ventanas IV	Ventanas, Region V	2013	Coal-steam	Coal	1	272
Guacolda						
Guacolda	Huasco, Region III	1995-1996 2009-2010 2015	Coal-steam	Coal	5	763
Total Installed Capacity – Former SIC						**1,982**

Projects Under Construction – Former SIC

Plant	Location	Start-up Year	Type	Primary Energy Source	Units	Installed Capacity (MW)
Alto Maipo[4]	Cajón del Maipo, Región Metropolitana	2020	Run-of-River Hydroelectric	Snow melt	2	531.0

Generation Assets – Former SING

Plant	Location	Start-up Year	Type	Primary Energy Source	Units	Installed Capacity (MW)
AES Gener						
Norgener	Tocopilla, Region II	1995–1997	Coal-steam	Coal	2	277
Eléctrica Angamos						
Angamos	Mejillones, Region II	2011	Coal-steam	Coal	2	558
Eléctrica Cochrane						
Cochrane	Mejillones, Region II	2016	Coal-steam	Coal	2	550
Andes Solar						
Andes Solar	Calama, Region II	2015	Solar	Sun	1	22
Total Installed Capacity – Former SING						**1,407**

Generation Assets - SIN

Plant	Location	Start-up Year	Type	Primary Energy Source	Units	Installed Capacity (MW)
AES Chivor						
Chivor	Boyacá, Colombia	1977-1982	Hydroelectric - Dam	Water	8	1,000.0
Tunjita	Boyacá, Colombia	2016	Hydroelectric – Run-of-River	Water	1	20.0
Total Installed Capacity – SIN						**1,020.0**

Generation Assets - SADI

Plant	Location	Start-up Year	Type	Primary Energy Source	Units	Installed Capacity (MW)
TermoAndes						
Salta	Salta, Argentina	1999	Combined Cycle	Natural Gas / Diesel	2 gas turbines, 1 steam turbine	643
Total Installed Capacity – SADI						**643**

(1) The Maitenes plant was rebuilt in November 1987 after the flood of the Colorado River; includes auxiliary plant Maitenes.
(2) Commercial operations are scheduled to commence during 2020. Gross capacity is based on technical specifications.
(3) Commercial operations are scheduled to commence during 2020. Gross capacity is based on technical specifications.

Market Structure and Competition

Chile

Prior to November 2017, Chile had four power systems, largely owing to its geographic shape and size. The SIC was the largest of these systems, which spanned from Taltal in the north of Chile to the island of Chiloé in the south of Chile, a distance of approximately 2,100 km. The SIC served approximately 92% of the Chilean population. Customers serviced by the SIC consumed approximately 75% of the country's power. The SING was the second-largest power grid in Chile. The SING extended over 700 kilometers along the northern coast of Chile, from the port of Arica, close to the Peruvian border, to Coloso, a port located south of Antofagasta, and served approximately 25% of Chile's power. The other two systems, Magallanes and Aysen, represent less than 1% of the Chilean's installed capacity. The SING and the SIC were interconnected in November 2017 to comprise the SEN. The SEN is expected to become fully operational in June 2019, once the last segment of the Cardones-Polpaico transmission line is completed.

The following table provides a breakdown by type of electric capacity in the SEN as of December 31, 2018:

Chile's Installed Capacity by Energy Source

	SEN	
	in MW	**%**
Hydroelectric	6,693	27.85%
Thermoelectric	13,347	55.54%
Coal	5,162	21.48%
Diesel	2,984	12.42%
Gas	4,523	18.82%
Others	679	2.82%
Wind/Solar	3,991	16.61%
Total	**24,031**	**100%**

Source: CNE

The following table provides a breakdown by type of electric capacity in each system as of December 31, 2017:

Chile's Installed Capacity by Energy Source

	SIC in MW	**%**	**SING in MW**	**%**	**SIC+SING in MW**	**%**
Hydroelectric	6,567	37.7%	17	0.3%	6,584	28.8%
Thermoelectric	8,287	47.6%	4,933	90.8%	13,221	57.8%
Coal	2,486	14.3%	2,676	49.2%	5,162	22.6%
Diesel	2,676	15.4%	276	5.1%	2,951	12.9%
Gas	2,521	14.5%	1,957	36.0%	4,479	19.6%
Others	605	3.5%	24	0.4%	629	2.8%
Wind/Solar	2,573	14.8%	486	8.9%	3,059	13.4%
Total	17,427	100%	5,436	100%	22,863	100%

Source: CNE

(1) CDEC-SING excludes TermoAndes.

In terms of aggregate installed capacity, we are the second-largest generation operator in Chile with an installed capacity of 3,388 MW and market share of 14% as of December 31, 2018 based on installed capacity. Our main competitors are Enel with installed capacity of 7,419 MW, Colbún S.A. ("Colbún") with installed capacity of 3,331 MW, and ENGIE (formerly E.CL), with installed capacity of 2,038 MW.

The following table shows the installed capacity of the principal generation companies in Chile as of December 31, 2018:

Chile Installed Capacity (MW)

	Installed Capacity	%
Enel	7,419	30.9%
AES Gener[(1)]	3,388	14%
Colbún	3,331	13.9%
Engie	2,038	8.5%
Others	7,856	32.7%
Total	**24,031**	**100.0%**

Source: CNE
(1) Excluding TermoAndes.

As noted above, the SING and the SIC were interconnected in November 2017 to comprise the SEN through a project led by Transmisora Eléctrica del Norte S.A. ("TEN"), owned by Engie, and Red Eléctrica de España, through a subsidiary. The TEN project consisted of the 220kV Kapatur – Changos transmission line and the 500kV Changos – Maintencillo transmission line. The SEN is expected to become fully operation in June 2019 as explained above. We currently do not expect any increase in costs, as a toll will not be imposed for the utilization of the whole interconnected system and any increase in cost will be passed through to the ultimate regulated and unregulated customers.

Colombia

Electricity supply in Colombia is concentrated in one main system, the SIN, and several isolated local systems in Non-Interconnected Zones ("ZNI"). The SIN and the ZNI jointly provides coverage to 96.96% of the country's population. In the SIN, hydrology has a significant impact on supply given that approximately 68.3% of the system's installed capacity comes from hydroelectric plants which are dependent upon rainfall. The SIN's installed capacity was 17,212 MW as of December 31, 2018, composed of 83.9% hydroelectric generation, 15.0% thermoelectric generation and 1.1% other plants.

The following table provides a breakdown of the type of electric capacity in the SIN as of December 31, 2018:

SIN Installed Capacity by Energy Source (MW)

	SIN	%
Hydroelectric	11,752	68.3%
Thermoelectric	5,286	30.7%
Other	173	1.0%
Total	**17,212**	**100.0%**

Source: XM

We sell the electricity we generate in the SIN. The largest generating plants in the SIN are hydroelectric facilities. The three largest hydroelectric facilities in the SIN are Guavio (1,250 MW), San Carlos (1,240 MW) and our Chivor facility (1,000 MW). As of December 31, 2018 we were the sixth-largest generation company in the SIN and our installed capacity represents approximately 5.92% of system capacity. Our principal competitors include Endesa with installed capacity of 3,482 MW, EPM with 3,466 MW, Isagen S.A. E.S.P. ("Isagen") with 2,989 MW and Celsia S.A.E.S.P ("Celsia") with 1,916 MW.

The following table shows the market share of the principal generation companies in the SIN as of December 31, 2018:

SIN Installed Capacity by Company (MW)

	Installed Capacity	%
Endesa	3,482	20.2%
EPM	3,466	20.1%
Isagen	2,989	17.4%
AES Chivor	1,020	5.9%
Celsia	1,916	11.1%
Other	4,340	25.2%
Total	**17,212**	**100.0%**

Source: XM

Argentina

The Argentine electric market is concentrated in one main system, the SADI. The SADI's installed capacity was 38,538 MW as of December 31, 2018, composed of 64% thermoelectric generation, 28% hydroelectric generation, 5% nuclear and 4% NCREs (including hydroelectrical plants), cogeneration and self-generation plants. The large proportion of thermoelectric plants shows the system's high dependence on fossil fuels.

The following table provides details of the type of installed capacity by energy source in the SADI as of December 31, 2018:

SADI Installed Capacity by Energy Source

	SADI	%
Thermoelectric	24,531	64%
Hydroelectric	10,790	28%
Other	3,217	8%
Total Generation	**38,538**	**100.0%**

The following table shows the market share in installed capacity of the principal generation companies in the SADI as of December 31, 2018:

SADI Installed Capacity by Company (MW)

	Installed Capacity	%
Termo Andes	643	1.7%
AES Argentina	4,124	10.8%
Argentinian goverment	5,445	14.2%
Pampa	3,825	10.0%
ENEL	3,721	9.7%
EPEC	1,949	5.1%
Foninvemem	1,733	4.5%
YPF	1,571	4.1%
Albanesi	1,470	3.8%
Dock Sud	870	2.3%
IEASA	847	2.2%
Others	12,100	31.6%
Total	38,299	**100.0%**

Source: CAMMESA

TermoAndes is the market leader in Energía Plus Program sales over its main competitors (Generación Mediterránea, Pampa Energía and Central Puerto) reaching a market share of 32% as of December 31, 2018. For a description of the Energía Plus Program, see "Regulatory Overview—Argentina."

System Operation and Production

Chile

The dispatch of generation plants in the SEN is independent of the specific contracted capacity of each plant. Dispatch is coordinated in a centralized manner by the Independent Electrical Coordinator based on "merit order," which is determined by order of ascending variable cost, including fuel and non-fuel costs. For example, if a generator has a PPA with a mining company and its plant is out of order or can only generate at a cost that is above the cut-off point set by the Independent Electrical Coordinator, such generator will have to buy its energy on the spot market at marginal cost to meet its contractual obligations. On the contrary, a generator that has cost-efficient capacity available even after meeting its PPA obligations will be able to sell its power on the spot market at the marginal cost prevailing at the moment. Subject to the provisions set forth in RM 39 and DS 130, whereby plants operating at their technical minimum level do not set the marginal cost of the system, the marginal cost, which is the spot market price at any moment, is set by the unit which is able to provide the next KWh of energy at the lowest cost in order to minimize the system's energy costs. Currently, we have been given authorization to dispatch energy given our efficient generation, and we expect that to continue in the future.

Prior to their interconnection, the SIC and the SING had historically high growth rates for electricity demand, similar to GDP growth rates on average in the past 10 years. In the SIC, electricity demand during 2010 grew by 4.2%, despite the strong earthquake in Chile in February 2010. During 2011, the GDP growth rate reflected a better overall performance due to dynamic domestic demand, despite the global financial crisis, and electricity demand grew by 6.7%.

The macroeconomic scenario that faced the Chilean economy did not show significant changes in 2012 and electricity demand grew by 5.7%. As demand in the SING was mainly driven by large industrial mining companies, increases in demand were mainly explained by new mining projects, rather than organic growth in residential demand. Between 2011 and 2013, demand growth was primarily due to improvements in operating conditions and the start-up of new productive mining facilities and in line with GDP growth. Between 2014 and 2016, demand growth in the SIC was lower than previous years, in line with lower GDP growth. The following table compares annual generation growth in the SIC and SING to the annual growth of the Chilean GDP through 2017:

Year	SIC Energy Sales Growth	SING Energy Sales Growth	Chile GDP Growth
2015	1.2%	7.5%	2.3%
2016	1.8%	0.3%	1.3%
2017	1.8%	(1.0)%	1.5%

Source: CNE and IMF

The SING and the SIC were connected in November 2017 to comprise the SEN. We expect this interaction to lead to both an increase in electricity demand and supply in Chile. The SEN, a national system comprising the SING and the SIC, now provides electricity to almost the entire country and, as of 2018, we supply the SEN. As of 2018, 56% of the demand came from unregulated customers. In 2018, the SEN's energy sales grew at 4.2% and Chilean GDP grew at 4.0%.

Based on demand projections prepared by the Independent Electrical Coordinator, energy demand between 2019 and 2029 is expected to increase at a compounded average growth rate of approximately 2.3% per year in the SEN for unregulated customers and approximately 2.9% per year in the SEN for regulated customers. Below is a summary of projected demand growth, broken down by expected regulated and unregulated energy consumption:

	Unregulated		Regulated		Total	
	GWh	**Growth Rate**	**GWh**	**Growth Rate**	**GWh**	**Growth Rate**
2019	39,258	-	33,007	-	72,265	-
2020	40,258	2.55%	34,076	3.24%	74,334	2.86%
2021	41,175	2.28%	35,413	3.92%	76,588	3.03%
2022	42,052	2.13%	36,903	4.21%	78,955	3.09%
2023	42,854	1.91%	38,407	4.08%	81,261	2.92%
2024	43,620	1.79%	39,950	4.02%	83,570	2.84%
2025	44,754	2.60%	41,247	3.25%	86,001	2.91%
2026	46,220	3.28%	42,152	2.19%	88,372	2.76%
2027	47,651	3.10%	43,155	2.38%	90,806	2.75%
2028	49,078	2.99%	44,152	2.31%	93,230	2.67%
2029	50,520	2.94%	45,192	2.36%	95,712	2.66%

Source: CNE

SEN

As noted above, the SING and the SIC were interconnected in November 2017 to comprise the SEN. Given new Chilean regulations, which require that 20% of energy sold under PPAs come from NCREs by 2025, there is an expectation that a significant number of these types of plants will be installed in the next years. This deployment will potentially lead to a significant decrease in spot prices (*i.e.* near zero) at certain hours of the day as well as increased transmission constraints. The following table summarizes the energy produced in the SEN by energy source facility during the year ended December 31, 2018:

SEN Total Generation (gross) by Energy Source

	2018	
	(GWh)	**%**
Coal	29,305	38.74%
Diesel & Fuel Oil	306	0.40%
Gas	11,459	15.11%
Hydroelectric	23,145	30.60%
Other	11,427	14.92%
Total Generation	**75,641**	**100.0%**

The following table provides our electricity generation in the SEN by energy source during the year ended December 31, 2018:

AES Gener Total Generation (gross) in the SEN

	2018	
	(GWh)	**%**
Coal	17,216	93.3%
Diesel & Fuel Oil	41	0.20%
Gas	0	0%
Hydroelectric	1,140	6.2%
Biomass	43	0.24%
Other	62	0.33%
Total Generation	**18,502**	**100.0%**

SIC

Hydrology is a relevant factor for the portion of the SEN that was formerly the SIC, given that river flow volumes and initial water levels in reservoirs largely determine the dispatch from the system's hydroelectric and thermoelectric generation plants. When rain is abundant, energy produced by hydroelectric plants can amount to more than 39.5% of total generation. On average, during 2017 and 2016, hydroelectric generation has represented 37.7% of total energy production, while the installed hydroelectric capacity of the system is 37.7%. Hydroelectric generation decreased over 2017 and 2016 years driven by dry hydrological conditions. Thermoelectric generation represented on average 49.2% of the total generation, while its installed capacity represents 47.6% of total capacity during these two years. Thermoelectric generation is required to fulfill demand not satisfied by hydroelectric output. Given the hydrological volatility in the portion of the SEN that was formerly the SIC, thermoelectric generation was necessary in order to guarantee a reliable and dependable supply under all market conditions.

The following is a summary of the energy produced, by type of facility, in the SIC during the years ended December 31, 2017 and 2016:

SIC Total Generation (gross) by Energy Source

	2017		2016	
	GWh	**%**	**GWh**	**%**
Coal	14,653	29.7%	17,179	31.9%
Diesel & Fuel Oil	547	1.0%	776	1.4%
Gas	10,147	18.5%	10,224	19.0%
Hydroelectric	21,703	39.5%	19,377	35.9%
Other	7,843	14.3%	6,349	11.8%
Total Generation	**54,894**	**100.0%**	**53,905**	**100.0%**

Source: CNE

The following table provides our electricity generation in the SIC by type of facility during the years ended December 31, 2017 and 2016:

AES Gener Total Generation in the SIC(1)

	2017		2016	
	(GWh)	**%**	**(GWh)**	**%**
Hydroelectric	1,313	12.7%	1,425	11.2%
Coal	9,003	86.8%	11,234	88.2%
Diesel	24	0.2%	55	10.4%
Gas	-	-	-	-
Biomass	29	0.3%	30	0.2%
Total Generation	**10,369**	**100.0%**	**12,745**	**100.0%**

(1) Total generation figures include power generation from Guacolda, our equity-method investee.
Source: Company estimates

SING

The portion of the SEN that was formerly the SING, which includes the extensive Atacama desert, is characterized as having very scarce water resources for electricity generation. As a result, 84.99% of the system's total installed capacity comes from thermoelectric generation. As of December 31, 2017, 76.7% of this generation was derived from coal, 9.9% from gas and 1.5% from diesel and fuel oil. In the SING, demand was generally driven by industrial activities, primarily mining. Approximately 89.3% of demand in the SING in 2017 was derived from unregulated customers and the remaining 10.7% from regulated customers. Coal-fired generation in the SING decreased during 2017 and 2016 by 1% replacing gas and diesel generation. This decrease in coal generation was driven by fixed LNG contracts that we declared at zero cost in the SEN (according to the relevant dispatch procedure plants declared under this LNG scheme are dispatched before the coal plants that declare coal as a variable cost).

The following table summarizes the energy produced in the SING by energy source facility during the years ended December 31, 2017 and 2016:

SING Total Generation (gross) by Energy Source

	2017		2016	
	(GWh)	**%**	**(GWh)**	**%**
Coal	14,754	76.6%	15,278	78.6%
Diesel & Fuel Oil	296.9	1.5%	1,114	5.7%
Gas	1,911	9.9%	1,763	9.1%
Hydroelectric	64.7	0.3%	68	0.3%
Other	2,216	11.5%	1,227	6.3%
Total Generation	**19,242**	**100.0%**	**19,448**	**100.0%**

Source: CNE

The following table provides our electricity generation in the SING by energy source during the years ended December 2017 and 2016:

AES Gener Total Generation in the SING

	2017		2016	
	(GWh)	**%**	**(GWh)**	**%**
Coal	9,073	99.3%	7,942	99.4%
Diesel & Fuel Oil	-	-%	-	-%
Gas	-	-%	-	-%
Hydroelectric	-	-%	-	-%
Solar	64	0.7%	48	0.6%
Total Generation	**9,137**	**100.0%**	**7,990**	**100.0%**

Source: CNE

Colombia

The operation of electricity generation units in the SIN is coordinated centrally by the CND, with the aim of ensuring that demand is supplied at a minimum total operating cost. Generation companies declare their energy availability and the price at which they are willing to sell. This electricity is centrally dispatched by the CND. Electricity resources to be dispatched at a particular time are selected based upon the lowest price offers. This mechanism is known as the optimal dispatch and attempts to ensure that national (and applicable international) demand will be satisfied by the lowest possible cost combination of available generating units. In this way, units with low per unit variable production costs receive revenues that cover their variable costs and provide additional revenue that, when combined with income from the reliability charge, allows them to recover fixed costs and obtain a return on investment.

Annual growth in energy demand in Colombia has historically been below GDP growth. The following table summarizes annual generation growth in the SIN as compared to the annual growth of the Colombian GDP:

Year	SIN Energy Growth	GDP Growth
2015	4.2%	3.0%
2016	(0.2)%	2.0%
2017	1.3%	1.8%
2018	3.3%	2.8%

Source: XM and IMF.

Energy growth in the next 10 years is expected to increase at a compound annual growth rate of approximately 3.3%, according to the UPME. Below is a summary of projected demand published by the UPME:

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
SIN										
Average Gross Demand (GWh)	72,146	74,374	76,948	79,349	81,045	85,153	87,644	89,933	92,552	95,217
Growth Rate	4.4%	3.1%	3.5%	3.1%	2.1%	5.1%	2.9%	2.6%	2.9%	2.9%
									CAGR	3.3%

Hydrology is an important factor in the SIN, as rainfall and reservoir water levels largely determine dispatch by the system's hydroelectric and thermoelectric generation plants. When the "El Niño" phenomenon is present, dry conditions are more pronounced because water inflows decrease and spot market prices significantly increase. Given our location, these effects on our production are not typically as pronounced and rainfall levels have historically remained close to normal even under "El Niño." The "El Niño" phenomenon, occurred previously in 2015-2016, 2009-2010, 2004-2005, 2002-2003, 1997-1998 and 1991-1992. By contrast, the "La Niña" phenomenon, which usually follows "El Niño," usually causes higher rainfall levels in the Andean region. However, our region's hydrology is typically below average during "La Niña." The last "La Niña" seasons occurred in 2010, 2011, 2012, 2016, 2017 and 2018.

In recent years, Colombia was one of the countries hardest hit by the El Niño phenomenon. In the period that began in November 2014 and ended in May 2016 the phenomenon was cataloged as "very strong", leading 2015 to be one of the most deficient years in the Colombian national energy system. Notwithstanding the foregoing, we were not materially affected because wet season in those years (June - August) had monthly inflows with normal or above average values, thereby mitigating the El Nino phenomenon.

After the El Niño phenomenon ended in May 2016, atmospheric conditions and temperatures in the Pacific Ocean changed quickly, giving way two months later to a short, weak La Niña phenomenon (August to December 2016) where the system had normal or below average inflows. Finally, a new weak La Niña phenomenon took course between October 2017 and March 2018, which altered weather patterns, leading to excess rainfall in the system, which was particularly felt at AES Chivor in the second quarter of 2018.

The following is a summary of energy produced by energy source in the SIN during the years ended December 31, 2018, 2017, and 2016:

SIN Total Generation by Energy Source

	2018		2017		2016	
	(GWh)	%	(GWh)	%	(GWh)	%
Hydroelectric	56,647	82,2%	57,343	86,0%	46,799	71,0%
Coal	3,796	5,5%	2,778	4,2%	5,573	8,5%
Natural Gas	6,674	9,7%	5,663	8,5%	7,808	11,8%
Fuel Oil and Diesel Oil	1,041	1,5%	242	0,4%	5,114	7,8%
Other	785	1,1%	641	1,0%	649	1,0%
Total Generation	**68,943**	**100.0%**	**66,667**	**100.0%**	**65,942**	**100.0%**

Source: XM

The following table provides our electricity generation in the SIN during the years ended December 31, 2018, 2017 and 2016:

Chivor Total Generation

	2018		2017		2016	
	(GWh)	%	(GWh)	%	(GWh)	%
Hydroelectric Generation	4,977	7.2%	3,852	5.8%	4,373	6.6%
Total Generation	**68,944**	**100.0%**	**66,666**	**100.0%**	**65,939**	**100.0%**

Source: XM

Argentina

The operation of the Argentine system is coordinated by CAMMESA, a company with private and governmental stakeholders. The most important objective of CAMMESA is to ensure that electricity demand is supplied at minimum cost. Due to recent changes in regulation, fuels are supplied to generators by CAMMESA and plants are dispatched considering heat rate, price and availability of fuel for each generator. The only generators allowed to manage their own fuels are those included in Energía Plus Program, such as TermoAndes.

Revenues received by generators are determined by Argentine authorities in order to cover all costs associated with energy generation (O&M and fixed cost) plus a profit margin. Those selling under the Energía Plus Program obtain revenues from selling their production to industrial customers.

Energy demand growth is generally lower than GDP growth. Due to the increase in demand by industrial consumers energy demand is now more related to the GDP than ten years ago.

Year	SADI Energy Sales Growth	GDP Growth
2015	4.5%	2.6%
2016	0.8%	(1.8)%
2017	(0.4%)	2.9%
2018	0.3%	(2.0)%

Source: CAMMESA

Energy supply in Argentina is highly dependent on fossil fuels, primarily natural gas. Since 2004 availability of fuel has become an important issue in the SADI due to the reduction in natural gas production. In order to replace local natural gas production, the Argentine government has increased imported volumes of LNG, Oil No. 2 and Oil No. 6 with most of these imports occurring during the southern cone winter (May to August).

SADI Total Generation by Energy Source

	2018		**2017**		**2016**	
	(GWh)	%	**(GWh)**	%	**(GWh)**	%
Thermoelectric	87,725	64%	88,530	65%	90,099	66%
Hydroelectric	39,953	29%	39,584	29%	36,192	26%
Nuclear	6,453	5%	5,716	4%	7,677	6%
Others	3,350	2%	2,635	2%	2,632	2%
Total Generation	**137,482**	**100.0%**	**136,465**	**100.0%**	**136,600**	**100.0%**

Source: CAMMESA

The following table provides TermoAndes´ generation during the years ended December 31, 2018, 2017 and 2016. The table shows how TermoAndes injected no energy to the SEN/SING and only to SADI over the periods presented below:

TermoAndes Total Generation (GWh)

	SADI			**SEN/SING**[(1)]		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**
Gas Generation	4,158	4,364	4,637	0	0	0
Total	**4,158**	**4,364**	**4,637**	**0**	**0**	**0**

(1) The relevant electric grid in 2018 was the SEN and in 2017 and 2016 was the SING.

Commercial Strategy and Customers

Chile

Our commercial policy seeks to minimize cash flows volatility, managing risks based on market and industry conditions by taking into account the proportion of unregulated and regulated customers in our client portfolio, contract levels and contract terms. In our commercial analysis, we estimate demand growth and project marginal costs and prices within each market. Based on this information, we determine the level of contractual sales that will allow us to stabilize cash flows and manage an acceptable level of risk. In general, our long-term contracts include both fixed and variable payments along with indexation mechanisms that periodically adjust prices based on our generation cost structure, in some cases with pass-through of full fuel and regulatory costs.

In accordance with Chilean law, we are allowed to sell electricity to three types of customers:

- *Regulated Customers*: Electricity is sold to regulated customers through long-term contracts at a regulated price. In the past, sales to regulated customers, which purchase large amounts of electricity for small residential customers, were subject to a regulated tariff called the node price. After introduction of the Short Law II, enacted in 2005, sales to regulated customers were set at a market-driven price determined by bidding process that allow generators to include indexation formulae based on the U.S. CPI and fuel prices. These bidding processes have effectively been held since 2006 to award contracts for electricity supply to regulated customers starting in January 2010. As a result, regulated node prices are being gradually discontinued and prices are instead being established through long-term contracts between distribution companies and generation companies.

The following table provides an estimate of the annual energy commitments through year 2020 (awarded from bidding processes held since 2006 onwards), as per contracts awarded by the principal distribution companies to generation companies in the former SIC:

Former SIC – 2020 Energy Awarded by Distribution Companies (GWh per year)[(1)]

Generation Companies	AES Gener	ENDESA	Colbún	Guacolda	Others	Total
CGE	0	4,760	2,200	0	3,831	10,791
Chilectra	3,000	7,843	2,500	900	2,843	17,085
Chilquinta	1,289	1,784	0	0	873	3,945
EMEL	0	638	0	0	1,674	2,313
SAESA	1,130	407	0	0	1,346	2,883
CONAFE	0	798	0	0	3,788	4,585
Total	**5,419**	**16,229**	**4,700**	**900**	**14,355**	**41,602**
% of Total	**13%**	**39%**	**11%**	**2%**	**35%**	**100%**

Source: CNE and our internal estimates.

(1) Does not consider energy awarded for periods beginning 2021.

The following table provides an estimate of annual energy commitments from 2021 (awarded from the latest bidding process held in 2017), as per contracts awarded by the principal distribution companies to generation companies in the SEN:

SEN – 2021 Energy Awarded by Distribution Companies (GWh per year)

Generation Companies	ENDESA	MAINSTREAM	IBEREOLICA	AELA Generación S.A	Others	Total
CGED	1,716	976	357	248	655	3,953
CHILECTRA	2,065	1,175	429	299	789	4,757
CHILQUINTA	188	107	39	27	72	434
CONAFE	554	315	115	80	212	1,276
EMEL	226	129	43	19	82	499
SAESA	1,166	663	242	169	445	2,686
Total	**5,916**	**3,365**	**1,226**	**842**	**2,255**	**13,605**
% of Total	**43%**	**25%**	**9%**	**6%**	**17%**	100%

Source: CNE and our internal estimates.

- *Unregulated Customers*: Electricity is sold to unregulated customers, such as industrial, mining or other large companies and other generation companies, through long-term or short-term bilateral contracts with prices negotiated directly between the parties. Certain of these contracts, particularly those executed in recent years, have provisions to pass through cost variations to customers. The majority of our unregulated customers are industrial companies, primarily mining companies.

- *Spot Market*: Spot market participants are other generation companies that purchase energy and capacity surpluses. Since the Independent Electrical Coordinator controls dispatch, generation companies from time to time face surpluses and shortages due to differences between the level of production and the contracted customer consumption. As a result, other generation companies are able to purchase and sell electricity in the system to account for these surpluses and shortages. A generation company could face capacity surpluses or shortages depending on the demand, the level of production and the dispatch condition of its plants, which is determined by the Independent Electrical Coordinator.

In the former SIC, we become a spot purchaser of electricity during relatively rainy hydrological conditions and low marginal costs, and inversely, we are generally a net seller during drier hydrological conditions and under high marginal costs. In the former SING, our coal facilities are fully contracted. We could become a net spot purchaser in the event that one of our generating units has an outage and we could be a net seller if we experience a decrease in demand from one of our customers.

Colombia

In Colombia, AES Chivor's commercial strategy seeks to maximize business margin and reduce volatility, executing flexible reservoir management based on hydrological conditions and fuel prices. To develop this strategy, we perform an integral business risk management analysis to determine the desired level of bilateral contracts for each year depending on the plant's expected generation profile and its customer credit rating policy. Our strategy includes a continual focus on optimizing the use of the reservoir in view of hydrological fluctuations, making back-up sales of firm energy to cover planned maintenance of other generators and mitigating market exposure by managing an adequate level of contracts with creditworthy customers. Although the principal focus of our commercial strategy is to maximize margin and reduce volatility through the execution of contracts, we also occasionally engage in trading of energy on the spot market in order to regulate our reservoir level and reserve water during periods of low spot market prices and in order to cover our contracts and sell our own generation during periods with higher spot market prices.

In accordance with Colombian law, we are allowed to sell electricity to three types of customers:

- *Regulated Customers*: Regulated customers must purchase energy through public bids under medium-term contracts which normally last from one to four years. These contracts are negotiated with utilities or trading companies through closed envelope public bids in order to serve their regulated retail market.

- *Unregulated Customers*: Electricity is sold to unregulated customers through bilateral contracts with prices negotiated directly between the parties. Unregulated customers can negotiate freely with generation companies, distribution companies, or traders, and must have a minimum consumption of 100 kW or 55,000 kWh per month.

- *Spot Market*: Spot market participants are other generation companies or traders that purchase energy. The spot price is the price paid by the participant in the wholesale market for energy dispatched under the direction of the CND. The hourly spot price paid for energy reflects prices offered by generators in the wholesale market and the respective supply and demand conditions.

Argentina

In Argentina, TermoAndes is authorized to sell a portion of its energy generation to Energía Plus Program customers and the rest is sold on the spot market.

Energía Plus Program customers: The Energía Plus Program was created to support the increase in demand of industrial customers with consumption greater than 300 kW. This service can be provided by generators that were not members of the MEM at the date of publication of the related resolution (at the end of 2006).

TermoAndes'commercial strategy seeks to maximize revenue and increase business margins through performance of the following actions:

- Increasing the average price and contracted capacity under the Energía Plus Program contracts, while maintaining TermoAndes position as the leader in Energía Plus Program sales in the SADI.

- Maintaining gas supply availability and economics in order to back-up Energía Plus Program contracts.

Contract Level

Overview

As of December 31, 2018, our total contracted capacity was 29,902 GWh/year, of which 21,424 GWh/year corresponded to Chile (SEN), 4,480 GWh/year corresponded to Colombia (SIN) and 998 GWh/year corresponded to Argentina (SADI).

Approximately 68.6% of our total contracted capacity in Chile was related to contracts with copper mining customers, 23.9% was related to contracts with distribution companies and 7.5% was related to contracts with industrial companies.

Chile

Decisions regarding the amount of current and future production that should be committed under long-term contracts at either regulated or unregulated prices and the amount of production that should be left uncommitted to be sold at spot prices are important to our profitability. The optimal level of contractual commitments is one that permits us to take advantage of a low marginal cost environment while still maintaining profitability in a high-marginal cost environment. In order to determine the appropriate level of contractual commitments to maximize profits with limited risk, we estimate demand based on standard economic theory and system marginal costs using dynamic programming models. Historically, this strategy has led us to enter into long-term contracts for our efficient units, expected to be base load, and to reserve our less efficient or back-up units for sales in the spot market.

As we have increased our nominal generating capacity in both the former SIC and SING in recent years and now in the SEN, in parallel, we have also increased our long-term contractual commitments to supply electricity in line with our planned capacity expansions. In addition, we continue to reserve our diesel thermoelectric plants, which have higher operating costs, for sales to the spot market in periods of efficient generation scarcity such as plant outages and drier conditions in the former SIC and/or high demand, when the system marginal cost generally exceeds the production cost of these back-up units. In terms of customers, we have executed and intend to continue to enter into new contracts with creditworthy companies that have historically demonstrated strong financial performance.

Regulated Sales in the Former SIC

We have historically sold electricity to regulated customers in the former SIC (now part of the SEN) through long-term contracts at regulated prices and, at present, our customer portfolio includes regulated customers only in the former SIC. Long-term contracts with distribution companies present stable demand since supply for residential consumption historically has been stable and increasing. Our power supply agreements with distribution companies are indexed to U.S. CPI and the international price of coal. Our existing contracts with regulated customers were awarded in public bid processes held by distribution companies. These contracts were executed, primarily with Chilectra, Chilquinta, Emel and CGE and were awarded in the 2006, 2007, 2008 and 2012 bid process auctions held by these companies.

The following table presents the main characteristics of our contracts with regulated customers as of December 31, 2018:

Contract	Customer Type	Contracted Energy (GWh per year)	Contracted Capacity (MW)	Energy Price Indexation Main Factors	Monomial Price as of December 31, 2018 (U.S.$/MWh)	Expiration Year
Chilectra	Distribution	270	53	44% Coal - 56% CPI	90,5	2020
Chilectra	Distribution	810	160	44% Coal - 56% CPI	90,0	2022
Chilectra	Distribution	1,620	340	100% CPI	90,2	2023
Chilquinta	Distribution	189	36	44% Coal - 56% CPI	89,8	2024
Chilquinta	Distribution	1,100	210	100% CPI	114,8	2023
EMEL	Distribution	360	78	100% Coal	105,3	2024
EMEL	Distribution	770	138	100% Coal	90,8	2024
Total		**5,119**	**1,014**			

Source: CNE

Unregulated Sales in the Former SIC and the Former SING

We sell electricity to unregulated customers through long-term contracts with prices negotiated directly between the parties. Certain of such contracts have provisions to pass through costs to customers through indexation formulae in order to manage potential cost increases. Our unregulated customers are industrial companies, primarily mining companies.

The following table shows the main characteristics of our contracts with unregulated customers as of December 31, 2018**:**

Former SIC

Customer	Customer Type	Contracted Energy (GWh per year)	Expiration Year
Candelaria - Ojos del Salado	Mining	1,100	2040
Candelaria - Ojos del Salado	Mining	832	2022
AMSA - MLP (Alto Maipo)	Mining	780	2040
Angloamerican - PDLB	Mining	660	2020
Cencosud	Industrial	380	2022
AMSA - MLP (AES Gener)	Mining	350	2037
Angloamerican - El Soldado	Mining	242	2020
Papeles BioBio (ex-Norske Skog)	Industrial	220	2027
Angloamerican - Chagres	Mining	185	2020
Cristalerías Chile	Industrial	155	2021
CCU	Industrial	127	2022
C&I Customer	Industrial	85	2022
C&I Customer	Industrial	67	2022
Proacer	Industrial	67	2020
Fundición Talleres	Industrial	45	2021
CMPC	Industrial	42	2023
Alto Maipo	Industrial	40	2020
AELA	Industrial	35	2019
C&I and others	Industrial & Mining	287	n.a
Candelaria - Ojos del Salado	Mining	1,100	2040
Candelaria - Ojos del Salado	Mining	832	2022

AMSA - MLP (Alto Maipo)	Mining	780	2040
Angloamerican - PDLB	Mining	660	2020
Cencosud	Industrial	380	2022
AMSA - MLP (AES Gener)	Mining	350	2037
Total		**5,699**	

Former SING

Customer	**Customer Type**	**Contracted Energy (GWh per year)**	**Expiration Year**
Minera Escondida	Mining	2,720	2029
Sierra Gorda 171	Mining	1,498	2034
Codelco RT	Mining	1,143	2028
Quebrada Blanca 122	Mining	1,069	2037
Codelco DMH	Mining	781	2028
Minera Spence	Mining	720	2026
Sierra Gorda 80	Mining	701	2034
QB 80	Mining	701	2037
SQM 60	Mining	480	2030
SQM 50	Mining	394	2030
QB 38	Mining	333	2037
Quebrada Blanca Solar	Mining	67	2037
Total		**10,606**	

Colombia

We seek to enter into electricity supply contracts with creditworthy counterparties for medium-term durations. In general, we execute contracts for up to 75.0% to 85.0% of the plant's projected energy generation with prices directly negotiated between the parties or through bidding processes. The remaining generation is commercialized through spot and frequency regulation sales at daily bid prices.

The contract sales prices that we are able to obtain depend on many factors, including the type of customer, length of contract and the price of certain fuels, such as coal and natural gas, among others. An important price reference in the SIN is the spot price, which represents the marginal cost of the energy generated. These contracts are negotiated with utilities, commercial and industrial customers or trading companies through (i) closed envelope public bids in order to serve their regulated market (retail), or (ii) direct negotiations for supplying their non-regulated market (large consumers). All regulated market contracts have a fixed price for one to four years, are denominated in Colombian pesos and indexed to the Colombian PPI. AES Chivor's contracts are primarily for a take-or-pay volume and do not vary based on the load variation of the customer. The commercial strategy is to allocate between the 75.0% and 98.5 % of the annual expected output in the main distribution, commercial and industrial customers and trade companies in a diversified and low-risk portfolio.

The following table shows the main characteristics of our AES Chivor contracts as of December 31, 2018:

Customer	**Customer Type**	**Contracted Energy (GWh per year)**	**Energy Price Indexation Main Factors**	**Price as of December 31, 2018 (U.S.$/MWh)**	**Expiration Year**
Centrales Eléctricas de Norte de Santander	Distribution	30	Local PPI	54.83	2018
Electrificadora del Caribe	Distribution	200	Local PPI	54.63	2018
Electrificadora del Caribe	Distribution	200	Local PPI	55.00	2018
Electrificadora del Caribe	Distribution	100	Local PPI	56.69	2019
Electrificadora del Caribe	Distribution	100	Local PPI	57.25	2019
Electrificadora del Caribe	Distribution	100	Local PPI	57.81	2019
Empresa de Energía de Pereira	Distribution	25	Local PPI	58.16	2018
Empresa de Energía de Pereira	Distribution	25	Local PPI	58.72	2018

Customer	Customer Type	Contracted Energy (GWh per year)	Energy Price Indexation Main Factors	Price as of December 31, 2018 (U.S.$/MWh)	Expiration Year
Empresa de Energía del Pacífico	Distribution	150	Local PPI	57.60	2018
Codensa	Distribution	100	Local PPI	58.72	2018
Emcali	Distribution	70	Local PPI	59.81	2018
Codensa	Distribution	560	Local PPI	64.68	2019
Codensa	Distribution	240	Local PPI	65.39	2019
Codensa	Distribution	50	Local PPI	67.52	2018
Compañía Energéica del Tolima	Distribution	50	Local PPI	70.84	2018
Codensa	Distribution	100	Local PPI	70.49	2018
Compañía Energéica del Tolima	Distribution	20	Local PPI	72.05	2018
Codensa	Distribution	150	Local PPI	71.86	2018
Codensa	Distribution	100	Local PPI	72.21	2018
Emcali	Distribution	50	Local PPI	71.99	2019
Empresa de Energía de Pereira	Distribution	20	Local PPI	71.12	2018
Compañía Energéica del Tolima	Distribution	40	Local PPI	73.37	2018
Empresa de Energía de Pereira	Distribution	10	Local PPI	75.12	2019
Codensa	Distribution	80	Local PPI	76.61	2018
Codensa	Distribution	83	Local PPI	72.93	2018
Electrohuila	Distribution	291	Local PPI	71.27	2018
Isagen	Distribution	26	Local PPI	54.04	2018
Codensa	Distribution	49	Local PPI	70.93	2020
Electrocaquetá	Distribution	75	Local PPI	69.24	2018
Empresas Públicas de Medellín	Distribution	115	Local PPI	49.79	2018
Codensa	Distribution	120	Local PPI	68.40	2018
Codensa	Distribution	158	Local PPI	69.00	2018
Electrohuila	Distribution	78	Local PPI	65.71	2019
Centrales Eléctricas de Nariño	Distribution	178	Local PPI	63.62	2018
Electrificadora del Caribe	Distribution	500	Local PPI	61.90	2018
Renovatio	Distribution	24	Local PPI	65.41	2019
Linde Colombia	C&I	12	Local PPI	68.39	2018
Red Eagle Mining	C&I	9	Local PPI	70.61	2018
Comercializadora Internacional Invermec	C&I	9	Local PPI	70.89	2020
Gases Industriales de Colombia - Cryogas	C&I	33	Local PPI	70.40	2018
Metapetroleum	C&I	44	Local PPI	67.77	2018
SMI Colombia	C&I	16	Local PPI	62.00	2020
Parque Arauco	C&I	34	Local PPI	63.61	2020
Tubos y Plásticos Extruidos - Tuboplex	C&I	1	Local PPI	63.73	2027
Compensar	C&I	9	Local PPI	64.96	2019
Alimentos Polar	C&I	15	Local PPI	60.97	2020
Campo Abanico	C&I	1	Local PPI	67.77	2018
Sociedad Portuaria Terminal de Contenedores de Buenaventura - TCBuen	C&I	6	Local PPI	57.79	2021
Alpla Colombia	C&I	8	Local PPI	58.72	2021
Goodyear d Colombia	C&I	11	Local PPI	55.86	2020
Ecopetrol	C&I	6	Local PPI	53.28	2018
Agrocascada	C&I	0.1	Local PPI	67.92	2019
Total		**4,480**			

Note: Prices calculated with Bloomberg average Colombian exchange rate during December 2018 equal to Col$3,213,67 = U.S.$1.0.

Transmission

Chile

We currently own 930 km of single and double circuit transmission lines and 17 substations to connect our power plants and those of some of our customers to the SEN system. Our equity-method investee Guacolda owns a substation, two double circuit 220 kV transmission lines totaling 71 km, which connects the Guacolda substation to the Maitencillo substation, and one single circuit 110 kV transmission line of 16 km. We also have several contracts with companies that use our transmission systems, including agreements with Minera Lomas Bayas and SQM, among others. In addition, we have contracts with Enel Distribución and Transelec for the use of their transmission systems and facilities.

The following tables set forth information about our transmission lines and substations in the SEN as of December 31, 2018:

Transmission Lines and Substations	
Length of 345 kV Lines:	140 km (1)
Length of 220 kV Lines	413 km (1) , 152 km (2), 9 km (3), 9 km (4)
Length of 110 kV Lines	111 km (1)
Length of 66 kV Lines	14 km (1)
Directly-Owned Substations	Alfalfal (1), Maitenes (1), Queltehues (1), La Laja (1), Ventanas 110kV (1), Ventanas 220kV (4), Laguna Verde (1), Norgener (1), Oeste (1), Minsal (1), La Cruz (1), Andes (1), Nueva Zaldívar (1), Laberinto (1), Cochrane(2) Angamos (3), Nueva Zaldívar Expansion (3) and Laberinto Expansion(3)
Connection to Other Companies' Substations	Los Almendros (1), Florida (1), Nogales (1), Charrúa (1), Mantos Blancos (1), Lomas Bayas (1), Crucero (1) and Encuentro(2)

Transmission Lines Leased	
Length of Leased 220 kV Single Circuit Lines:	228 km (2)

(1) Facilities are owned by AES Gener.
(2) Facilities are owned by Eléctrica Cochrane.
(3) Facilities are owned by Eléctrica Angamos.
(4) Facilities are owned by Alto Maipo.

Argentina

Our subsidiary InterAndes owns the Salta substation and a 345 kV transmission line of 268 km in length which extends from our TermoAndes plant in Argentina to the Paso Sico on the Chilean border. In addition, we own a 140 km 345 kV transmission line that extends from Paso Sico to the Andes substation in the SING. These transmission lines, which we used until 2011 to export energy generated by our TermoAndes plant to the SING, are currently the only lines connecting both countries. During 2014, we successfully tested these lines with bilateral electrical transfers of up to 200 MW, achieving improvements in the SING's frequency regulation. In June 2015, the Chilean Ministry of Energy issued Decree No.7, pursuant to which we were authorized to export energy to the SADI. However, in order to avoid an impact in Chilean local prices and to ensure the operational reliability of both systems, we only expect to export SING energy generation surpluses.

Gas Transportation

In addition to our own activities in the electricity sectors in Chile, Colombia and Argentina, as of December 31, 2018, we had a 13% minority ownership in natural gas pipeline companies GasAndes Chile and GasAndes Argentina. These related companies own and operate a pipeline that extends from the Province of Mendoza in Argentina to the Santiago Metropolitan Region in Chile. The pipeline has a total length of 463 km, including 314 km in Argentina and 149 km in Chile, and was put into service between the two countries in August 1997.

Operation and Maintenance

The achievement of operational excellence is core to our overall business strategy. We strive to be a leader in the energy sector by seeking to create a safer and greener energy future at a competitive cost to our customers and the market. In this regard, we have implemented an Asset Management Policy to consistently guide our operation and maintenance activities throughout the Company. Our Asset Management Policy outlines an integrated process of activities and coordinated practices which we use to manage the performance, risks and expenses of our fixed assets in order to ensure optimal and sustainable life of our assets.

Our Asset Management Policy is based on the following principles:

- *Systematic and Sustainable Vision*: Our power plants are a critical part of each business unit within the Company, and we strive to optimize our business as a whole by considering the financial, commercial, environmental, safety, legal, community and stakeholder interests and requirements related to our asset management activities in order to ensure long-term sustainability.

- *Complete Life Cycle Optimization*: We base our asset management activities on achieving full life-cycle optimization of our assets, including all stages from engineering and design, construction, testing, operations, maintenance and renewal to final disposition. Our goal is to optimize performance of our assets considering their complete life cycle.

- *Risk Assessment*: We prioritize asset management of our critical activities, identifying and administering risks associated with asset outages and associated production losses, safety risks and environmental risks. In such cases, our operating standards include defining operating limits and requiring special procedures for operating, monitoring or testing equipment. Our maintenance requirements specifically include predictive and preventive measures and contingency planning for failures, such as predefined work breakdown structures, holding of spare parts or other proactive actions to mitigate the impact of failures.

- *Continuous Improvement*: We utilize a performance excellence methodology developed by The AES Corporation, denominated "AES Performance Excellence" or "APEX," which is a comprehensive toolkit composed of continuous improvement, innovation and "best practices" sharing methodologies. With this toolkit, we establish the appropriate metrics for measuring, evaluating and comparing our business units' performance and adherence with our asset management policy.

Fuels

Our thermoelectric capacity, which totals 3,095.1 MW in Chile, is principally fueled with fossil fuels such as coal, diesel and natural gas. The following table shows the composition of our installed capacity by energy source:

AES Gener Thermoelectric Capacity (MW)

	Installed Capacity	**%**
Coal	3,019.9	80.8%
Gas/Diesel	643	17.2%
Diesel	62.6	1.7%
Biomass	12.6	0.3%
Total	**3,738.1**	**100.0%**

Source: CNE

Coal is purchased both locally and internationally as the primary fuel for several of our plants, including our equity-method investee Guacolda. The technology at our coal plants enables us to burn different coal types, thus providing us with substantial and diverse supply sources. Coal is primarily purchased in an international tender process through which coal is secured on a portfolio basis. Through this bidding process, we execute contracts with durations between one to three years. Each contract's pricing mechanism is negotiated such that revenues are indexed to the Company's cost structure; thereby reducing the operating margin volatility.

For 2018, we have acquired approximately 7.5 million metric tons of coal. Coal is purchased from several suppliers on an FOB basis and the suppliers are selected based on their credit worthiness and previous purchase history. The coal's origins range from various countries such as Colombia, U.S. and Australia.

Our TermoAndes CCGT is fueled alternatively by gas or diesel. Located in Argentina, the facility continues to receive gas supplies purchased under contracts with Argentine producers at a fixed price under a medium-term contract. TermoAndes currently sells electricity exclusively in the SADI, although is also connected to the SEN via a transmission line owned by us. From 2007 to 2011, gas supply restrictions in Argentina, particularly in the southern cone winter season, periodically reduced generation by TermoAndes, which resulted in the suspension of exports to Chile since the end of 2011. The export permit to deliver energy to the former SING in Chile expired on January 31, 2013. TermoAndes currently generates at its maximum capacity, delivering its energy to the SADI. Argentine natural gas exports to Chile were essentially suspended in 2007, but by the end of 2018 exports resumed allowing several players in the Chilean market to access natural gas under interruptible supply contracts. As of today, natural gas spare capacity is expected to be exported during summer months as local demand partially ceases.

For our back up plants in Chile, diesel is purchased from local suppliers at market prices. This price is mainly based on international oil prices derived from the ULSD index of the U.S. Gulf. Since the energy produced by diesel plants is sold in the spot market, diesel is purchased when it is necessary to meet dispatch requirements. Plants that use diesel as their main fuel are listed in "Generation Assets."

Seasonality

In the part of the SEN that was formerly the SIC and Colombia, our operations are sensitive to seasonal cycles. During rainy hydrological conditions, hydroelectric output is significant and spot prices tend to be lower than prices during dry conditions, when thermoelectric output is higher. The impact of seasonality depends on our and the systems' generation sources and our contract terms.

In the former SIC, approximately 37% of the installed capacity is hydroelectric, and spot prices are sensitive to changes in hydrological conditions. However, only 8% of our installed capacity, related to our run-of-river plants, is dependent on hydrological conditions. During rainy years, we therefore tend to purchase energy to fulfill our contracts in the spot market. During dry years, we produce energy to fulfill our contracts.

In the former SING, there are no major effects of seasonality, as almost 100% of the installed capacity is thermoelectric. However once the SEN is fully interconnected, which is expected to occur in June 2019, prices in the former SING will start to be influenced by hydrological conditions. This price volatility is expected to be partially offset by the presence of the thermal electric plants in the former SING acting as price caps during dry conditions. Once the SEN is fully interconnected, 29% of the installed capacity will be hydroelectric.

In the Colombian SIN, 100% of our installed capacity is hydroelectric. As a result, our production levels depend significantly on hydrological conditions. In Colombia as a whole, when the "El Niño" weather phenomenon is present, dry conditions are more pronounced because water inflows decrease and spot market prices significantly increase. Given our location, these effects on our production are not typically as pronounced and rainfall levels have historically remained close to normal even under "El Niño." By contrast, the "La Niña" phenomenon, which usually follows "El Niño," typically causes higher rainfall levels in the Andean region, while rainfall at our reservoir is typically below average during "La Niña."

Capital Expenditure Program

Our long term strategy is to remain an important and profitable participant in the electricity generation business in our main markets. To address rising demand from regulated and unregulated customers, we have invested in several projects and plan to continue to grow organically by constructing new electricity generation plants and to ensure diversification in terms of fuel sources and compliance with environmental regulations. We have been actively adding electricity generation capacity in recent years. Between January 1, 2015 and December 31, 2018, we have added the following power plants: Cochrane in Chile, a thermoelectric plant with 550 MW of installed capacity, Andes Solar in Chile, a photovoltaic plant of 21MW of installed capacity and Tunjita in Colombia, a run-of-river hydroelectric plant of 20MW of installed capacity.

The following are our main projects under construction:

Alto Maipo hydroelectric project (SEN-Chile): The Alto Maipo hydroelectric project consists of the construction of two run-of-river plants, called Alfalfal II and Las Lajas, in hydraulic series in the Maipo River basin, with a total installed capacity of 531 MW, which is scheduled to start operations in 2020. The Alto Maipo project does not have a reservoir or involve relocating residents, and the SEN will benefit from savings in power transmission as a result of Alto Maipo's proximity to the city of Santiago. The environmental permit for the project was obtained in March 2009, the environmental permit for the transmission system was obtained in 2010, and an indefinite electricity concession was granted in December 2012. The project initiated construction in December 2013, and as of March 6, 2019 has a 76% level of completion and 51 km of tunnels out of 75 km. The Alto Maipo project was recently restructured. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Alto Maipo Restructuring" for details of the restructuring" for details. AES Gener maintains 93.3% ownership while Strabag holds the remaining 6.7%. We expect Alto Maipo to be a key energy source for the SEN in the future.

Virtual Dam Battery Energy Solution (SEN-Chile): We are currently constructing a 10 MW battery energy solution to create a virtual dam for our existing Alfalfal I hydroelectric plant near Santiago, which is expected to reach completion in March 2020. Our objective is to add energy storage capabilities in order to operate as a virtual reservoir, allowing us to store five hours of energy. We are initially beginning with a 10 MW pilot and will evaluate the possibility of increasing the installed capacity to 250 MW in the future.

Castilla Solar plant (SIN-Colombia): In partnership with Ecopetrol S.A., we are currently constructing a 20 MW solar plant that is expected to reach completion in October 2019. In connection therewith, we have executed a 15-year PPA with Ecopetrol S.A. to purchase the energy produced by the plant located in the Castilla oil field in Colombia.

Projects under Development

We currently have a broad portfolio of projects under development that aim to respond to the needs of a very dynamic market which values a reliable, clean and highly competitive energy supply where renewable energy sources are increasingly relevant. We look to develop future projects, as we have done in the past, once contracts for the production of the asset have been secured.

In addition to the projects mentioned above which are under construction, the following is a summary of each of our projects that is in an advanced stage of development:

- **Andes Solar (80 MW expansion)**

The Andes Solar expansion project is a 80 MW expansion of our 22 MW Andes Solar plant located in the Antofagasta Region of Chile that began operations in May 2016. The expansion project is currently in the final phase of obtaining permits and is expected to begin construction sometime during 2019.

- **Campo Lindo, Mesamávida and Los Olmos Wind Projects (80 MW, 40 MW and 90 MW, respectively)**

Campo Lindo, Mesamávida and Los Olmos projects are 80 MW, 40 MW and 90 MW wind projects, respectively, located in the Biobío Region of Chile. The projects will inject energy into the SEN through the installation of wind turbines that convert the kinetic energy of wind into electric power. The projects are in the final phase of obtaining permits and are expected to begin construction sometime in 2019.

- **Desalination Guacolda (1,400 l/s)**

The Desalination Guacolda project consists of construction of a desalination plant of 1,400 l/s located in the complex of our equity-investee Guacolda's power plant, in the Huasco commune, Atacama Region, of Chile. The project currently has an approved Environmental Qualification Resolution (RCA) and is in the marketing stage, having identified potential customers with water requirements in its area.

- **Desalination Ventanas (560 l/s)**

The Desalination Ventanas project consists in the construction of a desalination plant of 560 l/s located in the complex of our Ventanas' power plant, in the Puchuncaví commune of Valparaiso Region of Chile. The Desalination Ventanas is currently in the environmental qualification process and expects to have all the permits granted during 2019. At the same time, the project team is working on identifying potential customers with water requirements in its area.

- **Desalination Angamos phase II (160 l/s)**

The Desalination Angamos Phase II project consists of the expansion of the current Angamos desalination plant by 160 l/s. Like the first phase of the project, this desalination plant will be located within the Angamos complex, in the Antofagasta Region of Chile. The project currently has an approved Environmental Qualification Resolution (RCA) and is working on identifying potential customers with water requirements in its area.

- **Jemeiwaa-Kai (648 MW)**

In accordance with our Greentegra strategy described above, we recently acquired a portfolio of 648 MW of wind projects in Colombia. See "—Recent Developments" for further details.

Safety

Safety is the top corporate value for us. To this end, we have a comprehensive policy for all businesses in Argentina, Colombia and Chile to ensure that our actions and decisions align with our safety beliefs and principles. Our policy was established to continuously reinforce the importance of safety, and it applies to all our employees and contractors.

At AES Gener, we lead with safety, so our actions and efforts focus on promoting organizational development based on a world-class culture. Therefore, we have different proactive activities that help us move towards an incident-free workplace. Some of our periodic activities are: the annual celebration of the Safety Day, Safety Day with the Family, Monthly Safety Message, Safety Walks, Safety Culture Evaluation and internal and external Audits.

In recent years we have continued working on implementing our safety standards which are among the most stringent in the electricity industry. In addition, we have worked to improve contractors' safety standards, providing technical assistance to help them improve their standards and improve efficiency. Our contractors must meet our same standards, the implementation of which has resulted in a significant decrease in accidents.

We are committed to protecting our values, so we have given each of our employees the authority to stop unsafe work, which might endanger them or their teammates. People are entitled to enforce this right using a card signed by our chief operating officer.

We work continually to meet the exacting international safety standards of The AES Corporation. GENERA is the Integral Management System used by us and our affiliates, which is structured as per the international standards OHSAS 18001:2007 and ISO 14001:2015. This enables us to manage all safety issues across AES Gener consistently, in line with leading industry standards.

During 2018, there were several internal audits, legal reviews and external audits performed by The AES Corporation, which allowed us to identify opportunities to improve our processes. In 2018, our certification agency performed recertification audits to our businesses and certified our compliance with the regulatory requirements, allowing us to maintain the OHSAS 18001:2007 certification.

Environmental Management System

Environmental management is a key priority in our business and operations. We currently have all required environmental permits and authorizations to conduct our business. We consider environmental protection as an area of performance and as such, environmental issues are included among the responsibilities of our key executives. An environmental management system was implemented throughout the Company in 2008, and our environmental department was expanded in 2010 to globally supervise and provide support for all our operations and construction projects. In addition, we apply The AES Corporation's environmental policy throughout our business, following four basic guidelines:

- to comply with or exceed the requirements of environmental standards or regulations set by local governments, as well as the environmental standards imposed by the entities involved in financing the Company's projects;

- to comply with or exceed the requirements imposed by The AES Corporation's environmental standards;

- to make decisions on additional expenses on the basis of a local, regional and global environmental assessment, in which the term "environment" is widely defined as "the conditions surrounding people, including ecological, economic, social, and other factors that determine quality of life or standard of living"; and

- to strive to continually improve environmental performance at each business.

In 2011, the Company implemented an integrated management system for Environmental, Occupational Health and Safety, which is currently certified under ISO14001 and OHSAS18001 in all of our generation facilities. Our environmental management system is a strict, thorough in-house program used to audit environmental affairs at our plants and transmission systems to ensure compliance with these standards and to detect opportunities for ongoing improvement. These audits are part of an effort to increase the efficiency of the environmental management systems that have been or are in the process of being implemented in all of our areas of business and have helped with overall production management.

Non-Conventional Renewable Energy

Chilean law requires every electricity generator to supply a certain portion of their total contractual obligations with NCREs. The required amount is determined based on contract agreements executed after July 31, 2007. The NCREs requirement is equal to 5% by 2013, with annual increases of 1%, to reach 12% in 2020, and later that year, more substantial annual increases to reach 20% in 2025. To meet these goals, the law provides auctions of NCREs blocks organized by the government. Generation companies are able to meet this requirement by developing their own NCREs generation capacity (wind, solar, biomass, geothermal and small hydroelectric technology), or purchasing NCREs supply from qualified generators, purchasing from other generators which generated NCREs in excess of their own requirements during the previous year or by paying the applicable fines for non-compliance.

We currently fulfill our NCREs requirements by utilizing our own biomass power plant and by purchasing NCREs generated by other generation companies. To date, we have sold certain water rights to companies that are developing small hydro projects, entering into power purchase agreements with these companies in order to promote development of these projects, while at the same time meeting our NCREs requirements. At present, we are in the process of negotiating additional NCREs supply contracts to meet our future NCREs requirements.

Employees

We had a total of 1307 employees as of December 31, 2018. The following table provides a breakdown of the number of individuals employed by us and each of our subsidiaries as of December 31, 2018, 2017 and 2016.

AES Gener employees (Chile)	**2018**	**2017**	**2016**
Executives	62	56	53
Professionals	400	340	339
Technicians and Administrative	488	571	570
Subtotal	**950**	**967**	**962**
Subsidiaries employees			
AES Chivor (Colombia)	116	112	110
AES Gener S.A	888	964	962
AES Global Mobility Services, LLC	**7**	0	5
Alto Maipo (Chile)	57	106	106
Fundacion AES Gener	4	4	5
Guacolda (Chile)	183	182	184
TermoAndes (Argentina)	50	56	56
Eléctrica Cochrane (Chile)	0	3	4
Eléctrica Santiago (Chile)	0	67	68
Subtotal	**1,305**	**1,494**	**1,500**
Total AES Gener and Subsidiaries	**2,255**	**2,461**	**2,462**

In promotion of long term company sustainability and professional development, we develop and train our employees to be able to appropriately face present and future challenges. In order to effectively and efficiently operate our generation plants, administer our business and construct and implement our development projects, we seek to stimulate and retain our personnel while strengthening our team with suitable individuals that have the potential to take on new projects and successfully replace existing professionals. Within this framework, in recent years, we have focused our efforts on developing the skills of our existing and recently hired employees to be able to fill positions at the plants under construction once they begin operation. We seek to maintain an amenable work atmosphere and encourage communication between team leaders and the professionals they supervise. Leadership workshops have been held since 2008 as part of an ongoing program to promote team leadership skills and to help leaders acquire the tools they need for management excellence.

Unions

As of December 31, 2018, 81% of our employees were represented by unions under separate 10 collective bargaining agreements. Seven of our collective bargaining agreements were negotiated during 2017 and 2018. Historically, we have had good relations with our unions, and since 2002 we have not experienced any significant strikes.

Insurance

We believe that the level of insurance coverage that we maintain for our properties, operations, personnel and businesses is reasonably appropriate for the risks that we face and is comparable to the level of insurance coverage maintained by other companies of a similar size operating in the businesses in which we are engaged.

For property damage and business interruption, we maintain insurance policies for ourselves and our subsidiaries' plants with AES Global Insurance Company, a subsidiary of The AES Corporation. These policies cover our physical assets such as power plants, offices, substations and mobile equipment, as well as the cost of business interruption. In addition, we have a loss control program which focuses on making improvements that will decrease the impact of a catastrophic event.

We also maintain all-risk coverage for our construction projects during the construction period, which includes coverage of material damages, delayed start-up, marine cargo, civil liability and terrorism. Upon initiation of operations, projects are included in our corporate property damage and business interruption policies.

Locally, we also maintain civil liability coverage for damages caused to third parties, our contractors and our subcontractors. In addition, we maintain coverage for our transportation activities under a marine cargo policy for all types of goods transported. For coal purchases, we maintain charterer's liability insurance. We also have coverage for our vehicles, buildings, electronic equipment, and personal accidents, including supplementary health insurance for our employees.

Corporate Social Responsibility

For us, social responsibility means fulfilling our business mission of providing sustainable and reliable energy while acting ethically and responsibly with all stakeholders, those who are integrated within our Company and those with whom we interact. These stakeholder groups include employees, shareholders, investors, customers, suppliers, partners and the communities in which our facilities are located. We strive to be an efficient, reliable company that creates sustainable value for all of these groups, which means being a company whose business activity, as a whole, makes a positive contribution to society. In this sense, we have executed social agreements with municipal governments, local communities and community associations where our plants are located, making commitments to continue contributing to these communities both economically and socially by supporting community programs and promoting local employment.

AES Gener Foundation is a nonprofit institution that was founded in 1995 and it is a key pillar in our relationships with our communities and employees. The foundation is managed by a council composed of AES Gener executives and professionals who are charged with ensuring that the foundation's objectives are met and that its resources are appropriately allocated.

The foundation's mission is to coordinate, manage and implement initiatives through programs in education and community engagement. AES Gener Foundation operates in locations where the Company has existing business units, bringing to each project, the foundation's values: safety, sustainability and protection of the environment. The foundation's activities include designing and executing social, educational, and work training programs, promoting employment, and supporting sports, culture, and the arts.

Our current social programs include the following:

Training for Employability Program

Since 2012, our training for employability program provides various courses focused on the following subjects: food, lodging, tourism, entrepreneurship, crafts (electrician, plumber, among others), welder, blacksmith, and construction master.

Competitive Grants

Our competitive grant a is program that seeks to contribute to the social and economic development of the Punchuncavi communities, located in the central region of Chile, by providing financing to sustainable community development and small business projects. We administer and overlook all stages of the program, including: community awareness, project training, writing and submission of projects, project evaluation, project management and follow up, and completion of the process.

Pre-university Grants

Since 2010, our pre-university grant program provides college test preparation services to 120 students in their senior year of high school.

Dual Education

We currently administer a dual education program, where we provide practical training to students in the electricity sector. Under this program, participants visit our Eléctrica Ventanas plant twice a week in order to receive practical vocational training in their specialty area: management, electronics or electricity.

In addition, in 2018, we were awarded the "Great Place to Work" award by the Great Place to Work® Institute-Chile.

Legal Proceedings and Regulatory Actions

We are involved in several claims and legal actions arising in the ordinary course of business. These proceedings are not likely to have a material adverse effect on our operations or financial condition individually or in the aggregate, except for the proceedings described below. For detailed information regarding these matters, please see note 31 to our 2018 audited consolidated financial statements included in this listing memorandum.

Alto Maipo Environmental Sanctions. On January 26, 2017, the SMA notified Alto Maipo of certain violations associated with environmental permits which could lead to fines totaling up to U.S.$40 million and the revocation of the environmental permit. However, pursuant to the relevant regulations, Alto Maipo may submit an environmental compliance program. Following various rounds of observations by the SMA and submissions of updated compliance programs by Alto Maipo, the compliance program was approved by the SMA on April 6, 2018. Subsequently, three invalidation proceedings were filed before the Second Environmental Court of Santiago against SMA's approval. As of the date of this listing memorandum, these proceedings are still ongoing.

AES Gener Environmental Damages. In July 2016, two union organizations of fishermen, divers, and other crafts related to the extraction of seafood, along with 18 natural persons living in the towns of Horcón and Ventanas, Chile, filed a complaint before the Second Environmental Court of Santiago against us, the Ministry of the Environment, and 10 other companies located in the area (CODELCO, Puerto Ventanas, National Electricity Company, GNL Quintero, Empresas COPEC, Gasmar, Oxiquim, Petróleos Asfaltos y Combustibles SA, Melón Cementos and ENAP) for the alleged environmental damage caused by this group of companies, including us, in the bays of Quintero and Ventanas. We appealed this claim on January 27, 2017. On January 4, 2019, the Court of Appeals of Santiago partially accepted our appeal. As of the date of this listing memorandum, these proceedings are still ongoing.

Alto Maipo Arbitration. On June 7, 2017, Alto Maipo terminated its contract, dated November 6, 2012, with CNM for the construction of a tunnel complex at the project site. The termination was based on the multiple material breaches incurred by the contractor. On that same date, Alto Maipo commenced an arbitration proceeding with the International Chamber of Commerce ("ICC") against CNM for breach of contract. On July 3, 2017, CNM commenced an arbitration proceeding with the ICC for breach of contract against Alto Maipo. Simultaneously, CNM initiated unsuccessful proceedings with the 8th Civil Court of Santiago in Chile to stop Alto Maipo from collecting on bank guarantees granted by CNM in the amount of approximately U.S.$73 million. Additionally, CNM requested two emergency arbitrations under the rules of the ICC to request precautionary measures requesting the return of (i) certain material information related to the project and (ii) the funds obtained by Alto Maipo based on the execution of the aforementioned bank guarantees. The ICC rejected claim (ii) but accepted CNM's claim (i). However, Alto Maipo successfully appealed the decision on claim (i). On April 13, 2018, Alto Maipo filed its statement of claim as well as the evidentiary record that it will assert at trial. On August 3, 2018, CNM filed its statement of defense requesting payments ranging from U.S.$103 million to $157 million. Hearings are expected to be held in Santiago, Chile in May 2019.

Alto Maipo Second Arbitration. In August 2018, CNM initiated a new arbitration against us and The AES Corporation at the ICC (the "Second Arbitration") claiming that we and The AES Corporation are jointly and severally liable with Alto Maipo for each loss suffered by CNM under its construction contract with Alto Maipo. In the original arbitration described above, Alto Maipo requested an interim order to prevent CNM from proceeding with the Second Arbitration at this time. A resolution under this request is still pending. Separately, we and The AES Corporation asked the ICC tribunal to recuse itself, given that there is no arbitration clause between us, The AES Corporation and CNM. However, the ICC denied such request. Following such denial, we and The AES Corporation have asked the ICC to merge the Second Arbitration into the original arbitration. The ICC agreed to such request, pending the hearing scheduled to take place on the original arbitration in May 2019.

Eléctrica Angamos Green Taxes. On September 4, 2017, Eléctrica Angamos filed two arbitration requests to the Arbitration and Mediation Center of Santiago (the "CAM") regarding differences of interpretation between Angamos on the one hand, and each of Mel and Spence on the other, on whether the Green Taxes instituted under Section 8 of Law 20,780 constitute a "new regulatory exigency" (or "NRE") under each of Eléctrica Angamos PPAs with Mel and Spence that could be passed through to Mel and Spence. As of December 31, 2018, these arbitrations were suspended by mutual agreement of the parties. As of the date of this listing memorandum, we are waiting for the CAM to set a date for a conciliatory meeting.

Eléctrica Cochrane Green Taxes. As of the date of this listing memorandum, Eléctrica Cochrane is involved in a series of arbitration proceedings with SQM in connection with the pass through of costs related to the Green Taxes, as defined elsewhere in this listing memorandum. On December 14, 2016, SQM submitted two arbitration requests to the CAM regarding differences of interpretation between SQM on the one hand, and each of Eléctrica Cochrane and us on the other, on whether the Green Taxes instituted under Section 8 of Law 20,780 constitute a NRE under each of Eléctrica Cochrane's PPAs with SQM that could be passed through to SQM. On December 29, 2016, Eléctrica Cochrane and we each submitted an additional arbitration request to a separate panel of the CAM to determine if the Green Taxes instituted under Section 8 of Law 20,780 constitute an NRE under each of Eléctrica Cochrane's PPAs with SQM, and consequently, if increased costs related to the Green Taxes can be passed through to SQM under each PPA. As there are two arbitration panels and four arbitration requests, the two arbitration panels are coordinating the separate arbitrations. We expect to conclude these arbitration proceedings, which are currently in the evidentiary stage, during 2019, but can offer no assurance that any increased costs related to the Green Taxes will be passed through to SQM.

REGULATORY OVERVIEW

Chile

The electricity sector in Chile is divided into three segments: generation, transmission and distribution. The generation segment consists of companies that produce electricity and sell their production to distribution companies, unregulated customers and other generation companies. In general terms, generation and transmission expansion are subject to market competition, while transmission operation and distribution, given their natural monopoly character, are subject to price regulation. The transmission segment consists of companies that transmit the electricity produced by generation companies at high voltage. The distribution segment includes electricity supply to final customers at a voltage no greater than 23 kV. In Chile, generation and distribution companies are the only agents that may engage in the trading of electricity. The Chilean energy sector is one of the most transparent and consistent market frameworks in South America. The current framework was put in place through the electricity law enacted in 1982. A key factor to the long-term stability of the sector has been the consistency in market rules and the enforcement of such rules throughout periods of rationing and changes to the macroeconomic and political environment.

Prior to November 2017 in Chile, and except for the small isolated systems of Aysén and Magallanes, electricity is generated by two major systems: the SIC, which covers the country from the southern area of Region II (the Paposo roadstead) to Los Lagos Region (the town of Quellón) and supplies electricity to approximately 92.2% of the national population; and the SING, which covers Regions I, II and XV and whose primary customers are mining and industrial companies. In each of these grids, electricity generation is coordinated in a centralized manner by the Independent Electrical Coordinator to minimize operational costs and to ensure the highest economic efficiency of the system while meeting all service quality and reliability requirements established by law. The SING and the SIC were interconnected in November 2017 to comprise the SEN. The SEN is expected to become fully operational in June 2019, once the last segment of the Cardones-Polpaico transmission line is completed.

Chilean Electricity Law

Since 1982, the Chilean electricity industry has been based on a private initiative and property structure, with a competitive framework for the generation market and new transmission facilities, and regulated framework for distribution and part of the transmission based on an efficient company model. The goal of the Chilean Electricity Law is to provide incentives to maximize efficiency and to provide a simplified regulatory scheme and tariff-setting process that limits the discretionary role of the government by establishing objective criteria for setting prices. The expected result is an economically efficient allocation of resources. The regulatory system is designed to provide a competitive rate of return on investment to stimulate private investment, while ensuring the availability of electricity service to all who request it.

In accordance with the country's constitution and current legislation, certain government agencies, including those related to the electricity sector, perform a regulatory and oversight role. These agencies are grouped under the Ministries of Energy and the Environment. The Ministry of Energy establishes, regulates, and coordinates and also publishes the semi-annual indicative investment plan for generation and transmission activities, a document that is non-binding for companies in the industry. Other agencies include the SDEC, which oversees compliance with quality and reliability of service regulations, and the Environmental Assessment Service (*Servicio de Evaluación Ambiental*, or "SEA"), which administers the environmental impact system that evaluates projects.

The *Dirección General de Aguas* ("DGA"), an agency in the Ministry of Public Works, issues the water-use rights and authorizes hydraulic works for hydroelectric generation, while the Ministry of Energy grants the concessions for hydroelectric plants, transmission lines and for distributing electricity for public use. Concessions or other types of rights are not required from government agencies to build and operate thermoelectric plants. The Chilean electric system also has a "Panel of Experts", an independent technical entity whose purpose is to study and promptly resolve controversies that may arise between companies within the electricity sector, or between one or more of these companies and the energy authorities.

Chile's electricity sector has a regulatory framework that has been in effect and has evolved significantly in the past three decades. This has enabled the development of an industry with a high level of participation of private capital. See "Business—Market Structure and Competition." The electricity sector and its private participants are subject to various regulations and the supervision of various technical bodies. The material laws and regulations covering the Chilean electricity sector and our electric operations are contained in the Chilean Electricity Law, as amended, including:

- *"Short Law I" (Ley Corta 1), Law No. 19,940, enacted in 2004.* This law introduced (i) new regulations applicable to the transmission system, the development of the transmission system and the rates transmission facility owners can charge to users of the system; (ii) new regulations on tariffs in middle and isolated systems, such as those in the regions of Aysén and Magallanes; (iii) an Experts Panel (as defined below) to resolve controversies between authorities and companies and among companies in the electrical sector; and (iv) new regulations with respect to reliability and ancillary services.

- "*Short Law II" (Ley Corta 2), Law No. 20,018, enacted in 2005.* This law requires that all new long-term PPAs between generation and distribution companies for the supply of regulated customers be the result of bids via open, competitive and transparent auction processes. These new long-term PPAs can have tenors of up to 15 years. Regarding the capacity product (reliability payment), the long-term PPAs incorporate the capacity price fixed by the CNE and are indexed to CPI and other relevant indexes.

- *Law No. 20,220, enacted in 2007.* This amendment aimed to secure the supply of electricity to regulated customers and to ensure the sufficiency of the electric system. It establishes special rules for: (i) the bankruptcy of generation, transmission or distribution companies and (ii) the retirement, modification, disconnection or termination of operations of electrical facilities that are not the consequence of failures or scheduled maintenance of generating or transmission facilities. The recently enacted Chilean Bankruptcy Law amended some of the aspects regulated by Law No. 20,220. See "— Bankruptcy Regime Recently Enacted (Law No. 20,720)."

- *Law No. 20,257, enacted in 2008.* This amendment promotes the use of NCREs and defines the different types of technologies considered to be NCREs. For the period between 2010 and 2014, this law required generation companies to supply 5% of their total contractual obligations entered into after August 31, 2007 with NCREs. The requirement to supply electricity with NCREs will increase by 0.5% annually until 2024, when the requirement will reach 10% of total contractual obligations. A generation company can meet this requirement by developing its own NCREs generation capacity (wind, solar, biomass, geothermal, and small hydro technology), purchasing NCREs Certificates locally (similar to carbon bonds) or paying the applicable fines for non-compliance. This law was amended by Law No. 20,698, enacted in 2013. This amendment was aimed to encourage the expansion of the energy matrix through non-conventional renewable sources. It establishes a goal of NCREs power generation of 20% by 2025. This could lead to significant changes in the diversification of the energy matrix in the coming decades, especially in the SIC. In addition, the amendment allows the Ministry of Energy to tender for the supply of energy obtained from NCREs for regulated customers.

- *Law No. 20,571, enacted in 2012.* This amendment regulates net metering (net billing) and payment to residential or even industrial small generators (up to 100kW) and promotes the participation of NCREs in the national energy matrix. This law allows NCREs producers to inject their surplus to the grid under a net billing scheme. Law No. 20,571 requires an administrative regulation that regulates the particulars of the Law, in order for the Law to enter into force. Such an administrative regulation is regulated by DS 71 of 2014, issued by the Ministry of Energy and enacted in September 2014. The Chilean Congress is currently discussing potential changes to this law in order to encourage residential generation destined for self-consumption. Among the points under discussion is increasing the limit of small generators from 100kW to 300kW.

- *Law No. 20,698, enacted in 2013.* This law establishes that by the year 2025 20% of the energy generated in Chile must come from NCREs.

- *Law No. 20,701, enacted in 2013.* This amendment introduced significant changes regarding the granting of electric concessions to allow the enforcement of the necessary easements on third-party property. For instance, the law cuts down the time for processing a request for an electric concession from 700 to 150 days. Additionally, the law reduces the number of methods for notifying third parties of easements from five to two, in order to facilitate the process, and narrows the cases in which those third parties can object to the granting of easements.

- *Law No. 20,726, enacted in 2014.* This law aims to interconnect and optimize the joint operation of different electric systems via the interconnection of independent grids, seeking economic advantages and increased competition in the market. Additionally, this law encourages the construction of backup transmission lines which will increase the safety of supply and optimize the dispatch of power plants. During wet seasons, this interconnection of systems will allow increased hydroelectric production to provide cheaper generation; and, conversely, in periods of drought, it will enable a more efficient thermoelectric generation, displacing diesel generation and contributing to lower energy costs. This law also seeks to diversify the sources of generation.

- *Law No. 20,805, enacted in 2015.* This law modifies the Chilean Electricity Law regarding the distribution bidding process for the supply of electricity to regulated customers, strengthening CNE's role in the supply of electricity based on grounds of economic efficiency, competition, safety and diversification. While the CNE designs the bidding conditions and the supply contract and awards the bid winners, distribution companies will be solely responsible for the administrative process. The amendment also defines short and long term auctions with hidden ceiling prices. In addition, in case the CNE identifies an annual regulated energy shortages or deficit, it can mandate an extraordinary auction to fulfill the energy supply for the next three years, where the energy price will be subject to a special price adjustment mechanism which consists of a comparison between the average market price (calculated by the CNE) and the system marginal cost. In case there is uncontracted energy, this will be assigned among all the generators according their energy injections into the grid. The generators will be allowed to charge the maximum between the short term node price (calculated semiannually by the CNE) and the corresponding power plant variable cost. In addition, this law establishes that in future awarded regulated PPAs, generators will also be able to pass-through certain costs related to regulatory changes in Chile (*i.e.* environmental taxes and changes in law) to their regulated customers.

- *Environmental law*: Environmental regulation is mainly governed by the Chilean Environmental Law, enacted in March 1994 and amended in 2010 by Law No. 20,417. This law sets up a framework for environmental regulation in Chile, which has become increasingly stringent in recent years.

Chilean Electricity Framework

The goal of the Chilean Electricity Law is to provide incentives to maximize efficiency and to provide a simplified regulatory scheme and tariff setting process that limits the discretionary role of the government by establishing objective criteria for setting prices. The expected result is an economically efficient allocation of resources. The regulatory system is designed to provide a competitive rate of return on investment to stimulate private investment, while ensuring the availability of electricity service to all who request it.

The regulatory agencies that have primary responsibility for the implementation and enforcement of the Chilean Electricity Law are the Ministry of Energy, the CNE, the SDEC, the Experts Panel created under Short Law I (the "Experts Panel") and the Independent Electrical Coordinator.

The Ministry of Energy grants final approval of new works, expansion works, and tariffs and node prices set by the CNE and regulates the granting of concessions to transmission and distribution companies.

- The Ministry of Energy is the government institution responsible for preparing and coordinating, in a transparent and inclusive manner, the different plans, policies and rules for the development of Chile's energy sector, and thus ensuring that all Chileans can have safe access to energy at reasonable prices.

- The CNE is a technical public entity that analyzes the structure and prices for energy goods and services and is also an adviser to the Ministry of Energy in matters relating to Chile's energy development. It also issues technical regulations and calculates regulated tariffs and node prices. The CNE also prepares a 20-year guide for the expansion of the transmission system that must be consistent with such calculated node prices. Every four years the CNE leads the tariff-setting process for the transmission system and conducts a transmission facilities valuation study ("TFVS").

- The SDEC's main responsibility is to supervise and ensure that power companies comply with regulations as well as service quality and safety standards. The SDEC is entitled to investigate any failure to comply with service quality and safety standards and may impose sanctions, primarily in the form of fines. These fines may be appealed in a court of law and have a maximum limit of 10,000 annual taxation units per sanctioned event (approximately U.S.$9.0, updated as of December 31, 2018).

- The Experts Panel is a permanent entity entitled to resolve conflicts arising between companies and the CNE during tariff-setting processes as well as conflicts between the Independent Electrical Coordinator and companies of the SEN or between companies of the SEN. It is comprised of seven independent members, five of whom are engineers or economists and two of whom are lawyers. These members are chosen by the Chilean Antitrust Court. The Experts Panel members are appointed for six-year periods and up to half of the panel is appointed every three years.

- The Independent Electrical Coordinator was created by the Chilean Transmission Law and replaced the CDEC-SIC and CDEC-SING on January 1, 2017. It is an autonomous nonprofit corporation of public law (*corporación autónoma de derecho público*) with its own budget and is funded by a public service charge (*cargo por servicio público*) paid by Regulated and Unregulated customers. The Independent Electrical Coordinator has a governing board of five members elected by a special election's committee through an open contest process. The Independent Electrical Coordinator is in charge of operating the electricity systems, maintaining a secure service, assuring efficient operation of all power installations, and guaranteeing open access to transmission systems. Moreover, it has the obligation to prepare technical procedures subject to approval by the CNE, authorize third party connections, monitor the payment chain, promote competitive conditions, and implement public information systems, among other obligations. Even though the Independent Electrical Coordinator has several additional responsibilities compared to the former SIC and CDEC-SING, the Chilean Transmission Law provides expressly that it will replace them for all legal effects.

- Power generation, transmission companies and customers are managed through the Independent Electrical Coordinator who monitors the quality of service provided by the power generation and transmission companies, which minimizes the operating costs of the electricity system.

- One of the main purposes of the Independent Electrical Coordinator in operating the system is to ensure that only the most efficiently produced electricity is dispatched to customers. The Independent Electrical Coordinator dispatches plants using different generation technologies to satisfy the demand. The Independent Electrical Coordinator relies on a schedule based on the variable cost of generation and dispatches plants by starting with the lowest cost plants so that electricity is supplied at the lowest available cost. Marginal cost of production at hydroelectric plants is generally the lowest in the SIC, therefore under normal conditions hydroelectric capacity is generally dispatched first. Power generation companies balance their contractual obligations with their dispatches by buying or selling electricity at the spot market price, which is set on an hourly basis by the Independent Electrical Coordinator, based on the marginal cost of production of the next most expensive kWh to be dispatched. The dispatch schedule takes transmission constraints into consideration so that the prices reflect the cost of dispatching the system.

- The Independent Electrical Coordinator is responsible for assessing and calculating the transmission tariffs, both tariff revenue and flat charges, which must be paid to the owners of the transmission facilities.

Sales of Power

All generators can commercialize energy through contracts with distribution companies for their regulated customers and unregulated customers, or directly with unregulated customers. Generators may also sell energy to other power generation companies on a spot price basis. Power generation companies may also engage in contracted sales among themselves at negotiated prices, outside the spot market. Contract terms are freely determined (except in the case of supply to regulated customers).

Sales to Distribution Companies and Regulated Customers

Regulated customers are those whose connected capacity is less than or equal to 500 kW as well as those with a connected capacity of 500 kW to two MW who have not selected for a four-year period the unregulated pricing system. These customers receive electricity from distribution companies, which must hold public bids to award electricity supply contracts to meet consumption needs.

Historically, sales to distribution companies for resale to regulated customers have been made through contracts at the node price in effect at the relevant locations, or nodes, on the interconnected system through which such electricity is supplied. Nevertheless, since 2005, after the enactment of Short Law II, all new contracts between generation and distribution companies for the supply of regulated customers must be the result of bids via open, competitive and transparent auction processes. See "Business— Regulated Sales in the Former SIC." A newly enacted amendment to the administrative regulation D.S. No.4/2008 of the Ministry of Economy has established innovative requirements in this respect. As a result, distribution companies must inform the CNE during January of each year of the characteristics of their contracts and supplies of electricity for regulated customers for the following eight years in order to predict future demand.

Additionally, when demand varies unpredictably, this administrative regulation enables providers to make a short term bid to cover such variations. The aforementioned administrative regulation is complemented by Law No.20,805, an amendment to the Chilean Electricity Law, as described above. Theoretically, such electricity surplus should be sold to distributors at the marginal price of energy in the spot market, but the law establishes a lower price based on other criteria.

The aforementioned administrative regulation will be complemented by an amendment to the Chilean Electricity Law currently in discussion in the Chilean Congress, which aims to introduce some other changes to the current bidding scheme.

Currently, an amendment to the Chilean Electricity Law is being discussed in the Chilean Congress. Among other modifications, this amendment seeks to promote the active participation of the CNE in the development of the industry, and also to distribute among generators the cost of providing electricity to distributors whose supply has not been covered by a PPA, due to possible mistakes in the projection of their own demand. Theoretically, such surplus electricity should be sold to distributors taking into consideration the marginal price of energy in the spot market, but the bill draft establishes a lower price based on other criteria.

Sales to Unregulated or "Free" Customers

Unregulated customers are those that have a maximum hourly demand for electricity supply of at least 5,000 kW or those consumers with a demand of at least 500 kW that opt to be subject to an unregulated regime. All other consumers are considered to be regulated customers. The tariffs and conditions in contracts with unregulated customers are negotiated freely between the generator and the customer.

All contracts are supplied from the system regardless of whether the generator who contracted the supply is capable of generating the electricity to meet the contract. The Independent Electrical Coordinator clears the exposure of individual generators to the energy spot market from the difference between its contractual energy and its generated energy obtained from the centralized dispatch, and to the capacity market from the difference between the capacity demanded by its customers at the hour of the system's maximum demand and its Sufficient Capacity.

Sales to Generating Companies

The Independent Electrical Coordinator annually determines a Sufficient Capacity for each power plant. Each generator is allowed to sell capacity up to its "Sufficient Capacity." Sufficient Capacity is the capacity that a generator contributes to the peak demand of the system, which is the average demand of the 52 highest hourly values of the annual load curve the system, for the year of calculation. This capacity is based on the maximum capacity that the generating unit can sustain, adjusted according to (i) the uncertainty associated with the availability of the main and alternative input used for power generation, (ii) the forced unavailability of the unit and of the transmission facilities that connect it to the system, (iii) the maintenance periods, and (iv) the consumption of the auxiliary services of said unit. Based on the Sufficient Capacity and the capacity withdrawals of each generator, the Independent Electrical Coordinator determines the remuneration that the results from the capacity transfers for each generator.

A power generation company may need to purchase or sell energy or capacity in the spot market at any time depending on its contractual requirements in relation to the amount of electricity to be dispatched from such company and to its Sufficient Capacity.

Concessions

Chilean law allows power generation activity to be developed without a concession. However, companies may apply for a concession to facilitate access to third-party properties for the development of hydroelectric or geothermal power plants as well as for development of electric transmission facilities by means of a "right of way" (easement). Third-party property owners are entitled to compensation, which may be agreed by the parties or, if there is no agreement and an electric concession has been granted, may be determined by an administrative proceeding regulated by the Chilean Electricity Law. The procedure for obtaining an electric concession has been recently amended by Law No. 20,701.

Transmission

The Chilean Electricity Law does not require an electric concession in order to build and operate transmission facilities. However, the electric concession grants the possibility of enforcing easements of third parties in exchange for proper compensation to the owners of the affected land and the proceeding for obtaining an electric concession has been recently amended by Law No. 20,701, as stated above, to expedite creation of rights of way.

With the enactment of the new Chilean Transmission Law, several amendments were introduced to the Chilean Electricity Law. The primary amendments are the following.

- Creation of the Independent Electrical Coordinator, which replaces the CDEC-SIC and CDEC-SING, to coordinate the operation of the existing electricity grids.

- Creation of a new categorization framework for electricity transmission systems:

  (i) The National Transmission System (which replaces the former trunk transmission systems) ("National Transmission System");

  (ii) The Zonal System (which replaces the former sub-transmission systems) ("Zonal System");

  (iii) The Dedicated System (which replaces the former additional system) ("Dedicated System");

  (iv) The new Development Zones Systems ("Development Zone Systems"); and

  (v) The new International Systems.

- Implementation of universal open access to all facilities of electricity transmission systems, including National Transmission System, Zonal System and Dedicated System. Under previous regulations, open access was just for the National Transmission System and Zonal System and only applied to the Dedicated System in certain specific instances.

- Regulation of compensation to be paid by transmission companies for supply outages due to unavailability of transmission lines. The new regulations implement minimum quality standards for transmission facilities; set compensation amounts resulting from supply outages due to unavailability of transmission lines, increases in compensation amounts, and maximum payments per event, company, and segment; and include Regulated customers and Unregulated customers as beneficiaries.

- Implementation of revised methodology to determine the regulated transmission tariff (*Valor Anual de Transmisión por Tramo* or "VATT") for facilities of electricity transmission systems subject to a four-year tariff valuation process. The Chilean Electricity Law set forth a new rate of return and new regulations to determine the value of land rights and the economic service life of assets. Regarding the operation, maintenance and administration costs (*Costos de Operación, Mantenimiento y Administración*, as defined in the Short Law I, or the "COMA") component of the VATT, the new valuation process includes scale and scope criteria to determine the VATT.

- Extension of the energy and transmission planning horizon from ten to twenty years in connection with greater participation. For the expansion of the electrical power network, the CNE will annually conduct a participatory process of transmission planning with a horizon of twenty years to identify the necessary projects for the National Transmission System, Zonal System, Development Zone Systems, and Dedicated System for the supply of Regulated customers. Upon the request of any company or institution participating in the electricity sector, the CNE shall identify and declare new projects and/or expansion works of existing facilities that are to be carried out. New projects will be tendered via a concession process by the Independent Electrical Coordinator and the remuneration for five tariff periods (*i.e.*, twenty years) will be determined based on the VATT according to investment value and an indexation formula to be set forth in the tender documents. Expansion works of existing facilities will also be tendered via a concession process by the Independent Electrical Coordinator and the remuneration for five tariff periods will be determined based on the EPC contract price. After the five tariff periods with a fixed VATT, remuneration for both for new projects and expansion works will be reviewed and updated in a subsequent four-year tariff valuation process.

- Allowing the transmission companies to provide the rights of execution and exploitation of new works as collateral for obtaining financing for the construction and execution of transmission projects of a National Transmission System, Zonal System and Development Zone Systems. The guarantee may consist of one or more of the following: (i) a civil pledge governed by the Chilean Civil Code; (ii) a conditional assignment of rights; and (iii) an irrevocable power of attorney in favor of creditors to collect tariffs on behalf of the debtor.

- Making new transmission projects subject to a strip study (*estudio de franja*) to be carried out by the Ministry of Energy, who will participate in the layout design and location of new transmission systems considered strategic for national development, through a process that includes citizen participation. The declaration by the CNE shall identify those new works to be included in a preliminary strip study, which include a strategic environmental assessment and an indigenous consultation process referred to in Convention 169 of the International Labor Organization. Based on the preliminary strip study, the Ministry of Energy will submit a report containing a strip proposal for approval by the Council of Ministers for Sustainability. The Ministry of Energy will also issue a decree to set the preliminary strip, which may eventually be encumbered with electricity easements.

- Implementation, starting on January 1, 2019, of new regulations that will take effect pursuant to the Chilean Transmission Law that will require VATT to be paid by Regulated and Unregulated customers. This payment will be composed of: (i) a tariff revenue and (ii) a mandatory flat charge. The tariff revenue is the difference between the value of injections and withdrawals of power and energy in each section of system. The mandatory flat charge corresponds to the complement of the tariff revenue to amount to the VATT. Tariff revenue will be paid by the generating companies according to their injections and withdrawals of energy and power. Mandatory flat charges will be paid by generation companies (for the portion of the sales covering Unregulated clients) or distribution companies (for the portion of the energy sold to both Regulated clients and Unregulated clients), according to the *pro rata* split defined by the Independent Electrical Coordinator. Generation and distribution companies are entitled to receive the mandatory flat charge from Regulated and Unregulated clients.

- Requiring communication to the Independent Electrical Coordinator, the CNE and the SDEC of the planned disconnection of an electricity facility twenty-four months prior to such disconnection and the planned disconnection of a transmission facility thirty-six months in prior to such disconnection. If such disconnection relates to facilities of the National Transmission System, Zonal System and Development Zone Systems, then it must be authorized in advance by the CNE, who may refuse to authorize such disconnection.

- Implementation of a new ancillary services regime to be determined annually by the CNE. Ancillary services include the provision of resources and facilities that promote better coordination of the electrical system, in accordance to applicable safety and quality regulations. The Independent Electrical Coordinator must prepare an annual report identifying ancillary services and the necessary resources and infrastructure to provide those services, as well as the useful life of such infrastructure and a plan for efficient annual maintenance. The concession for the installation of the ancillary services will be offered in a competitive bidding process led by the Independent Electrical Coordinator. In exceptional circumstances, the Independent Electrical Coordinator will mandate the provision of the ancillary services by a particular party. A new regulation that was to become effective as of January 2020 to allow the implementation of a competitive market for the provision of ancillary services was removed from consideration on September 27, 2018 by the Ministry of Energy. It is expected that revisions to the regulation will be made before it is brought to the Chilean Congress.

The Chilean Electricity Law establishes principles that are used by the relevant authority to determine the regulatory system that governs each transmission facility. There are five systems:

- National Transmission System (replaces the former trunk transmission system): this is the high voltage backbone of the whole system, where electricity flows dynamically according to supply and demand. The National Transmission System, under certain conditions based on economic and technical criteria, is subject to open access obligations. Open access is granted on a non-discriminatory basis and under pursuant to regulation. Open access grants third parties the right to access and connect to the system by contributing to the costs of operating, maintaining and, if necessary, expanding the system.

- Zonal System (replaces the former sub-transmission system): this is the system that supplies energy to Regulated customers, according to their geographic location. This system is comprised of networks located between the National Transmission System and local distribution facilities, allowing electricity to flow downstream. The Zonal System is also subject to open access obligations.

- Dedicated System (replaces the former additional system): this is the system through which Unregulated customers receive energy and generators inject the energy produced in the network. The Dedicated System is also subject to open access obligations. To guarantee those open access obligations, the Chilean Transmission Law sets forth measures, including the requirement for the owner, lessee or usufructuary of Dedicated System facilities to disclose any tariff agreements executed with respect to those facilities, on the basis that the owner, lessee or usufructuary of Dedicated System facilities is required to always provide open access when there is technical capacity available determined by the Independent Electrical Coordinator (not considering contracted or reserved capacity over the transmission lines).

- New Transmission System for Development Zones: this system is for areas with resources or conditions that indicate high potential for the production of electricity using a single transmission facility, which is of general public interest and economically efficient. The Ministry of Energy identifies such development zones in its long-term annual planning decree.

- International System: this system is composed of transmission lines and substations that transport the electrical energy for export or import purposes to and from the electrical systems located in Chile. The facilities in the International System may be public or private, however import or export of energy is done only pursuant to previous authorization from the Ministry of Energy.

Annual remuneration for the National Transmission System, Zonal System, New Transmission System for Development Zones and Dedicated System (for the latter, only if the relevant facility is used by regulated customers), is set by the Ministry of Energy every four years based on a TFVS, commissioned by the CNE to set tariffs in the electric system. This study is conducted by an independent consultant, which is appointed through a bidding process carried out by the CNE (which results may be disputed before the Experts Panel). The main purpose of the TFVS is to calculate the VATT, which is the sum of (i) the investment value annuity (*Anualidad del Valor de Inversión* or "AVI"), which is calculated based on the investment value for existing segments, using a discount rate that established by the CNE (between 7% and 10% starting in 2020), and (ii) the amount of the operation, maintenance and administration costs, as defined in Short Law I, taking into account scope and scale economies (to share costs with non-regulated business and between different transmission assets), is also calculated in the TFVS. The AVI also takes into account, among other things, (i) the life of assets and (ii) the amounts actually paid for the land rights. The life of assets is preliminarily determined by the CNE according to a procedure that allows the interested parties to submit comments to the preliminary technical report and to appeal determinations by the CNE before the Experts Panel if such observations were not previously considered. The determination of the life of assets by the CNE applies for three consecutive tariff periods. The investment value of the land rights, expenses and indemnities paid for the easements will take into account the amounts actually paid, as adjusted by the Chilean CPI. However, this rule is modified by transitional articles of the Chilean Transmission Law, which consider special statutes to value such rights in some existing facilities prior to the Chilean Electricity Law. In addition, the TFVS establishes indexing formulas for AVI and COMA in order to maintain the real value of these concepts throughout the tariff period.

The Chilean Transmission Law does not establish a rate of return for new works projects because they are awarded to the bidder who offers the lowest AVI + COMA, and that value will remain in force for five tariff periods (*i.e.*, twenty years), as adjusted by the indexation factors established in the award decrees. For expansion works, however, the Chilean Transmission Law guarantees the AVI is 100% of the price of EPC contract and that value will remain in force for five tariff periods (*i.e.*, twenty years). The COMA is determined in the immediately following tariff process.

Under the Chilean Transmission Law, transmission companies that own national and zonal transmission facilities will receive 100% of the VATT, which will be the sum of the actual tariff revenues and a mandatory flat charge, from generation and distribution companies. Generation and distribution companies will be entitled to collect the mandatory flat charge from final customers (whether Regulated or Unregulated). The Chilean Transmission Law contemplates that: (i) until December 31, 2018, old tariff regimes (in effect prior to the passage of the Chilean Transmission Law) shall apply (*i.e.*, payments are made exclusively by generating companies); and (ii) from December 31, 2018 onwards, the provisions of the new Chilean Transmission Law shall apply and therefore payments will be made by both generation and distribution companies. Additionally, under the new Chilean Transmission Law, the generation companies shall receive mandatory flat fees from customers, except for fees or payments pursuant to supply agreements executed before the entry into force of the new law between generation companies and Regulated and Unregulated customers, which shall be subject to a special transitional regime until 2034. During this transitional period, the injection tariffs will gradually decrease to nothing by the year 2034, simulating the term of existing contracts. However, this exception does not apply to facilities that entered into operation after December 31, 2018 and facilities related to the interconnection between the SIC and the SING, which will be compensated according to the provisions of the new Chilean Transmission Law. Further, generation and distribution companies are prohibited from transferring transmission costs to the customer that are caused by the distance between power production center and the consumption center.

For the Zonal System and the Dedicated System, the Chilean Transmission Law provides that Supreme Decree No. 14 of Ministry of Energy, published in 2013, which provides tariffs and indexation formulas for such systems, shall remain in force until December 31, 2017. As of the date of this listing memorandum, the Ministry of Energy has not published a new decree, thus, the tariffs and indexation formulas provided in Supreme Decree No.

14 are still in force. Once a new decree is published, the amounts due will be retroactive based on the dates of the emissions.

Under the current procedures issued by the Independent Electrical Coordinator prior to the Chilean Transmission Law, tariff revenues are calculated and paid every month. Once a month, the Independent Electrical Coordinator prepares a preliminary valuation report that proposes the tariff revenue payments that every generation company must pay to each transmission company for the use of the electrical system in the previous month. Each participant company may make comments on that preliminary valuation report. After such comment period, a definitive valuation report setting the relevant payments is issued and the participant companies are allowed to object to the definitive valuation report and to submit a claim before the Experts Panel. Even in the case of pending claims before the Experts Panel, the creditor companies may issue invoices to the corresponding debtor companies in accordance to the definitive valorization report, which must be paid by the debtor companies in the same month. The monetary differences as a result of the Experts Panel resolution shall be considered in the subsequent billing process. Any creditor company is required to inform the Independent Electrical Coordinator of any delay in the payment of any invoice at which point the Independent Electrical Coordinator may take necessary measures, including the suspension of any company that fails to comply with its payment obligations.

Fines and Compensations

If a rationing decree is enacted in response to prolonged periods of electricity shortages, severe penalties may be imposed on power generation companies that contravene the decree.

Power generation companies may also be required to pay fines to the regulatory authorities if a system blackout results from any generator's operational mistake, including failures related to the coordination duties of all system agents. A power generation company may also be obligated to make compensatory payments to electricity regulated customers affected by shortages of electricity or to unregulated customers (in case the corresponding contract considers such payments).

If power generation companies cannot satisfy their contractual commitments to deliver electricity during periods when a rationing decree is in effect and there is no energy available to purchase in the system, the power generation company must pay compensation to the regulated customers equal to the difference between the "outage cost" and the node price determined by the CNE in each tariff setting. The "outage cost" is determined semi-annually by the CNE's economic models as the highest cost for end customers of having an electricity shortage during periods of electricity deficit. Outage costs correspond to the average cost incurred by final users in providing one kWh by their own means.

Additionally, the administrative regulation RM 39 established a mechanism through which the costs associated with the compliance of certain technical and security requirements are shared among the various generators in the SIC on a monthly basis as determined by the Independent Electrical Coordinator. This cost can be broken down into the following:

- Costs arising from the forced dispatch of combined cycle units that have minimal operational restrictions, which result in extra charges since the generation of these combined cycles replaces more economic generation;

- Costs arising from the requirement to supply a margin of spinning reserve, which force generators to generate at 93% of their available capacity. This margin allows these plants, before resorting to other contingencies, to respond to temporary shortages of electricity supply;

- Costs associated with new unit tests that displace efficient generation.

RM 39 further establishes reimbursement criteria pursuant to which generators pay extra charges in proportion to such generator's total energy sales in the SIC. However, a generator may pass-through any RM 39 related charges onto their customers through the cost pass-through provisions of their PPAs.

On December 31, 2012, the DS 130 was enacted by the Ministry of Energy. It provides a mechanism to compensate for the cost overruns incurred by generation units running at their technical minimum mode, which are not paid for their variable operating costs per each the Independent Electrical Coordinator's balance of energy transactions among generation companies. The cost overruns, at any given time, is equal to the difference between (a) the variable costs reported by electricity generation units operating at their technical minimum mode and (b) the marginal cost, and is paid by all generation companies in proportion to the electricity withdrawn from the system to supply their contracted demand.

Regulations Published during 2018

- *New Regulation of Panel of Experts*. On January 5, 2018, the Ministry of Energy published a new Regulation for the Panel of Experts in the Official Gazette. The purpose of this regulation is to establish provisions for the operation, financing and other matters related to the Panel of Experts, as well as the procedures necessary for the proper performance of its functions according to the new Chilean Transmission Law.

- *Regulation of the Electric Coordinator*. On April 3, 2018, the Ministry of Energy approved the Regulation of the Independent Coordinator of the SEN. The purpose of this regulation is to establish regulations for the organization, composition and operation of the Independent Coordinator of the SEN, as well as the procedures necessary for the proper performance of its functions.

- *Regulation of Security of Ancillary Services, Storage and Distribution of Electric Power*. On June 12, 2018, the Ministry of Energy approved the Safety Regulations for Electrical Installations establishing regulations for the production, transportation, provision of ancillary services, electrical energy storage and distribution systems.

Environmental Regulation

Chile has numerous national environmental statutes, regulations, decrees and municipal ordinances that govern our operations and the development of new projects. Among others, there are regulations relating to industrial zoning, waste management, industrial wastewater, air emissions, hazardous substances storage, environmental liability and cleanup of contamination, where there are risks to public health, etc. Under these rules, we may be required to obtain specific approvals, consents and permits, and emissions and discharges from our operations may be required to meet specific standards and limitations set forth in regulations or permits. We have made and will continue to make substantial expenditures to comply with such environmental laws, regulations, decrees and ordinances. See "Risk Factors—Risk Factors Relating to our Company—Compliance with environmental regulations may require significant expenditures that could adversely affect our ability to expand our business and our results of operations."

The Chilean Environmental Law, enacted in March 1994 and modified in 2010 by Law No. 20,417, sets up a framework for environmental regulation in Chile, which has become increasingly stringent in recent years. The referred amendment includes, among other, the creation of a new institutional framework comprised by: (i) the Ministry of Environment (*Ministerio del Medio Ambiente*); (ii) the Council of Ministers for Sustainability (*Consejo de Ministros para la Sustentabilidad*); (iii) the Environmental Assessment Agency (*Servicio de Evaluación Ambiental*); and (iv) the Chilean Environmental Superintendency (*Superintendencia del Medio Ambiente*), all of which will be in charge of regulating, evaluating and enforcing projects and activities that feature environmental impacts. These institutions, which replaced their predecessors, the National Environmental Commission (*Comisión Nacional del Medio Ambiente*) are currently fully operational. In addition, the newly established Environmental Courts (*Tribunales Ambientales*) created and regulated by Law No. 20,600 are responsible for the judicial review of environmental decision making. Additionally, there are more than 20 public services with environmental capabilities, including *Sernapesca, Sernatur, Consejo de Monumentos Nacionales, Directemar, DGA, Servicio Agrícola Ganadero (SAG), Corporación Nacional Forestal (CONAF), Ministerio de Bienes Nacionales, Servicio de Salud, Sernageomin*, among others.

Such proliferation of environmental institutions and the associated sophistication of the environmental regulation framework have resulted in additional costs on us relating to the implementation of monitoring systems and environmental preventive measures, as well as environmental litigation and generally the protection of the environment, particularly those related to flora and fauna, wildlife protected areas, water quality standards, air emissions, and soil pollution. In addition, violations of these environmental regulations may lead to significant fines, the closure of facilities and the revocation of environmental approvals. The Chilean Environmental Law and its regulations allow the Chilean Government, through the State Defense Council (*Consejo de Defensa del Estado*), the local councils (for acts occurring within their respective jurisdictions) and affected citizens, to bring judicial action in case of environmental liability arising from industrial contamination.

Additionally, citizens affected by any environmental decision making process may petition for relief to a Chilean Court of Appeals, which has the power to require the suspension of the offending activity and to adopt protective measures through a protection remedy (*recurso de protección*). This has been a widely utilized tool to obstruct and/or to delay projects, especially large ones such as thermoelectric plants. Citizens also have other types of judicial and administrative actions that they can use to oppose an environmental decision.

The Chilean Environmental Law and its regulations contain additional rules relating to Environmental Impact Assessments (*Estudios de Impacto Ambiental*), which have been in effect since April 3, 1997, and that provide that we must evaluate the environmental impact of any future project or activity that may significantly affect the environment. We have conducted these environmental impact studies pursuant to the Chilean Environmental Law over our facilities. The Environmental Assessment Agency (*Servicio de Evaluación Ambiental*) is in charge of managing, coordinating and consolidating the environmental assessment process.

The basic principle of the Environmental Impact Assessments (*Estudios de Impacto Ambiental*) is that projects or activities that may have an environmental impact in any of their phases can only be executed or modified upon assessment of their environmental impact in accordance with the provisions set forth in the Chilean Environmental Law and regulations related to the Environmental Impact Assessments (*Estudios de Impacto Ambiental*). In general, Article 10 of the Chilean Environmental Law provides a list of activities that are subject to the Environmental Impact Assessments (*Estudios de Impacto Ambiental*). Among others, this list includes energy generating facilities in excess of three megawatts; ports, sailing ways, shipyards and maritime terminals; industrial or real estate projects that are to be located in zones declared as latent or saturated; mining projects under certain characteristics; oil, gas, mining and other kinds of pipelines; industrial facilities, such as metallurgical, chemical, textile, producers of building materials, metallic and tanning equipment and products, of industrial size; production, storage, transportation, disposal or recycling, on a regular basis, of toxic, explosive, radioactive, flammable, corrosive or reactive substances; and certain sanitary projects.

Depending on the effects, characteristics or circumstances of the project or activity concerned, the petitioner shall submit to the authority an Environmental Impact Statement (*Declaración de Impacto Ambiental* or "DIA") or an Environmental Impact Study (*Estudio de Impacto Ambienta*l or "EIA") regarding the environmental impact that the relevant project or activity shall have. If the environmental impact caused by the relevant project or activity does create or present at least one of the effects, characteristics or circumstances mentioned in Article 11 of the Chilean Environmental Law (*i.e.*: risk to the population's health; significant adverse effects on the quantity and quality of the renewable natural resources, including ground, water and air; resettlement of human communities; alteration of areas belonging to the cultural patrimony) the petitioner shall submit a EIA. In all other cases, the petitioner shall submit a DIA.

In case of a project or activity amendment, the environmental assessment must be pursued over such amendment (not over the existing project or activity); however, the environmental assessment shall consider the combined effects of the amendment and the existing project or activity.

In addition, to protect and improve environmental air quality in the country, environmental authorities can declare "latent zones" (*zonas latentes*) or "saturated zones" (*zonas saturadas*). Latent zones are areas where the pollutant concentrations are greater than 80% of the corresponding air quality standard for a pollutant in a certain area. Saturated zones consist of areas that have already overcome the in force standards of the air pollutant in a certain area. In both cases, plans are implemented in order to avoid overcoming the standards or in order to be back in compliance, respectively, after a public-consultation process to develop such plan. This process may take years and plans are periodically reviewed in order to assess compliance. Upon publication of either type of plan, emission reduction targets and other environmental actions may be required of industries located within the latent or saturated zone.

We have invested in significant capital expenditures to comply with these new emission standards. For existing thermoelectric plants, including those under construction, the new limits for particle matter emissions went into effect in 2013. The new limits for sulfur dioxide, nitrous oxide and mercury emissions will begin to apply in mid-2016, except for those plants operating in zones declared as saturated zones, where these gas emission limits will become effective at the beginning of 2015. See "Risk Factors—Risk Factors Relating to our Company—Compliance with environmental regulations may require significant expenditures that could adversely affect our ability to expand our business and our results of operations."

New tax on emissions (Green Taxes)

The Tax Reform established a new annual tax on emissions of particulate matter, nitrogen oxide, sulfur dioxide, and carbon dioxide by facilities whose fixed sources, such as boilers or turbines, have individually or in the aggregate, thermal power over or equal to 50 MW.

In the case of particulate matter, nitrogen oxide and sulfur dioxide emissions into the air, the taxes will be the equivalent of U.S.$0.1 per ton emitted or the corresponding proportion of said pollutants, increasing the result by applying a formula that takes into account the social cost of pollution such as costs associated with the health of the population. In the case of carbon dioxide emissions, the tax is equivalent to U.S.$5 for each ton emitted.

In order to determine the tax burden, the Chilean Environmental Superintendency will certify in March of each year the amount of emissions by each tax payer or contributor during the previous calendar year. Each tax payer or contributor who uses any source that results in emissions, for any reason, shall install and obtain certification for a continuous emissions monitoring system for particulate matter, nitrogen oxide, sulfur dioxide and carbon dioxide.

This tax will be assessed and paid on an annual basis for the emissions of the prior year, beginning in 2018 for the 2017 emissions.

Water rights

AES Gener owns indefinite term, unconditional and absolute property water rights granted by the DGA. Chilean generation companies must pay an annual fee for unused water rights. License fees already paid may be recovered through monthly tax credits commencing on the start-up date of the project associated to the water right considered. The maximum license fees to be recovered are those paid during the eight years before the start-up date. AES Gener continuously analyzes which water rights it will maintain, sell or acquire.

An amendment to the Water Code was entered to the Chilean Congress for its first constitutional procedure in the Chamber of Deputies on March 17, 2011. On November 22, 2016 the Chamber of Deputies approved the bill, sending the discussion to the second constitutional step to the Senate for analysis by the Special Commission on Water Resources, Desertification and Drought of the Senate. On August 22, 2017 the first report of the committee was issued for discussion in the Senate Agriculture Committee. Currently this is still under discussion and the current Piñera administration on January 2019 requested changes to the proposed bill.

The main principles of the bill are that: a) water, in all its states, is a national property for public use, b) priority is established for human consumption and sanitation, especially in a shortage scenario, c) guarantee those who properly use water use rights so that they continue to use it, d) prevent the non-use or accumulation of water rights, e) mandatory requirement to register existing rights in the property register of the Real Estate Registrar, f) the regime of the new rights that are constituted is modified, that is, the new rights will not be in perpetuity, they will be granted for a maximum of 30 years and with the option of renewal, and g) the DGA will be able to establish a minimum ecological flow, with respect to the existing water rights in those areas where there is a threatened or degraded ecosystem, as well as in areas declared under official protection of biodiversity.

The main critical points of discussion of the bill are: i) affectation of the law on the rights to use water in force (already constituted) and its attributes, ii) in relation to the establishment of minimum ecological flows, the minimums are not established, the determination of these and their application, iii) the terms of concessions and extinctions of water rights according to the type of use, iv) the weakening of the property right on the right to use water, v) The coexistence of systems of sanctions is questioned: the payment of patents and the auctioning of rights for non-payment of these, as well as the new sanction of extinction of the right, and vi) the new faculties and attributions of the DGA.

Bankruptcy Regime Recently Enacted (Law No. 20,720)

Law No. 20,720 (the "Chilean Bankruptcy Law") replaced the former Chilean bankruptcy regime (created in 1982) for a law of "reorganization and liquidation" of companies and individuals. This law entered into effect on October 9, 2014, establishing various rules that seek to avoid bankruptcy of individuals and companies in a more pro-entrepreneur approach. Indeed, the Chilean Bankruptcy Law puts the spotlight on the reorganization of viable enterprises, establishing procedures for the restructuring of their debts, through an agreement subscribed with its creditors within a maximum period of four months, while preserving the company's capability to produce and employ people. It also establishes the possibility of renegotiation of debts for individuals.

In case any entrepreneurship is not economically viable, the Law establishes an agile procedure for the liquidation of assets within a period which shall not exceed twelve months for companies or eight months for individuals.

This law also creates the Superintendence of Insolvency and Re-Entrepreneurship which replaces the former Superintendence of Bankruptcy.

Regarding the electric industry, Law No. 20,720 reaffirms the participation of SDEC and CNE in the process. Indeed it establishes that whenever a court has been given notice of an electric company's insolvency, it shall inform such event to the SDEC and the CNE in order to allow them to report any observations thereof, to finally determine if the liquidation may compromise the objectives referred to in article 146 of the Chilean Electricity Law or the sufficiency of the electricity supply. In this regard, under the Chilean Bankruptcy Law and the Chilean Electricity Law (as amended by Law 20,220), a secured creditor is barred from foreclosing in special circumstances during liquidation proceedings. These circumstances include the following:

(i) if the issuer has filed a request for its reorganization in accordance with Chapter III of the Chilean Bankruptcy Law, and the competent court issues a resolution ordering the appointment of a *veedor*, the issuer will be granted with a bankruptcy protection period (*protección financiera concursal*) until the date in which the creditors' meeting is held to decide upon such reorganization proposal, which shall take place no later than 90 business days from the date the resolution of the court was notified. During this period creditors (including secured parties) may not file any action against the issuer or foreclose on the issuer's assets. Likewise, if any agreement is unilaterally terminated, any obligation is accelerated or any other security interest or collateral securing obligations of the issuer is enforced, then the credit of any creditor breaching this prohibition will be subordinated to all unsecured, subordinated or unsubordinated, obligations of the borrower;

(ii) if the bankruptcy court decides that the liquidation of the issuer affects the safety, efficient operation, free access or sufficiency of an electric system, the issuer shall continue carrying on business and a secured creditor would be barred from foreclosing on the assets securing its credit if contemplated in the business continuation (*continuación definitiva de actividades económicas*);

(iii) if all or a portion of the assets of the issuer in liquidation shall be sold as an economic unit (*unidad económica*) and such unit encompasses assets covered by a mortgage, pledge or another security interest, a secured creditor cannot separately foreclose thereon. Instead, such secured creditor would have a first priority claim against the proceeds of the sale of the assets concerned. For your information, (y) the assets of the issuer in liquidation shall be sold as an economic unit (*unidad económica*) if the bankruptcy court decides that bankruptcy of the issuer affects the safety, efficient operation, free access or sufficiency of an electric system, and (z) such unit shall encompass assets covered by a mortgage, pledge or another security interest if those assets are necessary therefor;

(iv) if creditors holding at least 2/3 of the outstanding claims with right to vote (*i.e.*, holders of claims that have been recognized by the bankruptcy court) decide that the debtor in liquidation should continue carrying on business (*continuación definitiva de actividades económicas*), a secured creditor that voted for the continuation of the business would be barred from foreclosing on the assets securing its credit if contemplated in the business continuation; and

(v) if creditors holding more than 50% of the outstanding claims decide that all or a portion of the assets of the debtor in liquidation shall be sold as an economic unit (*unidad económica*) and such unit encompasses assets covered by a mortgage, pledge or another security interest, a secured creditor cannot separately foreclose thereon. Instead, such secured creditor would have a first priority claim against the proceeds of the sale of the assets concerned.

Chilean Government's New Electricity Agenda

On May 25, 2018, the Energy Minister Susana Jiménez, published the "*Ruta Energética: liderando la modernizacion con sello ciudadano*" (Energy's Way: leading modernization to help energy serve the citizens and improve the quality of life), which addresses the following seven main focus areas: energy modernization, the social impact of energy, energy development, low emission energy, sustainable transport, energy efficiency and energy education and training. Additionally, as part of the new energy agenda, on September 3, 2018, the Chilean government introduced the Energy Efficiency Bill to the Chilean Congress, which is intended to increase energy security as well as the productivity and competitiveness of the Chilean economy.

This agenda will be the guide for the Chilean Ministry of Energy for the next four years and contains 10 commitments, which include:

(i) to create a map detailing the country's energy vulnerabilities, and identifying families that do not have access to electricity or other energy services, with a view to addressing the existing gaps;

(ii) to modernize the institutional framework for energy regulation and to increase government efficiency so that the government may provide better service, in particular the through the mandate of the Superintendence of Electricity and Fuels and the Chilean Nuclear Energy Commission;

(iii) to reduce the processing times for environmental projects under this agenda by 25%;

(iv) to reach four times the current capacity of renewable small-scale (less than 300 KW) distribution generators by 2022;

(v) to increase by at least ten times the number of electric vehicles that circulate in the country;

(vi) to modernize the regulation of electricity distribution through a participatory process;

(vii) to regulate solid biofuels, such as firewood and its derivatives, granting the Ministry of Energy the necessary authority to establish technical specifications and regulations for the commercialization of firewood in urban areas;

(viii) to establish a regulatory framework for energy efficiency that generates the necessary incentives to promote the efficient use of energy in the sectors of greater consumption (industry and mining, transport and buildings);

(ix) to start the process of moving away from carbon-based energy sources through the reconversion of coal-fired plants, and the introduction of concrete measures in electric-powered drive trains; and

(x) to qualify 6,000 workers, technicians and professionals for jobs in the energy industry by helping them developing skills and abilities in the management and sustainable use of energy, in the electricity, fuel and renewable energy sectors.

Colombia

Since 1994, the electricity sector in Colombia has allowed private companies to participate in the different types of businesses in the industry chain, with a free market framework for the generation and sale of electricity and a regulated framework for transmission and distribution. The different activities of the electricity sector are governed by the Public Service Code, Law 142 of 1994; and the Electricity Code, Law 143 of 1994. The industry's activities are also governed by the regulations and technical standards issued by the CREG. The wholesale energy market began operating in July 2005, and since that time generating companies must submit price bids and report the quantity of energy available on a daily basis in a competitive environment.

The Colombian Electricity Act regulates the generation, trading, transmission and distribution of electricity. Under the law, any company, domestic or foreign, may undertake any of these activities. New companies, however, must engage exclusively in one of these activities. Trading can be combined with either generation or distribution. The system formed by generation plants, the interconnected grid, regional transmission lines, distribution lines and consumer loads is denominated the SIN. Utility companies are required to ensure continuous and efficient service, facilitate the access of low-income users through subsidies granted by the government, inform users regarding efficient and safe use of services, protect the environment, allow access and interconnection to other public service companies and large customers, cooperate with the authorities in the event of an emergency to prevent damage to users and report to the authority any commercial start-up of operations.

The market includes two types of customers: unregulated and regulated. Unregulated customers can negotiate freely with generation companies, distribution companies, or traders, and must have a minimum consumption of 100 kW or 55,000 kWh per month. Regulated customers must purchase energy through public bids and establish bilateral two-party agreements, which normally last from one to four years.

The market share for generators and traders is limited. The limit for generators is 25.0% of firm energy. Firm energy refers to the maximum electric energy that a generation plant is able to deliver on a continuous basis during a year, in extremely dry conditions; for instance, in the case of the "El Niño" phenomenon. Similarly, a trader may not account for more than 25.0% of the trading activity in the SIN. Limitations on traders take into account international energy sales. Market share is calculated on a monthly basis and traders have up to six months to reduce their share when the limit is exceeded. Such limits are applied to economic groups, including companies that are controlled by, or under common control with, other companies. In addition, generators may not own more than a 25% interest in a distributor, and vice versa. However, this limitation only applies to individual companies and does not preclude cross-ownership by companies of the same corporate group.

A generator, distributor, trader or an integrated company, *i.e.*, a firm combining generation, transmission and distribution activities, cannot own more than 15.0% of the equity in a transmission company if the latter represents more than 2.0% of the national transmission business in terms of revenues. A distribution company can own more than 25.0% of an integrated company's equity if the market share of the integrated company is less than 2% of national generation revenues. Any company created before enactment of Law No. 143 is prohibited from merging with another company created after Law No. 143.

The Ministry of Mines and Energy defines the government's policy for the energy sector. Other government entities which play an important role in the electricity industry include: the Public Utility Superintendency of Colombia, which is in charge of overseeing and inspecting the utility companies; Superintendency of Industry and Commerce which is in charge of evaluating market competency; CREG, which is in charge of regulating the energy and gas sectors; and the UPME, which is in charge of planning the expansion of the generation and transmission network.

CREG is empowered to issue regulations that govern technical and commercial operations and to set charges for regulated activities. CREG's main functions are to establish conditions for gradual deregulation of the electricity sector toward an open and competitive market, approve charges for transmission and distribution networks and charges to regulated customers, establish the methodology for calculating and establishing maximum tariffs for supplying the regulated market, establish regulations for planning and coordination of operations of the SIN and establish technical requirements for quality, reliability and security of supply, and protection of customers' rights.

In 2006, the regulatory framework for the electricity sector was amended with the adoption of a reliability payment mechanism. The reliability charge is denominated in U.S.$ and is payable in Colombian pesos at the exchange rate at the end of the relevant month. This charge was designed to compensate generation companies for making extra firm capacity available, particularly during conditions of scarcity, allowing the system to improve the predictability and stability of generation. The new charge was designed to compensate and stimulate investment in the generation sector and includes special firm energy auctions for projects with construction periods longer than the planning period, such as large scale hydroelectric projects.

In 2018, the Ministry of Mines and Energy of Colombia published the final resolution of the long-term contracting scheme of auctions for the promotion of renewable energy in Colombia. The objective of the closed envelope auction is to allocate energy that will buy the production of renewable generation projects and which is made official through the signing of a 12-year average energy contract. According with the entrance of renewable resources into the interconnected system, regulatory proposals are expected related to the intraday market, binding clearance and new ancillary services market.

Generation

The generation sector is organized on a competitive basis with companies selling their generation in the wholesale market at the spot price or under long-term bilateral contracts with other participants, including generators and traders, and unregulated customers at freely negotiated prices. The spot price is the price paid by the participant in the wholesale market for energy dispatched under the direction of the CND. The hourly spot price paid for energy reflects prices offered by generators in the wholesale market and the respective supply and demand conditions.

Generators connected to the SIN may also be awarded "reliability payments" which are a result of the Firm Energy Obligation (OEF) that they provide to the system. The OEF is a commitment on the part of generation companies backed by physical resources capable of producing firm energy during periods of scarcity, such as adverse hydrological conditions. The generator that acquires an OEF will receive a fixed compensation during the commitment period, regardless of whether or not the fulfillment of its obligation is required. To receive reliability payments, generators have to participate in firm energy bids by declaring and certifying their firm energy. Until November 2012, the transition period, under the reliability charge methodology implemented in 2006, the firm energy supply for reliability purposes will be assigned proportionally based on the declared firm energy of each generator. Beyond the transition period, the additional firm energy required by the system will be allocated in public bid auctions. The first auction for this period was held in 2008, and included participation from existing generators as wells as new generation projects. The second auction was held in 2011 for additional energy from 2015 onwards.

Dispatch and Pricing

The purchase and sale of electricity may occur between generators, distributors acting in their capacity as traders, traders (who do not generate or distribute electricity) and unregulated customers. There are no restrictions on new entrants into the market as long as the participants comply with the applicable laws and regulations.

The wholesale market facilitates the sale of excess energy that has not been committed under contracts. In the wholesale market, an hourly spot price for all dispatched units is established based on the offer price of the highest priced generation unit dispatched during the period. The CND receives price bids each day from all the generators participating in the wholesale market. These bids indicate prices and the hourly available capacity for the following day. Based on this information, the CND, guided by an "optimal dispatch" principle (which assumes infinite transmission capacity throughout the network), ranks the generators in merit order based on their offer price, starting with the lowest bid each hour in order to determine the generators that will be dispatched the following day to satisfy expected demand. The price for all generators is set equal to the most expensive generator dispatched in each hourly period under optimal dispatch. This price-ranking system attempts to ensure that national demand and export demand will be satisfied by the lowest cost combination of available generating units in the country. The CND also takes into account the limitations of the network as well as other necessary conditions to satisfy the energy demand expected for the following day, in a safe, reliable and cost-efficient manner.

If a generator delivers less energy than that assigned by the optimal dispatch program, the company is charged the average of the market price and their offer price. Alternatively, those generators that deliver excess energy are credited with the difference. The net value of these restrictions is assigned proportionally to all the traders within the SIN, in accordance with their energy demand. Some generators have initiated legal proceedings arguing that recognized prices do not cover the costs associated with these restrictions.

Export and Import Electricity

Decision CAN 536 of 2002, signed by the countries that participate in the Andean Nations Community (CAN), Colombia, Ecuador, Bolivia and Peru, established the general framework for the subregional interconnection of electric systems and coordinated economic dispatch of the countries.

In this context, in March 2003, the interconnection system between Colombia and Ecuador was inaugurated. In addition, Colombia and Panama are currently under negotiations to promote interconnection between these two countries, through a transmission line that would have approximately 300 to 400 MW of capacity and is expected to enter into operation after 2018.

Transmission

Transmission companies which operate at a minimum of 220 kV make up the National Transmission System (STN). These transmission companies are required to provide access to third parties under equal access conditions and are authorized to collect tariffs for their services. The transmission tariff includes a connection charge that underwrites the cost of operating the facilities and a usage charge, which applies only to traders. CREG guarantees an annual fixed income for transmission companies. Income is determined by the new replacement value of the networks and equipment and the resulting value in bidding processes for the award of new projects for the expansion of the STN. This value is allocated among the traders of the STN in proportion to their energy demand.

The expansion of the STN is conducted according to model expansion plans designed by the UPME and pursuant to bidding processes open to existing and new transmission companies, which are handled by the Ministry of Mines and Energy in accordance with the guidelines set by CREG. Accordingly, the construction, operation and maintenance of new projects is awarded to the company that offers the lowest present value of cash flows needed for carrying out the project. In 2014, CREG issued a draft methodology for the calculation of transmission fees, with the final regulation expected to be issued later in 2015.

Distribution

Distribution is defined as the operation of local networks below 220 kV. Any user may have access to a distribution network for which it pays a connection charge. CREG regulates distribution prices with the goal of permitting distribution companies to recover costs, including the operation, maintenance and capital costs of efficient operation. Distribution charges are set by CREG for each company based on the replacement cost of the existing distribution assets, cost of capital, and operating and maintenance costs which vary based on voltage level.

The current remuneration methodology for distribution was established by the CREG in 2008 which set the weighted average cost of capital at 13.9% before taxes, for assets operating at 34.5 kV or less, and 13.0% before taxes for assets operating above 34.5 kV. CREG also defined a new methodology for the calculation of distribution charges, defining an incentive scheme for administrative, operating and maintenance costs, service quality and energy losses. In 2014, CREG issued a draft methodology for the calculation of distribution charges, with the final regulation expected to be issued later in 2015.

Trading

The retail market is divided into regulated and unregulated customers. Customers in the unregulated market may freely contract for electricity supply directly from a generator or a distributor, acting as traders, or from a pure trader. The unregulated customer market consists of customers with peak demand of more than 0.1 MW or minimum monthly consumption of 55 MWh. Trading is the resale to final customers of electricity purchased in the wholesale market. It may be conducted by generators, distributors or independent agents, which comply with certain requirements. Parties freely agree upon trading prices for unregulated customers.

Trading to regulated customers is subject to the "regulated freedom regime," under which tariffs are set by each trader using a combination of general cost formulae given by the CREG and individual trading costs approved by the CREG for each trader. Since the CREG approves limits on costs, traders in the regulated market may set lower tariffs for economic reasons. Tariffs include, among other things, energy procurement costs, transmission charges, distribution charges and a trading margin. The tariff formula includes a fixed monthly charge and reduction costs of non-technical energy losses. In addition, the CREG allows the traders in the regulated market to choose tariff options to manage tariff increases.

In order to improve the wholesale price formula, the CREG is designing a new energy procurement scheme based on long-term energy bids, known as Organized Regulated Market, or "MOR." The final resolution is expected during the second half of 2015. Another modification in the trading sector is related to the incorporation of an energy derivatives (energy futures) market. In May 2009, Derivex was created by the Colombian stock exchange, the *Bolsa de Valores de Colombia S.A.* and XM. Derivex commenced operations at the end of 2010 and conducts trading of energy derivatives.

Environmental Regulation

Law No. 99 of 1993 provided the framework for environmental regulation and established the Ministry of the Environment as the authority for determining environmental policies. The Ministry of the Environment defines, issues and executes policies and regulations that focus on the recovery, conservation, protection, organization, administration and use of renewable resources. Therefore, the use of natural resources or any impact to them as a result of any activity or project will require the issuance of permits and environmental licenses and the establishment of environmental management plans. The law seeks to prevent environmental damage by entities in the energy sector.

Any entity planning to develop projects or activities relating to generation, interconnection, transmission or distribution of electricity which may result in environmental deterioration, must first obtain an environmental license. Additionally, in accordance with Law No. 99 of 1993, generators which have total installed nominal capacity in excess of 10 MW are required to contribute to the conservation of the environment with compensation. Hydroelectric power plants must pay 6.0% of their energy sales and thermoelectric plants 4.0% of their energy sales. This payment is made monthly to the municipalities and environmental organizations where the facilities are located.

Argentina

The Argentine regulatory framework for the electricity sector is established by Law No. 15,336 of 1960 and Law No. 24,065 of 1992 (together, the "Argentine Electricity Act"). The electricity industry is divided in three business segments: generation, transmission and distribution. Under the Argentine Electricity Act, the federal government created the MEM with four categories of participants: generation companies, transmission companies, distribution companies and large customers.

In Argentina, CAMMESA is responsible for dispatch coordination, the administration of transactions in the MEM and the calculation of spot prices. The market participants possess ownership in CAMMESA as shareholders of 80% of its capital stock and the Secretariat of Energy owns of the remaining 20%. The Secretary of Energy (*Secretaría de Gobierno de Energía*) appoints the CAMMESA chairman. The Electricity National Regulatory Agency or "ENRE" (*Ente Nacional Regulador de la Electricidad*), is in charge of regulating public service activities in the electricity sector and imposing jurisdictional decisions.

The Secretariat of Energy (*Secretaría de Gobierno de Energía*), is primarily responsible for the implementation of the Argentine Electricity Act. Among the main tasks, the Secretariat regulates system dispatch and activities in the MEM, and grants concessions or authorization for each activity in the electricity sector. The Secretariat of Energy is also responsible for establishing policies in the oil and natural gas sector, which directly impact thermoelectric generators and the electricity sector in general.

In 2002, a public emergency was declared for social, economic, financial and administrative matters through the enactment of Law Nº 25,561. This law established, among others, (i) the pesification of electricity and natural gas distribution and transportation services tariffs, (ii) the prohibition of tariffs indexations, and (iii) the pesification of on-going natural gas and energy purchase agreements. Consequently, the natural gas and energy market was affected.

In this context, the Secretariat of Energy provided that spot prices were to be calculated using the artificially low gas prices, without considering the actual fuel used by generators to generate electricity. This decision created an artificially low marginal cost of energy for the system, which translated into an equally low monomic price. In addition, mechanisms were implemented to repay generators their real generation costs.

At the end of 2006, the Energía Plus Program contract program was created, establishing a new service that can be provided by generators, cogenerators or self-generators, which were not members of the MEM at the date of the publication of the resolution, or whose capacity or generation units were not connected to the system at such date. The purpose of this service was to support the increase in demand from large users with consumption greater than or equal to 300 kW. The provision of Energía Plus Program service requires the execution of a supply contract between the parties at an agreed upon monomic price composed of associated costs and a profit margin. These contracts and the associated costs must be approved by and the profit margin must be determined by the Secretariat of Energy (*Secretaría de Gobierno de Energía*).

In March 2013, the Secretariat of Energy (*Secretaría de Gobierno de Energía*) released Resolution 95/2013 which affects the remuneration of the generators which sell its energy in the spot market. This Resolution converted the Argentine electric market towards an "average cost" compensation scheme, increasing revenues of Generators which were not selling their production under the Energía Plus Program scheme or under energy supply contracts with CAMMESA (these generators are out of the scope of Resolution 95). In addition, in May 2014, the Secretary of Energy released Resolution 529/2014, which updates the prices set forth in Resolution 95/2013 and made further updates in 2015 and 2016 with Resolution 482/2015 and Resolution 22/2016, respectively. Resolution 19/2017 was issued in 2017, which modified Resolution 22/2016 by setting prices in U.S. dollars, eliminating the receivables portion of sales and establishing a new mechanism to pay for fixed costs. Lastly, on February 28, 2019 the Argentine Secretary of Renewable Resources and Electric Market issued Resolution 1/2019, which, effective March 1, 2019, updated and lowered the prices set forth in Resolution 19/2017. Under the new regulatory framework, both fixed and variable prices continue to be in U.S. dollars, but a new mechanism for the recognition of fixed prices was established, pursuant to which such prices are set according to the use factor of each thermal unit.

Generation

The generation sector is organized on a competitive basis, with independent generators selling their output in the spot market. Generation companies, whose capacity was not connected to MEM as of October 2006, can also sell energy to unregulated customers under the Energía Plus Program.

Transmission

Transmission is a public service provided by several companies which have been granted concessions by the federal government. One concessionaire operates and maintains the highest voltage facilities, and eight other concessionaires operate and maintain high and medium voltage facilities, to which generation plants, distribution systems and large customers are connected. International interconnected transmission systems also require concessions granted by the Secretariat of Energy. Transmission companies are authorized to charge tolls for their services.

Distribution

Distribution is a public service provided by companies which have also been granted concessions. Distribution companies have the obligation to make electricity available to end users within a specific concession area, regardless of whether the customer has a contract with the distributor or directly with a generator. Accordingly, these companies have regulated tariffs and are subject to quality of service specifications. Distribution companies may obtain electricity either in the MEM's spot market at a price called the "seasonal price," or in the MEM's term market through private contracts with generators. The seasonal price, defined by the Secretariat of Energy, is the cap for the costs of electricity purchased by distributors and passed through to regulated customers.

MANAGEMENT & EMPLOYEES

Directors and Executive Officers

We are managed by a board of directors, which pursuant to our by-laws is composed of seven regular members and their respective alternate directors, all of whom are elected for a three-year term at the ordinary annual shareholders' meeting. If a vacancy occurs, the board of directors may or may not elect a temporary director to fill the vacancy. Regularly scheduled meetings of the board of directors are held once a month, while extraordinary meetings take place when convened by the chairman or requested by any other director with the approval of the chairman, requested by a majority of the directors or by the CMF. There is no requirement for directors to hold any of our shares, and there is no age limit established for the retirement of directors. The business address of each of our directors is the address of our principal executive offices located at Rosario Norte 532, 19th Floor, Las Condes, Santiago, Chile.

The board of directors appoints the chief executive officer, who becomes responsible for all the obligations inherent to a business agent and for others as provided by law as well as those that the board of directors may expressly establish.

Our directors as of the date of this listing memorandum are listed below:

Name	Position	Current position held since
Julian Nebreda	Chairman	2018
Andrés Gluski W.	Director	2014
Manuel Perez Dubuc	Director	2015
Bernerd Da Santos	Director	2015
Gonzalo Parot Palma	Director	2016
Radovan Roque Razmilic Tomicic	Director	2011
Claudia Bobadilla Ferrer	Director	2009

Our executive officers as of the date of this listing memorandum are listed below:

Name	Position	Current position held since
Ricardo Manuel Falú	General Manager	2018
Ricardo Roizen Gottlieb	VP of Corporate Finance	2018
Vicente Javier Giorgio	VP of Operations	2018
Kleber Costa	VP of Commercial	2018
Jorge Leonardo Amiano Goyarrola	VP of Business Development	2018
María Paz Cerda Herreros	VP of Legal Affairs	2018
Karin Niklander Ribera	VP of Corporate Affairs	2019

Set forth below is a brief biographical description of the directors and executive officers of AES Gener:

Directors

Julian Nebreda was born in 1966. He holds a law degree from Universidad Católica Andrés Bello in Caracas, Venezuela and earned a Master of Laws in Common Law with a Fulbright Fellowship and a Master of Laws in Securities and Financial Regulations, both from Georgetown University. In 2018, he was appointed as President of the South America Strategic Business Unit. Mr. Nebreda also has held several senior positions including President of the AES Brazil Strategic Business Unit, President of the Europe Strategic Business Unit, President of AES Dominicana, and Vice President for Central America and Caribbean. Mr. Nebreda also served as CEO of La Electricidad de Caracas in Caracas, Venezuela and worked as Counsellor to the Executive Director from Panama and Venezuela at the Inter-American Development Bank (IDB) in Washington, D.C. Mr. Nebreda is also Chairman of the boards of AES Gener and AES Tiete and a member of the boards of the Dayton Power and Light Company and IPALCO Enterprises, INC.

Andrés Gluski was born in 1957. He holds a graduate degree from Wake Forest University and a M.A. and a Ph.D. in Economics from the University of Virginia. In 2005, he was appointed as chairman of our board of directors. Mr. Gluski has been President and CEO of The AES Corporation since 2011. Since 2007, Mr. Gluski has been Executive Vice President and COO of The AES Corporation. Mr. Gluski has also served as Executive Vice President and CFO of EDC, Executive Vice President of Banco de Venezuela (Grupo Santander), Vice President for Santander Investment and Executive Vice President and CFO of CANTV (a subsidiary of GTE). Mr. Gluski has also worked with the International Monetary Fund in the Treasury and South American Departments and served as Director General of the Ministry of Finance of Venezuela. Mr. Gluski is also on the boards of Cliffs Natural Resources, The Council of Americas, US Spain Council and The Edison Electric Institute.

Manuel Pérez Dubuc was born in 1963. He holds a bachelor's degree in Electrical Engineering from Universidad Simón Bolívar, a master's degree in Business Administration at IESA (Instituto de Estudios Superiores de Administración, and certificates in management and leadership at the University of Virginia's Darden School of Business and at Georgetown University's McDonough School of Business. In 2018, he was appointed as Senior Vice President, Global New Energy Solutions at The AES Corporation. Mr. Perez Dubuc has also held previous positions as the President of the Strategic Business Unit for South America (SA SBU), and as the President of the Strategic Business Unit for Mexico, Central America and the Caribbean (MCAC SBU). In 2005, he was the President and CEO of AES Dominicana; in 2007 he was the Vice President and General Manager of AES Asia, Energy and Infrastructure in Beijing, People's Republic of China; and in 2009, he was Vice President and Group Manager of AES North Asia. Mr. Pérez Dubuc has also served as Chairman and CEO for Meiya Power Company (MPC) in Hong Kong, SAR, People's Republic of China. . Mr. Pérez Dubuc has also worked with the Venezuelan Ministry of Finance as the Advisor of the General Director of Public Finance; at CANTV (Verizon) as Advisor to the Executive Vice President of Finance; and at CITIBANK, N.A., Capital Markets as Stock Broker and Portfolio Manager; and between 1998-2003 at the Financing Division of La Electricidad de Caracas (EDC) as Treasurer and Chief Financial Officer. Mr. Pérez Dubuc serves on the board of Ron Santa Teresa SACA in Venezuela, EnerAB in Mexico, AES Gener in Chile and AES Tieté in Brazil, Fluence (an AES and Siemens Company) and sPower (an AES and AIMCo Company) and the advisory board of GFR Group in Puerto Rico.

Bernerd Da Santos was born in 1963. He holds a B.A. in Economics and an M.B.A. from Universidad José María Vargas, Caracas, Venezuela. Mr. Da Santos has served in a number of strategic roles including CFO for the Utilities, Latin America and Africa, group and CFO for AES Global Finance Operations. Since January 2015, Mr. Da Santos has been the Senior Vice President and Chief Operating Officer of The AES Corporation. Previously, Mr. Da Santos held a range of leadership roles at La Electricidad de Caracas. Mr. Da Santos also serves on the board of AES Brasiliana, AES Tietê, AES Electropaulo Metropolitana Eletricidade de São, and Indianapolis Power and Light Company.

Gonzalo Parot Palma was born in 1952. He holds a B.A. in Engineering Sciences from the University of Chile, a Masters Degree in Industrial Engineering from the University of Chile and a Masters Degree in Economics and a PhD in Business Economics from the University of Chicago. In 2016 and subsequently in 2017 and 2018, he was appointed as a member of the board of AES Gener as an independent director. He is currently the President of our Audit Committee. Mr. Parot Palma has also served as CEO of COPESA, CMPC Tissue and Celulosa del Pacífico. Mr. Parot Palma is also a member of the board of Cocacola Andina, and has previously been a member of the boards of several companies in different countries, like Inforsa, Celulosa del Pacífico and Papelera Concepción in Chile and Papelera del Plata in Argentina.

Radovan Roque Razmilic Tomicic was born in 1952. He holds a B.S. in Civil Engineering from Universidad Politécnica Superior de Madrid Escuela de I.C.C. y P. In July 2011, he became a member of our board of directors. Currently, Mr. Razmilic is Chairman of the board of Inmobiliaria Yugoslava, a real estate company in Chile, and Molinera Azapa, a wheat flour processing company in Chile. He is also a member of the boards of various other Chilean companies, including Inmobiliaria SOFOFA, SOFOFA Servicios, Inmobiliaria Estadio Croata, Molinera del Sur, Molinera Coquimbo, Molinera del Norte and Molinera e Industrial de Azapa. Previously, Mr. Razmilic served as Chairman of the Director's Committee of Enap, and as director of Enap and B Bosch.

Claudia Bobadilla Ferrer was born in 1966. She holds a Law Degeree from Universidad Diego Portales in Chile. In 2018, she was appointed as a member of our board. Ms. Bobadilla Ferrer has also served as a member of the board of Banco Santander Chile, executive director of País Digital Foundation, founder and president of Comunidad Mujer, director of legal affairs of Terra Networks Chile, executive secretary for the Chilean Japanese Committee and a lawyer at Fundación Chilena del Pacífico. Currently, Ms. Bobadilla Ferrer is also Executive

President of the Industrial Telecommunication Association Acceso TV, a member of the boards of CINTAC and CSIRO in Chile and a member of the board of trustees of Associated Universities Inc. in the United States.

Executive Officers

Ricardo Manuel Falú was born in 1979. He holds a bachelor's degree in public accounting from Universidad Nacional de Salta, Argentina and an MBA from IAE Business School, Argentina. He has been working for AES Corp. for more than 14 years and has held diverse finance positions in several affiliate companies of AES Corp. in Argentina, Chile, Brazil, Cameroon, Panama, Mexico, El Salvador, the Dominican Republic and Puerto Rico. He formerly served as CFO for the Mexico, Central America and Caribbean Strategic Business Unit of AES Corp. Since November 2014, he has been serving as CFO of the Andes Strategic Business Unit of AES Corp. Currently, he is the CEO of AES Gener.

Ricardo Roizen Gottlieb was born in 1979. He holds a bachelor's degree in commercial engineering from Pontificia Universidad Católica de Chile and an MBA from Universidad de Chile. He joined AES Gener in 2008, as head of financial structuring. He went on to become Director of the Corporate Finance Department of AES Gener for Chile, Argentina and Colombia, a role in which he ran the Treasury, Finance and Investor Relations areas. Currently, he is the Vice President of Corporate Finance of AES Gener.

Vicente Javier Giorgio was born in 1969. He holds a bachelor's degree in Electrical Engineering from Universidad Tecnológica Nacional, Argentina and an MBA from the Universidad del CEMA, Argentina. He has worked for AES Corporation for more than 20 years in Argentina, Venezuela, Panamá and Chile, starting in 1997 as Commercial Director of Eden, Edes and Edelap, distribution companies in Buenos Aires, Argentina. Between 2001 and 2003, he served as General Director of TermoAndes and InterAndes and then as General Manager of AES Argentina Generation from 2003 to 2006. In 2006, he became General Manager of Electricidad de Caracas, Venezuela's largest power company, and then in 2009, he became CEO and Country Manager of AES Panama, where he was responsible for the construction of the hydroelectric project Changuinola. From 2012 to 2016, he was COO for the Andes Strategic Business Unit of AES Corporation. From June 2016 to February 2018, was the CEO and President of the Andes Strategic Business Unit of AES Corporporation. Currently, he is the Vice President of Operations of AES Gener.

Kleber Costa was born in 1970. He holds an MBA from the University of Warwick in the United Kingdom and a Civil Engineering degree from the Universidade de São Paulo, Brazil. He has been the Vice President, Chief Commercial Officer for South America since 2018 and prior to that he had the same position for Mexico, Central America and Caribbean. Before AES, Mr. Costa worked for 20 years in prominent investment banks and energy companies in the United States, originating and structuring businesses with clients across energy and commodities markets. Currently, he is the Vice President of Commercial of AES Gener.

Jorge Leonardo Amiano Goyarrola was born in 1976. He is an Industrial Engineer and holds an Executive MBA from IESE Business School. In 2017, he was appointed as Vice President of Business Development. Since 2018, Mr. Amiano Goyarrola has been member of board of AES Chivor. Mr. Amiano Goyarrola has also served as managing director of Rijn Capital Chile where he created and managed a pipeline of solar projects totaling 800 MW. Prior to Rijn Capital Chile he worked as Director of Operations for LatAm in SunEdison. Mr. Amiano Goyarrola has also has been directly involved in the acquisition, sale, construction of renewable power plants in top tier companies like Vestas, SunPower and SunEdison with outstanding economical achievements. Currently, he is the Vice President of Business Development of AES Gener.

María Paz Cerda Herreros was born in 1969. She holds a Law Degree from Pontificia Universidad Católica de Chile and an LL.M degree in Commercial and Corporate Law from The London School of Economics and Political Science. In 2018, she was appointed as Vice President of Legal Affairs at AES Gener and Secretary of the board. Ms. Cerda Herreros has also served as Of Counsel in the law firm Bofill Mir & Alvarez Jana, General Manager and previously General Counsel in MPX Chile Holding Ltda. and as associate in the law firms Carey & Cía and Baker & Mckenzie. Ms. Cerda Herreros is also on the boards of affiliates AES Chivor and Jameiwaa Kai in Colombia, Guacolda and Alto Maipo in Chile, and of Corporación Educacional Alianza Francesa de Santiago. Currently, she is the Vice President of Legal Affairs of AES Gener.

Karin Andrea Niklander Ribera was born in 1975. She is a journalist from Universidad de Viña del Mar and holds a Master's degree in Public Politics from Universidad Adolfo Ibáñez. With more than 20 years of professional experience, Mrs. Niklander has worked in AES Gener since 2010. Currently, she is the Vice President of Corporate Affairs.

Audit Committee (*Comité de Directores*)

As required by the Chilean Corporations Law, as amended by Law No. 19,705 and Law No. 20,382, publicly traded companies with market capitalization of UF1.5 million or more (equivalent to approximately U.S.$ 64.6 million as of December 31, 2018), and at least 12.5% of their voting shares held by minority shareholders (shareholders with less than 10% of voting shares) must have at least one independent director and a board of directors' committee composed of no less than three board members. We have an independent committee of the board of directors (the "Audit Committee" or *Comité de Directores*). In accordance with Chilean law, the Audit Committee is responsible for, among other duties:

- examining the reports prepared by the external auditors, the balance sheet and other financial statements submitted by the administrators or liquidators of the company to the shareholders, and issuing an opinion with respect thereto prior to their presentation to the shareholders for their approval;
- proposing external auditors and rating agencies, as appropriate, to the board of directors, who shall propose them at the respective shareholders' meeting;
- examining the background information concerning related party transactions and producing a report about such transactions to the chairman of the board of directors;
- examining managers', officers' and workers' compensation systems and plans;
- preparing a report regarding their management and performance where they include their principal recommendation to the shareholders;
- inform the board of directors with respect to the importance of hiring independent auditing firm that will perform the services that are not performed by the internal auditors; and
- examining other matters prescribed by the respective by-laws, or entrusted to the Audit Committee by a general shareholders' meeting or the board of directors, if applicable.

The current members of our Audit Committee are Gonzalo Parot Palma (President of the Audit Committee and independent director), Claudia Bobadilla Ferrer and Radovan Razmilic Tomicic.

Compensation of Directors and Officers

In accordance with our bylaws, our board of directors does not receive compensation. During fiscal year 2018, our board of directors did not receive any remuneration or stipend for additional duties or expenses, such as representation, travel or gifts. However, members of our Audit Committee who are not employees of The AES Corporation received fixed monthly remuneration. The board of directors did not incur expenses for advisory services in 2018.

In accordance with Chilean law, at the ordinary shareholders' meeting held on April 26, 2018, the Audit Committee's total fees were fixed at UF 780 per month (equivalent to approximately U.S.$ 33,580). The total amount of compensation paid to our Audit Committee during fiscal year 2018 was UF 9,360 (equivalent to approximately U.S.$ 402,966).

PRINCIPAL SHAREHOLDERS

We are a public stock corporation (*sociedad anónima abierta*) with shares traded on three stock exchanges: the Santiago Stock Exchange and the Chilean Electronic Stock Exchange. As of December 31, 2018, shareholders' equity totaled U.S.$2.07 billion. Our issued capital is divided into 8,400 million shares as of December 31, 2018.

As of December 31, 2018, Inversiones Cachagua SpA held a 66.70% stake in us. Inversiones Cachagua SpA has direct control of us, has no common voting agreement with other shareholders and is a wholly-owned subsidiary of The AES Corporation, which has approximately 100% ownership. The AES Corporation thereby has ultimate control of us.

Principal Shareholders as of December 31, 2018

Name	Shares	Participation
Inversiones Cachagua SpA	5,603,012,701	66.70%
Pension Funds	1,879,903,131	22.38%
Itaú Chile Administradora General de Fondos S.A.	175,518,857	2.09%
Banco de Chile	118,366,952	1.41%
Banco Santander - JP Morgan	116,142,815	1.38%
Banchile Corredores de Bolsa S.A.	81,624,405	0.97%
Top 10 Largest Shareholders	7,974,568,861	94.93%
Other Shareholders	425,750,030	5.07%
Total Shareholders	8,400,318,891	**100.0%**

RELATED PARTY TRANSACTIONS

In the ordinary course of business, we engage in a variety of transactions with certain of our affiliates, primarily for the purchase, at fair market prices negotiated on an arm's-length basis, of goods or services that may also be provided by other suppliers. See note 14 to our 2018 audited consolidated financial statements. Our Board of Directors approves all such transactions for an amount greater than U.S.$500,000 in advance. Article 89 of Law 18,406 of corporations (the "Chilean Corporations Law") requires that our transactions with related parties (as defined by article 100 of the Chilean Securities Market Law) be on an arm's-length basis or on similar terms to those customarily prevailing in the market.

Title XVI of the Chilean Corporations Act and, in particular, article 147 thereof ("Article 147") require that our transactions with related parties (which include, among others, directors and executive officers) (i) have an objective to contribute to the company's interests, (ii) have prices, terms and conditions similar to those customarily prevailing in the market at the time of their approval, and (iii) in certain cases, comply with the following requirements:

(1) the directors or executive officers that have an interest or that participate in the transaction must notify the board of directors or the person designated by the board of directors of such participation or interest;

(2) the transaction must be previously approved by the majority of the directors of the board of directors, excluding the interested directors (who nonetheless must make public their opinion regarding the transaction if requested by the board of directors); or, if more than the absolute majority of the directors of the board of directors are interested in the transaction, by all the non-interested directors, or otherwise, by two-thirds of the shares with the right to vote of the Company;

(3) the board of directors resolution approving the transaction must be reported to the Company's shareholders at the next shareholders' meeting; and

(4) in situations where the transaction will be approved by the shareholders, the board of directors will designate at least one independent appraiser to inform the shareholders about the terms of the transaction, its effects and its potential impact to the Company. Directors shall report to shareholders on the convenience of the proposed related party transaction as to the corporate interest of the Company within 5 business days from the date on which the last independent appraiser report was delivered.

Transactions for an amount considered not relevant according to the Chilean Corporation Law; transactions in the ordinary course of business of the company that comply with general and customary policies approved by the board of directors of the company; and transactions with entities in which the company has at least 95% of the property, shall not be required to comply with all the above mentioned proceedings.

The related parties that violate Article 147 are liable for losses resulting from such violations. Violation of Article 147 may result in administrative or criminal sanctions, and civil liability may be sought by the Company, shareholders or interested third parties that suffer losses as a result of such violations. These transactions are also examined by the Audit Committee.We believe that we have complied and are in compliance in all material respects with the requirements of the relevant provisions of the Chilean Corporations Law governing related party transactions with respect to all of our transactions with related parties.

For information concerning these transactions, see note 14 to our 2018 audited consolidated financial statements included elsewhere in this listing memorandum.

DESCRIPTION OF THE NOTES

The U.S.$ 550,000,000 junior subordinated capital notes due 2079 (the "notes", which expression shall, unless the context otherwise requires, include any additional notes ("Additional Notes") issued pursuant to the Indenture and as described in this "Description of the Notes") have been issued pursuant to an indenture (the "Indenture"), dated as of March 26, 2019, between AES Gener S.A., a publicly traded stock corporation (*sociedad anónima abierta*) incorporated under the laws of Chile, (the "Issuer") and Citibank, N.A., as trustee (the "Trustee", which expression shall, where the context so requires, include its successor(s) as Trustee), paying agent, Calculation Agent (as defined below), transfer agent and registrar.

Holders of the notes (the "Holders" and each, a "Holder"), are deemed to have notice of, and are bound by, all provisions of the Indenture.

The following description is a summary of the material provisions of the Indenture and the notes. It does not restate the Indenture and the notes in their entirety, and the information set forth herein is subject to the detailed provisions of, and definitions in, the Indenture, copies of which are available for inspection during normal business hours at the registered office of the Trustee, being at the date of issue of the notes at 388 Greenwich Street, New York, NY 10013.

The notes will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be sold or otherwise transferred except pursuant to registration under the U.S. Securities Act or in accordance with Rule 144A thereunder ("Rule 144A") or in a transaction that is otherwise exempt from, or not subject to, the registration requirements under the U.S. Securities Act and will bear a legend to this effect.

The Indenture is not required to be nor will it be qualified under the U.S. Trust Indenture Act of 1939, as amended (the "U.S. Trust Indenture Act"), and will not incorporate by reference any of the provisions of the U.S. Trust Indenture Act.

For purposes of this "Description of the Notes", references to the "Issuer" refer only to the Issuer (or its successor, as applicable) and not to any of its subsidiaries unless otherwise specified.

The registered Holder of a note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture.

Maturity

Unless previously redeemed or repurchased and cancelled by the Issuer, the principal amount of the notes will mature on March 26, 2079 (the "Maturity Date") in an amount equal to the principal amount, with accrued interest to (but excluding) the Maturity Date and any Arrears of Interest (as defined below).

Ranking and Subordination

The notes constitute direct, unsecured and subordinated obligations of the Issuer.

The notes are subordinated to the Senior Indebtedness (as defined below). In addition, the notes are structurally subordinated to all existing and future unsecured and unsubordinated debt and other liabilities (including trade payables) of the operating subsidiaries of the Issuer. As of December 31, 2018, the Issuer had U.S.$1,087 million of outstanding debt, including U.S.$578 million of senior debt and no secured debt. At the same date, the Issuer's subsidiaries had U.S.$92 million of outstanding unsecured and unsubordinated debt and U.S.$2,346 million of secured debt.

The obligations of the Issuer to make payment in respect of principal and interest on the notes, including its obligations in respect of any Arrears of Interest, will, in the event of any Insolvency Proceedings (as defined below), rank:

(i) junior to all present and future Senior Indebtedness;

(ii) *pari passu* among themselves and with the Issuer's present and future Parity Securities; and

(iii) senior only to the Issuer's common shares ("Common Shares"),

in each case except as otherwise required by mandatory provisions of applicable law. The Issuer shall enter into a unilateral statement of subordination pursuant to Chilean law (*declaración unilateral de subordinación*).

"Insolvency Proceedings" means any insolvency proceedings or proceedings similar, equivalent or analogous thereto under the laws of any applicable jurisdiction (including Chile) against the Issuer, including, but not limited to, the winding-up, re-organization, insolvency, dissolution or liquidation of the Issuer or any relevant equivalent Chilean insolvency events by reference to Chilean law.

"Senior Indebtedness" means all liabilities of the Issuer other than its liabilities under Parity Securities.

"Parity Securities" means any securities issued by the Issuer and obligations under such securities which rank or are expressed to rank *pari passu* with the Issuer's obligations under the notes. The Issuer's Parity Securities as of the issue date include U.S.$450 million of its 8.375% Junior Subordinated Capital Notes due 2073 (the "Parity Subordinated Notes" issued on December 18, 2013. Concurrent with this offering the Issuer has launched an offer to purchase for cash any and all of its outstanding Parity Subordinated Notes. Any Parity Subordinated Notes accepted in connection with the offer to purchase will be cancelled and therefore the Parity Subordinated Notes will only consist of the existing Parity Subordinated Notes that are not tendered. The Issuer currently intends to redeem any Parity Securities not tendered in such tender offer, although it can offer no assurances that it will be able to do so.

Holders' Acknowledgement of Subordination of Notes

Each Holder (for itself and on behalf of the beneficial owners thereof), by purchasing the notes, whether in connection with the initial offering of the notes or a purchase at a later date, will be deemed to have agreed with the Issuer for the benefit of all the Issuer's present and future creditors, to subordinate its rights as such Holder to collect any amount of principal, premium, if any, and interest due or to become due in respect of the notes as described in this "—Ranking and Subordination". The Issuer, for the benefit of all of its present and future creditors, accepts this undertaking of the Holders.

Each Holder agrees that (i) the Trustee will be the only party entitled to receive and distribute amounts paid in respect of the notes in the event of any Insolvency Proceedings and (ii) upon the occurrence of any Insolvency Proceedings, no payment of principal and interest, including any Arrears of Interest (as defined below), on the notes will be made unless the Issuer has discharged or secured payment in full on the Senior Indebtedness. Prior thereto, holders of the notes will have only a limited ability to influence the conduct of such Insolvency Proceedings. If, upon the occurrence of any Insolvency Proceedings, the Trustee or any Holder receives any payment or distribution of any kind or character (except for amounts owed to the Trustee, other than amounts payable by the Trustee to the Holders), whether in cash, property or securities, before the Senior Indebtedness is paid in full, that payment or distribution must be paid over or delivered to the trustee in bankruptcy or other person making payment or distribution of assets of the Issuer for application to the payment of all the Senior Indebtedness until the Senior Indebtedness is paid in full, after giving effect to any concurrent payment or distribution to the holders of the Senior Indebtedness in respect of the Issuer.

In furtherance of this agreement, the Indenture will provide that the Trustee will have the exclusive right to file in any Insolvency Proceedings for the recognition of the claims of all Holders. By purchasing the notes, the Holders are irrevocably directing the Trustee to exercise any voting rights under the notes and vote in accordance with the majority vote of the holders of the Senior Indebtedness in any such Insolvency Proceedings.

By purchasing the notes, whether in connection with the initial offering of the notes or a purchase at a later date, each Holder will be deemed to have waived any right of set-off, counterclaim or combination of accounts with respect to the notes (or between the Issuer's obligations regarding the notes and any liability owed by a Holder or the Trustee to the Issuer) that such holder might otherwise have against the Issuer.

Each Holder acknowledges that there will be no cross-default under the notes.

Principal and Interest Payments

Payments on the notes may be made at the corporate trust office of the Trustee. Alternatively, the Issuer may choose to pay such amounts by (i) check mailed or delivered to the address of the person entitled thereto at the address appearing in the register or (ii) wire transfer to an account located in the United States as specified by the person entitled thereto.

If any payment in respect of a note is due on a date that is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding day that is a Business Day, with the same force and effect as if made on the date for such payment, and no interest will accrue for such delay. "Business Day" means a day other than a Saturday, Sunday or any day on which banking institutions are authorized or required by law to close in New York, New York or Santiago, Chile.

Payments of interest will be made to the person in whose name a note is registered at the close of business on July 2 or January 2 (each, a "Record Date"), as the case may be, immediately preceding an Interest Payment Date (as defined below). Notwithstanding the foregoing, any interest which is payable, but which is not punctually paid or duly provided for (subject to optional interest deferral; see "—Optional Interest Deferral"), on any Interest Payment Date will cease to be payable to the Holder registered on such date, and will be payable, at the election of the Issuer, to the person in whose name such note is registered at the close of business on a special Record Date to be fixed by the Trustee not more than 15 nor less than 10 days prior to the date fixed by the Issuer for payment thereof.

Registrar, Paying Agent and Transfer Agent for the Notes

The Trustee will initially act as registrar and New York paying agent and transfer agent. So long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, the Issuer will also maintain a paying agent and transfer agent in Luxembourg. The Issuer may change the registrar, paying agents or transfer agents without prior notice to the Holders of the notes, and the Issuer or any of its subsidiaries may act as registrar, paying agent or transfer agent. Any change in respect of such agents will be published in accordance with "—Notices".

Additional Amounts

All payments of principal, premium, if any, and interest in respect of the notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed, levied, collected, withheld or assessed by or within any jurisdiction where the Issuer is incorporated, resident or doing business for tax purposes or by or within any political subdivision or taxing authority thereof or any authority therein or thereof having power to tax or any other jurisdiction through which payments are made in respect of the notes (each, a "Relevant Taxing Jurisdiction"), unless such withholding or deduction is required by law. In the event of any such withholding or deduction of such Taxes, the Issuer will pay to Holders such additional amounts ("Additional Amounts") as will result in the receipt by each Holder of the net amount that would otherwise have been receivable by such Holder in the absence of such withholding or deduction, except that no such Additional Amounts will be payable:

(i) in respect of any Taxes that would not have been so withheld or deducted but for the existence of any present or former connection (including, without limitation, a permanent establishment in a Relevant Taxing Jurisdiction) between the Holder, applicable recipient of payment or beneficial owner of the note or any payment in respect of such note (or, if the Holder or beneficial owner is an estate, nominee, trust, partnership, corporation or other business entity, between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over, the Holder, applicable recipient of a payment or beneficial owner) and an authority with the power to levy or otherwise impose or assess a Tax, other than the mere receipt of such payment or the mere acquisition, holding or ownership of such note or beneficial interest or the enforcement of rights thereunder;

(ii) in respect of any Taxes that would not have been so withheld or deducted if the note had been presented for payment within 30 days after the Relevant Date (as defined below) to the extent presentation is required (except to the extent that the Holder would have been entitled to Additional Amounts had the note been presented for payment on the last day of such 30-day period);

(iii) in respect of any Taxes that would not have been so withheld or deducted but for the failure by the Holder or the beneficial owner of the note or any payment in respect of such note to (i) make a declaration of non-residence, or any other claim or filing for exemption, to which it is entitled or (ii) comply with any certification, identification, information, documentation or other reporting requirement concerning its nationality, residence, identity or connection with a Relevant Taxing Jurisdiction; provided that such declaration or compliance was required as a precondition to exemption from all or part of such Taxes and the Issuer or its agent has given the Holders at least 30 days' notice that they will be required to comply with such requirements;

(iv) in respect of any estate, inheritance, gift, value added, sales, use, excise, transfer, personal property or similar taxes, duties, assessments or other governmental charges;

(v) in respect of any Taxes that are payable other than by deduction or withholding from payments on the notes;

(vi) in respect of any payment to a Holder of a note that is a fiduciary or partnership (including an entity treated as a partnership for U.S. federal income tax purposes) or any Person other than the sole beneficial owner of such payment or note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such note; or

(vii) in respect of any combination of clauses (i) through (vi) above.

"Relevant Date" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York, New York by the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect has been given to the Holders in accordance with the Indenture.

All references to principal, premium, if any, Early Redemption Price and interest in respect of the notes will be deemed also to refer to any Additional Amounts which may be payable as set forth in the Indenture or in the notes.

In the event that Additional Amounts are actually paid at the tax rate applicable to Excessive Indebtedness (as defined in "Taxation—Chilean Taxation Considerations"), but it is subsequently determined that the rates of deduction or withholding of withholding taxes so applied were in excess of the appropriate rate applicable to the Holder of such notes, and, as a result thereof such Holder is entitled to make claim for a refund (or credit in lieu of such refund) of such excess from the Chilean authority imposing such tax, then such Holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund (or credit in lieu of such refund) of such excess to the Issuer. However, by making such assignment, the Holder makes no representation or warranty that the Issuer will be entitled to receive such claim for a refund (or credit in lieu of such refund) and incurs no other obligation with respect thereto.

The Issuer will furnish to the Trustee documentation reasonably satisfactory to the Trustee evidencing payment of Taxes. Copies of such receipts will be made available to Holders upon written request.

The Issuer will promptly pay when due any present or future stamp, court or similar documentary taxes or any other excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery, enforcement or registration of each note or any other document or instrument referred to herein or therein, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of Chile and except, in certain cases, for taxes, charges or similar levies resulting from certain registration of transfer or exchange of notes.

Redemption

As explained further below, the Issuer may redeem the notes in the circumstances, in the manner and at the prices described below. Holders have no right to require the Issuer to redeem the notes. Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the notes on the Maturity Date at their principal amount together with any accrued interest up to (but excluding) the Maturity Date and any Arrears of Interest. The notes will cease to bear interest from (and including) the calendar day on which they are due for redemption. If the Issuer fails to redeem the notes when due, interest will continue to accrue as provided in the Indenture.

As used herein, the term "Early Redemption Price" will be the amount determined by the Calculation Agent on the fourth Business Day prior to the relevant early redemption date (each, an "Early Redemption Date") as follows:

(i) in the case of an Optional Redemption, a Withholding Tax Event or a Substantial Repurchase Event, at any time, 100% of the principal amount of the notes then outstanding; or

(ii) in the case of a Rating Methodology Event or a Tax Deductibility Event, either:

(a) 101% of the principal amount of the notes then outstanding if the Early Redemption Date occurs on any date prior to April 7, 2024 (90 calendar days prior to the First Reset Date (as defined below)); or

(b) 100% of the principal amount of the notes then outstanding if the Early Redemption Date occurs on any date on or after April 7, 2024 (90 calendar days prior to the the First Reset Date (as defined below)),

and in each case together with any accrued interest up to, but excluding, the relevant Early Redemption Date and any Arrears of Interest (as defined under "—Optional Interest Deferral").

"Rating Agency" (and collectively, the "Rating Agencies") means any of Moody's, S&P, Fitch and any other rating agency substituted for any of them by the Issuer upon the prior written notice to the Trustee and, in each case, any of their respective successors to the rating business thereof.

"Rating Agency Confirmation" means a written confirmation from a Rating Agency which has assigned ratings to the Issuer on a basis sponsored by the Issuer which is either received by the Issuer directly from the relevant Rating Agency or indirectly via publication by such Rating Agency.

"Rating Methodology Event" shall be deemed to have occurred if the Issuer has received a Rating Agency Confirmation stating that, due to an amendment, clarification or change in the "equity credit" criteria of such Rating Agency, which amendment, clarification or change has occurred after the Issue Date, that the notes are eligible for a level of equity credit that is lower than the level or equivalent level of equity credit assigned to the notes by any one of the Rating Agencies on the Issue Date.

"equity credit" shall include such other nomenclature as any Rating Agency may use from time to time to describe the degree to which an instrument exhibits the characteristics of an ordinary share.

"Fitch" means Fitch Ratings Limited.

"Moody's" means Moody's Investors Service Limited.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc.

"Substantial Repurchase Event" shall be deemed to have occurred if, prior to the giving of the relevant notice of redemption, at least 80% of the aggregate principal amount of the notes issued on the Issue Date has been purchased by or on behalf of the Issuer or a subsidiary and has been cancelled.

Optional Redemption

The Issuer may redeem the notes, in whole, but not in part, on (i) any day during the period commencing on (and including) April 7, 2024 (90 calendar days prior to the First Reset Date (as defined below)) and ending on (and including) the First Reset Date, and (ii) any Interest Payment Date (as defined below) thereafter, in each case at the applicable Early Redemption Price, subject to having given not less than 20 nor more than 60 calendar days' notice to the Holders in accordance with "—Notices" (which notice shall be binding and irrevocable).

Early Redemption following a Rating Methodology Event

If a Rating Methodology Event occurs, then the Issuer may, subject to having given not less than 20 nor more than 60 calendar days' notice to the Holders in accordance with "—Notices" (which notice shall be binding and irrevocable), redeem the notes in whole but not in part at any time at the applicable Early Redemption Price.

Prior to the giving of notice of redemption of the notes following a Rating Methodology Event pursuant to the Indenture, the Issuer will deliver to the Trustee in a form and with content reasonably satisfactory to the Trustee (i) an officer's certificate to the effect that the Issuer is or at the time of the redemption will be entitled to effect such a redemption pursuant to the Indenture, and setting forth in reasonable detail the circumstances giving rise to such right of redemption; and (ii) a copy of the Rating Agency Confirmation relating to the applicable Rating Methodology Event unless the delivery of such Rating Agency Confirmation would constitute a breach of the terms on which such confirmation is delivered to the Issuer, and the Trustee shall be entitled to accept and rely conclusively upon the above certificate and, if applicable, copy of the Rating Agency Confirmation as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event the same shall be conclusive and binding on the Holders.

Early Redemption following a Substantial Repurchase Event

If a Substantial Repurchase Event occurs, then the Issuer may, subject to having given not less than 20 nor more than 60 calendar days' notice to the Holders in accordance with "—Notices" (which notice shall be irrevocable and binding), redeem the notes in whole but not in part at any time, at the applicable Early Redemption Price.

Prior to the giving of notice of redemption of notes following a Substantial Repurchase Event pursuant to the Indenture, the Issuer will deliver to the Trustee in a form and with content reasonably satisfactory to the Trustee (i) an officer's certificate to the effect that the Issuer is or at the time of the redemption will be entitled to effect such a redemption pursuant to the Indenture, and setting forth in reasonable detail the circumstances giving rise to such right of redemption and (ii) a written opinion of recognized counsel independent of the Issuer to the effect, among other things, that all governmental approvals necessary for the Issuer to effect the redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained, and the Trustee shall be entitled to accept and rely conclusively upon the foregoing certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event the same shall be conclusive and binding on the Holders.

Early Redemption following Certain Tax Events

Withholding Tax Event

The notes may be redeemed, in whole but not in part, at the Issuer's option, subject to applicable laws, at the applicable Early Redemption Price if as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction, or any change in the official application, administration or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), the Issuer has or will become obligated to pay Additional Amounts in respect of interest received on the notes at a rate of withholding or deduction in excess of 4.0% ("Excess Additional Amounts"), if such change or amendment is announced or occurs on or after the later of the date of the Indenture and the date the Relevant Jurisdiction became a Relevant Jurisdiction and such obligation cannot be avoided by the Issuer taking reasonable measures available to it (including, without limitation, taking reasonable measures to change the paying agent and provided that reasonable measures shall not include a change in the jurisdiction of the Issuer) (a "Withholding Tax Event"); provided that no such notice of redemption (which notice will in any event be given in accordance with "—

Notices" and be binding and irrevocable) will be given earlier than 60 days prior to the earliest date on which the Issuer would be obligated to pay such Excess Additional Amounts, were a payment in respect of the notes then due.

Prior to the giving of notice of redemption of notes following a Withholding Tax Event pursuant to the Indenture, the Issuer will deliver to the Trustee in a form and with content reasonably satisfactory to the Trustee:

(i) an officer's certificate to the effect that:

(a) the Issuer is or at the time of the redemption will be entitled to effect such a redemption pursuant to the Indenture, and setting forth in reasonable detail the circumstances giving rise to such right of redemption; and

(b) the Issuer cannot avoid payment of such Excess Additional Amounts by taking reasonable measures available to the Issuer (for the avoidance of doubt, reasonable measures shall not include a change in the jurisdiction of the Issuer), and

(ii) a written opinion of recognized counsel in the Relevant Taxing Jurisdiction independent of the Issuer to the effect, among other things, that the Issuer is, or is expected to become, obligated to pay such Excess Additional Amounts as a result of a change or amendment, as described above. The Trustee shall be entitled to accept and rely conclusively upon the above certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event the same shall be conclusive and binding on the Holders.

Tax Deductibility Event

If, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of Chile, or any change in the official application, administration or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), payments of interest by the Issuer in respect of the notes are no longer, or within 90 calendar days of the date of any opinion provided pursuant to section (ii) of the below paragraph will no longer be, deductible in whole or in part for corporate income tax purposes in Chile, and the Issuer cannot avoid the foregoing by taking reasonable measures available to it (a "Tax Deductibility Event"), then the Issuer may, upon giving not less than 20 nor more than 60 calendar days' notice to the Holders in accordance with "—Notices" (which notice shall be binding and irrevocable), redeem in whole but not in part the notes then outstanding at any time at the applicable Early Redemption Price.

Prior to giving of notice of redemption of the notes following a Tax Deductibility Event, the Issuer will deliver to the Trustee in a form and with content reasonably satisfactory to the Trustee:

(i) an officer's certificate to the effect that:

(a) the Issuer is entitled to effect such redemption pursuant to the Indenture and setting forth in reasonable detail the circumstances giving rise to such right of redemption; and

(b) the Issuer cannot avoid the non-deductibility of such payments of interest for by taking reasonable measures available to the Issuer (for the avoidance of doubt, reasonable measures shall not include a change in the jurisdiction of the Issuer), and

(ii) a written opinion of recognized counsel in Chile independent of the Issuer to the effect, among other things, that payments of interest by the Issuer in respect of the notes are no longer, or within 90 calendar days of the date of that opinion will no longer be, deductible in whole or in part for corporate income tax purposes in Chile as a result of a change or amendment, as described above. The Trustee shall be entitled to accept the above certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event the same shall be conclusive and binding on the Holders.

Reacquisition

The Issuer or any subsidiary of the Issuer may at any time purchase notes in any manner and at any price, subject to applicable laws and regulations. Such notes may be held, reissued, resold or, at the option of the Issuer, surrendered to the paying agent for cancellation.

Optional Redemption Procedures

The Issuer will mail, or cause to be mailed, a notice of redemption to each Holder (which, in the case of the Global notes, will be DTC) at least 20 days and not more than 60 days prior to the relevant Early Redemption Date, to the address of each holder as it appears on the register maintained by the registrar. Notices of redemption will also be published as set forth under "—Notices". A notice of redemption will be irrevocable.

A partial redemption of the notes shall be effected in compliance with the requirements of DTC, or if such notes are not held through DTC or DTC prescribes no method of selection, on a *pro rata* basis, or by such method as the Trustee deems fair and appropriate provided, however, that the selection for redemption of a portion of the principal amount of notes held by a Holder must be equal to an authorized denomination. The Issuer has been advised that it is DTC's practice to determine by the lot the amount of each participant in the securities to be redeemed.

Except in the case of a default in payment of the applicable Early Redemption Price, on and after the relevant Early Redemption Date, interest will cease to accrue on the notes.

Substitution or Variation

If at any time the Issuer determines that a Rating Methodology Event, a Withholding Tax Event or a Tax Deductibility Event has occurred on or after the Issue Date and is continuing, then the Issuer may, as an alternative to an early redemption of the notes in accordance with the provisions described in "—Redemption" and subject to the same conditions for giving a notice of redemption for the applicable event as described in "—Redemption" (without any requirement for the consent or approval of the Holders) and having given not less than 20 nor more than 60 days' notice to the Trustee and, in accordance with "—Notices", to the Holders (which notice shall be irrevocable), on any Interest Payment Date either:

(a) substitute all, but not less than all, of the notes for Qualifying Notes; or

(b) vary the terms of the notes with the effect that they remain or become, as the case may be, Qualifying Notes.

Upon expiration of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the notes in accordance with this section "—Substitution or Variation." See "Risk Factors—Risks Relating to the Notes—The notes will be subject to substitution or variation by us upon the occurrence of certain specified events."

In connection with any substitution or variation in accordance with this section "—Substitution or Variation," the Issuer shall comply with the rules of any stock exchange on which the notes are for the time being listed or admitted to trading.

"Qualifying Notes" means notes that contain terms not materially less favorable to Holders than the terms of the notes immediately prior to the substitution or variation (as reasonably determined by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing) and provided that:

(a) they shall be issued by the Issuer or by any wholly-owned direct or indirect finance subsidiary of the Issuer with a guarantee of the Issuer; and

(b) they (and/or, as appropriate, the guarantee as described in clause (a) above) shall rank *pari passu* with the ranking of the notes immediately prior to the substitution or variation, as applicable, of the notes in accordance with the provisions of "—Substitution and Variation"; and

(c) they shall contain terms which provide for the same or more favorable interest rate from time to time applying to the notes immediately prior to the substitution or variation, as applicable, of the notes in accordance with "—Substitution and Variation" and preserve the same Interest Payment Dates; and

(d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; and

(e) they shall preserve any existing rights under the notes to any accrued interest, and any other amounts payable under the notes which, in each case, has accrued to Holders and not been paid; and

(f) they shall, immediately after such exchange or variation, be assigned at least the same credit rating(s) by the same Rating Agency or Rating Agencies as may have been assigned to the notes (in each case, on a solicited basis) immediately prior to such exchange or variation (if any); and

(g) they shall otherwise contain substantially identical terms (as reasonably determined by the Issuer) to the notes, except where any modifications to such terms are required to be made to avoid the occurrence or effect of, a Rating Methodology Event, a Withholding Tax Event or a Tax Deductibility Event.

Preconditions to Substitution and Variation

Prior to any substitution or variation of the notes in accordance with "—Substitution and Variation":

(a) the Issuer shall pay any outstanding Arrears of Interest in full prior to such substitution or variation;

(b) the Issuer shall deliver to the Trustee an officers' certificate in a form and with content reasonably satisfactory to the Trustee to the effect that:

(i) the relevant requirement or circumstance giving rise to the right to substitute or vary the notes is satisfied;

(ii) the Issuer has determined that the terms of the Qualifying Notes are not materially less favorable to Holders than the terms of the notes and that determination was reasonably reached by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing;

(iii) the criteria specified in paragraphs (a) to (g) of the definition of Qualifying Notes will be satisfied by the Qualifying Notes upon issuance; and

(iv) the relevant substitution or variation (as the case may be) will not result in the occurrence of any of a Rating Methodology Event, a Withholding Tax Event, a Tax Deductibility Event or any combination of the foregoing; and

(c) in the case of a Tax Deductibility Event, the Issuer shall deliver to the Trustee a written opinion of recognized counsel in Chile independent of the Issuer to the effect that such Tax Deductibility Event has occurred and is continuing.

Statement of Intention

The Issuer intends (without thereby assuming a legal obligation) that it will redeem or repurchase the notes only to the extent that the part of the aggregate principal amount of the notes to be redeemed or repurchased which was assigned "equity credit" (or such similar nomenclature used by S&P from time to time) at the time of the issuance of the notes does not exceed such part of the net proceeds received by the Issuer prior to the date of such redemption or repurchase from the sale or issuance of notes by the Issuer to third party purchasers which is assigned by S&P "equity credit" (or such similar nomenclature used by S&P from time to time) at the time of sale or issuance of such notes (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the notes), unless:

(i) the rating assigned by S&P to the Issuer is at least "BBB-" (or such similar nomenclature then used by S&P) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase, or

(ii) in the case of a partial repurchase, such repurchase is of less than (a) 10% of the aggregate principal amount of the notes originally issued in any period of 12 consecutive months or (b) 25% of the aggregate principal amount of the notes originally issued in any period of 10 consecutive years, or

(iii) the notes are redeemed pursuant to (a) a Tax Deductibility Event or (b) a Withholding Tax Event or (c) a Rating Methodology Event that results from an amendment, clarification or change in the "equity credit" criteria used by S&P(or such similar nomenclature then used by S&P); or

(iv) the notes are not assigned an "equity credit" by S&P (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or

(v) such redemption or repurchase occurs on or after the Reset Date falling on July 6, 2044.

Interest Rates and Interest Amount

Unless previously redeemed or repurchased and cancelled or substituted and varied as described herein and subject to the further provisions described in "—Optional Interest Deferral" below, the notes will bear interest on their principal amount as follows:

(i) From and including March 26, 2019 (the "Issue Date") to but excluding July 6, 2024 (the "First Reset Date"), the notes will bear interest at a rate of 7.125% per annum, payable semi-annually in arrears on each Interest Payment Date (as defined below) commencing on January 6, 2020. There will be a long first coupon for the period from and including March 26, 2019 to, but excluding, January 6, 2020. There will be a short final coupon for the period from and including January 6, 2079 to, but excluding, March 26, 2079.

(ii) From and including the First Reset Date to but excluding the Maturity Date, for each Reset Period (as defined below) the notes will bear interest at a rate equal to the relevant 5 year Swap Rate (as defined below), plus (a) in respect of the Reset Period commencing on the First Reset Date: 4.644%; (b) in respect of the Reset Periods commencing on July 6, 2029, July 6, 2034 and July 6, 2039: 4.894%; and (c) in respect of any other Reset Period: 5.644%, all as determined by the Calculation Agent and payable semi-annually in arrears on each Interest Payment Date, commencing on January 6, 2025.

"5 year Swap Rate" means, in respect of a Reset Period, the semi-annual mid-swap rate for USD swap transactions with a maturity of five years displayed on the Reset Screen Page on the relevant Reset Interest Determination Date. If the relevant 5 year Swap Rate does not appear on the Reset Screen Page on the relevant Reset Interest Determination Date, the Calculation Agent shall request each of the Reset Reference Banks to provide it with its 5 year Swap Rate Quotation and will determine the 5 year Swap Rate as the Reset Reference Bank Rate on the relevant Reset Interest Determination Date. If at least three quotations are provided by the Reset Reference

Banks, the 5 year Swap Rate will be determined by the Calculation Agent on the basis of the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If fewer than three quotations are provided by the Reset Reference Banks, the 5 year Swap Rate will be determined by the Calculation Agent by obtaining the semi-annual mid-swap rate for USD swap transactions with a maturity of five years as displayed on the Reset Screen Page on the last calendar day prior to such relevant Reset Interest Determination Date on which such quotation was displayed.

"5 year Swap Rate Quotation" means, in relation to any Reset Period, the arithmetic mean of the bid and offered rates for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating U.S. dollar interest rate swap which (i) has a term of 5 years commencing on the relevant Reset Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 3-month LIBOR rate (calculated on an Actual/360 day count basis) or to the extent that an industry-accepted substitute or successor rate for such rate has been established (as determined by the Issuer in its sole discretion), such successor rate. If the Issuer has determined that a substitute or successor rate should apply in accordance with the foregoing, it will notify the Calculation Agent in writing and the Calculation Agent will request each Reset Reference Bank to adjust such 5 year Swap Rate Quotation to include any necessary adjustment factor that is necessary to make the 5 year Swap Rate Quotation comparable to a 5 year Swap Rate Quotation based on the 3-months interbank deposit rate. See "Risk Factors—Risks Relating to the Notes—The 5-year Swap Rate Quotation is based on a hypothetical interest rate swap referencing a 3-month U.S. dollar benchmark rate, currently LIBOR. U.K. regulators will no longer persuade or compel banks to submit rates for calculation of LIBOR after 2021 and the interest rate benchmark may be discontinued." and "Risk Factors—Risks Relating to the Notes—Regulation and reform of "benchmarks", including LIBOR and other types of benchmarks, may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted."

"Interest Period" means the period from and including the Issue Date to but excluding the first Interest Payment Date and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date, ending on the Maturity Date.

"Reset Date" means the First Reset Date and each date falling on the fifth anniversary thereafter.

"Reset Interest Determination Date" means, in respect of any Reset Period, the day falling two Business Days prior to the beginning of the relevant Reset Period.

"Reset Period" means each period from and including the First Reset Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.

"Reset Reference Bank Rate" means the percentage rate determined by the Calculation Agent on the basis of the 5 year Swap Rate Quotations provided by the Reset Reference Banks to the Calculation Agent at approximately 11:00 a.m. (New York time) on the relevant Reset Interest Determination Date.

"Reset Reference Banks" means five major banks in the interbank market selected by the Issuer and notified to the Calculation Agent.

"Reset Screen Page" means the Bloomberg page "ISDA1" (or such other page as may replace that page on Bloomberg) as at 11:00 a.m. (New York Time).

Unless the Issuer elects not to pay interest in accordance with the provisions described under "—Optional Interest Deferral", interest on the notes will be payable semi-annually in arrears on July 6 and January 6 each year, commencing on January 6, 2020 (each, an "Interest Payment Date") to Holders of record on the applicable Record Date.

Interest on the notes will be calculated on the basis of a 360-day year of twelve 30-day months.

Optional Interest Deferral

Interest which accrues during an Interest Period ending on but excluding an Interest Payment Date will be due and payable on that Interest Payment Date unless the Issuer, by notice to (i) the Holders in accordance with "—Notices" below and (ii) the Trustee and paying agent at least seven Business Days prior to the relevant Interest Payment Date, elects in its sole discretion to defer payment in whole, but not in part, of the interest accrued on the notes in respect of any Interest Period. If the Issuer makes such an election, interest will continue to accrue; however, the Issuer shall have no obligation to make such payment and any failure to pay shall not constitute a default by the Issuer or any other breach of obligations under the notes or for any other purpose. Any deferred interest on the notes will bear additional interest (the "Additional Interest") at the applicable interest rate on the notes, compounded semi-annually. Any interest not paid on an Interest Payment Date and deferred in accordance with this paragraph, together with the Additional Interest, shall, so long as the same remains outstanding, constitute "Arrears of Interest" and shall be payable as described below.

Optional Payment of Arrears of Interest

The Issuer may pay Arrears of Interest, in whole (but not in part) at any time, upon giving not less than seven and not more than 15 Business Days' notice to the Holders in accordance with "—Notices" below (which notice shall be irrevocable and will oblige the Issuer to pay the relevant Arrears of Interest on the payment date specified in such notice) and notice to the Trustee or the paying agent at least seven, but not more than 30, Business Days prior to the relevant due date for payment.

Mandatory Payment of Arrears of Interest

The entire amount (and not any lesser portion) of any Arrears of Interest in respect of all notes then outstanding shall become due and payable in full and shall be paid by the Issuer on the first occurring Mandatory Settlement Date. Notice of the occurrence of any Mandatory Settlement Date shall be given to the Holders in accordance with "—Notices" and to the Trustee and paying agent at least five Business Days prior to the relevant due date for payment.

Upon the occurrence of a Mandatory Settlement Date, the Issuer will promptly deliver to the Trustee a certificate signed by a duly authorized representative of the Issuer confirming the occurrence thereof.

"Mandatory Settlement Date" means the earliest of:

(i) the fifth Business Day following the date on which a Mandatory Arrears of Interest Settlement Event occurs;

(ii) following any deferred interest payment, on the next scheduled Interest Payment Date on which the Issuer does not elect to defer all of the interest accrued in respect of the relevant Interest Period for the notes;

(iii) the date on which the notes are redeemed (in whole) or repaid or substituted or varied in accordance with the terms of the Indenture; and

(iv) the date on which an order is made or a resolution is passed for the commencement of any Insolvency Proceedings in respect of the Issuer, or the date on which the Issuer takes any corporate action for the purposes of opening, or initiates or consents to, Insolvency Proceedings in respect of itself.

A "Mandatory Arrears of Interest Settlement Event" shall have occurred if:

(i) shareholders of the Issuer resolve to make any dividend payment above the Minimum Legally Required Dividend (as defined below) on its share capital;

(ii) the Issuer pays any distributions on Parity Securities, if any; or

(iii) the Issuer repurchases, redeems or otherwise acquires any Parity Securities or any of its share capital;

except, in each case, where the Issuer or any of its subsidiaries (a) is obliged under the terms of such securities to make such declaration, distribution, payment, redemption, repurchase or acquisition, (b) undertakes any purchase of Common Shares in connection with any employee stock option plan or other employee participation plan, (c) directly or indirectly acquires Common Shares, except in consideration for cash or other property of the Issuer, and only in accordance with Article 27 of Law No. 18,046 of Chile, as amended, on Stock Corporations (*Ley sobre Sociedades Anónimas*), in connection with any merger by the Issuer with one of its subsidiaries or shareholders, or (d) effects such redemption, repurchase or acquisition as a cash tender offer or exchange offer to all holders thereof at a purchase price per security which is below its par value.

"Minimum Legally Required Dividend" means, in the case of Chile, the cash dividend that shall be distributed by the Issuer to its shareholders every year, on a *pro rata* basis to their shares or in the proportion stipulated in the Issuer's by-laws if there are any preferred shares, equivalent to at least 30% of the net consolidated profits from the previous year, except when accumulated losses from prior years need to be absorbed. The Issuer's by-laws and Article 79 of Law No. 18,046 of Chile, as amended, on Stock Corporations stipulate that, unless otherwise agreed unanimously in the respective shareholders' meeting by all of the shares issued, corporations shall distribute at least the Minimum Legally Required Dividend.

The Issuer's current by-laws provide for a single class of shares (the Common Shares).

Covenants

Holders of the notes will benefit from limited covenants contained in the Indenture including those described below in "—Covenants—Dividend Stopper" and "—Covenants—Reporting Requirements" as well as covenants to pay principal, the applicable Early Redemption Price, interest, deferred interest, Additional Amounts and Arrears of Interest if and when the same become due and payable (subject to optional interest deferral, as described above). Otherwise, there are no covenants restricting the ability of the Issuer or its subsidiaries to make payments, incur indebtedness, dispose of assets, issue and sell capital stock, enter into transactions with affiliates or engage in business other than its present business. In addition, no negative pledge will apply to the notes.

Dividend Stopper

In the event that (a) interest that is due and payable is not paid (after giving effect to any applicable grace period), or (b) interest has been deferred in accordance with "—Optional Interest Deferral" above, to the fullest extent permitted by applicable law (which includes compliance by the board of directors with any applicable fiduciary duties prescribed by Chilean law), the board of directors of the Issuer will recommend to its shareholders not to declare nor pay any dividends or distributions on the Issuer's share capital until all amounts due but unpaid on the notes and any Arrears of Interest has been paid.

Furthermore, the Issuer will also, to the fullest extent permitted by applicable law (which includes compliance by the board of directors of the Issuer with any applicable fiduciary duties prescribed by Chilean law and the declaration and payment of any Minimum Legally Required Dividend, unless it is agreed unanimously in the shareholders' meeting by all of the shares issued not to declare and pay such Minimum Legally Required Dividend), provide a detailed justification to its shareholders describing the reasons why such declaration or payment of any dividends or distributions would be incompatible with the Issuer's financial position.

If the Issuer fails to take any of the actions herein, Holders would not be entitled to accelerate or institute Insolvency Proceedings (as defined above) solely as a result of such failure.

Reporting Requirements

The Issuer will furnish to the Holders and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

In addition, the Issuer will furnish (or in lieu of furnishing, make accessible electronically with notice to the Trustee) to Holders:

(i) as soon as they are available, but in any event within 120 calendar days after the end of each fiscal year of the Issuer, copies of its audited financial statements (on a consolidated basis) in respect of such fiscal year (including a profit and loss account, balance sheet and cash flow statement), in English, prepared in accordance with IFRS and audited by a member firm of an internationally recognized firm of independent accountants; and

(ii) as soon as they are available, but in any event within 60 calendar days after the end of each of the first and third fiscal quarters of the Issuer, and 75 calendar days after the end of the second fiscal quarter of the Issuer, copies of its unaudited financial statements (on a consolidated basis) in respect of the relevant period (including a profit and loss account, balance sheet and cash flow statement), in English, prepared on a basis consistent with the audited financial statements of the Issuer and in accordance with IFRS, together with a certificate signed by the person then authorized to sign financial statements on behalf of the Issuer to the effect that such financial statements are true in all material respects and present fairly the financial position of the Issuer as at the end of, and the results of its operations for, the relevant quarterly period.

Delivery of such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of the covenants contained in the Indenture (as to which the Trustee will be entitled to conclusively rely upon an officer's certificate).

Events of Default

The following will be events of default (each, an "Event of Default") with respect to the notes:

(i) default in the payment of the principal or premium, if any, in respect of any note, at maturity, upon redemption or otherwise;

(ii) default in the payment of interest or Additional Amounts in respect of the notes if such default continues for 30 days after any such interest or Additional Amount becomes due (provided, however, that a deferral of interest as discussed above in "—Optional Interest Deferral" will not constitute an Event of Default);

(iii) any Insolvency Proceedings are commenced against the Issuer and a decree or order by a court having jurisdiction has been entered adjudging or declaring the Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Issuer and such decree or order continues undischarged or unstayed for a period of 60 days; or a decree or order of a court having jurisdiction for the appointment of a receiver or liquidator or for the liquidation or dissolution of the Issuer, has been entered, and such decree or order continues undischarged and unstayed for a period of 60 days; or

(iv) the Issuer institutes or consents to any Insolvency Proceedings against it.

For the avoidance of doubt, other than as set forth above, breach by the Issuer of any covenant set forth in the Indenture shall never constitute an Event of Default.

If an Event of Default specified in clause (iii) or (iv) above occurs (except for a reorganization procedure under Chilean law), the maturity of all outstanding notes will automatically be accelerated and the principal amount of the notes, together with accrued and unpaid interest up to but excluding the date on which the notes become due and payable and any Arrears of Interest, will be immediately due and payable. If any other Event of Default occurs and is continuing, the Trustee or the Holders of not less than 25% of the aggregate principal amount of the notes then outstanding may, by written notice to the Issuer (and to the Trustee if given by Holders), declare the principal amount of the notes, together with accrued and unpaid interest up to but excluding the date on which the notes become due and payable and any Arrears of Interest, immediately due and payable. The right of the Holders to give such acceleration notice will terminate if the event giving rise to such right has been cured before such right is exercised. Any such declaration may be annulled and rescinded by written notice from the Holders of a majority of the aggregate principal amount of the notes then outstanding to the Issuer if all amounts then due with respect to the applicable notes are paid (other than amounts due solely because of such declaration) and all other defaults with respect to the notes are cured and all amounts owed to the Trustee are paid.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case the Issuer fails to comply with its obligations under the Indenture or the notes and such failure is continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders, unless such Holders have offered to the Trustee security and/or indemnity satisfactory to it. Subject to its being secured and/or indemnified to its satisfaction, the Trustee at its sole discretion may institute steps in order to obtain a judgment against the Issuer for any amounts due in respect of the notes, including the institution of Insolvency Proceedings against the Issuer or the filing of a proof of claim and participation in any Insolvency Proceedings or proceedings for the liquidation, dissolution or winding-up of the Issuer.

No Holder of any note will have any right to institute any proceeding with respect to the Indenture or the notes or for any remedy thereunder, unless such Holder has previously given to the Trustee written notice of a continuing Event of Default and unless also the Holders of at least 25% in aggregate principal amount of the outstanding notes have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee, such Holder or Holders have offered to the Trustee security and/or indemnity satisfactory to it, the Trustee for 60 days after receipt of such notice has failed to institute any such proceeding and no direction inconsistent with such request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the outstanding notes. However, such limitations do not apply to a suit individually instituted by a Holder of a note for enforcement of payment of principal, premium, if any, and interest in respect of such note on or after respective due dates expressed in such note; see "—Ranking and Subordination—Holders' Acknowledgement of Subordination of Notes" for further description of Holders' rights in the event of any Insolvency Proceedings.

So long as certain conditions are met, the Holders of a majority in aggregate principal amount of the notes then outstanding by notice to the Trustee and the Issuer may waive an existing Event of Default and its consequences except (i) an Event of Default in the payment of the principal of or interest on a note or (ii) an Event of Default in respect of a provision that cannot be amended without the consent of each Holder affected. When an Event of Default is waived, it is deemed cured, but no such waiver shall (a) extend to any subsequent or other Event of Default or (b) impair any consequent right.

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time on or after April 7, 2024 (90 calendar days prior to the First Reset Date), elect to have its obligations with respect to outstanding notes discharged ("Legal Defeasance"). If the Issuer exercises its Legal Defeasance option, payment of the notes may not be accelerated because of an Event of Default with respect thereto. Such Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire indebtedness represented by the outstanding notes after the deposit specified in clause (i) of the third following paragraph, except for:

(i) the rights of Holders to receive payments of the principal, premium, if any, and interest in respect of the notes when such payments are due;

(ii) the Issuer's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payments;

(iii) the rights, powers, trust, duties and immunities of the Trustee and the Issuer's obligations in connection therewith; and

(iv) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time on or after April 7, 2024 (90 calendar days prior to the First Reset Date), elect to have its obligations released with respect to the covenants described under "—Covenants" ("Covenant Defeasance") and thereafter any omission to comply with such obligations will not constitute a default or Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(i) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders cash in U.S. dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as will be sufficient without reinvestment, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal, premium, if any, and interest (including Additional Amounts and Arrears of Interest) in respect of the notes on the stated date for payment thereof;

(ii) in the case of Legal Defeasance, the Issuer will have delivered to the Trustee an opinion of counsel from counsel in the United States reasonably acceptable to the Trustee and independent of the Issuer to the effect that (subject to customary exceptions and exclusions):

  (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or

  (b) since the date of issuance of the notes, there has been a change in the applicable U.S. federal income tax law,

  in either case to the effect that, and based thereon such opinion of counsel state that, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(iii) in the case of Covenant Defeasance, the Issuer will have delivered to the Trustee an opinion of counsel from counsel in the United States reasonably acceptable to the Trustee and independent of the Issuer (subject to customary exceptions and exclusions) to the effect that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(iv) in the case of Legal Defeasance or Covenant Defeasance, the Issuer will have delivered to the Trustee, an opinion of counsel from counsel in Chile reasonably acceptable to the Trustee and independent of the Issuer (subject to customary exceptions and exclusions) to the effect that, based upon Chilean law then in effect, Holders will not recognize income, gain or loss for Chilean tax purposes, including withholding tax except for withholding tax then payable on interest payments due, as a result of such Legal Defeasance or Covenant Defeasance, as the case may be, and will be subject to Chilean taxes on the same amounts and in the same manner and at the same time as would have been the case if such Legal Defeasance or Covenant Defeasance, as the case may be, had not occurred;

(v) no Event of Default, or event which with notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing with respect to the notes, including with respect to certain Insolvency Proceedings, at any time during the period ending on the 121st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period);

(vi) the Issuer has delivered to the Trustee an officer's certificate and an opinion of counsel from counsel reasonably acceptable to the Trustee and independent of the Issuer (subject to customary exceptions and exclusions), each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(vii) the Issuer has delivered to the Trustee opinions of one U.S. counsel and one Chilean counsel reasonably acceptable to the Trustee and independent of the Issuer (subject to customary exceptions and exclusions and to assumptions as to factual matters, including the absence of any intervening Insolvency Proceedings during the applicable preference period following the date of such deposit and that no Holder or the Trustee is deemed to be an "insider" of the Issuer under the U.S. Bankruptcy Code and any equivalent law of Chile) to the effect that the transfer of trust funds pursuant to such deposit will not be subject to avoidance as a preferential transfer pursuant to the applicable provisions of the U.S. Bankruptcy Code or any successor statute and any equivalent law of Chile.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the notes, as expressly provided for in the Indenture) as to all outstanding notes when:

(i) either:

(a) all the notes theretofore authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the Trustee for cancellation; or

(b) if the Maturity Date of the notes is within less than one year from the date on which the Indenture is to be discharged, the Issuer has irrevocably deposited or caused to be deposited with the Trustee certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire indebtedness on the notes not theretofore delivered to the Trustee for cancellation, for principal, premium, if any, and interest in respect of the notes to the Maturity Date, together with irrevocable instructions from the Issuer directing the Trustee to apply such funds to the payment; or

(c) all notes not theretofore delivered to the Trustee for cancellation have become due and payable, and the Issuer has irrevocably deposited or caused to be deposited with the Trustee funds sufficient to pay and discharge the entire indebtedness on the notes not theretofore delivered to the Trustee for cancellation, for principal, premium, if any, and interest in respect of the notes to the date of deposit, together with irrevocable instructions from the Issuer directing the Trustee to apply such funds to the payment;

(ii) the Issuer has paid all other sums payable under the Indenture and the notes by it; and

(iii) the Issuer has delivered to the Trustee an officer's certificate stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Notices

All notices will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to Holders of the notes at their registered addresses as recorded in the register. In addition, so long as the notes are listed on the Luxembourg Stock Exchange and the rules of the exchange so require, notices will also be published in a leading newspaper having general circulation in Luxembourg, which is expected to be "Luxemburger Wort". If such publication is not practicable, notice will be considered to be validly given if otherwise made in accordance with the rules of the Luxembourg Stock Exchange. Any such notice will be deemed to have been delivered on the date of first publication. Any notice to Holders may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Amendments and Waivers

From time to time, the Issuer and the Trustee, without the consent of the Holders, may amend, modify or supplement the Indenture and the notes for certain specified purposes, including, among other things:

(i) to cure any ambiguity, defect or inconsistency contained therein or to make any other change that does not adversely affect the rights of any Holder in any material respect;

(ii) to provide for the assumption by a successor Person of the obligations of the Issuer under the Indenture;

(iii) to add to the covenants of the Issuer for the benefit of the Holders or surrender any right or power conferred upon the Issuer;

(iv) to provide for the issuance of Additional Notes in accordance with the Indenture;

(v) to evidence the replacement of the Trustee as provided for under the Indenture; or

(vi) to conform the text of the Indenture or the notes to any provision of this "Description of the Notes".

Modification and amendments to the Indenture or to the terms and conditions of the notes may be made, and future compliance therewith or past default by the Issuer (other than a default in the payment of any amount, including in connection with a redemption, due on the notes or in respect of any covenant or provision which cannot be modified and amended without the consent of the Holders of all notes so affected) may be waived, with the written consent (including consents obtained in connection with a tender offer or exchange offer for the notes) of the Holders of at least a majority in aggregate principal amount of outstanding notes; or by the adoption of resolutions at a meeting of Holders of the notes by the Holders of at least a majority of the outstanding notes *provided that*, no such modification or amendment to the Indenture or to the terms and conditions of the notes may, without the consent or the affirmative vote of each Holder of each note so affected:

(i) change the interest rate with respect to any note or reduce the principal amount of any note, or change the time for such payments;

(ii) modify the obligation to pay Additional Amounts;

(iii) change the prices at which the notes may be redeemed by the Issuer, or change the time at which any note may be redeemed;

(iv) change the currency in which, or change the required place at which, payment on principal, premium, if any, and interest with respect to the notes is payable;

(v) impair the right to institute suit for the enforcement of any payment obligation on or with respect to any note; or

(vi) reduce the above-stated percentage of principal amount of outstanding notes whose Holders are required to consent to modify or amend the Indenture or the terms or conditions of the notes or to waive any future compliance or past default; and

provided, *further*, that in connection with any modification, amendment or supplement, the Issuer has delivered to the Trustee an opinion of counsel and an officer's certificate, each stating that such modification, amendment or supplement complies with the applicable provisions of the Indenture.

The consent of the Holders shall not be required in the case of any substitution or variation of the terms of the notes required to be made in the circumstances described under, and made in compliance with the provisions of, "—Substitution and Variation" in connection with the substitution or variation of the terms of the notes so that they remain or become Qualifying Notes.

Listing

We have applied to list the notes on the Euro MTF Market of the Luxembourg Stock Exchange. The Issuer will use its reasonable best efforts to maintain such listing; *provided that* the Issuer may delist the notes from the Euro MTF Market of the Luxembourg Stock Exchange in accordance with the rules of the exchange and seek an alternative admission to listing, trading and/or quotation for the notes on a different section of the Euro MTF Market of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Issuer's board of directors may decide.

Governing Law, Consent to Jurisdiction, Currency Conversion and Service of Process

The Indenture and the notes are governed by, and construed in accordance with, the laws of the State of New York.

The Issuer has consented to the non-exclusive jurisdiction of the New York State and U.S. federal courts located in the Borough of Manhattan, The City of New York with respect to any action that may be brought in connection with the Indenture or the notes and has irrevocably appointed Corporation Service Company located at 1180 Avenue of the Americas, Suite 210, New York, New York 10036 as agent for service of process.

If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder to the holder of a note from U.S. dollars into another currency, the Issuer has agreed, and each Holder by holding such note will be deemed to have agreed, to the fullest extent that the Issuer and they may effectively do so, that the rate of exchange used will be that at which in accordance with normal banking procedures such Holder could purchase U.S. dollars with such other currency in New York, New York on the day two Business Days preceding the day on which final judgment is given.

The Issuer's obligation in respect of any sum payable by it to a Holder will, notwithstanding any judgment in a currency (the "judgment currency") other than U.S. dollars, be discharged only to the extent that on the Business Day following receipt by the Holder of a note of any sum adjudged to be so due in the judgment currency, the Holder of such note may in accordance with normal banking procedures purchase U.S. dollars with the judgment currency; if the amount of the U.S. dollars so purchased is less than the sum originally due to the Holder in U.S. dollars, the Issuer agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Holder of such note against such loss, and if the amount of the U.S. dollars so purchased exceeds the sum originally due to such Holder, such Holder agrees to remit to the Issuer such excess, *provided that* such Holder will have no obligation to remit any such excess as long as the Issuer has failed to pay such Holder any obligations due and payable under such note, in which case such excess may be applied to the Issuer's obligations under such note in accordance with the terms thereof.

Claims in the U.S. against the Issuer for the payment of principal, premium, if any, or interest on the notes must be made within six years from the due date for payment thereof. However, for claims made in Chile, under Chilean law the statute of limitations applicable to the notes is four years from the due date for payment thereof.

Enforceability of Judgments

The Issuer is incorporated in Chile and all of its operating assets are outside the United States. Accordingly, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, if any, and interest, Additional Amounts and any purchase price (including any Early Redemption Price) with respect to the notes, may not be collectable within the United States.

Waiver of Immunity

To the extent that the Issuer or any of its properties, assets or revenues may have or may hereafter become entitled to, or have attributed to the Issuer, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from setoff or from counterclaim from the jurisdiction of any Chilean, New York State or U.S. federal court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution of judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any such court in which proceedings may at any time be commenced, with respect to the obligations and liabilities of the Issuer, or any other matter under or arising out of or in connection with, the notes or the Indenture, the Issuer irrevocably and unconditionally waives or will waive such right, and agrees not to plead or claim any such immunity and consents to such relief and enforcement.

Further Issues

The Issuer may, without the consent of the Holders, create and issue Additional Notes ranking equally with the notes in all respects (or in all respects save for the first payment of interest thereon), including having the same CUSIP and/or ISIN number, so that such Additional Notes shall be consolidated and form a single series with the notes under the Indenture, unless such Additional Notes are not fungible for U.S. tax purposes, in which case they will have a separate CUSIP and/or ISIN number. Any such Additional Notes will have the same terms as to ranking, redemption or otherwise as the notes.

Form, Denomination and Title

The notes have been issued in registered form, without interest coupons, in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. No service charge has been made for any registration of transfer or exchange of notes, but the Issuer or Trustee or other agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The notes have been represented by a Restricted Global Note (as defined below) and a Regulation S Global Note (as defined below) (each, sometimes referred to herein as a "Global Note" and together sometimes referred to herein as the "Global Notes").

Notes sold in reliance on Rule 144A under the U.S. Securities Act initially will be represented by one or more Global Notes in definitive, fully registered form without interest coupons (the "Restricted Global Note") and will be deposited with the Trustee as custodian for DTC and registered in the name of DTC or its nominee.

Notes sold outside the United States in reliance on Regulation S under the U.S. Securities Act will be represented by one or more Global Notes in definitive, fully registered form without interest coupons (the "Regulation S Global Note") and will be deposited with the Trustee as custodian for DTC, and registered in the name of DTC or its nominee for the accounts of Euroclear and Clearstream (as indirect participants in DTC).

The Restricted Global Note and Regulation S Global Note will be subject to certain restrictions on transfer and will bear a legend to that effect.

A beneficial interest in the Regulation S Global Note may be transferred to a person who wishes to hold such beneficial interest through the Restricted Global Note only upon receipt by the Trustee of a written certification of the transferee (a "Rule 144A certificate") to the effect that such transferee is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A.

A beneficial interest in the Restricted Global Note may be transferred to a person who wishes to hold such beneficial interest through the Regulation S Global Note only upon receipt by the Trustee of a written certification of the transferor (a "Regulation S certificate") to the effect that such transfer is being made in compliance with Regulation S under the Securities Act.

The Issuer will initially appoint the Trustee at its office in New York, New York specified herein as registrar and New York paying agent and transfer agent for the notes. In such capacities, the Trustee will be responsible for, among other things, (i) maintaining a record of the aggregate holdings of notes represented by the Global Notes and accepting notes for exchange and registration of transfer, (ii) ensuring that payments of principal, premium, if any, and interest in respect of the notes received by the Trustee from the Issuer are duly paid to DTC or its nominee or any other registered owner and (iii) transmitting to the Issuer any notices from Holders.

Global Notes

Upon the issuance of a Restricted Global Note and a Regulation S Global Note, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Note to the accounts of persons who have accounts with DTC. Such accounts initially are designated by or on behalf of the Initial Purchasers. Ownership of beneficial interests in a Global Note are limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants, including Euroclear and Clearstream. Ownership of beneficial interests in the Global Notes are shown on, and the transfer of that ownership are effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

Investors may hold their interests in a Global Notes directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such interests in the Global Notes in customers' securities accounts in the depositaries' names on the books of DTC.

Payments of the principal, premium, if any, and interest in respect of notes represented by a Global Note registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the Global Note representing such notes. None of the Issuer, the Trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising, or reviewing any records relating to such beneficial ownership interests. The Issuer expects that DTC or its nominee, upon receipt of any payment of principal, premium, if any, and interest in respect of a Global Note representing any notes held by it or its nominee, will credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee.

The Issuer also expects that payments by DTC Participants to owners of beneficial interests in such Global Note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants. Transfers between DTC Participants will be effected in accordance with DTC rules and procedures and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and procedures.

The laws of some jurisdictions require that certain persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a Global Note to such persons may be limited because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks. Accordingly, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of each interest, may be affected by the lack of a physical certificate for such interest.

Subject to compliance with the transfer restrictions applicable to the notes described above, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules and procedures on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to

DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a DTC Participant will be credited during the securities settlement processing day (which must be a Business Day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date, and the credit of any transactions in interests in a Global Note settled during such processing will be reported to the relevant Euroclear or Clearstream participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day following settlement in DTC.

DTC has advised the Issuer that it will take any action permitted to be taken by a Holder of notes (including, without limitation, the presentation of notes for transfer, exchange or conversion as described below) only at the direction of one or more DTC Participants to whose account with DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction. However, in the limited circumstances described herein, DTC will exchange the Global Notes for notes in certificated form, which it will distribute to DTC Participants; see " —Form, Denomination and Title—Certificated Notes".

DTC has advised the Issuer as follows:

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes to participants' accounts, thereby eliminating the need for physical movement of notes certificates. Direct participants of DTC include securities brokers and dealers, including the initial purchasers of the notes, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to DTC's system is also available to indirect participants, which includes securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

To facilitate subsequent transfers, all Global Notes representing the notes which are deposited with, or on behalf of, DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of Global Notes with, or on behalf of, DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Global Notes representing the notes; DTC's records reflect only the identity of the direct participants to whose accounts the notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Global Notes representing the notes. Under its usual procedure, DTC mails an omnibus proxy to the Issuer as soon as possible after the applicable Record Date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the notes are credited on the applicable Record Date (identified in a listing attached to the omnibus proxy).

DTC may discontinue providing its services as securities depositary with respect to the notes at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depositary is not obtained, certificated notes are required to be printed and delivered. See "—Form, Denomination and Title — Certificated Notes".

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC or a successor securities depositary. In that event, certificated notes will be printed and delivered. See "—Form, Denomination and Title —Certificated Notes".

Although DTC, Euroclear and Clearstream have agreed to the procedures described above in order to facilitate transfers of interests in the Global Notes among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. Neither the Trustee nor the Issuer will have any liability or responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

If DTC is at any time unwilling or unable to continue as a depositary for the reasons set forth under "—Form, Denomination and Title—Global Notes" above and a successor depositary is not appointed by the Issuer within 90 days, the Issuer elects to discontinue use of the system of book-entry transfers through DTC or a successor securities depository, or an Event of Default has occurred and is continuing with respect to the notes, then, upon surrender by DTC of the Global Notes, the Issuer will issue individual definitive notes in certificated form, having the same terms and conditions and which will have the same aggregate principal amount, in registered form in exchange for Regulation S Global Notes and Restricted Global Notes, as the case may be. Upon any exchange for certificated notes, the certificated notes will be registered in the names of the beneficial owners of the Global Notes representing the notes, which names will be provided by DTC's relevant participants (as identified by DTC) to the Trustee.

The Holder of a certificated note may transfer such note by surrendering it at the office or agency maintained by the Issuer for such purpose in the Borough of Manhattan, The City of New York, which initially will be the office of the Trustee.

Neither the Trustee nor the registrar or any transfer agent will be required to register the transfer of or exchange certificated notes for a period from the applicable Record Date to the due date for any payment of principal of, or interest on, the notes or register the transfer of or exchange any notes for 15 days prior to selection for redemption through the date of redemption.

Prior to presentment of a note for registration of transfer (including a Global Note), the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the person in whose name such note is registered as the owner or Holder of such note for the purpose of receiving payment of principal or interest on such note and for all other purposes whatsoever, whether or not such note is overdue, and none of the Issuer, the Trustee or any agent of the Issuer or the Trustee will be affected by notice to the contrary.

Legends

The notes are subject to certain restrictions on transfer and will bear a legend to that effect. See "Transfer Restrictions."

Replacement of Notes

In the event that any note becomes mutilated, defaced, destroyed, lost or stolen, the Issuer will execute and, upon the Issuer's written request, the Trustee will authenticate and deliver a new note, of like tenor (including the same date of issuance) and equal principal amount, registered in the same manner, and bearing interest from the date to which interest has been paid on such note, in exchange and substitution for such note (upon surrender and cancellation thereof) or in lieu of and substitution for such note. In the event that such note is destroyed, lost or stolen, the applicant for a substitute note will furnish to the Issuer and the Trustee such security and/or indemnity as may be required by them to hold each of them harmless, and, in every case of destruction, loss or theft of such note, the applicant will also furnish to the Issuer and the Trustee satisfactory evidence of the destruction, loss or theft of such note and of the ownership thereof. Upon the issuance of any substituted note, the Issuer may require the payment by the registered Holder thereof of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other fees and expenses (including the fees and expenses of the Trustee) connected therewith.

Replacement of Trustee

The Trustee may resign at any time by written notice to the Issuer.

The Holders of a majority in principal amount of the outstanding notes may remove the Trustee by written notice to the Trustee.

If the Trustee is no longer eligible pursuant to the U.S. Trust Indenture Act, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee.

The Issuer shall remove the Trustee if: (i) the Trustee is no longer eligible pursuant to the U.S. Trust Indenture Act; (ii) the Trustee is adjudged bankrupt or insolvent; (iii) a receiver or other public officer takes charge of the Trustee or its property; or (iv) the Trustee becomes incapable of acting. In addition, the Issuer may remove the Trustee at any time for any reason to the extent the Issuer has given the Trustee at least 30 days' written notice and as long as no Event of Default has occurred and is continuing.

A resignation or removal of the Trustee and appointment of a successor trustee will become effective only upon the successor trustee's acceptance of appointment as provided in this "Description of the Notes".

If the Trustee has been removed by the Holders, the Holders of a majority in principal amount of the notes may appoint a successor trustee with the consent of the Issuer. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Issuer will promptly appoint a successor trustee. If the successor trustee does not deliver its written acceptance within 60 days after the retiring Trustee resigns or is removed, the Issuer or the Holders of a majority in principal amount of the outstanding notes may appoint a successor trustee, or the retiring Trustee, the Issuer or the Holders of a majority in principal amount of the outstanding notes may petition any court of competent jurisdiction for the appointment of a successor trustee.

Upon delivery by the successor trustee of a written acceptance of its appointment to the retiring Trustee and to the Issuer, (i) the retiring Trustee will, upon payment of its charges, transfer all property held by it as Trustee to the successor trustee, (ii) the resignation or removal of the retiring Trustee will become effective, and (iii) the successor trustee will have all the rights, powers and duties of the Trustee under the Indenture. Upon request of any successor trustee, the Issuer will execute any and all instruments for fully vesting in and confirming to the successor trustee all such rights, powers and trusts. The Issuer will give notice of any resignation and any removal of the Trustee and each appointment of a successor trustee to all Holders, and include in the notice the name of the successor trustee and the address of its corporate trust office.

Replacement of Notes Depositary

If DTC, or a successor notes depositary, notifies the Issuer or the Trustee that it is unwilling or unable to continue to act as notes depositary, the Issuer agrees that it shall use reasonable efforts to appoint a successor notes depositary as soon as practicable and to provide notice to the paying agent and the Holders of any such successor notes depositary.

Calculation Agent

The Issuer has appointed Citibank, N.A., as Calculation Agent with respect to the notes (the "Calculation Agent").

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the paying agent and the Holders.

TAXATION

General

This section summarizes the principal Chilean tax and U.S. federal income tax considerations relating to the purchase, ownership and disposition of the notes. This summary does not provide a comprehensive description of all tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States and Chile. There is a signed tax treaty on the subject of double taxation between Chile and the United States. The tax treaty will be in force once it is approved by the Chilean Congress and the United States Congress and may apply to income generated in either Chile or the United States by a resident of either country. There can be no assurance that the treaty will be ratified by either country. The following summary assumes that there is no applicable income tax treaty in effect between the United States and Chile.

This summary is based on the tax laws of Chile and the United States as in effect on the date of this listing memorandum, as well as regulations, rulings and decisions of Chile and the United States available on or before that date and now in effect. Those laws, rules, regulations and decisions are subject to change and changes could apply retroactively, which could affect the continued accuracy of this summary.

Prospective purchasers of the notes should consult their own tax advisors as to the Chilean, U.S. or other tax consequences of the purchase, ownership and disposition of the notes. They should especially consider how the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws, could apply to them in their particular circumstances.

Chilean Taxation Considerations

The following is a general summary of the material consequences under Chilean tax law, as currently in effect, of an investment in the notes made by a Foreign Holder (as defined below). It is based on the tax laws of Chile as in effect on the date of this listing memorandum, as well as regulations, rulings and decisions of Chile available on or before such date and now in effect. All of the foregoing is subject to change. Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign investors, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may be amended only by another law or international tax treaty. In addition, the Chilean tax authorities enact rulings and regulations of either general or specific application and interpret the provisions of Chilean tax law. Chilean tax law may not be applied retroactively against taxpayers who act in good faith relying on such rulings, regulations or interpretations, but Chilean tax authorities may change their rulings, regulations or interpretations prospectively. For purposes of this summary, the term "Foreign Holder" means either (i) in the case of an individual, a person who is not resident or domiciled in Chile (for purposes of Chilean taxation, (a) an individual holder is resident in Chile if he or she has remained in Chile for more than six months in one calendar year, or a total of more than six months in two consecutive fiscal years and (b) an individual is domiciled in Chile if he or she resides in Chile with the actual or presumptive intent of staying in Chile (such intention to be evidenced by circumstances such as the acceptance of employment in Chile or the relocation of one's family to Chile)); or (ii) in the case of a legal entity, a legal entity that is not organized under the laws of Chile, unless the notes are assigned to a branch or a permanent establishment of such entity in Chile.

Payments of interest or premium.

Under the Chilean Income Tax Law (*Ley de Impuesto a la Renta*), payments of interest or premium, if any, made to a Foreign Holder in respect of the Notes will generally be subject to a Chilean withholding tax currently at the rate of 4%. However, interest, premiums, remuneration for services, financial expenses and any other contractual surcharges paid, credited to an account or made available to entities related to us in respect of loans or liabilities (e.g. notes) during the year in which the indebtedness is considered to be excessive, are subject to a single tax of 35% that will be applied to us separately, to the extent paid to entities related to us. The 4% withholding tax already paid can be used as a credit against the applicable 35% single tax. Our indebtedness will be considered to be excessive when at the end of the corresponding fiscal year we have a "total annual indebtedness" with entities incorporated, domiciled, residing or established whether in a foreign country or in Chile, either related or not to us, that exceeds three times our equity, as calculated for Chilean tax purposes. Consequently, interest or premium paid to entities related to us with respect to debt that exceeds this excessive indebtedness ratio will be subject to a 35% tax rate.

Under the excessive indebtedness rules, a lender or creditor, such as a holder of the notes, will be deemed to be related to the payor or debtor, if: (i) the beneficiary (*i.e.,* lender or creditor) is incorporated, domiciled, resident or established in one of the countries contained in the list referred to in section 41 D of the Chilean Income Tax Law (harmful preferential tax regimes and tax havens published by the Organization for Economic Co-Operation and Development and qualified as such by the Chilean Ministry of Finance); or (ii) the beneficiary (*i.e.,* lender or creditor) is incorporated, domiciled, resident or established in one of the territories or jurisdictions listed in section 41 H of the Chilean Income Tax Law (harmful preferential tax regimes, as defined in the same section 41 H); or (iii) the beneficiary (*i.e.,* lender or creditor) or debtor belongs to the same corporate group, or directly or indirectly, owns or participates in 10% or more of the capital or the profits of the other or if lender and debtor have a common partner or shareholder which, directly or indirectly, owns or participates in 10% or more of the capital or the profits of both, and that beneficiary is incorporated, domiciled, resident or established outside Chile; or (iv) the debt is guaranteed directly or indirectly by a third party , unless they are not related to the debtor and such third party guarantees the obligations for a fee determined under market conditions; or (v) it refers to securities placed and acquired by independent entities and that are subsequently acquired or transferred to a related entity according to prior numbers (i) to (iv). The debtor will be required to issue a sworn statement in this regard in the form set forth by the Chilean tax authorities.

We have agreed, subject to specific exceptions and limitations, to pay to the Foreign Holders of the notes certain additional amounts in respect of the Chilean withholding taxes mentioned above in order that the interest and/or premium, if any, the Foreign Holder receives, net of such taxes, equals the amount which would have been received by such Foreign Holder in the absence of such withholding taxes. See "Description of the Notes—Additional Amounts."

Payments of principal

Under existing Chilean law and regulations, a Foreign Holder will not be subject to any Chilean taxes in respect of payments of principal made by us with respect to the notes. Any other payment to be made by us (other than interest, premium or principal on the notes and except for some special exceptions granted by Chilean law and tax treaties subscribed by Chile and currently in force) will be subject to up to 35% withholding tax.

Capital gains

The Chilean Income Tax Law provides that a Foreign Holder is subject to income tax on its Chilean source income. For this purpose, Chilean source income means earnings from activities performed in Chile or from the sale or disposition of, or other transactions in connection with, assets or goods located in Chile.

Notes and other private or public securities issued in Chile by taxpayers domiciled, resident or established in Chile will be deemed to be located in Chile. Based on this, a capital gain obtained by a Foreign Holder arising from the sale of notes issued in Chile by an entity domiciled in Chile would be taxed in Chile, given that it will be considered Chilean source income, thus, since the notes are issued outside of Chile, any capital gain realized by a Foreign Holder on the sale or other disposition of notes issued abroad will not be subject to Chilean income taxes.

Gift and Inheritance Tax

A Foreign Holder (other than a Chilean national) will not be liable for estate, gift, inheritance or similar taxes with respect to its holdings unless notes held by a Foreign Holder are either deemed located in Chile at the time of such Foreign Holder's death, or, if the notes are not deemed located in Chile at the time of a Foreign Holder's death, if such notes were purchased or acquired with cash obtained from Chilean sources. A Foreign Holder will not be liable for Chilean stamp, registration or similar taxes.

Stamp Tax

The issuance of the notes is subject to stamp tax at a rate of 0.8% of the aggregate principal amount of the notes, which will be payable by us. If the stamp tax is not paid when due, the Chilean law imposes inflation adjustments, interests and penalties. Interest payments that are deferred may be subject to stamp tax if such interests are deemed capitalized according to Chilean law. In addition, until such tax (and any penalty) is paid, Chilean courts will not enforce any action based on the notes.

U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of acquiring, owning and disposing of the notes. Except where otherwise noted, this discussion applies only to U.S. Holders (as defined below) of notes that purchase the notes at the initial issue price indicated on the cover of this listing memorandum and that hold the notes as "capital assets" (generally, property held for investment). This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the Internal Revenue Service (the "IRS") and judicial decisions, all as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular holder and holders are urged to consult their own tax advisors regarding their specific tax situations. The discussion does not address the tax consequences that may be relevant to holders subject to special tax rules, including, for example:

- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect the mark-to-market method of accounting with respect to their securities holdings;
- banks or other financial institutions;
- partnerships or other pass-through entities for U.S. federal income tax purposes;
- U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- persons that, directly or indirectly, hold, or are considered to hold taking into account the treatment of the Notes discussed below, 10% or more of AES Gener's stock by vote or value;
- U.S. expatriates; or
- persons for whom the notes may form part of a hedge, straddle, conversion or other integrated transaction.

Further, this discussion does not address the U.S. federal estate and gift tax, or alternative minimum tax consequences, or the Medicare tax on net investment income, or any state, local and non-U.S. tax consequences of acquiring, owning and disposing of the notes.

As used herein, the term "U.S. Holder" means a beneficial owner of the notes that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or

- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under current U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of acquiring, owning and disposing of the notes.

Treatment of the Notes

The U.S. federal income tax treatment of a financial instrument with terms similar to the features of the notes is not entirely certain. The notes are in form indebtedness, provide for a repayment of their principal amount at maturity. Notwithstanding the attributes described in the preceding sentence, other factors, such as (i) the term of the notes, (ii) the provisions relating to the potential deferral of interest payments on the notes and (iii) certain of the provisions relating to the creditor rights of holders, suggest that the notes may be characterized as equity of the Company for U.S. federal income tax purposes. We are not a U.S. taxpayer and therefore are not required to file U.S. federal income tax returns. Accordingly, we do not intend to adopt a position with respect to the characterization of the notes for U.S. federal income tax purposes. However, by purchasing the notes each U.S. Holder will be deemed to agree to treat the notes as equity for U.S. federal income tax purposes, unless such U.S. Holder discloses that it is taking a contrary position on its U.S. federal income tax return. Except as discussed under the heading "—Potential Alternative Characterizations of the Notes" below, the discussion below assumes that the notes will be treated as equity of the Company for U.S. federal income tax purposes. **U.S. Holders should consult with their own tax advisors about the characterization of the notes for U.S. federal income tax purposes.**

Interest Payments on the Notes

Under the U.S. federal income tax laws, and subject to the passive foreign investment company ("PFIC") rules discussed below, if you are a U.S. Holder, the interest payments with respect to the notes, notwithstanding being denominated as "interest," will be treated as dividends to the extent of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Interest payments in excess of our current and accumulated earnings and profits (as determined for U.S. federal income tax purposes) will be treated as a non-taxable return of capital to the extent of your basis in the notes and thereafter as capital gain. However, we do not currently maintain calculations of our earnings and profits for U.S. federal income tax purposes and are not expected to do so in the future. Generally, you will be required to report all interest payments you receive as dividend income for U.S. federal income tax purposes. Such dividend income will be includible in taxable income in the year in which such dividend income is received, actually or constructively, in accordance with your regular method of accounting for U.S. federal income tax purposes, subject to the application of the PFIC rules and the provisions of Section 305 of the Code, each discussed below.

With respect to any interest payments you receive on the notes (and regardless of the characterization of such payments for U.S. federal income tax purposes), you must include any Chilean tax withheld from the interest payment in the gross amount of income realized by you as a result of such interest payment, even though you do not in fact receive it. Interest payments on the notes will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of certain dividends received from other U.S. corporations. Certain dividends received by non-corporate U.S. investors (including individuals) with respect to shares of certain non-U.S. corporations are subject to U.S. federal income tax at preferential rates if certain conditions are met. However, we do not expect that those conditions will be met because: (i) the notes are not tradable on an established securities market in the United States; (ii) although a comprehensive income tax treaty between Chile and the United States has been signed, such treaty is not currently in force; and (iii) even if such treaty were in force, the requirement that you hold the applicable security for a minimum period during which you are not protected from the risk of loss may not be met. The minimum holding period requirement may not be met because the IRS has ruled that where a security treated as equity for U.S. federal income tax purposes provides for repayment of the principal amount at maturity, a holder's creditor rights with respect to the principal repayment may constitute protection from the risk of loss. If you are a non-corporate U.S. Holder, you should consult your tax adviser with respect to the "qualified dividend income" rules.

Interest generally will be income from non-U.S. sources and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income for most U.S. Holders. Alternatively, a U.S. Holder may make an election to treat all foreign taxes paid as deductible expenses in computing taxable income, rather than as a credit against tax, subject to generally applicable limitations on deductions. Such an election, once made, generally applies to all foreign taxes paid for the taxable year that are subject to the election.

The rules governing foreign tax credits are very complex and such credits are subject to substantial limitations. U.S. Holders are strongly encouraged to consult their own tax advisors regarding the application of these rules based on their particular circumstances.

Section 305 Rules

If we pay dividends on any class of stock (or other notes treated as equity for U.S. federal income tax purposes), such as the Common Shares, as permitted under the terms and conditions of the notes under certain circumstances, and accrue but do not make interest payments in cash on the notes, such accrual may constitute a deemed distribution by us for U.S. federal income tax purposes. You are urged to consult your own tax advisor with respect to the particular tax consequences of any possible accrual of interest.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including a redemption) of a note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition and the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will equal the cost of the note to the U.S. Holder. Any such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

Any gain or loss realized on the sale, exchange or other taxable disposition of a note generally will be treated as U.S. source gain or loss, as the case may be. If any gain from the sale, exchange or other taxable disposition of notes is subject to foreign income tax, U.S. Holders may not be able to credit such tax against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code (because such gain generally would be U.S. source income) unless such income tax can be credited (subject to applicable limitations) against U.S. federal income tax due on other income that is treated as derived from foreign sources. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year.

Passive Foreign Investment Company Rules

A non-U.S. corporation will be considered a PFIC for any taxable year in which either (i) 75% or more of its gross income is "passive income" under the PFIC rules or (ii) 50% or more of the average quarterly value of its assets produce (or are held for the production of) "passive income." For this purpose, "passive income" generally includes interest, dividends, rents, royalties and gains from certain commodities and securities transactions (other than certain active business gains from the sale of commodities). For purposes of determining if a non-U.S. corporation is a PFIC, if the non-U.S. corporation owns, directly or indirectly, at least 25%, by value, of the shares of another corporation, it will be treated as if it holds directly its proportionate share of the assets and receives directly its proportionate share of the income of such other corporation. If a corporation is treated as a PFIC with respect to a U.S. Holder for any taxable year, the corporation will continue to be treated as a PFIC with respect to that U.S. Holder in all succeeding taxable years, regardless of whether the corporation continues to meet the PFIC requirements in such years, unless certain elections are made.

We do not believe that we should be treated as, and do not expect to become, a PFIC for U.S. federal income tax purposes, based on current business plans. However, this conclusion is a factual determination that is required to be made annually and thus may be subject to change. If we were to be treated as a PFIC, gain realized on the sale or other disposition of the notes generally would not be treated as capital gain. Additionally, if we were to defer interest payments on the notes, subsequent interest payments made in cash might be treated as "excess distributions" to the extent that they exceed 125% of the average interest payments you received on the notes (and any other amounts treated as dividends of the Company paid in respect of other equity in the Company) in the three preceding taxable years (or, if shorter, during your holding period in the notes). Instead, the amount of any such gain or excess distributions would be treated as if you had realized such gain and such excess distributions ratably over your holding period for the notes and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, the notes will be treated as stock in a PFIC at the time such gain is recognized or such excess distribution is received if we were a PFIC at any time during your holding period in the notes. Current law provides for certain elections that would be available that would result in alternative treatments of such gain and such excess distributions, including a "mark-to-market" election (the availability of which would depend on, among other factors, whether the notes are considered to be traded on an exchange) and a "qualified electing fund" election, which would depend on us making certain information about our ordinary income and net gain as determined for U.S. tax purposes, and which we do not currently plan to calculate or provide to holders of the notes. If a U.S. Holder holds notes in any year in which we are a PFIC, such holder will be subject to additional tax form filing and reporting requirements (including additional filing requirements under recently-enacted legislation). **U.S. Holders should consult their individual advisors as to the possibility of holding stock in a PFIC, as well as to whether a mark-to-market election in respect of the notes would be available, in their individual circumstances.**

Substition or Variation of the Notes

If we were to exercise our rights to substitute the notes or vary their terms, as described under "Description of the Notes — Substitution or Variation," the tax consequences of such a substitution or variation are not clear under current tax law. A substitution or variation may be tax-free, either because it is not a realization event or because it is treated as a recapitalization for U.S. federal income tax purposes. In either tax-free situation, a U.S. Holder's basis in the Qualifying Notes received would equal the holder's basis in the notes substituted or varied therefor and the holding period of the Qualifying Notes would include the holding period of the notes substituted or varied therefor.

It is also possible that a substitution or variation could be treated in whole or in part as a taxable exchange in which gain or loss would be recognized. In such event, a U.S. Holder could be deemed to have surrendered a number of notes equal to the number of Qualifying Notes. The U.S. Holder would recognize capital gain or loss in an amount equal to the difference between the fair market value of the Qualifying Notes received and the U.S. Holder's tax basis in the notes deemed surrendered. In this case, a U.S. Holder's tax basis in the Qualifying Notes received would equal the fair market value of the Qualifying Notes received. A U.S. Holder's holding period for the Qualifying Notes would commence on the date of substitution or variation and would not include the period during which the U.S. Holder held the notes that were deemed surrendered.

Due to the absence of authority on the U.S. federal income tax treatment of a substitution or variation, there can be no assurance which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. Holders should consult their tax advisors regarding the tax consequences of a substitution or variation.

Potential Alternative Characterizations of the Notes

As discussed above, the U.S. federal income tax treatment of the notes is not certain, and it is possible that the notes could be treated as indebtedness of the Company for U.S. federal income tax purposes, rather than equity. If the notes were so treated, you generally would be required to include the interest payments on the notes as ordinary interest income when actually or constructively received in accordance with your regular method of accounting, and the general discussion with respect to the treatment of any Chilean income tax withheld in respect of such interest payments would remain applicable. If the notes are characterized as indebtedness of the Company, the notes may be subject to the U.S. Treasury regulations governing original issue discount ("OID"), in which case U.S. Holders generally would be required to include amounts representing OID in their gross income as it accrues in advance of the receipt of cash payments attributable to such income using a constant yield method. Any interest income generally would be treated as derived from non-U.S. sources for foreign tax credit limitation purposes. You should consult your own tax advisor as to the tax consequences to you if the notes are classified as debt for U.S. federal income tax purposes.

U.S. Backup Withholding and Information Reporting

Backup withholding and information reporting requirements generally apply to payments of principal of, and interest on, a note and to proceeds of the sale or redemption of a note, to U.S. Holders. Information reporting generally will apply to payments of principal of, and interest on, notes (including additional amounts, if any), and to proceeds from the sale or redemption of notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding will be required on payments made within the United States, or by a U.S. payor or U.S. middleman, on a note to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. A holder of notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

In addition, certain U.S. Holders who are individuals are required to report information relating to an interest in the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this reporting obligation on their ownership and disposition of the notes.

The above description is provided for general information only and does not constitute tax or legal advice. It is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as global coordinators and joint book-running managers for the offering and as representatives of the initial purchasers, Itau BBA USA Securities, Inc. and Scotia Capital (USA) Inc. are acting as joint book-running managers for the offering and Banco BTG Pactual S.A.—Cayman Branch, Larrain Vial Investment Inc. and Santander Investment Securities Inc. are acting as co-managers for the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this listing memorandum, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of the notes set forth opposite the initial purchaser's name below.

Initial Purchasers	Principal Amount of Notes
Goldman Sachs & Co. LLC	U.S.$ 172,071,000
J.P. Morgan Securities LLC	172,071,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	172,071,000
Itau BBA USA Securities, Inc.	13,765,000
Scotia Capital (USA) Inc.	13,765,000
Banco BTG Pactual S.A.—Cayman Branch	2,503,000
Larrain Vial Investment Inc.	2,503,000
Santander Investment Securities Inc.	1,251,000
Total	**U.S.$ 550,000,00**

Banco BTG Pactual S.A.—Cayman Branch is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco BTG Pactual S.A.—Cayman Branch intends to sell the notes in the United States, it will do so only through BTG Pactual US Capital, LLC or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law. In addition, Larrain Vial Investment Inc. is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Larrain Vial Investment Inc. intends to sell the notes in the United States, it will do so only through one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. The initial purchasers may offer and sell the notes through any of their affiliates.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

We have been advised that the initial purchasers propose to resell the notes at the offering price set forth on the cover page of this listing memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. The price at which the notes are offered may be changed at any time without notice. This offering of the notes by the initial purchasers is subject to receipt and acceptance of orders and subject to the initial purchasers' right to reject any order in whole or in part.

The notes have not been and will not be registered under the Securities Act or any applicable U.S. federal or state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

We have agreed that, during the period beginning on the date of the purchase agreement and continuing to the date that is 30 days after the closing of the offering, we will not, without the prior written consent of the initial purchasers, offer, sell or contract to sell, or otherwise dispose of, except as provided in the purchase agreement, any securities issued or guaranteed by us that are substantially similar to the notes.

The notes will constitute a new class of securities with no established trading market. We have applied to list the notes on the Euro MTF Market of the Luxembourg Stock Exchange. However, we cannot assure you that the prices at which the notes will sell in the market after the offering will not be lower than the initial offering price or that an active trading market for the notes will develop and continue after the offering. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the notes.

In connection with the offering, the initial purchasers may purchase and sell notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases. Short sales involve secondary market sales by the initial purchasers of a greater number of notes than they are required to purchase in the offering. Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

We have delivered the notes against payment for the notes on March 26, 2019, which is the sixth business day following the date of the pricing of the notes (such settlement being referred to as "T+6"). Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially will settle in T+6, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the initial purchasers and their respective affiliates have provided, and may in the future provide, a variety of these services to us and to persons and entities with relationships with us, for which they received or will receive customary fees and reimbursement of expenses.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to our assets, securities and/or instruments (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with us. Certain of the initial purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. In particular, affiliates of certain of the initial purchasers currently hold an interest in our 2073 Notes that are the subject of the concurrent Tender Offer and we intend to redeem any such 2073 Notes not tendered in such Tender Offer, although we offer no assurance that we will be able to do so. Because the affiliates of such initial purchasers will receive a portion of the proceeds from this offering (in excess of any underwriting discount), such initial purchasers may be deemed to have a "conflict of interest" with us.

We have agreed to indemnify the several initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

Sales Outside of the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this listing memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Notice to Prospective Investors in the European Economic Area ("EEA") and Prohibition of Sales to EEA Retail Investors

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA, has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice to Prospective Investors in Peru

The notes and the information contained in this listing memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to this offering of the notes and therefore, the disclosure obligations set forth therein will not be applicable to us or the sellers of the notes before or after their acquisition by prospective investors. The notes and the information contained in this listing memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the SMV nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

The notes may be registered with the Foreign Investment and Derivatives Instruments Registry (*Registro de Instrumentos de Inversión y de Operaciones de Cobertura de Riesgo Extranjeros*) of the Peruvian Superintendency of Banks, Insurance and Private Pension Funds Administrators (*Superintendencia de Bancos, Seguros y Administradoras Privadas de Fondos de Pensiones*) in order to make the notes eligible for investment by Peruvian Private Pension Funds Administrators.

The notes may not be offered or sold in Peru except in compliance with the securities law thereof.

Notice to Prospective Investors in France

Neither this listing memorandum nor any other offering material relating to the notes described in this listing memorandum has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this listing memorandum nor any other offering material relating to the notes has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the notes to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restraint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code *monétaire et financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code *monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The notes may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code *monétaire et financier*.

Notice to Prospective Investors in People's Republic of China

The notes may not be offered or sold directly or indirectly within the People's Republic of China ("PRC"). This listing memorandum or any information contained herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This listing memorandum, any information contained herein or the notes have not been, and will not be, submitted to, approved by, verified by or registered with any relevant governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the notes in the PRC. The notes may only be invested in by PRC investors that are authorized to engage in the investment in the notes of the type being offered or sold. Investors are responsible for obtaining all relevant governmental approvals, verifications, licenses or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange, the China Securities Regulatory Commission, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and/or other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

Notice to Prospective Investors in Taiwan

The notes will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and the notes may not be sold, issued or offered within Taiwan through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan requiring registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the notes in Taiwan.

Notice to Prospective Investors in Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The notes offered in this listing memorandum have not been registered under the Financial Instruments and Exchange Law of Japan. The notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This listing memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the notes were not offered or sold or caused to be made the subject of an invitation for subscription or purchase and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this listing memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, has not been circulated or distributed, nor will it be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
(b) where no consideration is or will be given for the transfer;
(c) where the transfer is by operation of law; or
(d) as specified in Section 276(7) of the SFA.

Notice to Prospective Investors in Switzerland

The notes may not and will not be publicly offered, distributed or redistributed on a professional basis in or from Switzerland only on the basis of a non-public offering, and neither this listing memorandum nor any other solicitation for investments in our securities may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of articles 652a or 1156 of the Swiss Federal Code of Obligations or of Article 2 of the Federal Act on Investment Funds of March 18, 1994. This listing memorandum may not be copied, reproduced, distributed or passed on to others without the initial purchasers' prior written consent. This listing memorandum is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the Swiss exchange and may not comply with the information standards required thereunder. We will not apply for a listing of the notes on any Swiss stock exchange or other Swiss regulated market and this listing memorandum may not comply with the information required under the relevant listing rules. The notes have not been and will not be approved by any Swiss regulatory authority. The notes have not been and will not be registered with or supervised by the Swiss Federal Banking Commission, and have not been and will not be authorized under the Federal Act on Investment Funds of March 18, 1994. The investor protection afforded to acquirers of investment fund certificates by the Federal Act on investment Funds of March 18, 1994 does not extend to acquirers of the notes.

Notice to Prospective Investors in Chile

Pursuant to the Chilean Securities Market Law and the CMF Rule 336, the notes may be privately offered in Chile to certain "qualified investors" identified as such by CMF Rule 336 (which in turn are further described in Rule No. 216, dated June 12, 2008, and Rule No. 410, dated July 27, 2016, both of the CMF).

CMF Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: March 11, 2019. The offer of the notes is subject Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Chilean Financial Markets Commission (*Comisión para el Mercado Financiero*, the "CMF").

2. The subject matter of this offer are securities not registered with the Securities Registry (*Registro de Valores*) of the CMF, nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the CMF, due to the notes not being subject to the oversight of the CMF.

3. Since the notes are not registered in Chile there is no obligation by the issuer to make publicly available information about the notes in Chile.

4. The notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry of the CMF.

Información a los Inversionistas Chilenos

De conformidad con la ley N° 18.045, de Mercado de Valores y la Norma de Carácter General N° 336 (la "NCG 336"), de 27 de junio de 2012, de la Comisión para el Mercado Financiero (la "CMF"), los bonos pueden ser ofrecidos privadamente a ciertos "inversionistas calificados," a los que se refiere la NCG 336 y que se definen como tales en la Norma de Carácter General N° 216, de 12 de junio de 2008, y la Norma de Carácter General N° 410 de fecha 27 de julio de 2016, ambas de la CMF.

La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:

1. La oferta de los bonos comienza el 11 de marzo de 2019, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la CMF.

2. La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de esa Superintendencia.

3. Por tratarse de valores no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública sobre los mismos.

4. Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws in Canada.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this listing memorandum (including any amendment thereto) contains a misrepresentation; *provided* that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

TRANSFER RESTRICTIONS

The notes are subject to restrictions on transfer as summarized below. By purchasing notes, you will be deemed to have made the following acknowledgments, representations to and agreements with us and the initial purchasers:

1. You acknowledge that:

   - the notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and

   - unless so registered, the notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:

   - you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing notes for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the notes to you in reliance on Rule 144A; or

   - you are not a United States person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a United States person, other than a distributor, and you are purchasing notes in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the initial purchasers nor any person representing us or the initial purchasers has made any representation to you with respect to us or the offering of the notes, other than the information contained in this listing memorandum. You represent that you are relying only on this listing memorandum in making your investment decision with respect to the notes. You agree that you have had access to such financial and other information concerning us and the notes as you have deemed necessary in connection with your decision to purchase notes, including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing notes, and each subsequent holder of the notes by its acceptance of the notes will agree, that until the end of the Resale Restriction Period (as defined below), the notes may be offered, sold or otherwise transferred only:

   (a) to us;

   (b) in the case of Regulation S notes, under a registration statement that has been declared or becomes effective under the Securities Act;

   (c) for so long as the notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(c) through offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act; or

(d) under any other available exemption from the registration requirements of the Securities Act;

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller's or account's control.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A notes) or 40 days (in the case of Regulation S notes) after the later of the closing date and the last date that we or any of our affiliates was the owner of the notes or any predecessor of the notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;

- we and the trustee reserve the right to require in connection with any offer, sale or other transfer of notes under clause (d) or (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee;

- each Rule 144A note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED NOTES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED OR BECOME EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIES INSTITUTIONAL BUYER TO WHOM NOTICE IF GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FORM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF ANY OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY OT EACH OF THEM, THIS LEGEND WILL BE REMOVED ONLY AT THE OPTION OF THE ISSUER.

- each Regulation S note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED, OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTIONS EXEMPT FORM, OR NOT SUBJECT TO, SUCH REGISTRATION, THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED NOTES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED OR BECOME EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS

THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/ OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE AFTER 40 DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DATE ON WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND (B) THE ORIGINAL ISSUE DATE OF THIS NOTE.

1. You acknowledge that we, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of notes is no longer accurate, you will promptly notify us and the initial purchasers. If you are purchasing any notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

2. Each purchaser represents and covenants that it is not, and is not acquiring the notes with the assets of, or for or on behalf of, any employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended) or other arrangement that is subject to ERISA or Section 4975 of the Code (a "Plan") or any entity whose underlying assets are of a Plan pursuant to 29 C.F.R. Section 2510.3-101 or otherwise, except to the extent that the acquisition of the notes:

   (a) (i) is made with the assets of a bank collective investment fund and (ii) satisfies the applicable requirements and conditions of Prohibited Transaction Class Exemptions 91-38 issued by the Department of Labor;

   (b) (i) is made with the assets of an insurance company pooled separate account and (ii) satisfies the applicable requirements and conditions of Prohibited Transaction Class Exemption 90-1 issued by the Department of Labor;

   (c) (i) is made with the assets managed by a qualified professional asset manager and (ii) satisfies the applicable requirements and conditions of Prohibited Transaction Class Exemption 84-14 issued by the Department of Labor;

   (d) is made with the assets of a governmental plan (as defined in Section 3(32) of ERISA) which is not subject to the provisions of Section 401 of the Code;

   (e) (i) is made with the assets of an insurance company general account and (ii) satisfies the applicable requirements and conditions of Prohibited Transaction Class Exemption 95-60 issued by the Department of Labor; and/or

   (f) (i) is made with the assets managed by an in-house asset manager and (ii) satisfies the applicable requirements and conditions of Prohibited Transaction Class Exemption 96-23 issued by the Department of Labor.

3. Each purchaser represents that it will give to each person to whom it transfers these notes notice of the restrictions on the transfer of the notes.

Each purchaser that is acquiring notes pursuant to Regulation S under the Securities Act represents that it is not acquiring the notes with a view to the resale, distribution or other disposition thereof to a U.S. person or in the United States.

LEGAL MATTERS

Certain legal matters with respect to U.S. law and New York law and the issuance of the notes offered hereby will be passed upon for us by Shearman & Sterling LLP as our U.S. legal counsel. Certain legal matters with respect to Chilean law will be passed upon for us by Claro & Cia. as our Chilean legal counsel. Certain legal matters with respect to U.S. law and New York law and the issuance of the notes offered hereby will be passed upon for the initial purchasers by Davis Polk & Wardwell LLP as their U.S. legal counsel. Certain legal matters with respect to Chilean law will be passed upon for the initial purchasers by Morales, Besa Cía. Ltda. as their Chilean legal counsel.

INDEPENDENT AUDITORS

The audited consolidated financial statements of AES Gener as of December 31, 2018 and 2017 and for each of the years then ended and our consolidated financial statements as of December 31, 2017 and 2016 and for the year then ended included in this listing memorandum, have been audited by EY Servicios Profesionales de Auditoría y Asesorías SpA, independent auditors, as stated in the report appearing herein.

LISTING AND GENERAL INFORMATION

1. The issuance of the notes has been authorized by resolution of our board of directors, dated February 25, 2019.

2. Except as disclosed in this listing memorandum, there are no litigation or arbitration proceedings against or affecting AES Gener or any of its respective assets, nor is AES Gener aware of any pending or threatened proceedings, which are or might reasonably be expected to be material in the context of the issuance of the notes.

3. Except as disclosed in this listing memorandum, there has been no adverse change or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of AES Gener since December 31, 2018 that is material in the context of the issuance of the notes.

4. For so long as any of the notes remain outstanding, copies of the following documents will be obtainable and available during normal business hours at the offices of the Luxembourg Paying Agent and AES Gener's principal office, at the addresses listed on the last page of this listing memorandum:

- the indenture and the by-laws of AES Gener; and
- the latest published annual audited consolidated financial statements and quarterly interim unaudited consolidated financial statements of AES Gener.

5. The Restricted Global notes and the Regulation S Global notes have been accepted for clearance and settlement through DTC, Clearstream, Luxembourg and Euroclear. The Restricted Global notes have been assigned ISIN No. US00105DAF24, CUSIP No. 00105D AF2 and Common Code No. 196871829. The Regulation S Global notes have been assigned ISIN No. USP0607LAC74, CUSIP No. P0607L AC7 and Common Code No. 196871993.

Consolidated Financial Statements

AES GENER S.A. AND SUBSIDIARIES

Santiago, Chile
As of December 31, 2018 and 2017

EY Chile
Avda. Presidente
Riesco 5435, piso 4,
Las Condes, Santiago

Tel: +56 (2) 2676 1000
www.eychile.cl

Independent Auditor's Report
(Translation of the report originally issued in Spanish – See note 2)

To
Shareholders and Directors
AES Gener S.A. and its Subsidiaries

We have audited the accompanying consolidated financial statements of AES Gener S.A. and its subsidiaries ("the Company"), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the 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 International Financial Reporting Standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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working world

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AES Gener S.A. and its subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Andrés Marchant V.

EY Audit SpA.

Santiago, Chile
February 26, 2019

CONSOLIDATED FINANCIAL STATEMENTS
AES Gener S.A. and Subsidiaries
As of December 31, 2018 and 2017

This document includes the following sections:

- **Consolidated Statements of Financial Position**
- **Consolidated Statements of Comprehensive Income**
- **Consolidated Statements of Changes in Equity**
- **Consolidated Statements of Cash Flows**
- **Notes to the Consolidated Financial Statements**

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Consolidated Statements of Changes in Equity
Consolidated Statements of Cash Flows

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US$	United States dollars
ThUS$	Thousands of United States dollars
$	Chilean pesos
ThUS$	Thousands of Chilean pesos
Col$	Colombian pesos
ThCol$	Thousands of Colombian pesos
Ar$	Argentine pesos
UF	Unidad de Fomento. An inflation-indexed, Chilean peso-denominated monetary unit. The UF rate is set daily in advance, based on the change in the consumer price index of the previous month.

CONSOLIDATED FINANCIAL STATEMENTS

AES GENER S.A. AND SUBSIDIARIES

As of December 31, 2018, and 2017

AES Gener and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2018 and 2017
(In thousands of United States dollars)

ASSETS	Note	December 31, 2018	December 31, 2017
		ThUS$	ThUS$
CURRENT ASSETS			
Cash and Cash Equivalents	9	322,373	275,948
Other Current Financial Assets	10	4,853	10,647
Other Current Non-Financial Assets	12	4,361	5,529
Trade and Other Receivables	13	435,509	444,905
Related Party Receivables	14	29,313	10,066
Inventory	15	186,358	155,157
Taxes Receivables	16	6,309	25,911
Assets available for sale	8	-	181,539
Total Current Assets		**989,076**	**1,109,702**
NON-CURRENT ASSETS			
Other Non-Current Financial Assets	10	17,610	34,398
Other Non-Current Non-Financial Assets	12	27,308	24,274
Trade and Other Receivables	13	10,000	18,929
Investments in Associates	17	213,315	410,882
Intangible Assets	18	63,101	52,589
Property, Plant and Equipment	19	6,472,229	6,421,441
Deferred Taxes	16	76,722	87,592
Total Non-Current Assets		**6,880,285**	**7,050,105**
TOTAL ASSETS		**7,869,361**	**8,159,807**

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

AES Gener and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2018 and 2017
(In thousands of United States dollars)

LIABILITIES AND EQUITY	Note	December 31, 2018	December 31, 2017
		ThUS$	ThUS$
CURRENT LIABILITIES			
Other Current Financial Liabilities	20	316,943	1,052,448
Trade and Other Payables	21	333,411	355,108
Related Party Payables	14	140,347	278,918
Provisions	22	226	1,450
Taxes Payable	16	60,588	25,542
Employee Benefits	23	3,239	4,507
Other Current Non-Financial Liabilities	24	35,085	27,490
Total Current Liabilities		**889,839**	**1,745,463**
NON-CURRENT LIABILITIES			
Other Non-Current Financial Liabilities	20	3,267,438	2,781,566
Trade and Other Payables	21	2,202	15,314
Non-Current Related Party Payables	14	164,883	-
Provisions	22	117,591	286,047
Deferred Taxes	16	622,876	575,871
Employee Benefits	23	31,367	35,981
Other Non-Current Non-Financial Liabilities	24	25,915	9,495
Total Non-Current Liabilities		**4,232,272**	**3,704,274**
TOTAL LIABILITIES		**5,122,111**	**5,449,737**
EQUITY			
Issued Capital	25	2,052,076	2,052,076
Retained Earnings	25	484,640	412,913
Share Premium		49,864	49,864
Other Components of Equity	25	238,944	238,157
Other Reserves	25	(200,203)	(159,090)
Equity Attributable to Shareholders of Parent		**2,625,321**	**2,593,920**
Non-Controlling Interests	3.b	121,929	116,150
Total Equity		**2,747,250**	**2,710,070**
TOTAL EQUITY AND LIABILITIES		**7,869,361**	**8,159,807**

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

AES Gener and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017
(In thousands of United States dollars, unless otherwise stated)

STATEMENT OF PROFIT AND LOSS	Note	December 31, 2018	December 31, 2017
		ThUS$	ThUS$
Statement of Income			
Net Income			
Operating Revenues	26	2,647,379	2,436,712
Cost of Sales	27	(1,932,071)	(1,819,218)
Gross Profit		**715,308**	**617,494**
Other Operating Income		4,684	457
Administrative Expenses	27	(103,883)	(108,656)
Other Operating Expenses		(2,993)	(2,142)
Other Income (Loss)	28	225,469	(44,108)
Finance Income	29	4,912	8,173
Finance Expenses	29	(115,891)	(177,037)
Equity Participation in Net Income of Associates	17	(182,500)	23,584
Foreign Currency Exchange Differences	29	(17,273)	(4,662)
Net Income before Taxes		**527,833**	**313,103**
Income Tax Expense	16	(222,514)	(115,018)
Net Income from Continuing Operations		**305,319**	**198,085**
Net Income from Discontinued Operations		-	-
Net Income		**305,319**	**198,085**
Income Attributable to:			
Income Attributable to Shareholders of Parent		286,987	184,519
Loss Attributable to Non-Controlling Interests	3.b	18,332	13,566
Net Income		**305,319**	**198,085**
Earnings per Share			
Basic Earnings per Share			
Basic Earnings per Share from Continuing Operations	30	0.034	0.022
Basic Earnings per Share from Discontinued Operations			
Basic Earnings per Share		**0.034**	**0.022**
Diluted Earnings per Share			
Diluted Earnings per Share from Continuing Operations		0.034	0.022
Diluted Earnings per Share from Discontinued Operations			
Diluted Earnings per Share		**0.034**	**0.022**

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

AES Gener and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017
(In thousands of United States dollars, unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME	**December 31, 2018**	**December 31, 2017**
	ThUS$	**ThUS$**
Net Income (loss)	**305,319**	**198,085**
Components of Other Comprehensive Income that will not be Reclassified to Net Income		
Other Comprehensive Income from Actuarial Gains (Losses) on Defined Benefit Plans, before Taxes	(3,057)	(6,516)
Income Tax Related to Actuarial Gains (Losses) on Defined Benefit Plans	771	2,066
Components of Other Comprehensive Income that will be Reclassified to Net Income, before Taxes		
Income (Loss) from Foreign Currency Translation Adjustments	(27,007)	1,116
Unrealized Income (Loss) for Cash Flow Hedges	(11,862)	4,518
Income Tax Related to Cash Flow Hedges of Other Comprehensive Income	3,374	412
Total Other Comprehensive Income	**(37,781)**	**1,596**
Total Comprehensive Income	**267,538**	**199,681**
Comprehensive Income Attributable to:		
Comprehensive Income Attributable to Shareholders of Parent	245,738	185,294
Comprehensive Income Attributable to Non-Controlling Interest	21,800	14,387
Total Comprehensive Income	**267,538**	**199,681**

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

AES Gener and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(In thousands of United States dollars, unless otherwise stated)

Statement of Changes in Equity	**Issued Capital**	**Share Premium**	**Other Components of Equity**	**Total Other Reserves**	**Retained Earnings**	**Equ Attribu Shareho Par**
	ThUS$	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThU**
Opening Balance, January 1, 2018	2,052,076	49,864	238,157	(159,090)	412,913	2
Changes in Equity						
Comprehensive Income						
Net Income (loss)	-	-	-	-	286,987	
Other Comprehensive Income	-	-	-	(41,249)	-	
Comprehensive Income	-	-	-	-	-	
Dividends	-	-	-	-	(215,260)	(
Increases (Decreases) for Transfers and Other Changes	-	-	787	136	-	
Total Changes in Equity	-	-	787	(41,113)	71,727	
Ending Balance, December 31, 2018	2,052,076	49,864	238,944	(200,203)	484,640	2

Statement of Changes in Equity	**Issued Capital**	**Share Premium**	**Other Components of Equity**	**Total Other Reserves**	**Retained Earnings**	**Equit Attributa Sharehold Parer**
	ThUS$	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS**
Opening Balance, January 1, 2017	2,052,076	49,864	237,408	(457,378)	544,760	2,4
Changes in Equity						
Comprehensive Income						
Net Income (loss)	-	-	-	-	184,519	1
Other Comprehensive Income	-	-	-	775	-	
Comprehensive Income	-	-	-	-	-	1
Dividends	-	-	-	-	(316,366)	(3
Increases (Decreases) for Transfers and Other Changes	-	-	749	297,513	-	2
Total Changes in Equity	-	-	749	298,288	(131,847)	1
Ending Balance, December 31, 2017.	2,052,076	49,864	238,157	(159,090)	412,913	2,5

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

AES Gener and Subsidiaries
Consolidated Statements of Cash Flows (Direct Method)
For the years ended December 31, 2018 and 2017
(In thousands of United States dollars, unless otherwise stated)

STATEMENT OF CASH FLOWS - DIRECT METHOD	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Cash Flows Provided by (Used in) Operating Activies		
Classes of receipts from Operating Activities:		
Receipts from Sales of Goods and Services	2,935,816	2,714,959
Other Receipts from Operating Activities	17,344	21,888
Classes of payments		
Payments to Suppliers for Goods and Services	(1,881,190)	(1,662,077)
Payments to Employees	(87,767)	(81,695)
Other Payments for Operating Activities	(227,517)	(136,158)
Dividends Paid	(188,908)	(261,009)
Dividends Received	16,325	36,409
Interest Paid	(166,754)	(184,517)
Interest Received	3,778	3,330
Income Taxes Paid	(89,344)	(101,453)
Other Cash Outflows	(18,378)	(9,020)
Net Cash Flows Provided by Operating Activities	313,405	340,657
Cash Flows Provided by (Used in) Investing Activities		
Proceeds from loss of control of associates	513,208	-
Proceeds from Financial Assets Sales	229	171,690
Purchases of Financial Assets	(157)	(162,907)
Proceeds from Sales of Property, Plant and Equipment	346	595
Purchases of Property, Plant and Equipment	(564,693)	(496,938)
Proceeds from sales of Intangible Assets	3,072	109
Purchases of Intangible Assets	(448)	(564)
Purchases of Other Assets	(931)	-
Other Cash Inflows	48,886	68,406
Net Cash Flows Used in Investing Activities	(488)	(419,609)
Cash Flows Provided by (Used in) Financing Activities		
Proceeds from Share Issuance	-	22,156
Payments to acquire or redeem the shares of the entity	(11,610)	(33,600)
Proceeds from Long-Term Borrowings	152,473	242,149
Proceeds from Short-Term Borrowings	374,157	151,822
Loan Payments	(768,336)	(484,669)
Payment of Finance Lease Obligations	(4,445)	(1,275)
Interest Paid	-	(9,939)
Other Cash Outflows	-	(2,825)
Net Cash Flows Used in Financing Activities	(257,761)	(116,181)
Net Cash and Cash Equivalent Decrease, before Foreign Exchange Difference	55,156	(195,133)
Net Foreign Exchange Differences on Cash and Cash Equivalents		
Net Foreign Exchange Differences on Cash and Cash Equivalents	(8,731)	1,521
Decrease in Cash and Cash Equivalents	46,425	(193,612)
Cash and Cash Equivalents at Beginning of Period	275,948	469,560
Cash and Cash Equivalents at End of Period	322,373	275,948

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

AES Gener S.A. (www.aesgener.cl) (hereinafter “the Company”, “the Group”, “AES Gener” or “Gener”) was formed by public deed on June 19, 1981, signed before Santiago Public Notary Mr. Patricio Zaldívar Mackenna. Its corporate name at that time was Compañía Chilena de Generación Eléctrica S.A. (Chilectra Generación S.A.). Its bylaws were approved by the Chilean Superintendence of Securities and Insurance ("SVS") in resolution No. 410-S on July 17, 1981, published in Official Bulletin No. 31,023 on July 23, 1981. The Company is registered in the Commercial Registry of the Santiago Real Estate Registrar, on page 13,107, number 7,274 of 1981.

Gener is a publicly-held corporation dedicated primarily to electricity generation. Its role is to efficiently, safely and sustainably supply electricity, while fulfilling commitments with customers, shareholders, employees, communities, suppliers, regulators and other persons and groups with which it interacts.

The Company operates in the National Electric System (“SEN”) through four run-of-the-river hydroelectric power plants, two coal-fired thermoelectric power plants, one diesel-fueled turbogas power plants and one cogeneration power plant, all of which belong directly to Gener. In addition, it operates three coal-fired thermoelectric power plants belonging to its subsidiaries Empresa Eléctrica Ventanas S.A., Empresa Eléctrica Angamos S.A. y Empresa Eléctrica Cochrane SpA, plus a photovoltaic solar power station belonging to the subsidiary Andes Solar. Additionally, the Company holds 50% of a coal-fired plant belonging to its associate Guacolda Energía S.A. ("Guacolda").

Gener is in the process of constructing its run-of-the-river hydroelectric power plant, Alto Maipo with an installed capacity of 531 MW.

In addition to its operations in the Chilean electricity market, Gener produces electricity in Argentina and Colombia through its subsidiaries TermoAndes S.A. and AES Chivor & Cía. S.C.A. E.S.P. (“Chivor”), respectively.

Gener’s commercial office is located at Rosario Norte 532, floors 18-20, Las Condes, Santiago, Chile.

The Company is controlled by AES Corporation through its subsidiary Inversiones Cachagua Ltda. with a 66.70% interest as of December 31, 2018.

These consolidated financial statements were approved by the Board of Directors on February 26, 2019.

NOTE 2 - BASIS OF PRESENTATION

The Company and its subsidiaries prepare its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”),as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements of AES Gener S.A. and its subsidiaries include the consolidated Statements of Financial Position as of December 31, 2018 and 2017, the corresponding Statements of Comprehensive Income, Changes in Equity and Cash Flows for the years ended December 31, 2018 and 2017, and their related notes.

These consolidated financial statements have been prepared per the going concern principle by applying the cost method, except, according to IFRS, for assets and liabilities measured at fair value.

The preparation of these consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving more judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 6.

An asset or liability is considered current when it is expected to be realized, sold or consumed during the company’s normal operating cycle, it is maintained for commercialization or expected to be realized within 12 months following the reporting date.

The information contained in these consolidated financial statements is the responsibility of the management of AES Gener. In the preparation of the consolidated financial statements, the policies issued by AES Gener S.A. for all subsidiaries included in the consolidation.

For the convenience of the reader, the financial statements and their accompanying notes have been translated from Spanish into English.

2.1.- New accounting pronouncements

a) Impact of the application of new standards and modifications in 2018

The standards and interpretations, as well as the improvements and modifications to IFRS that have been issued, with effect from the date of these financial statements, are detailed below:

	New, revised and amended Standards	Date of Mandatory Application
	New Standards:	
IFRS 9	Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Payments	January 1, 2018
	Amendments:	
IAS 28	Investments in Associates and Joint Ventures - measuring participations in associates and joint ventures at fair value with changes through earnings	January 1, 2018

The application of these pronouncements did not have a significant impact on the Company as detailed below.

The Company applied for the first time certain standards, interpretations and amendments, which are effective for the periods that begin on January 1, 2018 or later. The standards, interpretations and amendments to IFRS that they became effective as of the date of these financial statements, and their nature and impacts are detailed below:

NEW STANDARDS

IFRS 15 "Revenue from contracts with customers"

IFRS 15 Revenue from Contracts with Customers, issued in May 2014 is a new standard applicable to all contracts with customers, except leases, financial instruments and insurance contracts. It is a joint project with the FASB to eliminate differences in revenue recognition between IFRS and US GAAP. This new standard intends to improve inconsistencies and weaknesses of IAS 18 and deliver a model that will facilitate comparability of companies in different industries and regions. It creates a new model for recognizing revenue and more detailed requirements for contracts with multiple elements. It also requires more detailed disclosure.

As of January 1, 2018, the Company decided to apply this standard following the modified retrospective method, recognizing the cumulative effect of the initial application as an adjustment to the beginning balance of retained earnings for 2018. Based on the evaluation performed, the Company did not identify significant effects that may affect these financial statements.

IFRS 9 "Financial Instruments: Classification and Measurement"

The final version of IFRS 9 Financial Instruments was issued in July 2014, and incorporated all phases of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018. This standard includes new requirements based on classification, measurement, impairment and hedge accounting principles, it introduces a "more prospective" model for expected credit losses for impairment accounting and a significantly reformed focus for hedge accounting.

The Company has completed the assessment process of the possible impacts that the adoption of IFRS 9 represents for the Company's financial statements. As part of the process, management has concluded that they have no significant impact on the Company's financial statements.

IFRIC 22 Transactions in Foreign Currency and Advance Payments

This interpretation addresses how to determine the transaction date to establish the exchange rate to be used in the initial recognition of assets, expenses or related revenue (or the corresponding part thereof), in the write-off of non-monetary assets or non-monetary liabilities arising from the payment or charge of advance consideration in foreign currency. For these purposes, the transaction date corresponds to the moment when an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or charge of advance consideration. If there are multiple advance payments or charges, the entity shall determine a date of transaction for each payment or charge of advance consideration

The Company concluded that the adoption of this standard did not significantly impact its financial statements.

AMENDMENTS

IAS 28 "Investments in Associates and Joint Ventures", IFRS 10 "Consolidated Financial Statements"

These modifications clarify that a company identified as a venture capital organization, or other entity that qualifies, may choose, in the initial recognition to measure its investments in associates and joint ventures at fair value with changes in P&L. If an entity, that is not itself an investment company, has an interest in an associate or joint venture that is an investment company, it may choose to maintain the measurement at fair value applied to its associate. These modifications are applicable retrospectively for periods starting on January 1, 2018. Its early adoption is permitted.

The Company concluded that the adoption of this new amendment did not have a significant impact on its financial statements.

b) Accounting pronouncements with effective application as of January 1, 2019 and following

The standards and interpretations, as well as the amendments to IFRS, that have been issued, but have not yet entered in effect as of the date of these financial statements, are detailed below. The Company has not applied / has applied these rules in advance:

	Amendments and / or Modifications	Date of Mandatory Application
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty Over Income Tax Treatments	January 1, 2019
Conceptual framework	Conceptual framework (reviewed)	January 1, 2020
	Amendments:	
IFRS 3	Business Combinations - Interests previously maintained in a joint operation	January 1, 2019
IFRS 9	Financial Instruments - Payments features with negative compensation	January 1, 2019
IFRS 11	Joint Arragements - Interests previously maintained in a joint operation	January 1, 2019
IAS 12	Income tax - Tax consequences of payments related to financial instruments classified as heritage	January 1, 2019
IAS 23	Borrowing Costs	January 1, 2019
IAS 28	Investments in Associates - Long-term interests in associates and joint ventures	January 1, 2019
IAS 19	Employee Benefits - Plan Amendment, Curtailment or Settlement	January 1, 2019
IFRS 3	Business definition	January 1, 2020
IASC1 and IAS 8	Material Difinition	January 1, 2020
IFRS 10 and IAS 28	Consolidated Financial Statements - Sale or contribution of assets between an investor and its associate or joint venture	Not determined

IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16 Leases. IFRS 16 sets the definition of a contract lease and specifies the accounting treatment of assets and liabilities originated from these contracts from of the lessor and lessee. The new standard does not differ significantly from IAS 17, regarding the accounting treatment from the point of view of the lessor. However, from the point of view of the lessee, the new standard requires the recognition of assets and liabilities for most contracts. IFRS 16 is mandatory for annual periods beginning on or after 1 January 2019. Early application is permitted if it is taken in conjunction with IFRS 15 "Revenue from Contracts with Customers".

The Company has decided to adopt the new standard using the retrospective modified method, through which will continue to apply IAS 17 to the comparative period presented during the year of adoption. Under this method of transition, the Company will apply all the adjustments associated with this process as of January 1, 2019.

The Company decided to apply the practical expedient that allows lessees and lessors to not assess 1) if the existing or expired contracts are or contain a lease, 2) the classification of existing or expired leases; and 3) whether the initial direct costs for existing or expired contracts qualify for capitalization under IFRS 16. These practical expedients should be elected and applied consistently to all leases.

During 2018, the Company created a working group focused on the identification of contracts under the scope of the new standard, the evaluation and measurement of the corresponding assets by right of use and those related liabilities for lease. The working group also focused on the implementation of a system tool to account for the contracts containing leases supporting the implementation and the subsequent accounting records.

The main impact at the effective application date of IFRS 16 is that the Company recognized of US$54 million asset representing the right of use and the corresponding liabilities for those contracts that contain operating leases and for which the Company is the lessee. The Company does not foresee that the presentation of the Statement of Comprehensive Income, and the method of recognition of the expense for leases have significant changes form the January 1, 2019 onwards.

IFRIC 23 "Uncertainty over Income Tax Treatments"

In June 2017, the IASB issued IFRIC Interpretation 23, clarifying the application of recognition and measurement criteria required by IAS 12 Income Taxes when there is uncertainty about tax treatments. This interpretation shall be applied for annual periods beginning after January 1, 2019. The adoption of the standards, amendments and interpretations do not have a significant impact on the Company's financial statements.

Revised Conceptual Framework

The IASB issued a Revised Conceptual Framework in March 2018, incorporating some new concepts, providing updated definitions and recognition criterion for assets and liabilities and clarifying some important concepts.

IFRS 3 "Business Combinations"

The amendments clarify that when an entity gets control of an entity that is a joint venture, the requirements for a phased business combination are applicable, including the interests previously held on the assets and liabilities of a joint venture presented at fair value. The amendments must apply to business combinations made after January 1, 2019. Early adoption is allowed.

The Company will perform an assessment of the impact of the amendment once it becomes effective.

IFRS 9 "Financial Instruments — Payments with negative compensation"

The amendment clarifies that a debt instrument can be measured at amortized cost, cost or at fair value through another comprehensive method, provided that the contractual cash flows are only principal and interest payments on the outstanding principal capital and the instrument is carried out within the business model for that classification. The amendments to IFRS 9 also aim to clarify that a financial asset meets the criterion of only principal plus interest payments regardless of the event or circumstance that causes the anticipated termination of the contract or of which party pays or receives reasonable compensation for early termination of the contract.

The amendments to IFRS 9 shall apply when prepayment is unpaid capital and interest amounts reflecting only the change in reference interest rate. This implies that prepayments at fair value or for an amount including the fair value of the cost of an associated hedging instrument will normally satisfy the criterion only such prepayment of principal and at fair value reflects only external elements of fair value, such as change in credit risk or liquidity, and are not representative of the underlying debt instrument. Application begins January 1, 2019 and will be retrospectively performed with early adoption allowed.

The Company will assess the impact of the amendment once it becomes effective.

IFRS 11 “Joint Arrangements”

The amendment affects joint arrangements on interests previously held in a joint operation. A participating party, but that does not have the joint control of a joint operation could gain control if the joint operation activity constitutes a business as defined by IFRS 3. The amendment clarifies that the interests previously maintained in that joint operation are not re-measured at the time of the operation. The amendment shall apply to transactions in which the joint control is acquired after January 1, 2019. Early adoption is allowed.

The Company will assess the impact of the amendment once it becomes effective.

IAS 12 “Income Taxes”

The amendments clarify that the income tax on dividends generated by financial instruments classified as equity are more directly linked to past transactions or events that generated distribution of profits than distribution to the owners. Therefore, an entity recognizes income tax on dividends in results, other comprehensive income or equity, according to where the entity originally recognized those transactions or past events. The amendments shall apply to dividends recognized after January 1, 2019.

The Company will assess the impact of the amendment once it becomes effective.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity treats any indebtedness originally made to develop a qualified asset as a general loan when substantially all the activities necessary to culminate that asset for use or sale are complete. Amendments should be applied beginning January 1, 2019.

The Company will assess the impact of the amendment once it becomes effective.

IAS 28 Investments in Associates

The amendments clarify that an entity applies IFRS 9 Financial Instruments for long-term investments in associates or joint ventures for those investments that do not apply the equity method but which, in substance, are part of the net investment in the associate or joint venture. This clarification is relevant because it implies that the expected credit loss model, described in IFRS 9, applies to these long-term interests. Entities should apply the amendment retrospectively, with certain exceptions, and shall become effective beginning January 1, 2019. Early adoption is allowed.

The Company will assess the impact of the amendment once it becomes effective.

IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future amendments, curtailments, or settlements of the Company.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The Company will apply these amendments when they become effective.

NOTE 3 - BASIS OF CONSOLIDATION

The consolidated financial statements consist of the financial statements of AES Gener S.A. and its subsidiaries as of December 31, 2018, and 2017.

The financial statements of the subsidiaries are prepared as of and for the same periods as the Company, consistently applying the same accounting policies.

3.1.- Subsidiaries

In accordance with IFRS 10, subsidiaries are all entities over which AES Gener S.A. has control. An investor controls an investee when the investor:

1.- has power over the investee;
2.- has exposure, or rights, to variable returns from its involvement with the investee;
3.- has the ability to use its power over the investee to affect the amount of the investor's returns.

An investor is considered to have power over an investee when the investor has existing rights that give it the current ability to direct relevant activities (i.e. activities that significantly affect the investee's returns). In the Company's case, in general, control over subsidiaries is derived from the possession of the majority of the voting rights granted by equity instruments of the subsidiaries.

When the Company has less than the majority of the voting rights in an investee, it has power over the investee when these voting rights are sufficient to give it the practical ability to unilaterally direct the investee's relevant activities. The Company considers all the events and circumstances in evaluating whether the voting rights in an investee are sufficient to give it power, including:

- the size of its holding of voting rights relative to the size and dispersion of holdings of other vote holders;
- potential voting rights held by the investor, other vote holders or other parties;
- rights from other contractual agreements; and
- any additional facts and circumstances that indicate that the investor has, or does not have, the current ability to direct the relevant activities when decisions need to be made, including voting behavior patterns in prior shareholder meetings.

The Company will reevaluate whether it has control in an investee if the facts and circumstances indicate that there have been changes in one or more of the three elements of control mentioned above. A subsidiary will be consolidated from the date on which the investor obtains control of the investee and consolidation shall cease when control over the investee is lost. Specifically, the income and expenses of a subsidiary acquired or sold during the year are included in the Income Statement from the date on which the Company obtains control until the date on which the Company ceases to control the subsidiary.

The purchase method is used to account for acquisitions of subsidiaries. The acquisition cost is the fair value of the assets delivered, equity instruments issued and liabilities incurred or assumed at the date of exchange. All identifiable assets acquired and liabilities and identifiable contingencies assumed in a business combination are initially valued at fair value as of the acquisition date, irrespective of the extent of any non-controlling participation. The excess of the purchase price over the fair value of AES Gener's share of the net identifiable assets acquired is recognized as goodwill. If the purchase price is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in net income.

The Company consolidates the following subsidiaries:

TAX PAYER ID NUMBER	Ref.	COMPANY NAME	COUNTRY	FUNCTIONAL CURRENCY	OWNERSHIP INTEREST December 31, 2018 DIRECT	INDIRECT	TOTAL	December 31, 2017 TOTAL
96.678.770-8	NFI	NORGENER FOREIGN INVESTMENT S.p.A.	CHILE	US$	99.9999	0.0000	99.9999	99.9999
96.717.620-6	ESSA	SOCIEDAD ELECTRICA SANTIAGO S.p.A. (1)	CHILE	US$	0.0000	0.0000	0.0000	100.0000
96.814.370-0	Ventanas	EMPRESA ELECTRICA VENTANAS S.A.	CHILE	US$	0.0001	99.9999	100.0000	100.0000
Foreign	Chivor	AES CHIVOR & CIA S.C.A. E.S.P.	COLOMBIA	COL$	0.0000	99.9800	99.9800	99.9800
76.803.700-0	NI	NORGENER INVERSIONES S S.p.A.(4)	CHILE	US$	0.0001	99.9999	100.0000	100.0000
Foreign	GASA	GENER ARGENTINA S.A.	ARGENTINA	US$	92.0400	7.9600	100.0000	100.0000
Foreign	Termoandes	TERMOANDES S.A.	ARGENTINA	US$	8.8200	91.1800	100.0000	100.0000
Foreign	Interandes	INTERANDES S.A.	ARGENTINA	US$	13.0100	86.9900	100.0000	100.0000
76.004.976-K	Angamos	EMPRESA ELECTRICA ANGAMOS S.A.	CHILE	US$	5.1840	94.8160	100.0000	100.0000
76.008.306-2	Campiche	EMPRESA ELECTRICA CAMPICHE S.A.(2)	CHILE	US$	0.0001	99.9999	100.0000	100.0000
Foreign	Energen	ENERGEN S.A.	ARGENTINA	US$	94.0000	6.0000	100.0000	100.0000
Foreign	-	AES CHIVOR S.A.	COLOMBIA	COL$	47.5000	51.8800	99.3800	99.3800
76.085.254-6	Cochrane	EMPRESA ELECTRICA COCHRANE S.p.A.	CHILE	US$	0.0000	60.0000	60.0000	60.0000
76.170.761-2	Alto Maipo	ALTO MAIPO S.p.A.	CHILE	US$	0.0000	93.3000	93.3000	93.3000
76.680.107-2	CTNG	CÍA. TRANSMISORA DEL NORTE GRANDE S.p.A(3)	CHILE	US$	0.0000	0.0000	0.0000	100.0000
76.680.114-5	-	CÍA. TRANSMISORA ANGAMOS S.p.A	CHILE	US$	0.0000	100.0000	100.0000	100.0000
76.786.354-3	NI	NORGENER INVERSIONES S.p.A (4)	CHILE	US$	0.0000	0.0000	0.0000	100.0000
76.786.355-1	NR	NORGENER RENOVABLES S.p.A	CHILE	US$	100.0000	0.0000	100.0000	100.0000
76.579.067-0	Andes Solar	ANDES SOLAR S.p.A	CHILE	US$	0.0000	100.0000	100.0000	100.0000
76.868.988-1	Los Olmos	ENERGÍA EOLICA LOS OLMOS S.p.A	CHILE	US$	0.0000	100.0000	100.0000	0.0000
76.868.991-1	Mesamavida	ENERGÍA EOLICA MESAMAVIDA S.p.A	CHILE	US$	0.0000	100.0000	100.0000	0.0000
76.917.669-1	La Engorda	LA ENGORDA S.p.A	CHILE	US$	0.0000	100.0000	100.0000	0.0000
76.917.677-2	Don Humberto	DON HUMBERTO S.p.A	CHILE	US$	0.0000	100.0000	100.0000	0.0000
76.513.461-7	Victoria	PARQUE EOLICO VICTORIA S.p.A	CHILE	US$	0.0000	100.0000	100.0000	0.0000
76.363.072-2	Campo Lindo	PARQUE EOLICO CAMPO LINDO S.p.A	CHILE	US$	0.0000	100.0000	100.0000	0.0000
76.975.746-5	Nolana	PARQUE EOLICA NOLANA S.p.A	CHILE	US$	0.0000	100.0000	100.0000	0.0000
76.975.739-2	Topoloa	PARQUE EOLICO TOPOLOA S.p.A	CHILE	US$	0.0000	100.0000	100.0000	0.0000
76.954.837-8	Litueche	PARQUE EOLICO LITUECHE S.p.A	CHILE	US$	0.0000	100.0000	100.0000	0.0000

1) ESSA was sold and deconsolidated in May 2018
2) Campiche was merged into Empresa Eléctrica Ventanas in November 2018
3) CTNG was sold and deconsolidated in December 2018
4) Norgener Inversiones SpA was merged into Inversiones Nueva Ventanas Spa, then the subsidiary Inversiones Nueva Ventanas S.p.A as the continuing entity modified its name to Norgener Inversiones S.p.A.

3.2- Transactions with Non-controlling Interests

Non-controlling interest represents the share of net income or net losses and net assets of subsidiaries that are not 100% owned by the Company. Non-controlling interests are presented separately in the income statement in the equity line in the consolidated statement of financial position. . AES Gener applies the policy of considering transactions with non-controlling investors as patrimonial transactions. The disposal or purchase of non-controlling interests, which does not result in a change of control, involves an equity transaction without recognizing gains and / or losses in the income statement. Any difference between the price paid and the corresponding proportion of the carrying amount of the net assets of the subsidiary is recognized as equity contribution or distribution.

The summarized financial information as of December 31, 2018, is detailed as follows:

	December 31, 2018 Proportion of equity interest held by NCI %	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Operating Revenues	Operating Expenses	Net Income (Loss)
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Empresa Eléctrica Cochrane S.p.A.	40,00%	135.849	1.105.580	(111.794)	(883.803)	369.680	(254.852)	44.318
Alto Maipo S.p.A.	6,70%	109.570	2.223.413	(93.867)	(1.886.430)	-	-	8.709

The accumulated balances attributed to the non-controlling interest are:

Accumulated balances of non-controlling interests:	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Empresa Eléctrica Cochrane S.p.A.	98,333	91,978
Alto Maipo S.p.A.	23,630	24,207
Other	(34)	(35)
Total	**121,929**	**116,150**

The gains or (losses) attributed to the non-controlling interest are:

Income (Loss) Attributable to Non Controlling Interests:	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Empresa Eléctrica Cochrane S.p.A.	17,727	13,457
Alto Maipo S.p.A.	583	141
Other	22	(32)
Total	**18,332**	**13,566**

The Other Comprehensive Income attributed to the non-controlling interest are:

Comprehensive Income (Loss) Attributable to Non Controlling Interests:	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Empresa Eléctrica Cochrane S.p.A.	22,355	14,964
Alto Maipo S.p.A.	(577)	(545)
Other	22	(32)
Total	**21,800**	**14,387**

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Associates

Associates consist of all entities over which AES Gener exercises significant influence but not control, and in which it generally holds between 20% and 50% of the voting rights. Investments in affiliates or associates are accounted for using the equity method and are initially recognized at cost. AES Gener's investments in associates include goodwill identified in the acquisition, net of accumulated impairment losses.

The Company share of post-acquisition losses or gains ("equity in earnings") of its associates is recognized in the Income Statement and its share of post-acquisition equity movements that do not constitute income are recognized in the corresponding equity reserves (and reflected in the Statement of Other Comprehensive Income). In the event that the Company share of an associate's losses is equal to or greater than its share in that entity, including any other unsecured receivables, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of that associate.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. When necessary, the accounting policies of associates are modified to ensure their uniformity with the policies adopted by the Company.

4.2 Operating Segments

Segment information is presented consistently within internal reports provided to the Company's management, who is responsible for assigning resources and evaluating the performance of the operating segments. Management identifies its operating segments based on the markets in which it participates and for which strategic decisions are made: Chile, Argentina and Colombia, for those who make decisions strategic

Intercompany transactions between segments are eliminated at a consolidated level. Finance expenses are not separated by operating segment because the Company and its subsidiaries manage debt at a consolidated level.

Segment information is presented in Note 7.

Prior to 2018, the operating segments consisted of the SIC, SING, SIN and SADI. As of 2018, the operating segments are now Chile (SEN), Colombia (SIN) and Argentina (SADI). For purposes of these financial statements, we reclassified our 2017 operating segments into the new operating segments.

4.3 Foreign Currency Transactions

a. Presentation and Functional Currency

The items included in the financial statements of each of the Company's entities are valued using the currency of the principal economic environment in which the entity operates ("functional currency"). The consolidated financial statements of AES Gener are presented in US dollars, which is the functional and presentation currency of the Company and all subsidiaries, except for its Colombian subsidiary, Chivor, whose functional currency is the Colombian peso.

b. Transactions and Balances

Transactions in foreign currencies other than the functional currency are converted to the functional currency using the exchange rate in effect as of the date of the transaction. Exchange differences that result from settling these transactions and converting foreign currency denominated monetary assets and liabilities to closing exchange rates are recognized in the Consolidated Income Statement, except when deferred in equity as effective cash flow hedges.

Non-monetary items in a currency other than the functional currency that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair values in a foreign currency are translated using the exchange rate at the date the fair value was determined.

c. Basis of Conversion

Assets and liabilities denominated in foreign currencies and Unidades de Fomento ("UF") are presented using the following exchange rates and closing values per US$1:

	Symbol	December 31, 2018	December 31, 2017	December 31, 2016
Chilean Pesos ($)	$	694.77	614.75	669.47
Argentinean Pesos (Ar$)	Ar$	37.70	18.649	15.890
Colombian Pesos (Col$)	Col$	3,249.75	2,984.00	3,000.71
Euro	€	0.87	0.8317	0.9488
Unidad de Fomento (UF)	UF	0.03	0.02294	0.02541

The Unidad de Fomento ("UF") is an inflation-indexed monetary unit denominated in Chilean pesos. The UF rate is established daily in advance based on the prior month's variation in the Chilean Consumer Price Index.

d. Basis of Conversion of Subsidiaries with Different Functional Currencies

Assets, liabilities, income and expenses of all Group entities (none of which uses the currency of a hyperinflationary economy) with a functional currency that differs from the presentation currency are converted to the presentation currency as follows:

(i) Assets and liabilities are converted using the year-end exchange rate.

(ii) Goodwill and fair value adjustments that arise in the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted using the appropriate year or period-end exchange rate.

(iii) Income and expense accounts are converted using monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the exchange rates prevailing at the dates of the transactions, in which case income and expenses are converted using the exchange rate as of each transaction date).

Resulting foreign exchange translation differences are recognized as a separate component of equity, under the item Other Reserves. On disposal of the investment, the exchange rate differences are recognized in the income statements as part of the gain or loss on the disposal.

4.4 Property, Plant and Equipment

Land belonging to the Company is recognized at cost, net of accumulated impairment losses.

Plants, buildings, equipment and transmission systems used for electricity generation and other items of property, plant and equipment are recognized at historical cost less related accumulated depreciation and impairment losses.

The cost of an asset includes its purchase price, all costs directly related to bringing the asset to the location and condition necessary for it to be capable of operating as intended by management and the initial estimate of costs for dismantling, withdrawal or partially or totally removing the asset, as well as costs for restoring the site where it is located, all of which the Company undertakes to do upon acquiring the asset or as a consequence of using the asset during a given period.

Subsequent costs are recognized as part of the carrying amount of the asset or as a separate asset, only if they meet the recognition criteria in IAS 16 "Property, Plant and Equipment": It is probable that the future economic benefits related with the item will flow to the Company and the cost of the parts can be determined reliably. The value of the replaced component is de-recognized. All other repairs and maintenance are charged to income for the period in which they are incurred.

Works under construction include, among other things, the following expenses that are capitalized during the construction period:

(i) Financial expenses related to external financing that are directly attributable to construction, both specific and generic in nature. In terms of generic financing, capitalized financial expenses are obtained by applying the weighted average cost of long-term financing to the average accumulated investment not directly financed.

(ii) Directly related personnel and other expenses of an operating nature attributable to the construction.

Construction in progress balances are transferred to property, plant and equipment once the testing period is finalized when they are available for use, at which time depreciation begins.

Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated economic useful lives. The estimated useful lives of the most important principal asset classes are detailed in Note 19.

The residual value and the useful life of the assets are reviewed, and adjusted if necessary, as of each year end, so that the remaining useful life is in accordance with the expectations of the use of the asset.

When the fair value of an asset is greater than its estimated recoverable value, its carrying amount is written down to its recoverable value by recognizing an impairment loss (see Note 4.7).

Gains and losses on sales of property, plant and equipment are calculated by comparing the proceeds from the sale with the carrying amount and are included in "Other Gains (Losses)".

The amounts corresponding to the derecognized elements of property, plant and equipment include the original cost net of accumulated depreciation at the moment of recording.

4.5 Goodwill

Goodwill represents the excess of the purchase price over the fair value of AES Gener's share of the net identifiable assets of an acquired subsidiary/associate as of the acquisition date. Goodwill is subject to annual impairment testing and valued at cost less accumulated impairment losses. Gains and losses on the sale of an entity include the carrying amount of goodwill related to the entity sold.

Goodwill impairment is determined by assessing the recoverable amount of each cash generating unit ("CGU") to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods (see Note 4.7).

4.6 Intangible Assets

(a) Software

Licenses for purchased software are capitalized based on the costs incurred to purchase and prepare them to use the specific program. These costs are amortized over their estimated useful lives, using the straight-line method (See Note 18).

Expenses related to software development or maintenance are expensed as incurred. Costs related directly to production of unique and identifiable software controlled by the Company, and which will probably generate economic benefits greater than these costs for more than one year, are recognized as intangible assets. Direct costs include expenses for personnel that develop the software. Software development costs recognized as assets are amortized over their estimated useful lives.

(b) Easements

Easement rights are presented at historic cost. The exploitation period of these rights has no limit and therefore they are considered assets with an indefinite useful life and consequently will not be subject to amortization. However, the determination of useful life is reviewed during each reporting period to determine whether the status of indefinite useful life still applies. These assets undergo impairment testing on a yearly basis. An exception to this concept of indefinite useful life exists in the cases where there is a contractual obligation that limits the useful life of the easement (see Note 18).

(c) Water Rights

Water rights are presented at historic cost. The exploitation period of these rights has no limit and therefore they are considered assets with an indefinite useful life and consequently will not be subject to amortization. However, the determination of indefinite useful life is reviewed during each reporting period to determine whether the status of indefinite useful life still applies. These assets undergo impairment testing on an annual basis.

4.7 Impairment of Non-Financial Assets

Assets subject to amortization are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication of impairment exists, the recoverable amount will be estimated for the individual asset. If the recoverable amount cannot be estimated for the individual asset or the asset has an indefinite useful life, the entity will determine the lowest level for which there are separately identifiable cash flows ("cash generating units") and estimate the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognized when there is an excess between the carrying amount of the assets or cash-generating unit of cash and the corresponding recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the value in use. The estimate of the value in use is based on cash flow projections that are discounted using a rate that reflects the current evaluations of the market and the risks associated with the assets or cash generating unit. The best estimate of fair value less costs to sell includes prices of similar transactions carried out in the market place. If the transactions cannot be identified in the market, a valuation model will be used.

Non-financial assets, other than goodwill, that have suffered an impairment loss are assessed at the end of each reporting period for indications that the impairment loss may no longer exist. Loss reversals cannot exceed the carrying amount that would have been obtained, net of amortization and depreciation, had no impairment loss been recognized for the asset in prior years.

Impairment tests of goodwill and intangible assets with indefinite useful lives are performed annually as of October 1 of each year.

4.8 Financial Assets

Presentation and Classification

The Company classifies its financial assets into the following categories: at Fair Value through Profit or Loss, Amortized cost and Fair Value through Other Comprehensive Income ("OCI"). The classification depends on the purpose with which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition.

Initial measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Investments and other financial assets and subsequent measurement.

(a) **Financial Assets at Fair Value through Profit or Loss ("FVTPL")**

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

(b) **Assets Measured at Amortized Cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(c) **Financial Assets at Fair Value with Changes in Other Comprehensive Income ("FVTOCI")**

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.

Impairment

As of each reporting date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets may be impaired. In order to determine whether a financial asset or a portfolio may be impaired or not, the Company performs a risk analysis based on the historic credit losses which is adjusted prospectively using the forward-looking approach along with the expected macroeconomics factors with the purpose of estimating credit losses.

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 5.2.4 details how the Company determines whether there has been a significant increase in credit risk.

The subsequent recovery of amounts previously written-off is recognized as a credit to Cost of Sales.

4.9 Financial Liabilities

AES Gener classifies its financial liabilities in the following categories: fair value with through profit or loss, derivatives designated as effective hedging instruments (see Note 4.10) and amortized cost. The Management determines the classification of its financial liabilities at the time of initial recognition.

Financial liabilities are written off when the obligation is canceled, liquidated or expires. When an existing financial liability is replaced by another of the same provider under substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as low account of the original liability and the recognition of a new liability, and the difference in the respective amounts in books it is recognized in the income statement.

Financial liabilities are initially recognized at fair value and, in the case of loans, include costs directly attributable to the transaction. The subsequent measurement of financial liabilities depends on their classification as explained below.

When the Group has the right to offset obligations with financial rights, they will not be presented net according to IAS 32 Financial instruments: presentation paragraph 42, given that the Company intends to pay and charge these items independently. The disclosures of IFRS 7: financial instruments: Disclosures it will also apply to recognized financial instruments, whose derivative contracts are subject to an agreement of required compensation or similar agreement, regardless of the net or gross presentation under IAS 32. See note 11.2 (e).

a) Financial liabilities at fair value with changes in results

Financial liabilities are classified as at fair value through profit or loss when they are held for trading or designated as such upon initial recognition. Gains and losses from liabilities held for trading are recognized in the Income Statement. This category includes derivative instruments not designated for hedge accounting.

b) Financial liabilities at amortized cost

Other Financial Liabilities are measured at their amortized cost using the effective interest rate method. The amortized cost is calculated considering any premium or discount on the acquisition and it includes the costs of transactions that are part of the effective interest rate. Commercial creditors with maturity per the generally accepted commercial terms are not discounted.

4.10 Derivative Financial Instruments and Hedging

The Company uses derivative financial instruments such as interest rate swaps, cross currency swaps and currency forwards to hedge its risks associated with interest and exchange rate fluctuations. Derivatives are initially recognized at fair value on the date on which the derivative contract is signed and are subsequently re-measured at their fair value. The method for recognizing the loss or gain resulting from changes in the fair value depends on whether the derivative has been designated as a hedging instrument and, if so, of the nature of the hedged item. The Company designates derivatives as:

(a) fair value hedges;
(b) cash flow hedges;

The Company documents the relationship between hedge instruments and the hedged items at the beginning of the transaction, as well as its risk management objectives and strategy for carrying out diverse hedge transactions. The Company also documents its assessment, both at the beginning as well as on a continual basis, of whether the derivatives used in hedge transactions are highly effective at offsetting changes in fair value or in the cash flows of hedged items.

(a) Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any change in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Company has not used fair value hedges in the periods covered by these financial statements.

(b) **Cash Flow Hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in Other Comprehensive Income within the Cash Flow Hedge Reserve. Any loss or gain related to the ineffective portion is recognized immediately in the Income Statement within Finance Expense or Foreign Currency Exchange Differences, based on their nature.

Amounts accumulated in Accumulated Other Comprehensive Income are recorded in the Income Statement in the periods in which the hedged item impacts the Income Statement. For variable interest rate hedges, the amounts recognized in Accumulated Other Comprehensive Income are reclassified to Finance Expense as the associated debts accrue interest. For cross currency swaps, the amounts recognized in Accumulated Other Comprehensive Income are reclassified as Finance Expense as they accrue interest and to Foreign Currency Exchange Differences because of valuing the debt using period-end exchange rates.

A hedge is considered highly effective when changes in fair value or cash flows of the underlying attributable to the hedged risk are offset by changes in fair value or cash flows of the hedge instrument, with an effectiveness that is in the range of 80% - 125%.

When a hedge instrument matures, is sold or when it no longer meets hedge accounting requirements, gains or losses accumulated in Accumulated Other Comprehensive Income remain in equity and are recognized when the forecasted transaction affects earnings. When the forecasted transaction is not expected to occur, any accumulated gain or loss in Accumulated Other Comprehensive Income is immediately recognized in net income within Finance Expense and Foreign Currency Exchange Differences, based on their nature.

(c) **Derivatives Not Designated as Hedges**

Derivatives that are not designated as hedging instruments in an effective hedge are recognized at fair value through profit or loss. Changes in the fair value of any derivative instrument recorded in this way are recognized immediately in the Income Statement.

(d) **Embedded Derivatives**

The Company evaluates the existence of embedded derivatives in financial and non-financial instrument contracts, which are not already accounted for as assets or liabilities at fair value through profit or loss, to determine if their characteristics and risks are closely related to the underlying contract. If they are not closely related, embedded derivatives are separated from the underlying contract and recorded at fair value with variations recognized immediately in the Income Statement.

4.11 Inventory

Inventory is valued at the lesser of cost and net realizable value, except for those items that will be consumed in the production of finished goods, if it is estimated that the carrying value will be recovered through the sale of the finished product. Cost is determined using the Acquisition Cost Method. The net realizable value is the estimated sales price during the normal course of business, less estimated variable costs necessary to make the sale.

4.12 Cash and Cash Equivalents

Cash and cash equivalents include cash balances; time deposits in credit entities; other highly-liquid, short-term investments originally maturing in less than three months; and bank overdrafts. In the Statement of Financial Position, bank overdrafts are classified as external resources within Other Current Financial Liabilities.

Restricted cash is included in the Statement of Financial Position in Cash and Cash Equivalents except when the nature of the restriction is such that it stops being liquid or easily convertible to cash. In this case, cash restricted with restrictions less than 12 months will be recognized in Other Current Financial Assets and those greater than 12 months will be recognized in Other Non-Current Financial Assets. The classification of cash and cash equivalents does not differ from that used in the Cash Flow Statement.

IAS 7 permits presentation of the Statements of Cash Flows using either the direct or indirect method. AES Gener presents its Statement of Cash Flows using the direct method beginning the reporting period ending on March 31, 2013.

4.13 Issued Capital

The Company's issued share capital consists of a single class of ordinary shares with one vote per share.

Incremental costs directly attributable to the issuance of new shares or options are presented in equity as a deduction, net of taxes, of the funds obtained by issuing new shares.

4.14 Taxes

Current Taxes

The Company and its subsidiaries determine their current income taxes based on their net taxable income, which is determined in accordance with tax laws in effect for each period. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Income tax expense or benefit for the period is determined as the sum of the Company's and its subsidiaries' current income tax, which results from applying the tax rate to net taxable income for the period and includes taxable income and deductible expenses, plus variations in deferred tax assets and liabilities and tax credits.

Deferred Taxes

Deferred taxes arising from temporary differences and other events that generate differences between the carrying amount for financial reporting purposes and tax bases of assets and liabilities are recorded in accordance with IAS 12 "Income Taxes".

Except for investments in subsidiaries, affiliates and interests in joint ventures as indicated below, deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. A deferred tax liability is recognized for temporary tax differences related to investments in subsidiaries, associates and interests in joint ventures, except when the following conditions are met:

(a) the parent company, investor or participant of a business can control the opportunity to reverse the temporary difference; and

(b) it is probable that the temporary difference will not be reversed in the future.

A deferred tax asset is recognized for all deductible temporary tax differences that originate from investments in subsidiaries, associates or interests in joint ventures, only to the extent that it is probable that:

(c) Temporary differences are reversed in the foreseeable future; and

(d) There is taxable profit available against which temporary differences can be used.

Current taxes and variations in deferred taxes that do not arise from business combinations are recorded in the Income Statement or equity, based on where the gains or losses that originated them were recorded.

Deferred tax assets and tax credits are recognized only to the extent that it is probable that sufficient future taxable profits exist to recover the deductible temporary differences and make use of the tax credits.

Group companies with tax losses recognize a deferred tax asset when use of these losses is likely, for which generation of future taxable profits and the expiration date of the tax losses are considered. In both Chile and Colombia, tax losses do not expire, but in Argentina they expire after five years.

The Argentine subsidiaries determine the minimum presumed income tax by applying the current 1% rate on computable assets at the close of each year. This tax is complementary to the income tax. The fiscal obligation in each year corresponds to the higher amount when comparing the minimum presumed income tax with the income tax. However, if the profit tax minimum amount exceeds the income tax in a fiscal period, said excess may be computed as payment on account of any surplus of the income tax on the minimum presumed income tax that may occur in any of the ten periods of 3 months following.

4.15 Employee Benefits

Short-Term Employee Benefits

The Company and its subsidiaries recognize all liabilities related to short-term benefits to employees such as salary, vacation, bonuses and others as they are accrued considering amounts stipulated in collective agreements following normal Company policy.

Post-Employment Benefits: Defined Benefit Plans

The Company has recognized the total obligation related to voluntary pension and other post-employment benefits for retired employees as stipulated in collective agreements held by Chilean companies within the Company. The current active employees do not have the rights to these benefits upon retirement. Pension benefits include a complementary pension plan, which is paid throughout the retired employee's lifetime, in addition to benefits received through the Chilean social security system. These benefits also include complementary health services and electricity subsidies. Likewise, the Colombian subsidiary Chivor has a pension plan limited to a certain group of employees that consists of a complementary pension for those persons not covered by the provisions of Law No. 100 of 1993.

The obligations at the plans for post-employment benefits have been registered to the value of the obligation of the projected profit determined by actuarial calculation and using the method of Projected Unit Credit Method. The actuarial assumptions considered in the calculation include the probability of such payments or benefits based on the mortality (in the case of retired employees) of employees, future costs and levels of benefits and discount rate. In Chile, the discount rate is based on reference to the yield on sovereign bonds in Unidad de Fomento of the Central Bank of Chile and the average projected inflation in the long term, while in Colombia the rate is determined based on the performance of the long-term sovereign bonds issued by the Colombian Government. The use of the rates of sovereign bonds is done by considering that in both countries there are no markets sufficiently active of corporate bonds of high credit quality.

In the case of those former employees in Chile who are only entitled to medical benefits and electricity subsidies, the benefits are recognized based on an estimate of the proportion of benefits earned at the balance sheet date. Obligations for medical benefits and electricity subsidies have been determined considering the trend in future medical costs and fixed electricity for the delivered bond to retired and active employees after retirement.

Actuarial gains and losses include experience adjustments and the effects of changes in actuarial assumptions and they are recognized in other comprehensive income.

Share-based Compensation

AES Corporation, the majority shareholder of AES Gener S.A., grants share-based compensation, which consists of a combination of options and restricted stock, to certain employees of its subsidiaries. Rights to these plans generally vest over a term of three years.

The fair value of employee services received in exchange for an award of stock options is recognized as an expense and a corresponding increase or contribution in the Company's equity. The cost is measured on the granting date based on the fair value of the equity instruments or liabilities issued and is recognized as an expense using the straight-line method over the vesting period, net of an estimate for unexercised options.

Currently, the Company uses the Black-Scholes model to estimate the fair value of the stock options granted to employees.

Severance Payments

The Company's obligation for staff severance indemnities is measured and recorded at the present value of the total obligation using the projected benefit cost method, considering a discount rate based on UF-denominated sovereign bonds from the Chilean Central Bank and average long-term projected inflation.

Assumptions considered in the calculation include the probability of such payments or benefits based on mortality, employment rotation, future costs, amounts of benefits offered and the discount rate. The discount rate is determined in the same way as pension benefits as detailed in Note 4.15 (b) Defined Benefit Pension Plans.

4.16 Provisions

Provisions for environmental restoration, site restoration and asset removal, as well as restructuring and litigation expenses are recognized when:

(a) the Company has a current obligation, whether legal or constructive, because of past events; and

(b) it is probable that an outflow of resources will be needed to settle the obligation; and

(c) the amount can be reliably estimated.

No provisions for future operating losses are recognized.

Provisions are recorded at the present value of the expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a rate that reflects current market conditions, the time value of money and the risks specific to the liability. Increases in provisions due to the passage of time are recognized as an interest expense.

4.17 Revenue Recognition

The Company's revenues come mainly from the production and sale of energy and power. The revenues are recognized when the control of goods and services is transferred to customers and are recognized net of any tax charged that must be paid to the authorities of each country.

a) Income from the sale of goods and services

Sales of Goods

For contracts with customers in which the sale of equipment is the only obligation, the adoption of IFRS 15 has no impact on the Company's revenues and gains or losses, given that the Revenue recognition occurs at a point in time when control of the asset is transferred to the customer, with the delivery of the goods. The Company has impacts associated with the sale of assets of individually, as it currently does not sell goods as a single contract for the sale of goods.

Provision of services

The Company generates energy and renders capacity services, among others to unregulated, regulated customers and other generators in the spot market in Chile. Based on this activity, it recognizes revenues over time as the energy, capacity and other services are delivered to the end-customer. The Company's customers are described below :

i. Regulated customers: these are mainly comprised of distribution companies in Chile and Colombia. Revenues from energy and capacity sales are recognized overtime as energy and power are delivered to these customers in accordance with long-term contracts at an agreed price.
ii. Unregulated customers: The Company´s unregulated customers are mostly industrial and commercial customers. The revenue associated with these customers is recognized based on the physical energy and capacity delivered at the tariff set forth in the corresponding Power Purchase Agreements as executed with these customers.
iii. Spot market customers: The revenues associated with sales to the spot market are recognized based on the energy and capacity to other generation companies in the Chilean Electric System, at the hourly marginal cost, as coordinated and dispatched by the local regulators of this system. The spot market by law is organized through Dispatch Centers in countries where the Company operates ("CEN" in Chile, "CAMMESA" in Argentina and "XM" in Colombia) where the surplus and deficit of energy and power are marketed electrical Power and power surpluses are recorded as income and deficits are they are recorded as expenses within the consolidated statement of comprehensive income.

The revenues associated with unregulated customers and the spot market are recognized using the output method for the energy and capacity delivered to the end-customer as this represents the best manner to measure the performance obligations with these customers. The performance obligations contracted with the Company´s customers, including energy and ancillary services (operation and maintenance services and dispatch costs) are generally measured based on the MW/h generated and delivered, and the performance obligation related to capacity, are measured based on the availability of the generation plant.

b) **Contract assets and liabilities**

The Company has not recognized assets and liabilities associated with any uncompleted contracts, or parts thereof, as it recognizes revenues as billed which matches how the Company transfers the energy and capacity delivered to its customers. As of December 30, 2018, the Company accounted liabilities from contracts with customers from which has received a consideration for services not rendered.

4.18 Leases

In determining whether an agreement contains a lease, the Company analyzes whether the agreement depends on the use of specific asset or assets and whether the agreement conveys a right to use the asset. Leases in which the risks and rewards are substantially transferred to the property are classified as a finance lease. Examples of indicators that the agreement is a finance lease include:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to buy the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the beginning of the lease, the present value of future minimum lease payments is at least substantially all the fair value of the leased asset; and
- the leased assets are of a nature so specialized that only the lessee can use them without realizing major modifications.

Contracts which do not comply with the finance lease indicators are classified as operating leases.

(a) **Group as a Lessee – Finance Lease**

The Company and its subsidiary lease certain property, plant and equipment. Leases of property, plant and equipment in which the Company retains substantially all risks and rewards of ownership are classified as finance leases. Assets subject to capital leases are capitalized at the beginning of the lease at the lower between the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is distributed between the liability and finance charges to produce a constant interest rate on the outstanding balance of the obligation. The corresponding lease obligations, net of finance charges, are included in Other Current or Non-Current Financial Liabilities, depending on their maturities. The interest element of the finance expense is charged to the Income Statement over the lease period. Items of property, plant and equipment acquired under a finance lease are depreciated over the shorter of their useful lives and the duration of the respective lease contract.

(b) **Group as a Lessee – Operating Lease**

Leases in which the lessor retains an important part of the risks and rewards of ownership are classified as operating leases. Payments for operating leases (net of any incentive received from the lessor) are charged to the Income Statement on a straight-line basis over the lease period.

(c) **Group as a Lessor – Finance Lease**

When assets are leased under finance leases, the present value of the minimum lease payment is recognized as an account receivable, just like the net investment of the lease. The value of the net investment is the discounted cost using the implicit rate of the minimum lease payments and the non-secured residual value of the asset.

Income from leases is recognized in the lease period using the net investment method, which reflects a constant periodic rate of return.

(d) **Group as a Lessor – Operating Lease**

Assets leased to third parties under operating leases are included in Property, Plant and Equipment within the Statement of Financial Position according to the nature of the asset.

Income from operating leases is recognized in the Income Statement on a straight-line basis over the lease period.

During the years covered by these consolidated financial statements, the Company did not participate in significant contracts of this type.

4.19 Dividends

Dividend distributions to the Company's shareholders are recognized as a liability with a corresponding decrease in the Company's consolidated equity in the fiscal year in which the dividends are approved by the Company's shareholders.

As of each year-end, the Company records a provision of 30% of that period's net income as a minimum dividend in accordance with Law 18,046. The law in Chile requires the distribution of at least 30% of financial net income of the period, unless the shareholders decide unanimously against it.

Net income is equal to Income (Loss) Attributable to owners of the Parent.

4.20 Environmental Expenditures

Disbursements related to environmental protection are recorded in income when incurred. Investments in infrastructure intended to comply with environmental standards are capitalized based on the general accounting criteria for property, plant and equipment, in accordance with the applicable standards of IFRS.

4.21 Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk and other elements. Thus, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

A fair value measurement requires an entity to determine the following:

- the particular asset or liability being measured;
- for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;
- the main or most advantageous market in which an orderly transaction would take place for the asset or liability; and
- the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instrument (e.g. equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfill the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be canceled or otherwise extinguished on the measurement date.

The fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 inputs) and lowest priority to unobservable inputs (Level 3 inputs). If the fair value uses some unobservable inputs, it is classified as Level 2 as long as the quantity of unobservable inputs is not significant. Transfers between hierarchy levels are recognized as of the date of the event or change in circumstances that gave rise to the transfer.

4.22 Assets classified as held for sale and discontinued operations

Non-current assets, including property, plant and equipment, intangible assets, investments in associates and joint ventures, and groups of assets for disposal (group of assets that are going to be sold or distributed together with their directly associated liabilities) are classified as held for sale if its book value will be recovered primarily through a sale transaction instead of its continued use.

For the above classification, assets must be available for immediate sale in their current conditions and the sale must be highly probable. For the transaction to be considered highly probable, Management must be committed to a sales plan and must have initiated the necessary actions to complete said plan. Also, it should be expected that the sale is completed in one year from the date of classification.

The activities required to complete the sales plan must indicate that it is unlikely that significant changes in the plan will occur, or that it will be canceled. The probability of approval by shareholders (if required in the jurisdiction) must be considered as part of the evaluation of whether the sale is highly probable.

Assets or groups subject to expropriation classified as held for sale are measured at the lowest value between their book value or their fair value less selling costs.

The depreciation and amortization of these assets ceases when the criteria to be classified as non-current assets held are met for sale.

Assets that are no longer classified as held for sale, or stop being part of a group of assets for disposal, they are valued at the lower of their book value before their classification, less depreciation, amortization or revaluation that would have been recognized if they had not been classified as such, and the recoverable value on the date on which they are reclassified as non-current assets.

Non-current assets and the components of groups of assets for disposal that are classified as held for sale are presented in the consolidated statement of financial position as follows: the assets in a single line called "Assets classified as held for sale. "

A discontinued operation is a component of the Company that has been disposed of, or that has been classified as held for sale, and:

- represents a line of business or a geographical area, which is significant and can be considered separated from the rest;
- is part of an individual and coordinated plan to have a line of business or a geographical area of the operation that is significant and can be considered separated from the rest; or
- it is a subsidiary entity acquired exclusively for the purpose of reselling it.

The after-tax results of discontinued operations are presented in a single line of comprehensive income statement called "Gain (loss) from discontinued operations", as well as the gain or loss recognized by the measurement at fair value less costs to sell or the disposal of the assets or groups for disposal that constitute the operation discontinued.

NOTE 5 - FINANCIAL RISK MANAGEMENT

5.1 Risk Management Policy

The Company's risk management strategy is designed to safeguard the stability and sustainability of AES Gener and its subsidiaries always, under both normal and exceptional circumstances in relation to all relevant components of financial uncertainty. The Company's risk management is aligned with the general guidelines defined by its controlling shareholder, the AES Corporation.

"Financial risk events" refer to situations in which there is exposure to conditions that indicate financial uncertainty, and are classified based on the source of the uncertainty and associated transmission mechanisms. The responsible and effective management of these uncertainties is viewed by the Company as strategic from the standpoint of value creation, both under normal and exceptional conditions.

The following aspects of financial risk management are most important:

- Providing transparency, establishing and managing risk tolerances and determining guidelines to develop strategies to limit significant exposure to risk.

- Providing a disciplined and formal process for assessing risk and carrying out the commercial aspects of the business.

Financial risk management involves the identification, determination, analysis, quantification, measurement and control of these events. It is management's responsibility, particularly financial and commercial management, to constantly assess and manage financial risk.

5.2. Market and financial risks

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to a change in market prices. Market risks include the following three categories: foreign currency risk, interest rate risk and commodity price risk. Financial risk relates to the potential occurrence of events which could have a negative financial impact on the Company and specifically include: credit risk and liquidity risk.

5.2.1 Foreign Exchange Risk

Except for operations in Colombia, the Group's functional currency is the US dollar given that its revenue, expenses and investments in equipment and debt are mainly determined based in US dollar. Also, the Company is authorized to file and pay its income taxes in Chile in US dollars. Exchange rate risk is associated with any revenue, expenses, investments and debt denominated in any currency other than US dollars. The main items denominated in Chilean pesos are contract sales and tax credits mainly associated with VAT. As of December 31, 2018, AES Gener maintained several currency forwards with banks to mitigate its exposure to foreign exchange variations associated with energy sales, given that even though most of the Company's energy supply agreements have prices denominated in US dollars, payments are made in Chilean pesos at an exchange rate that is fixed for a specific period, and VAT payments. Given the Company's net asset position in Chilean pesos as of December 31, 2018, the impact of 10% devaluation in the exchange rate of the Chilean peso with respect to the US dollar could have resulted in a realized negative impact of approximately ThUS$9,441 in AES Gener net income.

During the year ended on December 31, 2018 approximately 84% of operating revenue and 87% of the Company's costs of sales were denominated in US dollars compared to 88% of operating revenue and 86% of costs of sales during the year 2017.

The functional currency of Chivor, the Company's Colombian subsidiary, is the Colombian peso since most its revenue, particularly contract and spot sales and operating costs are linked to the Colombian peso. For the year ended December 31, 2018, sales in Colombian pesos represented 16% of the Company's consolidated operating revenue, while they represented 12% in 2017. Additionally, AES Chivor's dividends are determined in Colombian pesos, although financial hedge instruments are used to fix the amount to be distributed in US dollars. Given AES Chivor's net asset position in US Dollars as of the close of December 2017, a 10% devaluation in the exchange rate of the Colombian peso with respect to the US dollar could have generated a negative impact of approximately ThUS$1,224 in AES Gener's net income.

Spot prices in the Argentine market, are set in US dollars. It is estimated that, as of December 31, 2018, a 10% devaluation in the Argentine peso with against the US dollar at the close of the year would have generated a negative impact of ThUS$1,542 on the results of AES Gener, given the net position in Argentine pesos that Termoandes maintained at that date.

In consolidated terms, investments in new plants and maintenance equipment are principally denominated in US dollars. Short-term investments are also mostly in U.S. dollars. As of December 31, 2018, 85% of short-term investments and current account balances were in US dollars, 10% in Chilean pesos, 2% in Colombian pesos and 2% in Argentine pesos. Cash balances in Argentine pesos are subject to exchange restrictions and exchange rate volatility to the Argentine market. As of December 2017, 83% of investments and balances were in US dollars, 14% in Chilean pesos, 1% in Colombian pesos and 1% in Argentinean pesos.

With respecto to debt (bank loans and bonds payable) denominated in currencies other than the U.S. dollar, AES Gener has taken hedges in the form of cross-currency swaps to reduce the exchange rate risk. AES Gener executed a cross-currency swap for the UF-denominated bonds issued in 2007 for approximately ThUS$219,527 and the swaps extend throughout the duration of the debt. It should be noted that a portion of this swap was unwound in June 2014, associated with the Series O Bonds with maturity in 2015, and the swap related to the Series N Bonds, with maturity in 2028 for ThUS$172,264 remained in force. As of December 31, 2018, 96% of AES Gener and its subsidiaries' debt was denominated in U.S. dollars, including the local bonds mentioned above and the associated swaps. The following table shows the composition of debt by currency as of December 31, 2018, and December 31, 2017:

Currency	December 31, 2018 %	December 31, 2017 %
US$	96.0	96.0
UF	1.0	1.0
Col$	3.0	3.0

5.2.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company 's exposure to the risk of changes in market interest rates relates primarily to the Company 's long-term debt obligations with variable interest rates.

AES Gener manages its interest rate risk by having an important percentage of its debt at fixed rate or with interest rate swaps, to fix it. Additionally, AES Gener has entered interest rate swaps to mitigate interest rate risk for long-term obligations. Currently, AES Gener has interest rate swaps for an important part of the debt associated with subsidiaries Eléctrica Cochrane and Alto Maipo. A 10% increase in variable interest rates would not have a significant impact on net income as 93.6% of the Company's debt is at fixed rates or rate swaps. The following table shows the composition of debt by type of interest rate as of December 31, 2018 and December 31, 2017:

Rate	December 31, 2018 %	December 31, 2017 %
Fixed rate	93.6	93.5
Variable rate	6.4	6.5

The subordinated bond issued in December 2013 for a total of ThUS$450,000 with tenor of 60 years, is at a fixed interest rate of 8.375% until year 5.5 from the issuance. From that period onwards, the interest rate is recalculated based on the 5-year swap rate published by Bloomberg plus a margin (spread) established in the offer and subsequently recalculated, based on the same conditions, every 5 years to maturity of debt.

5.2.3 Commodity Price Risk

The Company is affected by the volatility of certain commodity prices. The fuels used by the Company, mainly coal, diesel and liquefied natural gas ("LNG"), are commodities with international prices set by market factors outside of the Company's control. In Argentina, the Company's subsidiary TermoAndes purchases natural gas at a fixed price under short-term contracts, which is reflected in the energy contract price..

The price of fuel is a key factor in plant dispatch and spot prices both in Chile and Colombia. Since AES Gener is a company based mainly on thermal generation, fuel costs represent a significant portion of the cost of sales.

Currently, most of the Company's power purchase agreements include indexation mechanisms that adjust prices based on the increase and decrease in the price of coal in accordance with the indexes and adjustment periods specified under each contract, to mitigate major variations in the fuel cost.

Currently, AES Gener's contracted energy is balanced with energy generation of facilities with high probability of dispatch (efficient generation) and the remaining facilities (back-up facilities) which utilize diesel or LNG are expected to generate only during periods with limited market supplies such as dry hydrological conditions in the SEN, selling energy on the spot market. Currently, diesel and LNG purchases are not hedged as spot market sales allow variations in fuel prices to be transferred to the sale price.

Currently, most of the electricity sales contracts of AES Gener include mechanisms for indexation that adjust the price based on increases or decreases in the price of coal, according to the indices and specific adjustment schedules for each contract, which makes it possible to mitigate to variations in the price of this fuel.

Based on the foregoing, it is estimated that a 10% increase in diesel fuel costs during the period ended December 31, 2018, would not have a significant impact on results.

5.2.4 Credit Risk

Credit risk relates to the credit quality of counterparties with which AES Gener and its subsidiaries establish relationships. These risks are reflected primarily in accounts receivables and financial assets including bank and other deposits and other financial instruments.

In respect of accounts receivable, AES Gener's counterparties in Chile are mainly distribution companies and industrial customers of elevated solvency and an important percentage of these customers or their parent companies have local and/or international investment grade credit ratings. Necessarily, sales made by the AES Gener Group companies in the spot market must be made to other generators, members of the SEN, in accordance with the economic dispatch determined by this entity.

In Colombia, AES Chivor performs risk assessments of its counterparties based on an internal credit quality evaluation, which in some cases may include guarantees.

In Argentina, the principal counterparties are CAMMESA (Compañía Administradora del Mercado Mayorista Eléctrico S.A.) and large unregulated consumers with contracts requests under the Energía Plus program. TermoAndes carries out internal credit evaluations of its unregulated customers and therein include guarantees to secure payments.

Financial investments, such as mutual funds, time deposits and derivatives, are executed by AES Gener and its subsidiaries with local and foreign financial institutions which have national and/or international credit ratings greater than or equal to "A" under the S&P and Fitch scale and "A2" under the Moody's scale. Similarly, derivatives for financial debt are executed with first class international entities. Cash, investment and treasury policies direct the management of the Company's cash portfolio and minimize credit risk.

5.2.5 Liquidity Risk

Liquidity risk relates to the funding requirements to meet payment obligations. The Company's objective is to maintain a balance between continuity of funding and financial flexibility, through internally generated cash flows, bank loans, bonds, short-term investments, committed credit lines and uncommitted credit lines.

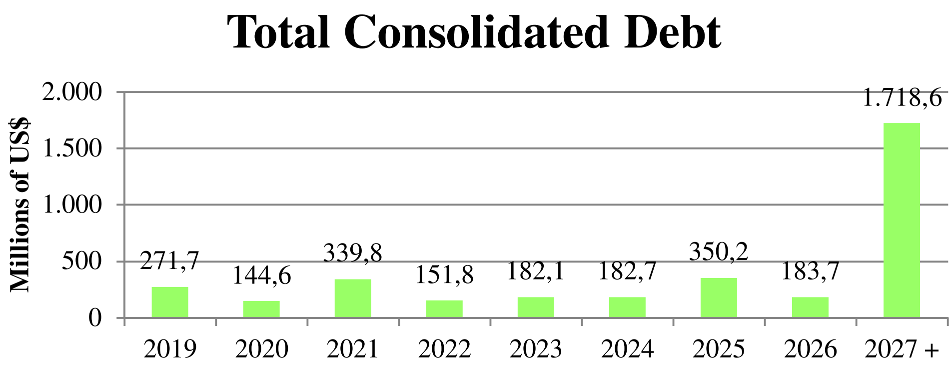
As of December 31, 2018, AES Gener had available liquid funds of ThUS$322,373 included in cash and cash equivalent. Meanwhile, as of the closing of December 2017, the balance in liquid resources amounted to ThUS$275,948 including cash and cash equivalents. It should be noted that the balance of cash and cash equivalents includes cash, term deposits with expiration of less than 90 days, securities, low risk immediately available mutual funds in U.S. dollars and re-sale and fiduciary agreements.

Additionally, as of December 31, 2018, AES Gener has committed and uncommitted credit lines for approximately ThUS$250,000 and uncommitted and unused credit lines for approximately ThUS$135,000.

For more detail of the restricted cash see note 9 of Financial Statements "Effective and equivalent to the cash".

The chart and table below show the maturity profile, based on actual debt, in millions of US dollars as of December 31, 2018:

		Average Rate	Schedule of Maturities as of December 31, 2018								
FIXED RATES			**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027 +**
Gener US$ 450 M Junior Notes due 2073	450.00	8.38%									450.00
Gener US$ 24.5 M Senior Notes due 2019	24.54	7.95%	24.54								
Gener US$ 402 M Senior Notes due 2021	191.69	5.25%			191.69						
Gener US$ 409 M Senior Notes due 2025	172.36	5.00%							172.36		
Gener UF$ 4.4 M Senior Notes due 2028	156.60	7.34%	15.66	15.66	15.66	15.66	15.66	15.66	15.66	15.66	31.32
Gener US$ 164 M ST Loan due 2018	59.00	3.30%	59.00								
ESSA UF$ 1.0 M Senior Notes due 2024	33.29	10.32%	1.42	1.59	2.15	3.88	9.48	14.77			
Angamos US$ 600 M Senior Secured Notes due 2029	453.18	4.88%	43.18	43.18	43.18	43.18	43.18	43.18	43.18	43.18	107.74
Angamos US$ 199 M Term Loans due 2029	181.71	4.50%	17.32	17.32	17.32	17.32	17.32	17.32	17.32	17.32	43.15
Cochrane Fixed Portion	715.13	4.34%	48.36	50.23	52.18	54.19	59.20	60.99	62.78	64.53	262.67
Alto Maipo Fixed Portion	817.04	6.68%			0.58		18.42	11.50	19.18	22.87	744.49
Chivor US$ 60 M (7,5% cop)	46.16	3.74%	46.16								
Total Fixed Rate	**3,300.70**	**5.84%**	**255.64**	**127.98**	**322.76**	**134.23**	**163.26**	**163.42**	**330.48**	**163.56**	**1,639.37**
	93.64%										
FLOATING RATES											
Cochrane Floating Portion	178.78	4.34%	12.09	12.56	13.04	13.55	14.80	15.25	15.69	16.13	65.67
Alto Maipo Floating Portion											
Tunjita	45.59	6.59%	4.01	4.01	4.01	4.01	4.01	4.01	4.01	4.01	13.51
Total Floating Rate	**224.37**	**4.80%**	**16.10**	**16.57**	**17.05**	**17.56**	**18.81**	**19.26**	**19.70**	**20.14**	**79.18**
	6.36%										
Total	**3,525.07**		**271.74**	**144.55**	**339.81**	**151.79**	**182.07**	**182.68**	**350.18**	**183.70**	**1,718.55**



5.3 Risk Measurement

The Company supports methods to measure the effectiveness and effectiveness of risk strategies, both prospectively and retrospectively.

For this analysis, diverse market methodologies on risk quantification are used and documented, such as methods of analysis of regression, risk tolerances and maximum exposures, in order to adjust risk and mitigation strategies and evaluate their impacts.

NOTE 6 - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Management must make judgments and estimates that have a significant effect on the figures presented in the financial statements. Changes in these assumptions and estimates may have a significant impact on the financial statements. The estimates and critical judgments used by the Company's management are detailed below:

- Hypotheses used in actuarial calculations of employee benefits obligations. (See Note 23)

- The useful lives and residual values of property, plant and equipment and intangible assets. (See Notes 18 and 19)
- The assumptions used to calculate the fair value of financial instruments, including credit risk. (See Note 11)
- The probability of occurrence and the amount of contingent liabilities or liabilities whose amount or timing is uncertain. (See Note 22 and 31)
- Future disbursements for asset dismantling or removal obligations, including the discount rate. (See Note 22)
- Determination of the existence of finance or operating leases based on the transfer of risks and rewards of the leased assets. (See Note 19)
- Allocation of intangibles and goodwill to each CGU and the calculation of the recoverable amount in the impairment test. (See Note 18)

Although these estimates have been made based on the best information available as of the date of these consolidated financial statements, it is possible that future developments may force the Company to modify these estimates in upcoming periods. Such modifications would be adjusted prospectively, recognizing the effects of the change in estimate on the corresponding future consolidated financial statements, as required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

NOTE 7 - OPERATING SEGMENTS

7.1 Definition of Segments

The Company defines and manages its activities based on certain business segments that meet and individual economic, regulatory, commercial or operating characteristics.

A segment is a component of the Company :

- That engages in business activities from which it generates income and incurs costs; and
- Whose operating results are regularly monitored by management, to make decisions, allocate resources and evaluate performance, and
- For which discrete financial information is available.

Management monitors the operating results of each segment separately to make decisions related to resource allocation and performance evaluations. A segment's performance is evaluated based on certain operating indicators such as gross profit (difference between operating revenues and cost of sales) and EBITDA. EBITDA is calculated as net income, plus interest expense, depreciation and amortization, foreign currency exchange differences, asset retirement obligation accretion expense, other gains (losses) and the participations in earnings of associates.

Earnings and asset balances in segments are measured in accordance with the same accounting policies applied to the financial statements. Transactions and associated unrealized gains or losses between segments are eliminated.

AES Gener's financial liabilities are centralized and controlled at a corporate level and are not presented by reportable segments.

7.2 Description of Segments

The Company segments its business activities based on the interconnected energy markets in which it operates, which are:

- Chile, comprised of the National Electric System (SEN);

- Argentina, , comprised of the Argentinean Interconnected System (SADI); and
- Colombia, comprised of the National Interconnected System (SIN).

These segments refer to geographic areas and corresponding electrical systems.

In each segment, the Company's principal activity consists of electricity generation.

On November 21, 2017, the interconnection of the electrical systems of the middleand north was completed (the "SING and SIC respectively"). With this milestone, the National Electric System ("SEN") was created that connects through a network of transmission of more than 3.000 km extension the city of Arica with the Islands of Chiloé. Through this interconnection without restrictions, except for those of technical design, a new electricity market are created, which integrates its predecessors SING and SIC forming the segment called "Chile" (SEN). The SIN and SADI markets remain and are now called "Colombia" and "Argentina", respectively.

Prior to 2018, the operating segments consisted of the SIC, SING, SIN and SADI. For purposes of these financial statements, we reclassified our 2017 operating segments into the new operating segments Chile (SEN), Colombia (SIN) and Argentina (SADI).

7.3 Assets and liabilities by Segment

Assets and liabilities by segment are detailed as follows:

ASSETS BY OPERATING SEGMENT	December 31, 2018					Decer		
	Chile (SEN)	Colombia (SIN)	Argentina (SADI)	Eliminations	Total	Chile (SEN)	Colombia (SIN)	Arg (S
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	T
Cash and Cash Equivalents	287,031	26,765	8,577	-	322,373	248,527	15,939	
Trade and Other Receivables (1)	404,390	50,308	27,960	(7,836)	474,822	412,420	34,509	
Property, Plant and Equipment	5,886,733	413,610	171,886	-	6,472,229	5,792,233	448,746	
Investment in Empresa Electrica Guacolda S.A.	213,315	-	-	-	213,315	410,882	-	
Financial Liabilities (2)	3,483,371	101,010	-	-	3,584,381	3,699,481	134,533	
Trade and Other Payables (3)	441,060	26,985	15,751	(7,836)	475,960	602,060	16,647	
Total Current Assets by segment	875,415	80,936	40,561	(7,836)	989,076	1,017,759	43,075	
Total Non-Current Assets by segment	6,288,070	417,640	174,575	-	6,880,285	6,406,064	462,140	
Total Current Liabilities by segment	758,859	113,027	25,789	(7,836)	889,839	1,610,546	106,994	
Total Non-Current Liabilities by segment	4,085,321	104,690	42,261	-	4,232,272	3,527,890	125,965	

(1) Trade and Other Receivables includes both current and non-current portions as well as the account Current Related Party Receivables.
(2) Financial liabilities include both current and non-current items.
(3) Trade accounts payable and other accounts payable, include the current and non-current portion, in addition to the item "Accounts payable to Related

7.4 Revenue, Expenses and Capital Expenditures by Segment

Revenues, Expenses and Capital Expenditures by segment and other selected information are detailed as follows:

REVENUES AND COSTS BY OPERATING SEGMENT	December 31, 2018					December 31, 2017	
	Chile	Colombia	Argentina	Eliminations	Total	Chile	Colombia
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Operating Revenues	2,075,917	427,631	146,452	(2,621)	2,647,379	1,974,039	325,941
Cost of Sales	1,627,356	188,438	118,898	(2,621)	1,932,071	1,538,803	149,543
Gross Profit	**448,561**	**239,193**	**27,554**	**-**	**715,308**	**435,236**	**176,398**
Income before Taxes	291,528	227,393	8,912	-	527,833	171,767	143,699
Net Income	147,981	151,164	6,174	-	305,319	118,038	84,996
EBITDA	591,402	241,099	54,857	-	887,358	590,607	173,608
Finance Income	1,573	1,237	2,203	(101)	4,912	4,344	1,183
Finance Expenses	105,941	8,488	1,563	(101)	115,891	167,038	8,336
Equity Participation of Empresa Electrica Guacolda S.A.	(182,500)	-	-	-	(182,500)	23,584	-
Depreciation and Amortization	225,910	11,775	29,585	-	267,270	240,419	11,941
Capital Expenditures	557,324	13,587	23,995	-	594,906	542,941	4,752
Cash Flows							
Net Cash Flows Provided by Operating Activities	244,036	38,180	31,189	-	313,405	332,770	(10,516)
Net Cash Flows Used in Investing Activities	42,221	(13,168)	(29,541)	-	(488)	(402,823)	(4,497)
Net Cash Flows Used in Financing Activities	(244,877)	(12,884)	-	-	(257,761)	(95,600)	(20,581)

Revenues, Expenses and Capital Expenditures by for the three- month period ended December 31, 2018, are detailed as follows:

REVENUES AND COSTS BY OPERATING SEGMENT	December 31, 2018					December 31, 2017		
	Chile	Colombia	Argentina	Eliminations	Total	Chile	Colombia	Arge
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	Th
Operating Revenues	525,914	102,775	32,764	(1,234)	660,219	552,645	71,358	
Cost of Sales	397,537	54,124	21,403	(1,234)	471,830	399,562	39,207	
Gross Profit	**128,377**	**48,651**	**11,361**	**-**	**188,389**	**153,083**	**32,151**	
Income before Taxes	38,203	53,774	6,086	-	98,063	83,429	30,133	
Net Income	(31,795)	41,468	3,379	-	13,052	61,214	17,155	
EBITDA	163,214	51,557	18,067	-	232,838	187,595	31,364	
Finance Income	818	420	804	(47)	1,995	6	306	
Finance Expenses	26,891	1,801	502	(47)	29,147	38,144	1,029	
Equity Participation of Empresa Electrica Guacolda S.A.	(185,266)	-	-	-	(185,266)	12,535	-	
Depreciation and Amortization	56,060	2,765	7,838	-	66,663	58,812	2,796	
Capital Expenditures	120,972	2,462	(2,097)	-	121,337	139,438	2,525	
Cash Flows								
Net Cash Flows Provided by Operating Activities	51,654	19,461	11,653	-	82,768	207,085	13,237	
Net Cash Flows Used in Investing Activities	155,234	(2,043)	(11,514)	-	141,677	(296,970)	250,950	
Net Cash Flows Used in Financing Activities	(182,136)	(207)	-	-	(182,343)	(133,181)	(158,277)	

The following table sets forth the EBITDA calculation:

Calculation EBITDA	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Operating Revenues	2,647,379	2,436,712
Cost of Sales	(1,932,071)	(1,819,218)
Gross Profit	**715,308**	**617,494**
Depreciation and Amortization	267,270	281,524
Operating Margin	**982,578**	**899,018**
Decommissioning Costs (ARO)	6,971	4,729
Other Operating Income	4,684	457
Other Expenses	(2,993)	(2,142)
Administrative Expenses	(103,882)	(108,656)
TOTAL EBITDA	**887,358**	**793,406**

NOTE 8 – ASSETS CLASSIFIED AS HELD FOR SALE

Compañía Transmisora del Norte Grande. ("CTNG")

On June 29, 2018, AES Gener and Angamos, in their capacity as sole shareholders, entered into an agreement with Chilquinta Energía S.A., for the sale of 100% of the shares of CTNG, a company that is owner of transmission assets in the Fifth, Second and Metropolitan Regions.

Due to the foregoing, from the Financial Statements as of June 30, 2018, the Company proceeded to apply IFRS 5 "Non-current assets classified as held for sale", which implied that the assets and liabilities subject to sale are classified as such in the Financial Statements.

Under the terms of the agreement, the success of the sale was subject, among other conditions, to the fulfillment of certain condition consisting of the approval of the operation by the National Economic Prosecutor's Office (Anti-trust regulator).

The conditions previously mentioned were met and materialized on December 18, 2018, and as a consequence, the Company recognized a profit of approximately ThUS $145,000 in its net incomeof the yearas a result of the deconsolidation of assets and liabilities of CTNG. The sale price finally rose to the amount of approximately ThUS $ 225,519.

Sociedad Eléctrica Santiago S.A. ("ESSA")

Assets classified as held for sale as of December 31, 2017, related to assets and liabilities of the ESSA subsidiary and included the Renca, Nueva Renca, Los Vientos and Santa Lidia power plants, whose shares were sold, as set forth in the sale purchase agreement as dated on December 21, 2017 executed with with Sociedad Generadora Metropolitana SpA.

On December 21, 2017, AES Gener S.A. and Norgener Foreign Investment SpA, in their capacity as shareholders, signed an agreement with the Sociedad Generadora Metropolitana SpA, whose indirect shareholders are Andes Mining and Energy Corporate SpA and EDF Chile Sp, for the sale of 100% of the shares of the Company that owns the Renca, Nueva Renca, Los Vientos and Santa Lidia plants.

According to the terms of the agreement, the sale was subject to the purchaser's ability to obtain financing for the acquisition of the company no later than June 30, 2018, and the approval the approval of the operation from the National Economic Prosecutor's Office of pursuant to Title IV of DL 211 of 1973.

The aforementioned conditions were met and materialized on May 10, 2018. As a result of this, the Company recognized a profit of approximately US 90 million in the net income of the period, as a result of the deconsolidation of ESSA's assets and liabilities. The sale price amounted to approximately ThUS $ 288,000.

The Company´s assets and liabilities that, as of December 31, 2017, were available for sale are detailed as follows:

ASSETS	December 31, 2017
	ThUS$
CURRENT ASSETS	
Cash and Cash Equivalents	42
Other Current Non-Financial Assets	7,821
Trade and Other Receivables	2,427
Inventory	5,314
Taxes Receivables	3,805
Total Current Assets	**19,409**
NON-CURRENT ASSETS	
Other Non-Current Non-Financial Assets	68
Intangible Assets	1,306
Property, Plant and Equipment	229,110
Total Non-Current Assets	**230,484**
TOTAL ASSETS	**249,893**

LIABILITIES	December 31, 2017
	ThUS$
CURRENT LIABILITIES	
Other Current Financial Liabilities	62
Trade and Other Payables	33,077
Taxes Payable	4,831
Employee Benefits	87
Other Current Non-Financial Liabilities	863
Total Current Liabilities	**38,920**
NON-CURRENT LIABILITIES	
Other Non-Current Financial Liabilities	3,561
Provisions	15,657
Deferred Taxes	9,193
Employee Benefits	1,023
Total Non-Current Liabilities	**29,434**
TOTAL LIABILITIES	**68,354**
ASSETS CLASSIFIED AS HELD FOR SALE	**181,539**

NOTE 9 – CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Cash on Hand	50	36
Cash at Banks	233,983	215,002
Short-Term Deposits	85,851	52,199
Other Cash and Cash Equivalents	2,489	8,711
Total Cash and Cash Equivalents	**322,373**	**275,948**

Short-Term Deposits mature in less than three months from their date of acquisition and accrue interest at market rates for this type of short-term investments.

"Other Cash and Cash Equivalents" primarily includes mutual funds, which are low-risk investments in US dollars that allow for immediate availability without restrictions, recorded at their fair value as of the closing date of these consolidated financial statements, and repurchase agreements, which are short-term investments with banks and stock brokerage firms, backed by financial instruments issued by the Chilean Central Bank and private banks with high-quality credit ratings.

Balances of Cash and Cash Equivalents included in the Statement of Financial Position do not differ from those in the Statement of Cash Flows.

Cash and Cash Equivalents by type of currency as of December 31, 2018 and 2017, are detailed as follows:

Cash and Cash Equivalents by Currency	December 31, 2018 ThUS$	December 31, 2017 ThUS$
$	33,422	37,394
Ar$	4,912	4,909
Col$	10,795	3,885
US$	273,244	229,760
Total Cash and Cash Equivalents	**322,373**	**275,948**

As of December 31, 2018 and 2017, the Company has the following cash amounts with restrictions held in bank accounts. These funds are being used by the Company for operational and working capital requirements, detailed as follows:

Company	Cash and Cash Equivalents with Restrictions	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Cochrane	Cash at Banks	34,193	61,194
Alto Maipo	Cash at Banks	40,776	60,836
AES Gener	Cash at Banks	10,758	
	Total	**85,727**	**122,030**

The balance related to Cochrane is restricted by the requirements of the credit agreement with several banks, led by Mizuho Corporate Bank Ltd., Sumitomo Mitsui Banking Corporation, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and HSBC Bank USA, National Association.

The balance related to Alto Maipo is restricted by the requirements of the credit agreement with several banks, led by Banco Corpbanca as managing agent.

NOTE 10 – OTHER FINANCIAL ASSETS

As of December 31, 2018 and December 2017, Other Financial Assets are detailed as follows:

	Current		Non-Current	
Other Financial Assets	December 31, 2018 ThUS$	December 31, 2017 ThUS$	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Hedging Instruments (1)	3,513	6,800	10,495	28,483
At Fair Value through Profit or Loss (1)	1,187	3,681	1,832	821
Investment in Gasoducto Gasandes S.A. (2)	-	-	2,353	2,353
Investment in Gasoducto Gasandes (Argentina) (2)	-	-	2,200	2,200
Investment in CDEC SIC Ltda.	-	-	70	70
Restricted Cash	-	-	660	471
Other Financial Assets	153	166	-	-
Total	**4,853**	**10,647**	**17,610**	**34,398**

(1) Hedging Instruments and assets at Fair Value through profit or Loss (derivatives not designated as hedges) are recorded at their fair value (Refer to Note 11.4 Derivative Instruments for more detail).

(2) The investments in Gasoducto Gasandes S.A. (Argentina) and Gasoducto Gasandes S.A. correspond to a 13% interest that AES Gener S.A. holds in both companies as detailed in Note 11.1 Financial Assets and Note 28 Other Gains (Losses).

NOTE 11 – FINANCIAL INSTRUMENTS

11.1 Financial Assets and Liabilities by category

Financial Assets are classified into the categories described in Note 4.8, and detailed as follows:

December 31, 2018	Cash and Cash Equivalents ThUS$	Loans and Receivables ThUS$	At Fair Value through Profit or Loss ThUS$	Hedging Instruments ThUS$	Total ThUS$
Cash and Cash Equivalents	322,373	-	-	-	322,373
Other Current Financial Assets	-	-	1,340	3,513	4,853
Trade Receivables	-	350,608	-	-	350,608
Other Non-Current Financial Assets	-	-	7,115	10,495	17,610
Related Party Receivables	-	29,313	-	-	29,313
Total	**322,373**	**379,921**	**8,455**	**14,008**	**724,757**

December 31, 2017	Cash and Cash Equivalents ThUS$	Loans and Receivables ThUS$	At Fair Value through Profit or Loss ThUS$	Hedging Instruments ThUS$	Total ThUS$
Cash and Cash Equivalents	275,948	-	-	-	275,948
Other Current Financial Assets	-	-	3,847	6,800	10,647
Trade Receivables	-	325,212	-	-	325,212
Other Non-Current Financial Assets	-	-	5,915	28,483	34,398
Related Party Receivables	-	10,066	-	-	10,066
Total	**275,948**	**335,278**	**9,762**	**35,283**	**656,271**

The carrying amount of financial assets such as Cash and Cash Equivalents and the current portion of Related Party Receivables are approximately equivalent to their fair values, due to the short-term nature of their maturities.

Instruments recorded in Other Current Financial Assets, classified as at Fair Value through Profit or Loss and Derivative Instruments (i.e. hedging and non-hedging instruments) are presented at their fair value in the Consolidated Statement of Financial Position. See Note 11.2 for the methods used in the calculation of their fair value.

Financial instruments classified as Financial Assets at Fair Value with Changes in Other Comprehensive Income, include investments in the CDEC SIC and SING and Gasoducto Gasandes S.A and Gasoducto Gasandes Argentina, which are presented at cost value because there is not sufficient information to determine its market value (Note 10).

The classification is based on the Company's business model to manage its financial model and the characteristics of the contractual cash flows of financial assets.

Financial liabilities are classified into the categories described in Note 4.9, and detailed as follows:

December 31, 2018	At Fair Value through Profit or Loss ThUS$	Hedging Instruments ThUS$	Other Financial Liabilities ThUS$	Total ThUS$
Other Current Financial Liabilities	29	19,642	297,272	316,943
Trade Payables	-	-	236,698	236,698
Other Non-Current Financial Liabilities	-	131,103	3,136,335	3,267,438
Related Party Payables	-	-	305,230	305,230
Total	**29**	**150,745**	**3,975,535**	**4,126,309**

December 31, 2017	At Fair Value through Profit or Loss ThUS$	Hedging Instruments ThUS$	Other Financial Liabilities ThUS$	Total ThUS$
Other Current Financial Liabilities	141,103	9,417	901,928	1,052,448
Trade Payables	-	-	264,560	264,560
Other Non-Current Financial Liabilities	2,534	2,039	2,776,993	2,781,566
Related Party Payables	-	-	278,918	278,918
Total	**143,637**	**11,456**	**4,222,399**	**4,377,492**

The book value of the current portion of Accounts Payable to Related Parties and Trade Payables approximates their fair values given the short-term nature of their maturities.

Instruments recorded in Other Current and Other Non-Current Financial Liabilities classified as Financial Liabilities at Fair Value through Profit or Loss (derivatives not designated as hedging instruments) and hedging derivatives are presented at fair value in the Statement of Financial Position. See Note 11.2 for the methods used to calculate these fair values.

The carrying value of interest-bearing loans included in Other Current and Other Non-Current Financial Liabilities differs from their fair values principally due to fluctuations in exchange rates and market interest rates. The methodology to calculate fair values of these instruments consists of discounting future cash flows of the debt using a yield curve. For the purposes of calculating this present value, assumptions are used such as the value of the currency of the debt, the credit rating of the instrument and the credit rating of the Company or Group. The assumptions used as of December 31, 2018, and December 31, 2017, are classified as Level 2 within the Fair Value Hierarchy as defined in Note 11.2 (d).

The following table details the carrying amounts and fair values of interest-bearing loans:

	December 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Interest-Bearing Loans	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Interest-Bearing Loans	3,433,607	3,712,194	3,678,921	3,733,587

11.2 Valuation of derivate instruments

The Company has hired Chatham Financial to calculate the fair value of interest rate and cross currency swaps. For the calculation of embedded derivatives and interest rate and cross currency swaps of AES Gener S.A., the Company has developed internal valuation models.

The following principal assumptions are used in valuation models for derivative instruments:

a) Market assumptions such as future spot prices, other price projections, credit risk (own and counterparty).

b) Discount rate inputs such as risk-free rates, local and counterparty spreads (based on risk profiles and data available in the market).

c) The models also incorporate variables such as volatilities, correlations, regression formulas and market spreads using observable market data and techniques commonly used by market participants.

Valuation Methodology for Derivative Instruments

(a) **Interest Rate Swaps**

The valuation model for interest rate swaps involves forecasting cash flows using forward curves for each intermediate and final settlement date, and then discounting those cash flows using the LIBOR zero coupon rate. The assumptions used in the model include prices and rates observable in the market, risk-free rates, country and/or counterparty risk, the Company's credit risk, etc.

(b) Cross Currency Swaps

The valuation model for cross currency swaps involves discounting expected cash flows using the local curve for the forecasted exchange rate and then converts these discounted cash flows into US dollars using spot rates. The assumptions used in the model include historic transactions, prices and rates observable in the market, risk-free rates, country and/or counterparty risk, the Company's credit risk, etc.

(c) **Foreign Exchange Forwards**

The Company uses forward prices observable in the market and other assumptions, such as country and/or counterparty risk and the Company 's own credit risk, to calculate the fair value of foreign exchange forwards.

(d) Hierarchy of Fair Value of Financial Instruments

Financial instruments recognized at fair value in the Statement of Financial Position are classified based on the following hierarchies:

Level 1: Quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

The financial asset and liability fair value hierarchy is detailed as follows:

December 31, 2018	Note	Level 1 ThUS$	Level 2 ThUS$	Level 3 ThUS$	Total
Assets					
At Fair Value through Profit or Loss					**3,680**
Foreign Exchange Forwards	11.4 (b)	-	3,020	-	
Mutual Funds		660	-	-	
Hedging Instruments					**14,008**
Cross Currency Swap	11.4 (a.2)	-	5,701	-	
Interest Rate Swap	10.4 (a.1)	-	7,102	889	
Foreign Exchange Forwards	11.4 (a.3)	-	316	-	
Total Assets		**660**	**16,139**	**889**	**17,688**
Liabilities					
At Fair Value through Profit or Loss					**29**
Foreign Exchange Forwards	11.4 (b)	-	29	-	
Interest Rate Swap	11.4 (b)	-	-	-	
Hedging Instruments					**150,745**
Cross Currency Swap	11.4 (a.2)	-	4,626	-	
Interest Rate Swap	11.4 (a.1)	-	-	125,421	
Foreign Exchange Forwards	11.4 (a.3)	-	20,698	-	
Total Liabilities		**-**	**25,353**	**125,421**	**150,774**

December 31, 2017	Note	Level 1 ThUS$	Level 2 ThUS$	Level 3 ThUS$	Total
Assets					
At Fair Value through Profit or Loss					**4,973**
Foreign Exchange Forwards	11.4 (b)	-	4,502	-	
Mutual Funds		471	-	-	
Hedging Instruments					**35,283**
Cross Currency Swap	11.4 (a.2)	-	28,524	-	
Interest Rate Swap	10.4 (a.1)	-	-	-	
Foreign Exchange Forwards	11.4 (a.3)	-	6,759	-	
Financial Assets at Fair Value with Changes in OCI					**166**
Investments in Bonds		-	-	-	
Other Investments		166	-	-	
Total Assets		**637**	**39,785**	**-**	**40,422**
Liabilities					
At Fair Value through Profit or Loss					**143,637**
Foreign Exchange Forwards	11.4 (b)	-	11,228	-	
Interest Rate Swap	11.4 (b)	-	-	132,409	
Hedging Instruments					**11,456**
Cross Currency Swap	11.4 (a.2)	-	3,477	-	
Interest Rate Swap	11.4 (a.1)	-	6,891	-	
Foreign Exchange Forwards	11.4 (a.3)	-	1,088	-	
Total Liabilities		**-**	**22,684**	**132,409**	**155,093**

The amount classified in Level 3 represents interest rate swaps of the subsidiary Alto Maipo, which corresponds to instruments executed in the year 2014.

The valuation of the derivative instrument contains variables not observable in the market and it principally relates to the credit risk associated with Alto Maipo. The credit risk rate used in the valuation considered the spread over LIBOR used in financing Alto Maipo, which is currently estimated weighted value of 363 points over LIBOR.

The Company has performed sensitivity analysis on the unobservable variables and the impact on the market value of the instruments classified as level 3. It is estimated that a change of +/- 50 basis points on the applicable spread on the LIBOR rate, would impact of +/- 3.0% on the current valuation of these instruments.

The movement of the balance sheet is valued using Level 3 of the fair value hierarchy, is detailed as follows:

	Interest Rate Swap ThUS$
Opening Balance, January 1, 2018	**132,409**
Valuation Recognized in Other Comprehensive Income	22,058
Adjustment to Net Income	(21,654)
Settling	(8,280)
Ending Balance, December 31, 2018	**124,533**

(e) Master Netting Agreements

The following table shows the derivative instruments as of December 31, 2018 and December 31, 2017, that are subject to master netting agreements, where there is a contractual right to offset assets and liabilities under these financial instruments.

	December 31, 2018		December 31, 2017	
Current and Non-Current Derivative Instruments	**Assets ThUS$**	**Liabilities ThUS$**	**Assets ThUS$**	**Liabilities ThUS$**
Current	4,701	(19,671)	10,482	(150,519)
Non-Current	12,327	(131,104)	29,303	(4,572)
Total Derivative Instruments	**17,028**	**(150,775)**	**39,785**	**(155,091)**
Derivative Instruments Subject to Master Netting Agreements				
Subject to Master Netting Agreements (Gross is Equal to Net)	17,028	(150,775)	39,785	(155,091)
Gross Amount of Derivative Instruments Not Offset	(2,318)	2,318	(4,388)	2,739
Gross Amount of Collateral Not Offset	-	-	-	-
Total Amount	**14,710**	**(148,457)**	**35,397**	**(152,352)**

As of December 31, 2018 and December 31, 2017, the Company has not provided any cash guarantees.

11.3 Credit Risk of Financial Assets

The Company is exposed to credit risk in its commercial activities as well as in its financial activities.

Credit Quality of Gener's and Other Chilean Subsidiaries' Counterparties

The Company evaluates the credit quality of its counterparties, which includes principally distributors and industrial clients. In Gener's case, the majority of them have local and international investment-grade ratings. Credit quality is determined by qualified rating agencies that determine the solvency of the entities on a rating from "AAA" (highest rating) to "E" (lower rating), obtaining the "investment grade" From the BBB rating.

Regarding financial assets and derivatives, Gener and its subsidiaries execute investments with local and international counterparties with international or national risk ratings of A or A2 per Standard & Poor's and Moody's, respectively. Similarly, derivatives executed for financial debt are carried out with top-level international entities. The Company has cash, investment and treasury policies to guide its cash management and minimize credit risk.

Credit Quality of Foreign Subsidiaries

Our Colombian subsidiary, Chivor, executes transactions that are denominated in Colombian pesos with banks that have credit ratings of "AAA", which is considered to be the highest credit quality rating per Duff & Phelps, a Colombian risk rating agency. With respect to the credit quality of the counterparty for Chivor's financing activities in US dollars, they have a rating of "A+" (Standard & Poor's) or "A1" (Moody's), which indicates a low credit risk.

Historically, Chivor has maintained minimal exposure to credit risk given the short-term nature of its receivables.

Management considers that the Argentinean subsidiary, TermoAndes S.A. has no major credit risks as its commercial operations are primarily with CAMMESA and clients known as “Major Users of the Electric Market” (“GUMA”), whose contracts operate under Energía Plus legislation.

11.4 Derivative Instruments

Financial derivatives held by Gener and its subsidiaries correspond primarily to transactions entered with the intent to hedge interest and exchange rate volatility arising from financing development projects.

The Company, in line with its risk management policy, enters into interest rate and cross currency swaps and currency forwards to reduce the anticipated variability of the underlying debt’s future cash flows.

The portfolio of derivative instruments as of December 31, 2018 and December 31, 2017, is detailed as follows:

(a) **Cash Flow Hedges**

(a.1) **Interest Rate Swaps**

These swap contracts partially hedge the syndicated loans related to Alto Maipo and Cochrane. The fair values are detailed as follows:

	December 31, 2018				December 31, 2017		
	Assets		Liabilities		Assets		Li
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current
Interest Rates	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
2,80% - 5,77%	2,176	5,815	4,585	120,836	-	-	4,856
Total	**2,176**	**5,815**	**4,585**	**120,836**	**-**	**-**	**4,856**

Cochrane

In May 2013, Cochrane signed eight interest rate swap contracts with the banks Mizuho Capital Markets Corporation, The Bank of Tokyo-Mits Banking Corporation and HSBC Bank NA, maturing in 18 years for ThUS$800,000, to fix variable interest rates during the construction and oper

Alto Maipo

On May 8, 2018, the Alto Maipo Swap instruments were re-designated as hedging instruments, so the changes in the market value of these inst included in other comprehensive income of the Company.

(a.2) **Cross Currency Swaps**

		December 31, 2018				Dec	
		Assets		Liabilities		Assets	
		Current	Non-Current	Current	Non-Current	Current	Non-Curre
	Counterparty	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
AES Gener	Credit Suisse - Deutsche Bank	-	-	3,968	610	-	6,5
Angamos	Estado - Chile - BCI - Corpbanca	1,021	4,680	48	-	2,831	19,1
		1,021	**4,680**	**4,016**	**610**	**2,831**	**25,6**

In December 2007, AES Gener signed two cross currency swaps with Credit Suisse International to fix in U.S. Dollars the UF 5.6 million obligati
bonds (N and O), equivalent to approximately ThUS$217,000 as of the date of issuance, maturing in 2015 and 2028.

In September 2009, AES Gener S.A. signed a modification to the Cross Currency Swap contract associated with the N Series bond. The previous co
by new contracts that were executed with Deutsche Bank. Both swap contracts include provisions that require AES Gener to grant a cash guarant
market value exceeds the limit established in the contracts.

In April 2016, the anticipated partial redemption was carried out of the Bonds 144 RegS/to 4.875% of Angamos by an amount of MUS$199.028,
redemption was funded with five loans obtained from local banks in pesos and UF, see note 20.1.(a), which have the same maturity with respect to
the obtaining of these loans, Angamos signed five contracts for the swap of currency and interest rate with the banks themselves that granted funds
purpose of redenominating the currencies of debt from Pesos and UF to dollars and also to convert variable interest rates at a fixed rate during t
obtained.

(a.3) Foreign Exchange Forwards

	December 31, 2018				Dece	
	Assets		Liabilities		Assets	
	Current	Non-Current	Current	Non-Current	Current	Non-Curre
Derivative Instrument	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Fix Cost - AES Gener	-	-	11,024	9,657	3,969	2,7
Regulated customers - AES Gener	316	-	17	-	-	
	316	**-**	**11,041**	**9,657**	**3,969**	**2,7**

In August and September 2017, AES Gener S.A. executed foreign exchange forward contracts related to fix costs with Banco de Chile, Scotiaba
Morgan for a total of ThUS$322,335, with partial maturities and final settlement on July, 2020. The outstanding nominal amount as of December

In December 2017, AES Gener S.A. executed foreign exchange forward contracts related to fix costs with HSBC, Scotiabank and Banco de Chil
partial maturities and final settlement on October 2020. The outstanding nominal amount as of December 31, 2018, is ThUS$49,514.

In May 2018, AES Gener S.A. executed foreign exchange forward contracts related to fix costs with Scotiabank, Banco de Chile and JP Morga
partial maturities and final settlement on May 2021. The outstanding nominal amount as of December 31, 2018, is ThUS$68,532.

In October 2018, AES Gener S.A. executed foreign exchange forward contracts related to fix costs with Scotiabank, Banco de Chile and HSBC
partial maturities and final settlement on September 2021. The outstanding nominal amount as of December 31, 2018, is ThUS$40,847.

In November and December 2018, AES Gener S.A. executed foreign exchange forward contracts related to fix costs with Scotiabank and JP M
with partial maturities and final settlement on September 2021. The outstanding nominal amount as of December 31, 2018, is ThUS$43,400.

(a.4) **Other Information - Cash Flow Hedge**

Hedge maturities are detailed as follows:

Company	Type of Derivative	Institution	Hedged Item	Period Covered		2019
				Start	End	
AES Gener S.A.	Cross Currency Swap	Deutsche Bank y Credit Suisse	Interest Rate	12/1/2007	12/1/2028	15,756
Emp Eléctrica Cochrane S.p.A	Interest Rate Swap	Various	Interest Rate	4/24/2013	11/15/2030	47,453
Alto Maipo S.p.A.	Interest Rate Swap	Various	Interest Rate	4/15/2014	10/17/2033	18,498
Emp Electrica Angamos S.A.	Interest Rate Swap	Various	Interest Rate	4/12/2016	5/25/2029	17,315
TOTAL						**99,022**

For more details on debt maturity, see Note 20 Other Financial Liabilities.

The Company has not made cash flow accounting hedges for highly probable transactions that have not yet occurred.

For the years ended December 31, 2018 and 2017, the ineffectiveness of cash flow hedges caused income in the Income Statement of ThUS$13,4

The following movements were recognized in Accumulated Other Comprehensive Income (See note 25 c) during the years ended December 3 follows:

Movements in Other Comprehensive Income	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Valuation of Available-for-Sale	(1)	(385)
Gains (Losses) related to Derivatives Recognized in Other Comprehensive Income	(57,698)	25,764
Gains (Losses) related to Derivatives Reclassified from Other Comprehensive Income to Net Income	45,649	(23,192)
Gains (Losses) related to Derivatives of Associate Recognized in Other Comprehensive Income	188	2,331
	(11,862)	**4,518**

(b) Derivatives not Designated as Hedging Instruments

		December 31, 2018				
		Assets		Liabilities		Asse
		Current	Non-Current	Current	Non-Current	Current
Derivative Instrument	Classification	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Swap Tasa de Interés	Financial Asset at Fair Value through Profit or Loss	-	-	-	-	-
Options Alto Maipo	Financial Asset at Fair Value through Profit or Loss	47	-	-	-	790
Foreign Exchange Forward Chivor	Financial Asset at Fair Value through Profit or Loss	982	-	29	-	2,891
Foreign Exchange Forward Unregulated accounts receivable	Financial Asset at Fair Value through Profit or Loss	53	-	-	-	-
Foreign Exchange Forward Dividend Chivor	Financial Asset at Fair Value through Profit or Loss	106	1,832	-	-	-
	Total	**1,188**	**1,832**	**29**	**-**	**3,681**

Derivative instruments of Alto Maipo Electric Company S.p.A - Interest swaps and FX derivatives.

In January 2014, Empresa Eléctrica Alto Maipo S.p.A. held ten interest rate swap contracts with banks KFW IPEX Bank, DNB Bank ASA, Banco Itaú Chile and Corpbanca, for 19 years for ThUS$973,578, to convert variable interest rates at a fixed rate during the period of construction and the period of operation of the plant.

In March 2017, Alto Maipo S.p.A. carried out a financial restructuring which included a modification of the interest rate swaps with the BCI and Itaú banks (including Corpbanca). The amendment consisted of reducing the original fixed rate of the interest rate swap from the date of restructuring until the first quarter of 2020. This reduction will be compensated by partial increases in the fixed rate up to the reduction initially applied to the original fixed rate of hedging instruments. The increase in the fixed rate of the rate swap will be carried out from the first quarter of 2020, until the original maturity of these instruments. From the point of view of hedge accounting, the modified instruments were denominated as new instruments at the date of restructuring and newly designated as hedging instruments, since at that date they were considered highly effective.

In April 2017, Empresa Eléctrica Alto Maipo S.p.A. entered into European currency option contracts with BCI and JP Morgan Chase banks Bank for a nominal value of ThCh$ 82,774. The nominal values as of December 31, 2018, amount to ThCh$ 2,910

Eléctrica Alto Maipo S.p.A. has executed interest rate swaps, options and currency forwards since the beginning of the project with the purpose of hedging exposures to variable interest rate and foreign currency, which have been accounted for as hedge accounting under IAS 39. As of June 30, 2017, because of the non-completion of one of the construction contracts relevant to the project, with Nueva Maipo ("CNM"), there was a technical default event under the clauses of the financing contracts. There was also a cross-default in the derivative framework contracts executed by Alto Maipo S.p.A., which is why balance sheet balances for financial assets and liabilities derivatives were presented as current in their entirety.

On May 8, 2018, Alto Maipo S.p.A. carried out a second financial restructuring, which put an end to its technical default under its existing construction contract. Due to this technical default, Alto Maipo had not been allowed to receive disbursements to fund the construction of the dam. Following the cure of the default as a result of the restructuring, Alto Maipo was able to redesignate swaps as hedges allowing for the accounting for changes in the fair value of these instruments in the equity of the Company. Likewise, the balances related to loans with the main creditors of the project were reclassified from non-current to current following the cure of the default.

Other subsidiaries - Currency FX forwards

In the first quarter of 2017, Chivor executed foreign exchange forward contracts with Bank of America and JP Morgan, respectively, for a total nominal value of ThUS$39,196, with the final due date in February 2019. The nominal amount outstanding as of December 31, 2018, is ThUS$12,320.

In the second quarter of 2017, Chivor executed foreign exchange forward contracts with JP Morgan, for a total nominal value of ThUS$6,520, with the final due date in June 2019. The nominal amount outstanding as of December 31, 2018, is ThUS$6,520

In the third quarter of 2017, Chivor executed foreign exchange forward contracts with JP Morgan, Bancolombia and Bank of América, for a total nominal value of ThUS$58,277, with the final due date in September 2019. The nominal amount outstanding as of December 31, 2018, is ThUS$27,958

In the fourth quarter of 2017, Chivor executed foreign exchange forward contracts with JP Morgan and Bank of América, for a total nominal value of ThUS$96,870, with last due date in December 2019. The nominal amount outstanding as of December 31, 2018, is ThUS$18,040.

In the fourth Quarter of 2018, AES Gener executed foreign exchange forward contracts associated with dividends to receive by the subsidiary Chivor with Banco de Chile, Scotiabank and JP Morgan, for a total nominal value of ThUS$53,142, with the final due date in March 2021. The nominal amount outstanding as of December 31, 2018, is ThUS$53,142.

In December 2018, AES Gener executed foreign exchange forward contracts associated with unregulated accounts receivable with Scotiabank, for a total nominal value of ThUS$5,875, with the final due date in January 2019. The nominal amount outstanding as of December 31, 2018, is ThUS$5,875.

The amounts related to these contracts are classified as Current Assets/Liabilities.

(c) **Embedded Derivatives (Through Profit or Loss)**

As of December 31, 2018, and 2017, there are no balances for this type of instrument.

NOTE 12 - OTHER NON-FINANCIAL ASSETS

As of December 31, 2018, and 2017, Other Non-Financial Assets are as follows:

	Current		Non-Current	
Other Financial Assets	**December 31, 2018 ThUS$**	**December 31, 2017 ThUS$**	**December 31, 2018 ThUS$**	**December 31, 2017 ThUS$**
Prepaid Insurance	251	372	-	-
Taxes Receivable (a)	-	-	19,629	15,894
Guarantees Granted	-	-	7,492	8,365
Advance payments tax imports	-	5,148	-	-
Advance Payment to General Electric	3,886	-	-	-
Other	224	9	187	15
Total	**4,361**	**5,529**	**27,308**	**24,274**

(a) Corresponds primarily to taxes to recover of AES Gener, related to water rights patents.

NOTE 13 - TRADE AND OTHER RECEIVABLES

Amounts in Trade and Other Receivables relate to transactions within the Company's line of business and that of its subsidiaries, which principally consists of sales of energy, capacity, transmission and coal.

Amounts in Other Receivables consist primarily of prepayments to suppliers, receivables relating to employees and guarantees granted, among other items

1) As of December 31, 2018, and 2017, this account is detailed as follows:

	Current		Non-Current	
Trade and Other Receivables	**December 31, 2018 ThUS$**	**December 31, 2017 ThUS$**	**December 31, 2018 ThUS$**	**December 31, 2017 ThUS$**
Trade Receivables, Gross	349,475	320,915	3,962	7,722
Allowance for Doubtful Accounts	(2,829)	(3,425)	-	-
Trade Receivables, Net	**346,646**	**317,490**	**3,962**	**7,722**
Value Added Tax Credit	69,045	77,518	5,729	6,235
Other Receivables	19,818	49,897	309	4,972
Trade and Other Receivables, Net	**435,509**	**444,905**	**10,000**	**18,929**

The fair value of Trade and Other Receivables does not differ significantly from their carrying amount.

2) Trade Receivables past due but not impaired are detailed as follows:

These items are detailed in the table below:

	Regulated customers		Unregulated customers		TOTAL		
	No. Customers	Amount portfolio gross	N° Clientes	Amount portfolio gross	Amount portfolio gross	Allowance for Doubtful Accounts	Amount portfolio net
Stretches of delinquency at December 31, 2017	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Up to date	58	128,107	374	146,010	274,117	-	274,117
1-30 days	10	10,374	395	24,266	34,640	-	34,640
31-60 days	6	1,287	136	1,095	2,382	-	2,382
61-90 days	2	(328)	55	674	346	(221)	125
91-120 days	2	16	57	197	213	(124)	89
121-150 days	1	-	73	244	244	(124)	120
151-180 days	-	-	38	12	12	(44)	(32)
181-210 days	2	-	24	85	85	(51)	34
211- 250 days	1	-	70	62	62	(108)	(46)
> 250 days	8	2,714	643	13,822	16,536	(2,753)	13,783
Trade Receivables	**90**	**142,170**	**1,865**	**186,467**	**328,637**	**(3,425)**	**325,212**

	Regulated customers		Unregulated customers		TOTAL		
	No. Customers	Amount portfolio gross	N° Clientes	Amount portfolio gross	Amount portfolio gross	Allowance for Doubtful Accounts	Amount portfolio net
Stretches of delinquency at December 31, 2017	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Up to date	58	128,107	374	146,010	274,117	-	274,117
1-30 días	10	10,374	395	24,266	34,640	-	34,640
31-60 días	6	1,287	136	1,095	2,382	-	2,382
61-90 días	2	(328)	55	674	346	(221)	125
91-120 días	2	16	57	197	213	(124)	89
121-150 días	1	-	73	244	244	(124)	120
151-180 días	-	-	38	12	12	(44)	(32)
181-210 días	2	-	24	85	85	(51)	34
211- 250 días	1	-	70	62	62	(108)	(46)
> 250 días	8	2,714	643	13,822	16,536	(2,753)	13,783
Trade Receivables	**90**	**142,170**	**1,865**	**186,467**	**328,637**	**(3,425)**	**325,212**

3) Impaired Trade and Other Receivables are detailed as follows:

Movements of Allowance for Doubtful Accounts	**Current Balance ThUS$**
Balance as of December 31, 2016	**2,979**
Increases for the Year	446
Amounts Written off to Income	-
Balance as of December 31, 2017	**3,425**
Increases for the Period	(596)
Amounts Written off to Income	-
Balance as of December 31, 2018	**2,829**

NOTE 14 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its subsidiaries consist of recurring transactions made at terms equivalent to those that prevail in a intercompany transactions have been eliminated upon consolidation and are not disclosed in this note.

14.1 Balances and Transactions with Related Parties

The balances of Accounts Receivable between the Company and its related companies are detailed as follows:

		Related Party Receivables			
Tax ID Number	**Company**	**Country**	**Description of Transaction**	**Relationship**	**Curre**
Foreign	AES Corporation	United States	Management Fee	Ultimate Parent Company	US$
Foreign	AES Corporation	United States	Other Services	Ultimate Parent Company	US$
Foreign	AES Maritza East Ltd.	Bulgaria	Miscellaneous Services	Common Parent	US$
Foreign	AES Panamá Limitada	Panamá	Consulting projects	Common Parent	US$
Foreign	Compañía de Alumbrado Eléctrico	El Salvador	salaries	Common Parent	US$
Foreign	AES Andres BV	Dominican Republic	Other Services	Common Parent	US$
Foreign	AES Big Sky	United States	Other Services	Common Parent	US$
Foreign	AES TEG Operations, S.de R.L. de CV	United States	salaries	Common Parent	US$
Foreign	Dominican Power Part	Dominican Republic	salaries	Common Parent	US$
Foreign	AES Engineering, LLC	Estados Unidos	Miscellaneous Services	Common Parent	US$
Foreign	AES Argentina Generación S.A.	Argentina	Management Fee	Common Parent	US$
Foreign	AES Latinoamerica, S De RL	Panamá	salaries	Common Parent	US$
Foreign	AES Andres DR, S.A.	Santo Domingo	Miscellaneous Services	Common Parent	US$
76.418.918-3	Guacolda Energía S.A.	Chile	Purchase of Energy and Capacity	Associate	US$
Foreign	Cía Brasiliana de Energía	Brasil	salaries	Common Parent	US$
Foreign	AES Andres DR, S.A.	Santo Domingo	Miscellaneous Services	Common Parent	US$
76.236.918-4	Strabag SpA	Chile	Project construction services	Non-Controlling Interest in Subsidiary	US$
Foreign	AES Energy Storage	Estados Unidos	salaries	Common Parent	US$
Foreign	AES Electric Ltd	Gran Bretaña	Miscellaneous Services	Common Parent	US$
Foreign	AES Private Limites	India	Miscellaneous Services	Common Parent	US$
Total					

The Company has not recorded any non-current receivables.

a) The balances of Accounts Payable between the Company and its related companies are detailed as follows:

Related Party Payables						Current	
Tax ID Number	**Company**	**Country**	**Description of Transaction**	**Relationship**	**Currency**	**December 31, 2018**	**Decemb**
Foreign	AES Corporation	United States	Salaries	Ultimate Parent Company	US$	6,628	
Foreign	AES Corporation	United States	Reimbursement of Fees	Ultimate Parent Company	US$	328	
Foreign	AES Corporation	United States	Other Services	Ultimate Parent Company	US$	191	
Foreign	AES Corporation	United States	Dividend to pay	Ultimate Parent Company	US$	57,427	
Various	Minority shareholders	Chile	Dividend to pay	Shareholders	US$	28,670	
Foreign	AES Servicios América	Argentina	IT Consultancy Services	Common Parent	US$	420	
Foreign	AES Energy Ltd	Argentina	Miscellaneous Services	Common Parent	US$	8	
Foreign	Compañía de Alumbrado Eléctrico	El Salvador	Miscellaneous Services	Common Parent	US$	113	
Foreign	AES Panamá Limitada	Panama	Miscellaneous Services	Common Parent	US$	38	
Foreign	AES Big Sky, LLC	United States	Miscellaneous Services	Common Parent	US$	4,529	
Foreign	Masinloc Power Partners Co. Ltd	Phillipines	Miscellaneous Services	Common Parent	US$	-	
Foreign	AES Energy Storage	United States	Miscellaneous Services	Common Parent	US$	4	
Foreign	AES Electric Ltd	Britain	Other Services	Common Parent	US$	303	
Foreign	AES Argentina	Argentina	Other Services	Common Parent	US$	131	
Foreign	AES NA Central, LLC	United States	Miscellaneous Services	Common Parent	US$	24	
Foreign	AES Latinoamerica, S De RL	Panama	Miscellaneous Services	Common Parent	US$	7	
Foreign	AES Alicurá	Argentina	Other Services	Common Parent	US$	1	
Foreign	Dominican Power Part	Dominican Republic	Miscellaneous Services	Common Parent	US$	72	
Foreign	Inversora AES Americas Holding España SL	Spain	Administrative fee and technical assistance	Common Parent	US$	79	
Foreign	AES Transpower Pte. Ltd.- Philippines Branch	Philippines	Miscellaneous Services	Common Parent	US$	-	
Foreign	AES Hawaii	United States	Coal Sale	Common Parent	US$	48	
Foreign	Empresa Eléctrica Itabo S.A.	Dominican Republic	Coal Purchase	Common Parent		-	
96.418.918-3	Guacolda Energía S.A.	Chile	Purchase of Energy and Capacity	Associate	US$	16,580	
76.236.918-4	Strabag SpA	Chile	Borrowing	Non-Controlling Interest in Subsidiary	US$	-	
76.236.918-4	Strabag SpA	Chile	Project construction services	Non-Controlling Interest in Subsidiary	US$	24,741	
Foreign	AES US Service LLC	United States	Miscellaneous Services	Common Parent	US$	5	
Total						**140,347**	

b) The effects on the Income Statement of these transactions with unconsolidated related companies during the years ended Decemb
as follows:

Tax ID Number	Company	Country	Description of Transaction	Relationship
76.418.918-3	Guacolda Energía S.A.	Chile	Sale of Energy and Capacity	Associate
76.418.918-3	Guacolda Energía S.A.	Chile	Fuel Sales	Associate
76.418.918-3	Guacolda Energía S.A.	Chile	Management fee and technical assistance	Associate
76.418.918-3	Guacolda Energía S.A.	Chile	Transmission Revenues	Associate
76.418.918-3	Guacolda Energía S.A.	Chile	Miscellaneous Services	Associate
96.790.240-3	Minera Los Pelambres	Chile	Sale of Energy and Capacity	Non-Controlling Interest in Subsidiary
Foreign	Gasoducto Gasandes Argentina	Argentina	Dividends	Investment
96.721.360-8	Gasoducto Gasandes Chile S.A.	Chile	Dividends	Investment
Foreign	AES Hawaii	United States	Miscellaneous Services	Common Parent
Foreign	Masinloc Power Partners Co. Ltd	Philipinas	Miscellaneous Services	Common Parent
Foreign	AES Argentina Generación S.A.	Argentina	Management fee and technical assistance	Common Parent
				Total income
76.418.918-3	Guacolda Energía S.A.	Chile	Purchase of Energy and Capacity	Associate
96.790.240-3	Minera Los Pelambres	Chile	Loan received and cost of interest	Non-Controlling Interest in Subsidiary
Foreign	AES Corporation	United States	Miscellaneous Services	Ultimate Parent Company
Foreign	AES Corporation	United States	Other Services	Ultimate Parent Company
Foreign	AES Big Sky	United States	Other Services	Common Parent
Foreign	AES Servicios América	Argentina	IT Consultancy Services	Common Parent
Foreign	AES Hawaii	United States	Miscellaneous Services	Common Parent
Foreign	Compañía de Alumbrado Eléctrico	El Salvador	Other Services	Common Parent
Foreign	Inversora AES Americas Holding España SL	Spain	Administrative fee and technical assistance	Common Parent

Transactions with related companies, in general, consist of recurring transactions made on terms equivalent to those that prevail in an arm's lengtl

As of the date of these consolidated financial statements, there are no allowances for doubtful accounts relating to these balances.

14.2 Key Management Personnel

Key management personnel are those that have the authority and responsibility to plan, direct and control the activities of the Company, whether direct or indirectly. AES Gener S.A. is managed by the members of the Senior Management and by a Board of Directors composed of seven directors and their respective alternates, who are elected for a period of three years by the shareholders in the Ordinary General Shareholders' Meeting.

In conformity with the provisions of Article 50-bis of Law 18,046 on Corporations, AES Gener S.A. has an Audit Committee composed of 3 members that have been granted the powers contained in that article.

(a) Balances and Transactions with Key Management Personnel

There are no pending receivables or payables between the Company and its Directors and Senior Management.

In the periods covered by these consolidated financial statements, no transactions other than those disclosed in Note 14.2, section c) and payment of compensation took place between the Company and its Directors or Senior Management

The Company has established no guarantees on behalf of the Directors.

There are no guarantees granted by the Company in favor of the Senior Management.

There are no compensation plans linked to the market value of shares of the Company.

(b) Board Compensation

AES Gener's by-laws establish that its directors do not receive compensation for serving as directors.

During the periods covered by these consolidated financial statements, the Company's Directors who are employed by AES Corporation or any subsidiary or associate did not receive any compensation, entertainment or travel expenses, royalties, or any other stipend. However, some directors do receive compensation for serving as members of the Audit Committee, as disclosed in the following paragraph.

In the Ordinary General Shareholders' Meeting held April 26, 2018, shareholders agreed to set compensation for Audit Committee members at 260 Unidades de Fomento for 2018. During the periods covered by these financial statements, the amounts detailed in the following table were paid to Audit Committee members and directors of subsidiaries.

Board Members		December 31, 2018		
		Board of Directors of AES Gener	Board of Directors of Subsidiaries	Audit Committee
Name	Position	ThUS$	ThUS$	ThUS$
Andrés Gluski	Director	-	-	-
Julian Nebreda	Chaiman			
Bernerd da Santos	Director	-	-	-
Manuel Perez Dubuc	Director			
Gonzalo Parot Palma	Director	-	-	129
Claudia Bobadilla Ferrer	Director	-	-	129
Radovan Roque Razmilic Tomicic	Director	-	-	129
	TOTAL	**-**	**-**	**387**

Board Members		December 31, 2017 Board of Directors of AES Gener	Board of Directors of Subsidiaries	Audit Committee
Name	Position	ThUS$	ThUS$	ThUS$
Andrés Gluski	Chaiman	-	-	-
Bernerd da Santos	Director	-	-	-
Arminio Borjas	Director	-	-	-
Vineet Mohan	Director	-	-	-
Gonzalo Parot Palma	Director	-	-	105
Claudia Bobadilla Ferrer	Director	-	-	106
Radovan Roque Razmilic Tomicic	Director	-	-	105
	TOTAL	**-**	**-**	**316**

On February 5, 2018, in an extraordinary session the board of AES Gener received the resignation of Mr. Javier Giorgio from the position of Chief Executive Officer of the Company, which will be effective as of March 31, 2018. In the same session, it was decided that the position will be assumed by Mr. Ricardo Falú as of April 1, 2018,

At the Ordinary General Shareholders' Meeting held on April 26, 2018, the appointment of directors was approved, whose mandate will extend until the year 2021, and whose composition is:

Director	**Alternate**
Andrés Gluski	Arminio Borjas
Radován Razmilic	Francisco Morandi
Bernerd da Santos	Julian Nebreda
Manuel Perez Dubuc	Juan Ignacio Rubiolo
Leonardo Moreno	Gustavo Pimenta
Gonzalo Parot Palma	Luis Hernán Palacios
Claudia Bobadilla Ferrer	Antonio Kovacevic

On November 28, 2018, the board of AES Gener received the resignations of Messrs. Leonardo Moreno and Gustavo Pimenta from their respective positions of Regular Director and Alternate Director. As a result of the foregoing, the Board proceeded to appoint Mr. Julian Nebreda, to date Director Alternate, as Regular Director of the Company.

On December 20, 2018, the board of AES Gener received the resignation of Mr. Bernerd da Santos from the position of Chairman of the Board of Directors, who remains as Director of the Company. In the same the board voted to appoint director Mr. Julian Nebreda as the new Chairman of the Board of Directors of the Company.

(c) **Overall Compensation of Executives that are not Directors**

The overall compensation of the Company's Senior Management includes fixed monthly compensation, bonuses based on performance and corporate results as compared to the year prior, to long-term compensation and indemnification. The Company's key management personnel include its Chief Executive Officer and Managers of the following departments: Operations, Legal and Corporate Matters, Engineering and Construction, Development, and Finance.

Key management personnel participate in an annual bonus plan based on goal achievement and individual contribution to the Company's results. These incentives are structured as a minimum and maximum number of gross monthly salaries and are paid once a year.

The Company's key executives received overall compensation for the years ended as of December 31, 2018 and 2017, of ThUS$4,048 and ThUS$5,049 respectively.

NOTE 15 - INVENTORY

Inventory, valued in accordance with Note 4.11, is detailed as follows:

	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Coal	54,404	48,693
Oil	3,268	4,404
Materials	51,688	50,068
Coal in Transit	73,142	48,516
Materials in Transit	1,117	716
Other Inventory	2,739	2,760
Total	**186,358**	**155,157**

The amount of inventory recognized as cost of sales in net income for the years ended December 31, 2018 and 2017, is detailed as follows:

	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Coal	759,814	647,321
Oil	5,454	19,413
Other (1)	24,507	33,591
Total	**789,775**	**700,325**

(1) Other consists principally of materials, lime and biomass consumption.

In the periods covered by these consolidated financial statements, no adjustments exist that would significantly affect the carrying value of inventory.

NOTE 16 - TAXES

Current Taxes Receivables and Payables

Current Taxes Receivable as of December 31, 2018 and 2017, are detailed as follows:

Current Taxes Receivable	December 31, 2018	December 31, 2017
Monthly Provisional Tax Payments	25	7,713
Sence Credit	-	401
Donations Credit	-	42
Argentinean Tax Credit	3,853	4,928
Refunds Pending	2,437	19,285
Less:		
Rejected Expenses Provision	6	92
First Category Tax Provision	-	6,366
Total	**6,309**	**25,911**

On the other hand, the details of the accounts payable for current taxes (which do not involve a net position of the box above) is the following:

Current Taxes Payable	December 31, 2018	December 31, 2017
Rejected Expenses Provision	9	-
First Category Tax Provision	107,928	77,795
Argentinean Tax	11,124	-
Other	-	1,049
Less:		
Monthly Provision Payments	21,186	20,949
Sence Credit	290	-
Refunds Pending	480	-
Colombia Income Prepayment	26,787	32,339
Refunds Pending	9,730	14
Total	**60,588**	**25,542**

Income Tax Expense

The income tax expense for the years ended December 31, 2018 and 2017, is detailed as follows:

Current and Deferred Income Tax Expense	December 31, 2018	December 31, 2017
Current Tax Expense	142,606	93,807
Adjustments to the current tax of the previous period	(35)	-
Other Tax Expense	9	36
Total Current Tax Expense	**142,580**	**93,843**
Deferred Tax Expense Related to Changes in Temporary Differences	66,357	21,175
Deferred Tax Expense Related to Changes in Assets Held for Sales	13,577	-
Total Deferred Tax Expense	**79,934**	**21,175**
Income Tax Expense	**222,514**	**115,018**

Foreign and National Tax Expense	December 31, 2018	December 31, 2017
Foreign Current Tax Expense	89,875	63,935
National Current Tax Expense	52,705	29,908
Total Current Tax Expense	**142,580**	**93,843**
Foreign Deferred Tax Expense	(10,909)	(2,646)
National Deferred Tax Expense	90,843	23,821
Total Deferred Tax Expense	**79,934**	**21,175**
Income Tax Expense	**222,514**	**115,018**

The following table reconciles the income tax charge resulting from applying the statutory tax rate in Chile to the effective rate for the years ended December 31, 2018 and 2017:

Reconciliation of Tax Expense	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Tax Expense Using the Statutory Rate	193,603	79,841
Effect of the Tax Rates in Other Jurisdictions (1)	23,007	20,613
Non-Taxable Operating Revenue	8,809	(4,353)
Non-Deductible Expenses	(12,787)	13,816
Tax effect associated with reorganizations	-	(8)
Effect of tax rates changes (2)	(9,230)	868
Tax Benefit from Excess Taxes from Previous Periods	(350)	(233)
Foreign Currency Exchange Differences	1,495	2,057
Effect Assets Held for Sales (3)	13,577	-
Other Increases due to Changes in Statutory Taxes	4,390	2,417
Adjustments to Tax Expenses using Statutory Rate	**28,911**	**35,177**
Tax Expense Using Effective Rate	**222,514**	**115,018**

(1) Rates in Other Jurisdictions represents the differences that arise from applying the current rate in Chile (27%) and the other jurisdictions in which foreign subsidiaries are domiciled (Argentina 30% and Colombia 37%).
(2) Corresponds to the decrease in the legal tax rate in Argentina and Colombia.
(3) Presents the effects in result for taxes of the companies ESSA and CTNG.

Tax Related to Items Recorded in Net Equity	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Deferred Taxes Related to Items Recorded in Net Equity	(4,145)	(2,478)
Total Tax Effect Related to Items Recorded in Equity	**(4,145)**	**(2,478)**

Deferred taxes recorded through equity are related to Other Comprehensive Income (Other Reserves) for cash flow hedge derivatives and employee benefit plans.

Deferred Taxes

Balances of Deferred Tax Assets as of December 31, 2018 and 2017, are detailed as follows:

Deferred Tax Assets	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Amortization	761	-
Provisions	9,218	14,897
Employee Benefits	9,049	9,894
Fair Value of Financial Instruments	7,606	4,600
Tax Losses	235,342	296,108
Deferred Income	213	2,501
Interest-Bearing Loans	351	1,923
Lease Obligations	19,027	19,062
Finance Expense	21,902	10,699
Other	52,185	96,726
Total Deferred Tax Assets	**355,654**	**456,410**

Deferred Tax Liabilities	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Depreciation	806,027	803,515
Employee Benefits	8,344	7,436
Fair Value of Financial Instruments	9,988	11,466
Deferred Income	-	9
Interest-Bearing Loans	2,640	6,835
Lease Obligations	82	220
Finance Expense	51,660	40,432
Other	23,067	74,776
Total Deferred Tax Liabilities	**901,808**	**944,689**
Deferred Tax Net Position	**(546,154)**	**(488,279)**

The most significant deferred asset is related to the tax losses of those companies that are in the construction stage or that have been operating for a short time, these are: Cochrane and Alto Maipo. The origin of these losses is mainly due to financial expenses not capitalized on the project and accelerated depreciation of those projects that started their operations.

There is evidence that these losses will be reversed in the future due to income associated with energy supply contracts ("PPAs"), already signed. For the most part, they correspond to companies that have not started their operations or that have started its operations a short time ago.

As of December 31, 2018, the item "Other" principally includes the difference related to decommissioning liabilities for property, plant and equipment.

The following movements occurred in Deferred Tax Assets and Liabilities during the years ended December 31, 2018 and December 31, 2017, are detailed as follows:

Movements in Deferred Taxes	Asset ThUS$	Liability ThUS$
Balance as of January 1, 2017	440,856	919,320
Increase in Income (Losses)	28,862	50,038
Decrease in Other Comprehensive Income	2,477	-
Increase (decrease) by reclassification assets Held for Sales	(15,921)	(25,114)
Foreign Currency Translation Adjustment	136	445
Balance as of December 31, 2017	**456,410**	**944,689**
Increase in Income (Losses)	(89,484)	(23,127)
Increase in Other Comprehensive Income	(9,209)	(13,354)
Increase (decrease) by reclassification assets Held for Sales	(313)	-
Foreign Currency Translation Adjustment	(1,750)	(6,400)
Balance as of December 31, 2018	**355,654**	**901,808**

NOTE 17 - INVESTMENTS IN ASSOCIATES

AES Gener S.A. has a 50% stake in Guacolda Energía S.A. ("Guacolda S.A.") and the same percentage of voting rights. The Company's righ with the concept and definition in IFRS 11 "Joint Ventures" but since it has significant influence. Therefore, it is still classified as an "asso "Investments in Associates and Joint Ventures".

Information on associates as of December 31, 2018, and December 31, 2017, is detailed as follows:

Investment in Associates	Country	Functional Currency	Ownership Interest	Percentage of Voting Rights	Balance as of January 1, 2018.	Equity Participation in Earnings	Other I (Decr
Guacolda Energía S.A.	Chile	US$	50.00%	50.00%	410,882	(88,736)	
				TOTAL	**410,882**	**(88,736)**	

Investment in Associates	Country	Functional Currency	Ownership Interest	Percentage of Voting Rights	Balance as of January 1, 2017	Equity Participation in Earnings	O
Guacolda Energía S.A.	Chile	US$	50.00%	50.00%	419,468	23,584	
				TOTAL	**419,468**	**23,584**	

1. During the year 2018, the associate Guacolda Energía S.A. proceeded to record an impairment loss reducing the value of Property, Plant $ 191,000. The Company recognized this loss in its books based on its ownership in Guacolda Energía S.A.

2. The Company's investment in Guacolda Energía S.A., is accounted for under the equity method. The Company assesses whether its inv when certain indicators indicate that the fair value of the investment is less than its book value and that decline in fair value is other thar the application of a significant judgment in the identification of events or circumstances that indicate that the equity-investee entity may be of 2018, the Company identified impairment indicators with respect to its investment in Guacolda Energía S.A., recognizing an impairm ThUS $ 93,764, which reduced the book value of the investment up to the amount equivalent to its fair value of ThUS$213,315.

During year ended December 31, 2018 and 2017, dividends were received the amount of ThUS$15,500. As of December 31, 2017, no dividends

Summarized information as of December 31, 2018, and 2017, of the entity accounted for under the equity method is detailed as follows:

	December 31, 2018					
Investment in Associates	Ownership Interest	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Operating Revenues
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Guacolda Energía S.A.	50.00%	199,667	1,267,764	(166,566)	(677,174)	498,016
	TOTAL	**199,667**	**1,267,764**	**(166,566)**	**(677,174)**	**498,016**

	December 31, 2017					
Investment in Associates	Ownership Interest	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Operating Revenues
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Guacolda Energía S.A.	50.00%	192,278	1,651,268	(147,431)	(855,397)	493,451
	TOTALES	**192,278**	**1,651,268**	**(147,431)**	**(855,397)**	**493,451**

NOTE 18 - INTANGIBLE ASSETS

18.1 Intangible Assets

Movements in the principal classes of Intangible Assets, valued as described in Notes 4.5 and 4.6, are detailed as follows:

	December 31, 2018		
	Gross Amount	Accumulated Amortization	Carrying Amount
Intangible Assets	**ThUS$**	**ThUS$**	**ThUS$**
Intangible Assets with Definite Useful Lives	69,031	(36,706)	32,325
Intangible Assets with Indefinite Useful Lives	30,776	-	30,776
Intangible Assets	**99,807**	**(36,706)**	**63,101**
Software	22,046	(17,044)	5,002
Easements	15,573	(471)	15,102
Water Rights	16,014	-	16,014
Other Identifiable Intangible Assets	46,174	(19,191)	26,983
Total Identifiable Intangible Assets	**99,807**	**(36,706)**	**63,101**

	December 31, 2017		
	Gross Amount	Accumulated Amortization	Carrying Amount
Intangible Assets	**ThUS$**	**ThUS$**	**ThUS$**
Intangible Assets with Definite Useful Lives	49,502	(30,976)	18,526
Intangible Assets with Indefinite Useful Lives	34,063	-	34,063
Intangible Assets	**83,565**	**(30,976)**	**52,589**
Software	20,212	(14,210)	6,002
Easements	17,541	(406)	17,135
Water Rights	17,066	-	17,066
Other Identifiable Intangible Assets	28,749	(16,363)	12,386
Total Identifiable Intangible Assets	**83,568**	**(30,979)**	**52,589**

Easements and water rights do not have a defined useful life; therefore, it has been determined that they are indefinite and continuously permanent. These intangibles have not suffered any contractual or legal modification. Accumulated amortization of easements as of December 31, 2018, and 2017, corresponds exclusively to the easement of the Mejillones lot A of Empresa Eléctrica Angamos, the easement of the Angamos-Atacama and Angamos-Encuentro lines of Empresa Eléctrica Cochrane, and the easement of the Laberinto-Lomas Bayas and Norgener-Crucero lines of Norgener, which have a defined useful life related to the duration of the underlying contracts.

Movements in Intangible assets during year ended December 31, 2018 and December 31, 2017, respectively, are detailed as follows:

	2018			
Movements in Intangible Assets	**Software ThUS$**	**Easements ThUS$**	**Water Rights ThUS$**	**Other Identifiable Intangible Assets ThUS$**
Balance as of January 1, 2018	6,002	17,135	17,066	12,386
Additions	2,043	-	-	19,048
Removals	-	(1,969)	(1,052)	(3,274)
Amortization	(3,043)	(64)	-	(1,177)
Total Changes	**(1,000)**	**(2,033)**	**(1,052)**	**14,597**
Ending Balance of Identifiable Intangible Assets as of December 31, 2018	**5,002**	**15,102**	**16,014**	**26,983**

	2017			
Movements in Intangible Assets	**Software ThUS$**	**Easements ThUS$**	**Water Rights ThUS$**	**Other Identifiable Intangible Assets ThUS$**
Balance as of January 1, 2017	4,444	16,419	17,192	13,802
Additions	3,574	1,363	1,052	47
Removals	-	(583)	-	-
Amortization	(1,980)	(64)	-	(1,370)
Increase (Decrease) in Foreign Currency Translation	(36)	-	(1,178)	(93)
Total Changes	**1,558**	**716**	**(126)**	**(1,416)**
Ending Balance of Identifiable Intangible Assets as of December 31, 2017	**6,002**	**17,135**	**17,066**	**12,386**

Estimated Useful Lives or Amortization Rates used	Unit	Maximum Useful Life or Rate	Minimum Useful Life or Rate
Software	Years	5	3
Easements	Years	Indefinite	27
Water Rights	Years	Indefinite	29
Other Identifiable Intangible Assets	Years	12	3

Individually Significant Identifiable Intangible Assets as of December 31, 2018	Carrying Amount ThUS$	Remaining Amortization Period
Water Rights Volcan River	11,908	Indefinite
Contract Compañía Manufacturera Papeles y Cartones - Central Laja	4,359	5 Years

18.2 Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

As of December 31, 2018, no impairment losses were recorded for intangible assets or at the CGU level.

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

19.1 Property, Plant and Equipment

The balances of our Property, Plant and Equipment for the years ended December 31, 2018 and December 31, 2017, are detailed as follows:

	December 31, 2018		
Categories	Gross Amount ThUS$	Accumulated Depreciation ThUS$	Carrying Amount ThUS$
Construction in Progress (2)	2,127,291	-	2,127,291
Land	26,598	-	26,598
Buildings	25,561	(14,534)	11,027
Plant and Equipment	6,545,441	(2,319,797)	4,225,644
IT Equipment	25,103	(16,328)	8,775
Furniture	17,332	(13,600)	3,732
Motor Vehicles	5,887	(4,742)	1,145
Other Property, Plant and Equipment (1)	84,359	(16,342)	68,017
Total	**8,857,572**	**(2,385,343)**	**6,472,229**

Categories	December 31, 2017 Gross Amount ThUS$	Accumulated Depreciation ThUS$	Carrying Amount ThUS$
Construction in Progress (2)	1,595,806	-	1,595,806
Land	26,833	-	26,833
Buildings	25,700	(13,117)	12,583
Plant and Equipment	6,654,510	(2,130,291)	4,524,219
IT Equipment	23,102	(14,390)	8,712
Furniture	16,239	(12,125)	4,114
Motor Vehicles	6,003	(4,771)	1,232
Other Property, Plant and Equipment (1)	259,625	(11,683)	247,942
Total	**8,607,818**	**(2,186,377)**	**6,421,441**

(1) Within the "Other property, plant and equipment" mainly includes the asset constituted by the assets retirement cost.
(2) The amount of construction in progress corresponds mainly to the investments associated with the projects Alto Maipo and other minor projects.

The useful lives of the Company's most important assets are detailed below:

Method Used for Depreciation of Property, Plant and Equipment	Unit	Minimum Useful Life	Maximum Useful Life
Buildings	Years	20	40
Plant and Equipment	Years	5	30
Plant and Equipment (Colombian Dam)	Years	80	80
IT Equipment	Years	2	5
Furniture	Years	2	20
Motor Vehicles	Years	2	5
Other Property, Plant and Equipment	Years	5	25

Movements in Property, Plant and Equipment during the years ended December 31, 2018 and December 31, 2017, respectively, are detailed a

Movements in Propert, Plant and Equipment	Construction in Progress ThUS$	Land ThUS$	Buildings ThUS$	Plant and Equipment ThUS$	IT Equipment ThUS$	Furniture ThUS$	Moto T
Balance as of January 1, 2018	1,595,806	26,833	12,583	4,524,219	8,712	4,114	
Changes: Additions	591,536	601	(6)	6,666	642	7	
Changes: Removals	(4,891)	(150)	-	(60,320)	(367)	-	
Changes: Assets Held for Sales	-	-	-	-	-	-	
Changes: Withdraw	-	(442)	-	(10,836)	(359)	-	
Changes: Depreciation Expense	-	-	(1,472)	(249,945)	(2,027)	(1,230)	
Changes: Increase (Decrease) in Foreign Currency Translation (a)	(238)	(244)	(148)	(35,569)	(417)	(67)	
Changes: Transfers	(54,922)	-	70	51,429	2,591	908	
Total Changes	**531,485**	**(235)**	**(1,556)**	**(298,575)**	**63**	**(382)**	
Balance as of December 31, 2018	**2,127,291**	**26,598**	**11,027**	**4,225,644**	**8,775**	**3,732**	

Movements in Propert, Plant and Equipment	Construction in Progress ThUS$	Land ThUS$	Buildings ThUS$	Plant and Equipment ThUS$	IT Equipment ThUS$	Furniture ThUS$	Mo
Balance as of January 1, 2017	1,181,575	38,703	14,084	4,865,243	8,147	5,532	
Changes: Additions	549,589	735	-	33,224	349	2,291	
Changes: Removals	-	-	-	-	-	-	
Changes: Assets Held for Sales	(8,803)	(12,150)	-	(184,940)	(45)	(2,835)	
Changes: Withdraw	187	(471)	(2,172)	(38,243)	(40)	(87)	
Changes: Depreciation Expense	-	-	(1,728)	(272,404)	(1,527)	(1,281)	
Changes: Increase (Decrease) in Foreign Currency Translation (a)	17	16	10	2,775	27	6	
Changes: Transfers	(126,759)	-	2,389	118,564	1,801	488	
Total Changes	**414,231**	**(11,870)**	**(1,501)**	**(341,024)**	**565**	**(1,418)**	
Balance as of December 31, 2017.	**1,595,806**	**26,833**	**12,583**	**4,524,219**	**8,712**	**4,114**	

(a) This is related to the currency translation of Colombian subsidiary Chivor, which uses the Colombian peso as its functional currency.

Capitalized interest costs for the year and the average effective rate of the Company's debt are detailed as follows:

Capitalized Interest	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Capitalized Interest Expense	100,578	62,425
Capitalization Rate	46.46%	26.07%

The Company and its subsidiaries have insurance contracts for their generation plants, including all-risk policies and business interruption insurance, which cover damages caused by fire, flood and earthquakes, among other events.

Additional Disclosures for Property, Plant and Equipment	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Commitments for acquisition of property, plant and equipment	1,226,795	1,009,795

19.2 Leased Assets

Finance leases by asset class, the Company as lessee:

	December 31, 2018	December 31, 2017
Buildings	4,810	5,523
Plant and Equipment	-	2,848
IT Equipment	16	16
Total	**4,826**	**8,387**

Minimum lease payments related to finance leases, the Company as lessee:

	December 31, 2018			December 31, 2017		
	Gross ThUS$	Interest ThUS$	Present Value ThUS$	Gross ThUS$	Interest ThUS$	Present Value ThUS$
Less than One Year	657	88	569	721	119	602
Between One and Five Years	2,247	137	2,110	2,891	245	2,646
More than Five Years	17,878	8,814	9,064	20,686	10,512	10,174
Total	**20,782**	**9,039**	**11,743**	**24,298**	**10,876**	**13,422**

19.3 Asset Impairment

As indicated in Note 4.7, the recoverable amounts of property, plant and equipment is measured when there is evidence that the asset may be impaired.

No impairment losses were identified during the years ended December 31, 2018 and 2017.

NOTE 20 - OTHER FINANCIAL LIABILITIES

As of December 31, 2018, and December 31, 2017, Other Financial Liabilities are detailed as follows:

	Current		Non-Current	
Other Financial Liabilities	**December 31, 2018 ThUS$**	**December 31, 2017 ThUS$**	**December 31, 2018 ThUS$**	**December 31, 2017 ThUS$**
Interest-Bearing Loans (20.1)	297,272	901,928	3,136,335	2,776,993
Hedging derivatives (11.1)	19,642	9,417	131,103	2,039
Derivatives not designated as hedges	29	141,103	-	2,534
Total	**316,943**	**1,052,448**	**3,267,438**	**2,781,566**

20.1 Interest-Bearing Loans

	Current		Non-Current	
Interest-Bearing Loans	**December 31, 2018 ThUS$**	**December 31, 2017 ThUS$**	**December 31, 2018 ThUS$**	**December 31, 2017 ThUS$**
Bank Loans	197,652	813,029	1,752,618	1,101,237
Bonds	99,051	88,297	1,373,307	1,662,936
Lease Obligations (19.2)	569	602	11,174	12,820
Deferred financing cost (1)	-	-	(764)	-
Total	**297,272**	**901,928**	**3,136,335**	**2,776,993**

(1) Corresponds to deferred expenses associated with unused lines of credit.

During the month of June and as reported in the Essential Fact GG 017/2017, Alto Maipo SpA ("Alto Maipo") terminated one of the construction contracts of the Project, celebrated with the CNM, due to non-compliance of the contractor. The termination of this contract with CNM produced a technical default event under the financing contracts, which is why Alto Maipo could not continue requesting disbursements under them as long as this situation continued. Due to the technical default, the financial debt of Alto Maipo SpA, including balances by financial derivatives, as of December 31, 2017, was presented as current debt in the Financial Statements of Alto Maipo SpA and AES Gener.

On May 8, 2018, AES Gener, Alto Maipo, financial creditors and Strabag, the main construction company of the project, they entered into a series of agreements related to the financial restructuring of the Alto Maipo Project, which eneded the default. Due to the above, the financial debt with these creditors was reclassified from current to non-current at the date of the mentioned restructuring.

(a) Bank Loans

Bank Loans by financial institution, including currency, rates and maturity as of December 31, 2018, are detailed as follows:

Tax ID Number	Company Name	Country	Lender Name	Currency	Type of Amortization	Effective Interest Rate	Nominal Rate
76.085.254-6	Cochrane (1)	Chile	Syndicated Banks led by Bank of Tokyo	US$	Semi-annual	3.12%	3.12%
94.272.000-6	AES Gener	Chile	Syndicated Banks	US$	At maturity	3.21%	3.21%
76.170.761-2	Alto Maipo	Chile	Syndicated Banks led by Corpbanca	US$	Monthly	5.15%	5.15%
Extranjera	Chivor	Colombia	Leasing Bancolombia S.A.	Col$	Monthly	9.73%	9.73%
Extranjera	Chivor	Colombia	Citibank Colombia	Col$	Monthly	5.39%	5.39%
76.004.976-K	Angamos	Chile	Banco Estado	CLP$	Semi-annual	4.64%	4.35%
76.004.976-K	Angamos	Chile	Banco Estado	CLP$	Semi-annual	4.56%	4.27%
76.004.976-K	Angamos	Chile	Banco de Crédito e Inversión	CLP$	Semi-annual	4.80%	4.51%
76.004.976-K	Angamos	Chile	Banco Corpbanca	CLP$	Semi-annual	4.96%	4.67%
76.004.976-K	Angamos	Chile	Banco Chile	UF$	Semi-annual	4.86%	4.57%

The maturity schedule represents expected future cash flows of capital and projected interest payments.

				Current					
				Maturity less than 90 days	Maturity more than 90 days	Total Current as of December 31, 2017	Maturity between 1 and 2 years	Maturity between 2 and 3 years	Maturity be 3 and 4 y
Tax ID Number	Company Name	Country	Lender Name	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
76.085.254-6	Cochrane (1)	Chile	Syndicated Banks led by Bank of Tokyo	-	96,081	**96,081**	96,149	95,770	9
94.272.000-6	AES Gener	Chile	Syndicated Banks	59,489	-	**59,489**	-	-	
76.170.761-2	Alto Maipo	Chile	Syndicated Banks led by Corpbanca	553	4,207	**4,760**	-	-	
Extranjera	Chivor	Colombia	Leasing Bancolombia S.A.	-	4,009	**4,009**	4,009	4,009	
Extranjera	Chivor	Colombia	Citibank Colombia	173	46,157	**46,330**	-	-	
76.004.976-K	Angamos	Chile	Banco Estado	-	6,758	**6,758**	6,564	6,357	
76.004.976-K	Angamos	Chile	Banco Estado	-	1,455	**1,455**	1,414	1,370	
76.004.976-K	Angamos	Chile	Banco de Crédito e Inversión	-	6,836	**6,836**	6,634	6,420	
76.004.976-K	Angamos	Chile	Banco Corpbanca	-	6,913	**6,913**	6,704	6,482	
76.004.976-K	Angamos	Chile	Banco Chile	-	3,432	**3,432**	3,330	3,221	
				60,215	**175,848**	**236,063**	**124,804**	**123,629**	**12**

(1) Payments of capital associated to the obligation of Empresa Eléctrica Cochrane S.p.A commenced from the year 2017 onwards. In the ca of principal on the obligation will not begin until 2022.

Bank Loans by financial institution, including currency, rates and a maturity as of December 31, 2017, are detailed as follows:

Company Name	Country	Lender Name	Currency	Type of Amortization	Effective Interest Rate	Nominal Rate	Matu
Cochrane (1)	Chile	Syndicated Banks led by Bank of Tokyo	US$	Semi-annual	3.12%	3.12%	203
AES Gener	Chile	Syndicated Banks	US$	At maturity	2.21%	2.21%	201
Alto Maipo	Chile	Syndicated Banks led by Corpbanca	US$	Monthly	5.15%	5.15%	203
Chivor	Colombia	Leasing Bancolombia S.A.	Col$	Monthly	9.73%	9.73%	202
Chivor	Colombia	Citibank Colombia	Col$	Monthly	5.39%	5.39%	201
Chivor	Colombia	Colpatria Banks	Col$	Monthly	7.65%	7.65%	201
Angamos	Chile	Banco Estado	CLP$	Semi-annual	4.64%	4.35%	202
Angamos	Chile	Banco Estado	CLP$	Semi-annual	4.56%	4.27%	202
Angamos	Chile	Banco de Crédito e Inversión	CLP$	Semi-annual	4.80%	4.51%	202
Angamos	Chile	Banco Corpbanca	CLP$	Semi-annual	4.96%	4.67%	202
Angamos	Chile	Banco Chile	UF$	Semi-annual	4.86%	4.57%	202
							Total

The maturity schedule represents expected future cash flows of capital and projected interest payments.

			Current			No		
			Maturity less than 90 days	Maturity more than 90 days	Total Current as of December 31, 2016	Maturity between 1 and 2 years	Maturity between 2 and 3 years	Maturity between 3 and 4 years
Company Name	Country	Lender Name	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Cochrane (1)	Chile	Syndicated Banks led by Bank of Tokyo	-	90,465	**90,465**	90,699	91,111	91,156
AES Gener	Chile	Syndicated Banks	81,892	-	**81,892**	-	-	-
Alto Maipo	Chile	Syndicated Banks led by Corpbanca	1,462	636,135	**637,597**	-	-	-
Chivor	Colombia	Leasing Bancolombia S.A.	601	1,911	**2,512**	5,881	6,978	37,552
Chivor	Colombia	Citibank Colombia	-	55,709	**55,709**	-	-	-
Chivor	Colombia	Colpatria Banks	27	5,027	**5,054**	-	-	-
Angamos	Chile	Banco Estado	-	6,962	**6,962**	6,758	6,564	6,357
Angamos	Chile	Banco Estado	-	1,499	**1,499**	1,455	1,414	1,370
Angamos	Chile	Banco de Crédito e Inversión	-	7,047	**7,047**	6,836	6,634	6,420
Angamos	Chile	Banco Corpbanca	-	7,132	**7,132**	6,913	6,704	6,482
Angamos	Chile	Banco Chile	-	3,539	**3,539**	3,432	3,330	3,221
			83,982	**815,426**	**899,408**	**121,974**	**122,735**	**152,558**

(1) Payments of capital associated to the obligation of Empresa Eléctrica Cochrane S.p.A commenced from the year 2017 onwards. In the ca of principal on the obligation will not begin until 2022.

(b) Bonds Payable

Bonds Payable by company, series, currency, rates and a maturity as of December 31, 2018, are detailed as follows:

Tax ID Number	Company Name	Country	Instrument Registration Number	Series	Currency or Indexation Unit	Effective Interest Rate	Nominal Rate
94.272.000-9	AES Gener	Chile	N-series Bond	N Series	U.F.	7.92%	7.34%
94.272.000-9	AES Gener	Chile	Senior Notes	US$ Bonds	US$	5.64%	5.25%
94.272.000-9	AES Gener	Chile	Ordinary Bonds	Q Series	US$	8.23%	8.00%
94.272.000-9	AES Gener	Chile	Rule 144 A/REG S Bonds	US$ Bonds	US$	8.58%	8.38%
94.272.000-9	AES Gener	Chile	Ordinary Bonds	US$ Bonds	US$	5.22%	5.00%
94.272.000-9	AES Gener (1)	Chile	214	B Series	U.F.	8.04%	7.50%
76.004.976-K	Angamos	Chile	Rule 144 A/REG S Bonds	US$ Bonds	US$	5.25%	4.88%

The maturity schedule represents expected undiscounted future cash flows of capital and projected interest payments.

				Current					
				Maturity less than 90 days	Maturity more than 90 days	Total Current as of December 31, 2017	Maturity between 1 and 2 years	Maturity between 2 and 3 years	Maturit 3 and
Tax ID Number	Company Name	Country	Instrument Registration Number	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	Th
94.272.000-9	AES Gener	Chile	N-series Bond	-	27,023	**27,023**	25,886	24,692	
94.272.000-9	AES Gener	Chile	Senior Notes	5,032	5,032	**10,064**	10,064	201,748	
94.272.000-9	AES Gener	Chile	Ordinary Bonds	-	25,503	**25,503**	-	-	
94.272.000-9	AES Gener	Chile	Rule 144 A/REG S Bonds	-	37,688	**37,688**	37,688	37,688	
94.272.000-9	AES Gener	Chile	Ordinary Bonds	4,309	4,309	**8,618**	8,618	8,618	
94.272.000-9	AES Gener (1)	Chile	214	-	3,848	**3,848**	3,912	4,352	
76.004.976-K	Angamos	Chile	Rule 144 A/REG S Bonds	-	64,749	**64,749**	62,644	60,539	
				9,341	**168,152**	**177,493**	**148,812**	**337,637**	

Bonds Payable by company, series, currency, rates and a maturity as of December 31, 2017, are detailed as follows:

Tax ID Number	Company Name	Country	Instrument Registration Number	Series	Currency or Indexation Unit	Effective Interest Rate	Nominal Rate	Fina
94.272.000-9	AES Gener	Chile	N-series Bond	N Series	U.F.	7.92%	7.34%	1
94.272.000-9	AES Gener	Chile	Senior Notes	US$ Bonds	US$	5.64%	5.25%	8
94.272.000-9	AES Gener	Chile	Ordinary Bonds	Q Series	US$	8.23%	8.00%	4
94.272.000-9	AES Gener	Chile	Rule 144 A/REG S Bonds	US$ Bonds	US$	8.58%	8.38%	12
94.272.000-9	AES Gener	Chile	Ordinary Bonds	US$ Bonds	US$	5.22%	5.00%	7
76.004.976-K	Angamos	Chile	Rule 144 A/REG S Bonds	US$ Bonds	US$	5.25%	4.88%	5
96.717.620-6	ESSA	Chile	214	B Series	U.F.	8.04%	7.50%	10
								Tota

The maturity schedule represents expected undiscounted future cash flows of capital and projected interest payments.

				Current					
				Maturity less than 90 days	Maturity more than 90 days	Total Current as of December 31, 2016	Maturity between 1 and 2 years	Maturity between 2 and 3 years	Maturity b 3 and 4 y
Tax ID Number	Company Name	Country	Instrument Registration Number	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS
94.272.000-9	AES Gener	Chile	N-series Bond	-	28,188	**28,188**	27,023	25,886	
94.272.000-9	AES Gener	Chile	Senior Notes	7,657	7,657	**15,314**	15,313	15,313	3
94.272.000-9	AES Gener	Chile	Ordinary Bonds	-	1,925	**1,925**	25,503	-	
94.272.000-9	AES Gener	Chile	Rule 144 A/REG S Bonds	-	37,688	**37,688**	37,688	37,688	
94.272.000-9	AES Gener	Chile	Ordinary Bonds	4,339	4,309	**8,648**	8,618	8,618	
76.004.976-K	Angamos	Chile	Rule 144 A/REG S Bonds	-	80,945	**80,945**	78,396	75,847	
96.717.620-6	ESSA	Chile	214	-	4,167	**4,167**	4,228	4,298	
				11,996	**164,879**	**176,875**	**196,769**	**167,650**	**4**

	Balance as of December 31, 2017	Changes from financing cash flows		Other changes						
		New Obligation	Obligation paid	Interest expense	Interest paid	Changes in fair value henging derivatives	Changes in fair value not hedging derivatives	Capitalization of interests	Foreign Exchange Differences	Def exp
Bank Loans	**1,914,266**	**555,629**	**(530,994)**	**105,894**	**(72,927)**	**-**	**-**	**8,756**	**(25,446)**	
AES Gener	91,899	318,000	(350,500)	3,218	(3,330)	-	-	-	-	
Cochrane	918,152	-	(65,710)	47,448	(42,451)	-	-	-	-	
Angamos	216,649	39,000	(47,657)	9,261	(17,533)	-	-	-	(23,997)	
Alto Maipo	573,880	152,472	-	36,616	(914)	-	-	8,756	-	
Chivor	113,686	46,157	(67,127)	9,351	(8,699)	-	-	-	(1,449)	
Bonds	**1,751,233**	**-**	**(244,541)**	**107,230**	**(127,001)**	**-**	**-**	**-**	**(19,546)**	
AES Gener	1,120,446	37,718	(118,318)	79,568	(78,556)	-	-	-	(19,546)	
ESSA	37,718	(37,718)	-	-	-	-	-	-	-	
Angamos	593,069	-	(126,223)	27,662	(48,445)	-	-	-	-	
Lease Obligations (19.2)	**13,422**	**-**	**(3,028)**	**2,571**	**(786)**	**-**	**-**	**-**	**(436)**	
AES Gener	3,547	-	(696)	117	-	-	-	-	(287)	
Chivor	9,875	-	(2,332)	2,454	(786)	-	-	-	(149)	
Deferred financing cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(92)**	
AES Gener	-	-	-	-	-	-	-	-	(92)	
Hedging derivatives (11.1)	**11,456**	**-**	**-**	**-**	**-**	**136,737**	**-**	**-**	**-**	
AES Gener	3,553	-	-	-	-	21,723	-	-	-	
Angamos	1,012	-	-	-	-	(964)	-	-	-	
Cochrane	6,891	-	-	-	-	(6,891)	-	-	-	
Alto Maipo	-	-	-	-	-	122,869	-	-	-	
Derivatives not designated as hedges	**143,637**	**-**	**-**	**-**	**-**	**-**	**(143,608)**	**-**	**-**	
Alto Maipo	132,409	-	-	-	-	-	(132,409)	-	-	
AES Gener	256	-	-	-	-	-	(256)	-	-	
Chivor	10,972	-	-	-	-	-	(10,943)	-	-	
TOTAL FINANCIAL LIABILITIES	3,834,014	555,629	(778,563)	215,695	(200,714)	136,737	(143,608)	8,756	(45,520)	

NOTE 21 - TRADE AND OTHER PAYABLES

Trade and Other Payables as of December 31, 2018 and December 31, 2017, are detailed as follows:

Trade and Other Payables	Current		Non-Current	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$
Trade Payables	103,695	106,492	-	-
Trade Payables unbilled	133,003	158,068	-	-
Other Accounts Payable (1)	96,713	90,548	2,202	15,314
Total Trade and Other Payable	**333,411**	**355,108**	**2,202**	**15,314**

(a) As December 31, 2018 and 2017, the current portion mainly includes liabilities for taxes, sales taxes and additional tax as well as liabilities with third parties associated with employees. The non-current portion includes mainly passive per swap associated with Water rights and tax liabilities associated with Argentine subsidiaries.

	SUPPLIER PAY TO DAY							
	Until 30 days ThUS$	31-60 days ThUS$	61-90 days ThUS$	91-120 days ThUS$	121-365 days ThUS$	366 y más days ThUS$	Total ThUS$	Average paydays
December 31, 2018	30,516	5,349	142	-	-	7	**36,014**	29
December 31, 2017	40,311	36,956	364	838	1,226	232	**79,927**	30

	SUPPLIERS EXPIRED						
	Until 30 days ThUS$	31-60 days ThUS$	61-90 days ThUS$	91-120 days ThUS$	121-365 days ThUS$	366 y más days ThUS$	Total ThUS$
December 31, 2017	15,376	33,742	428	13,083	842	4,210	**67,681**
December 31, 2016	18,677	4,928	79	487	1,320	1,074	**26,565**

The average payment term for suppliers is 30 days; therefore, the book value does not significantly differ from the fair value.

NOTE 22 – PROVISIONS

As of December 31, 2018 and December 31, 2017, provisions are detailed as follows:

Provisions	Current		Non-Current	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$
Legal Provisions (a)	156	193	-	-
Decommissioning Costs (b)	59	72	117,591	286,047
Other Provisions (c)	11	1,185	-	-
Total	**226**	**1,450**	**117,591**	**286,047**

(a) **Legal Provision**

Current balances correspond primarily to contingent fines and penalties from regulatory authorities, mentioned in greater detail in Note 31.

Given the characteristics of this type of provision, the Company is unable to determine a reasonable timeframe for the dates of any payments that may be required.

(b) Decommissioning Costs

Non-current balances within this provision relate to the decommissioning costs and rehabilitation of land on which the Company's different power plants are located. The expected disbursement period fluctuates between 30 and 45 years, depending on the laws, regulations or contracts that gave rise to the obligation.

The current amount represents the decommissioning of the Constitución Plant, owned by AES Gener S.A.

(c) Other Provisions

This item primarily includes the provisions for employee involvement in Company income and bonuses, which are generally paid within the first quarter of each year.

(d) Movements in Provisions

Provisions	Legal Provisions ThUS$	Decommissioning Costs ThUS$	Other Provisions ThUS$	Total ThUS$
Balance as of January 1, 2017	**160**	**70,999**	**1,415**	**72,574**
Movements in Provisions				
Decommissioning, restructuring and rehabilitation Costs	-	4,708	-	**4,708**
Additional Provisions	-	9,041	138	**9,179**
Increase (Decrease) in Existing Provisions	33	217,030	(368)	**216,695**
Reclasification Assets Held for Sales	-	(15,659)	-	**(15,659)**
Changes in Provisions	**33**	**215,120**	**(230)**	**214,923**
Ending Balance as of December 31, 2017	**193**	**286,119**	**1,185**	**287,497**
Decommissioning, restructuring and rehabilitation Costs	-	6,342	-	**6,342**
Increase (Decrease) in Existing Provisions (1)	(37)	(174,811)	(1,174)	**(176,022)**
Provisions used	-	-	-	**-**
Ending Balance as of December 31, 2018	**156**	**117,650**	**11**	**117,817**

(1) The decrease in the valuation of the provision for decommissioning occurs as a result of a review exhaustive, made by the administration in June and December 2018, of the assumptions and estimates related to the financial and non-financial variables involved in the corresponding calculation. Is review mainly consisted in analyzing in what way the opportunity of the expected dismantling, according to the respective environmental obligations of the Company, impacts on the determination of the rates of inflation and discount to use.

NOTE 23 - EMPLOYEE BENEFITS

AES Gener and some of its subsidiaries offer different employee benefit plans to some of their active or retired workers, which are determined and recorded in the consolidated financial statements based on the criteria described in Note 4.15, sections b) and d).

As of December 31, 2018 and 2017, the Company's Employee Benefit Liability is detailed as follows:

	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Current Portion	3,239	4,507
Non-Current Portion	31,367	35,981
Total	**34,606**	**40,488**

23.1 Present Value of Employee Pension Plans

The following movements took place in post-employment liabilities for services provided in the years ended December 31, 2018 and December 31, 2017:

Present Value of Defined Benefit Pension Plan	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Opening Balance	**40,488**	**32,428**
Service Costs	2,462	2,099
Interest Costs	1,642	1,588
Contributions by the plan Participant	-	-
Actuarial Losses (Gains) - Demographic Assumptions	3,354	4,601
Actuarial Losses (Gains) - Financial Assumptions	260	1,404
Increase (Decrease) due to Foreign Currency Exchange	(2,604)	2,751
Contributions Paid	(10,996)	(3,585)
Other	-	(798)
Ending Balance	**34,606**	**40,488**

23.2 Expense recognized in profit or loss

The following amounts were recorded in consolidated income within "Cost of Sales" and "Administrative Expenses" in the Statement of Comprehensive Income in the years ended December 31, 2018 and 2017:

Expenses Recognized in Income	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Service Cost	2,027	1,644
Interest Cost	1,590	957
Expenses Related to Settlement of Obligations	5,821	2,288
Total Expenses	**9,438**	**4,889**

23.3 Other Disclosures

(a) Actuarial Assumptions:

The following hypotheses were used in actuarial calculations of employee benefits:

Actuarial Assumptions Used in Calculating Liability	Chile		Colombia	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Nominal Discount Rate	5.08%	4.58%	7.25%	6.75%
Average Personnel Turnover Rate	7.49%	7.49%	-	-
Expected Salary Increases	5.06%	4.45%	4.00%	4.50%
Mortality Table	Tables issued in accordance with joint standard of the Chilean SVS and the Chilean Pension Supervisor		Tables issued in accordance with US institutions GAM 1971	

(b) **Sensitivity:**

As of December 31, 2018, variations in the cost of medical benefits, the discount rate, salary increases and turnover would have generated the following effects:

	Awareness rate	Decrease	Increase
Awareness of the discount rate	**0.25%**	519	(501)
awareness of salary increase	**0.25%**	(329)	339
awareness the rate of rotation	**1.00%**	7	(11)

NOTE 24 - OTHER NON-FINANCIAL LIABILITIES

As of December 31, 2018 and December 31, 2017, balances of Non-Financial Liabilities are detailed as follows:

	Current		Non-Current	
Other Non-Financial Liabilities	**December 31, 2018 ThUS$**	**December 31, 2017 ThUS$**	**December 31, 2018 ThUS$**	**December 31, 2017 ThUS$**
Deferred Revenue (24.1)	154	573	3,033	8,690
Accumulated Liabilities (24.2)	27,436	25,396	105	610
Other Liabilities	7,495	1,521	22,777	195
Total	**35,085**	**27,490**	**25,915**	**9,495**

24.1 Deferred Revenue

As of December 31, 2018, and December 31, 2017, Deferred Revenues are detailed as follows:

	Current		Non-Current	
Deferred Revenue	**December 31, 2018 ThUS$**	**December 31, 2017 ThUS$**	**December 31, 2018 ThUS$**	**December 31, 2017 ThUS$**
Escondida	48	74	337	814
Torquemada	26	281	403	5,223
LNG Quintero	-	168	-	1,678
Helio	80	-	2,293	-
Other Deferred Revenue	-	50	-	975
Total	**154**	**573**	**3,033**	**8,690**

24.2 Accumulated Liabilities

They correspond mainly to vacation provisions and other benefits of Company personnel, accrued as of the closing date of the financial statements.

NOTE 25 - EQUITY

25.1 Capital Management

Equity includes issued capital, share premiums, retained earnings and other reserves.

The main objective of the Company's capital management is to ensure that it maintains a strong credit rating and solid capital ratios in order to sustain business and maximize shareholder value.

The Company manages its capital structure and adjusts based on changes in economic conditions. To maintain or adjust its capital structure, the Company can adjust dividend payments or capital returns to shareholders or issue new shares.

No changes were made to the Company's capital objectives, policies or processes during the years ended December 31, 2018 and December 31, 2017.

25.2 Subscribed and paid Capital

As of December 31, 2018, and December 31, 2017, the Company's share capital consisted of 8,400,318,891 subscribed and paid shares

There are no changes in the number of shares during the period covered in these Financial Statements Intermediate Consolidated.

25.3 Dividend Policy

In an Ordinary General Shareholders' Meeting held April 26, 2018, our shareholders agreed to distribute up to 100% of 2017 net income in dividends to shareholders, conditional upon: The Company's actual net income, periodically prepared forecasts and requirements to use its own resources to finance investment projects, among other conditions. Also, it was decided that the Company intended to distribute interim dividends in 2018.

Shareholders agreed to distribute the following dividends for the year-ended December 31, 2017:

- Through a dividend of ThUS $55,355,581, which was paid on May 25, 2018
- Through a dividend of ThUS $129,163,303, which was paid on November 29, 2018

25.4 Retained Earnings (Losses)

Retained Earnings (Losses) for each year are detailed as follows:

Retained Earnings	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Opening Balance as of January 1	412,913	544,760
Net Income Attributable to Shareholders of Parent	286,987	184,519
Declared Dividends	(129,162)	(261,009)
Interim Dividends	(86,098)	(55,357)
Distribution Net Income Dividend Reserve Fund	-	-
Total Ending Balance	**484,640**	**412,913**

25.5 Other Components of Equity

Other Components of Equity are detailed as follows:

	Share-Based Option Plans ThUS$	Dividend Reserve Fund ThUS$	Total ThUS$
Opening Balance as of January 1, 2017	**7,799**	**229,609**	**237,408**
Share-Based Option Plans	749	-	749
Ending Balance as of December 31, 2017	**8,548**	**229,609**	**238,157**
Share-Based Option Plans	787	-	787
Ending Balance as of December 31, 2018	**9,335**	**229,609**	**238,944**

25.6 Other reserves

Movements in Other reserves for each year are detailed as follows:

	Foreign Currency Translation Reserve	Cash Flow Hedge Reserve	Defined Benefit Plan Reserve	Equity Translation Reserve (1)	Other Reserves	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Opening Balance as of January 1, 2017	(143,308)	(198,288)	(9,583)	(136,741)	30,542	(457,378)
Valuation of Available-for-Sale Assets	-	(385)	-	-	-	(385)
Derivatives Valuation Recognized in Profit and Loss	-	(23,192)	-	-	-	(23,192)
Derivatives Valuation Recognized in Other	-	25,764	-	-	-	25,764
Valuation of Associate's Derivatives	-	2,331	-	-	-	2,331
Deferred Taxes	-	412	2,066	-	-	2,478
Non-Controlling Interests (Net of Taxes)	-	(830)	9	-	-	(821)
Subsidiary Foreign Currency Exchange	1,116	-	-	-	-	1,116
Other Variations	-	-	(6,516)	-	297,513	290,997
Ending Balance as of December 31, 2017	**(142,192)**	**(194,188)**	**(14,024)**	**(136,741)**	**328,055**	**(159,090)**
Valuation of Available-for-Sale Assets	-	(1)	-	-	-	(1)
Derivatives Valuation Recognized in Profit and Loss	-	45,649	-	-	-	45,649
Derivatives Valuation Recognized in Other	-	(57,698)	-	-	-	(57,698)
Valuation of Associate's Derivatives	-	188	-	-	-	188
Deferred Taxes	-	3,374	771	-	-	4,145
Non-Controlling Interests (Net of Taxes)	-	(3,449)	(19)	-	-	(3,468)
Subsidiary Foreign Currency Exchange	(27,007)	-	-	-	-	(27,007)
Other Variations	-	-	(3,057)	-	136	(2,921)
Ending Balance as of December 31, 2018	**(169,199)**	**(206,125)**	**(16,329)**	**(136,741)**	**328,191**	**(200,203)**

(1) This item corresponds to an adjustment for the difference between paid-in capital at the year-end exchange rate as of December 31, 2008, and its historical value, in accordance with Official Form Letter 456 dated June 20, 2008 of the SVS.

25.7 Restrictions on Dividend Distributions from Subsidiaries

Gener's subsidiaries can distribute dividends as long as they comply with the restrictions, ratios and limits established in their respective loan agreements. For more details on compliance with covenants, see Note 31.2.

NOTE 26 – REVENUE

Revenue for the years ended December 31, 2018 and 2017, is detailed as follows:

	December 31, 2018	December 31, 2017
	ThUS$	ThUS$
Contracted Energy and Capacity Sales	1,994,222	1,833,919
Spot Market Energy and Capacity Sales	308,596	317,106
Income from transmission	95,769	94,637
Other Operating Revenue (1)	248,792	191,050
Total	**2,647,379**	**2,436,712**

(1) "Other operating revenues" includes mainly transmission and coal sale revenues.

NOTE 27 - EXPENSES

27.1 Expenses by Nature

The principal operating and administrative costs and expenses recorded by the Company in the years ended December 31, 2018 and 2017, within the following accounts in the Statement of Comprehensive Income: Cost of Sales and Administrative Expenses, are detailed as follows:

Expenses by Nature	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Purchases of Energy and Capacity	358,666	298,557
Fuel Consumption	649,862	610,082
Cost of Fuel Sales	192,764	150,766
Transmission System Use Costs	101,735	97,802
Cost of Production and Other Sales	299,063	323,397
Personnel Expenses	62,711	57,090
Depreciation	263,763	278,472
Amortization	3,507	3,052
Cost of Sales	**1,932,071**	**1,819,218**
Personnel Administrative Expenses	39,963	33,381
Other administrative expenses	63,920	75,275
Administrative Expenses	**103,883**	**108,656**
TOTAL	**2,035,954**	**1,927,874**

27.2 Personnel Expenses

Personnel expenses for the years ended December 31, 2018 and 2017, are detailed as follows:

	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Salaries and Wages	82,781	72,146
Short-Term Employee Benefits	8,245	9,435
Post-Employment Benefit Expense	(3,797)	3,259
Employment Termination Expense	13,251	2,712
Share-Based Payments	1,131	1,691
Other Personnel Expenses	1,063	1,228
Total	**102,674**	**90,471**

NOTE 28 - OTHER GAINS (LOSSES)

Other gains (losses) for the years ended December 31, 2018 and 2017, are detailed as follows:

	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Sale of Property, Plant and Equipment and Intangible Assets	(1,541)	(4,923)
Dividends Received from Gasandes	825	1,287
Income Sale ESSA/CTNG	234,907	
Write-off tax credits	-	(18,648)
Costs anticipated closing contract	-	(2,070)
Costs Related to Refinancing Debt	(9,184)	(19,713)
Other	462	(41)
Total	**225,469**	**(44,108)**

NOTE 29 – FINANCE INCOME AND EXPENSE

Finance Income and Expense for the years ended December 31, 2018 and 2017, are detailed as follows:

	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Income from Financial Assets	4,600	5,370
Other Finance Income	312	2,803
Total Finance Income	**4,912**	**8,173**
Interest on Bank Loans	(104,751)	(70,097)
Interest on Bonds	(104,706)	(135,443)
Gains (Losses) for Valuation of Derivative Instruments	7,915	(15,693)
Other Finance Expense	(14,927)	(18,229)
Capitalized Finance Costs	100,578	62,425
Total Finance Expenses	**(115,891)**	**(177,037)**
Foreign Currency Exchange Differences	(17,273)	(4,662)
Total Net Finance Expense	**(128,252)**	**(173,526)**

NOTE 30 - EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to the Company's net equity holders by the weighted average number of shares in circulation in a year, excluding, if any common shares acquired by the Company and maintained as treasury shares.

Basic Earnings (Loss) per Share are expressed in US dollars.

Basic Earnings per Share	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Net Income Attributable to Shareholders of Parent	286,987	184,519
Net Income Attributable to Shareholders of Parent, Basic	**286,987**	**184,519**
Weighted Average Number of Shares, Basic	8,400,318,891	8,400,318,891
Basic Earnings per Share	**0.034**	**0.022**

There are no transactions or concepts that create a dilutive effect. The shares do not have nominal value.

NOTE 31 – CONTINGENCIES AND COMMITMENTS

31.1.- Litigation and / or administrative procedures

a.- Civil Claim of Indemnification of Damages to AES Gener S.A.

On September 20, 2016, a claim for compensation for damages was filed in the 1st Civil Court of Santiago, filed against Engineering and Construction Sigdo Koppers S.A. ("Sigdo Koppers") and AES Gener S.A., following a fatal accident at the Cochrane Project, which cost the life of a worker of a subcontractor of Sigdo Koppers, who is a contractor of Empresa Eléctrica Cochrane SpA, subsidiary of AES Gener S.A. The purpose of the lawsuit is for Sigdo Koppers and AES Gener to be jointly and severally condemned to pay the plaintiffs, for moral damages, the total sum of ThCh $ 450,000 (ThUS $ 648). The amounts demanded have not been provisioned, as they are covered by insurance contracted during the construction period of the Cochrane Central. As of the date of presentation of these Financial Statements, the evidentiary stage and observations have concluded.

b.- Interandes ("IA")

On May 4, 2016, Interandes received a note from the company 360 Energy informing them of intention to build a solar park 600MW in the cordilleran zone of Salta and, consequently, they requested authorization to access the LAT of AI. Subsequently, they received various access requests from various companies for the same purpose as 360 Energy. Per the letter of the ENRE resolution that granted IA the concession of the line, the filing of an application of such type is important for the controlling shareholder as it may inform them of the need to disinvest in IA or in TermoAndes S.A.

On January 26, 2018, the Secretary of Energy of the Ministry of Electric Power and Mining de la Nación, informs InterAndes S.A. that the entry as a Generating Agent of the Wholesale Electricity Market is authorized to the companies Caucharí Solar I SAU, Caucharí Solar II SAU and Caucharí Solar III SAU, for the Solar Park Cauchari I, Cauchari II Solar Park and Cauchari I Solar Park, respectively. Notwithstanding, on April 20, 2018, the ENRE issued its Res. N ° 113/2018 by which it specified that the date on which the controlling shareholder of IA should disinvest in IA or in TermoAndes S.A. will be the time when the third party that requested access to the AI line materially connect to it, thus perfecting your application, which to date has not happened.

c.- Alto Maipo SpA Sanctioning Process ("Alto Maipo")

On January 26, 2017, the Superintendence of Environment (the "SMA") notified Alto Maipo of certain violations associated with their environmental permit, initiating the sanctioning process through Exempt Resolution No. 1 / ROL D-001-2017. Pursuant to the regulation, it is possible to submit for consideration and approval of the SMA a "Compliance Program" with actions that correct the deviations and allow a return to the state of full compliance. The presentation of the plan implies the suspension of the sanction process. If this plan is approved by the SMA and satisfactorily completed by the Company, the process is filed without sanctions and does not generate further actions. On February 16, 2017, the company presented the Compliance Program to the SMA. To solve the matter, the SMA ordered a visit to the project facilities, and diligence that took place in April 2017. On February 6, 2018, a new Compliance Program, Consolidated, Coordinated and Systematized was presented, with the purpose of receiving and responding to observations made by the Superintendence of the Environment on January 5, 2018.

Subsequently, on March 16, 2018, the SMA made a new round of observations to the Compliance Program, for which Alto Maipo presented a new consolidated text dated March 26, 2018. This consolidated text of the Compliance Program was approved by the SMA dated April 6, 2018. Subsequently, three invalidation remedies were brought against the SMA resolution which approved the Compliance Program before the Second Environmental Court of Santiago. These proceedings are still underway.

d.-Request for Arbitration under contracts of purchase of energy subscribed between Sociedad Química y Minera de Chile S.A. ("SQM") AES Gener S.A. and Cochrane

a) On December 14, 2016, Sociedad Quimica y Minera de Chile filed with the Arbitration and Mediation Center of the Chamber of Commerce of Santiago a request for arbitration in relation to energy purchase agreements signed with Empresa Eléctrica Cochrane, dated February 13, 2013, and with AES Gener and Empresa Eléctrica Cochrane, dated March 30, 2012. Arbitral claims filed on April 11, 2017 to request the arbitral tribunal to declare that the tax established by article 8 of Law 20,780 does not constitute a New Regulatory Requirement, according to the terms it is defined in the respective contracts, and that consequently, its effects on the Consolidated Financial Statements must not be considered for the calculation of the price of the energy contracted under them. On December 21, 2018, the probationary term ended.

b) On December 29, 2016 AES Gener S.A. and Empresa Eléctrica Cochrane SpA presented before the Arbitration and Mediation Center of the Chamber of Commerce of Santiago two requests for arbitration, roles 2862-16 and 2863-16, under the power purchase agreements signed by said companies with SQM dated March 30, 2012 and February 13, 2013, respectively, for differences arising between the parties regarding the application of the clauses that regulate new regulatory requirements included in these contracts, in relation to the new tax that taxes emissions from fixed sources, established by article 8 of Law 20,780. On December 21, 2018, the probationary term ended.

e) Demand for Environmental Damage against AES Gener S.A.

In July 2016, two trade union organizations of fishermen, divers, and other crafts related to the extraction of products from the sea, along with 18 people living in the towns of Horcón and Ventanas, filed a complaint with the Second Environmental Court of Santiago against AES Gener S.A., the Ministry of Environment, and 10 other companies located in the area (CODELCO, Puerto Ventanas, National Electricity Company, GNL Quintero, Empresas COPEC, Gasmar, Oxiquim, Petróleos Asfaltos y Combustibles S.A., Melón Cementos and ENAP) for the alleged environmental damage caused by the companies including us, and authorized by the State. The action aims to repair the environmental damage of the bays of Quintero and Ventanas, supposedly from the commercial activity of the defendants and proposes the creation of a fund to which the latter contribute, the purpose of which is to finance the studies that allow the determination of the environmental reparation measures that are necessary to adopt. The demand was notified in the middle of January 2017 and answered by the Company on January 27 of the same year. On January 4, 2019, the Court of Appeals of Santiago partially accepted the appeal filed by AES Gener S.A. in relation to the complaint received . As of the date of submission of the financial statements, the notification of the new test is pending.

f) Civil claim for compensation of damages against GasAtacama Chile S.A.

On May 4, 2017, AES Gener S.A. and its subsidiary Empresa Eléctrica Angamos S.A. filed a claim for compensation for damages against GasAtacama Chile S.A. before the 24th Civil Court of Santiago, in the amount of ThUS$37,400 and ThUS$26,300, respectively. The purpose of the claim is to compensate the damages caused to the plaintiffs by GasAtacama when, during the period between January 2011 and October 2015, unreliable information was delivered to the Economic Load Dispatch Center (CDEC, today National Electrical Coordinator, CEN), which implied higher costs that had to be assumed by the actors of the electrical system, within of which AES Gener S.A. and Empresa Eléctrica Angamos. At the date of presentation of the financial statements, the procedure is in the conciliation stage.

g) Civil Complaint of Compensation for Damages against AES Gener S.A. and Alto Maipo SpA

On May 16, 2017, a claim for compensation for damages was filed before the 28th Civil Court of Santiago against CNM, Alto Maipo and tGener, following a traffic accident that occurred on the route to the Alto Maipo project, which cost the life of a CNM worker, contractor of Alto Maipo SpA. The purpose of the lawsuit is for CNM, Alto Maipo SpA and AES Gener S.A. are jointly and severally liable to pay the plaintiffs, for moral damages, the sum of ThCh$560,000 (ThUS$806). The amounts claimed have not been provisioned because they are covered by the insurances contracted for the Alto Maipo project. The claim was re-entered in case file C-25.598-2016 of the 29th Civil Court, due that the 28th Civil Court was declared incompetent to hear about it, however, the 29th Civil Court rejected the filing of the claim, having elapsed the period of 30 days that existed for its presentation. Against said resolution, the plaintiff filed an appeal, which was accepted by the Court on the 4th. July, which ordered that the complaint be accepted by the 29th Civil Court of Santiago for processing, which it is pending to be solved. On September 25, 2018, AES Gener S.A. and Alto Maipo SpA were notified of the new entry of the claim in the 29th Civil Court, by virtue of which the answer was filed of the same and to evacuate the procedures of reply and rejoinder. The hearing is currently pending conciliation.

h) Request for Arbitration under power purchase agreements signed between Empresa Eléctrica Angamos S.A. ("Angamos"), Minera Spence S.A ("Spence") and Minera Escondida Limitada ("MEL").

On September 4, 2017, Angamos filed before the Arbitration and Mediation Center of the Chamber of Commerce of Santiago two requests for arbitration under the energy purchase agreements signed by Angamos with MEL and Spence, both of March 17, 2008, regarding differences between the parties regarding the application of the clauses that regulate new regulatory requirements included in said contract, in relation to the new tax that taxes emissions from fixed sources, established by article 8 of Law 20,780. The Arbitral claims were filed by Angamos on December 28, 2017. MEL and Spence answered the lawsuit and they filed a counterclaim for their part requiring the early termination of the contract, based on said request in alleged breaches by EE Angamos. Subsequently, EE Angamos presented the written reply in the context of the lawsuit regarding new regulatory requirements, and the response to the lawsuit counterclaim filed by MEL and Spence, and the presentation by MEL and Spence of the writing of duplicate in the frame of new regulatory requirements, and of the writing of reply in the framework of the demand by contract term. At the date of presentation of the Financial Statements, the procedure is suspended by mutual agreement.

i) Arbitral Procedure Zaldívar

On August 2, 2017, AES Gener S.A was notified of the lawsuit filed by Compañía Minera Zaldivar SpA for termination of the contract of lease, reassessment of rental income and collection of tariff revenues, with respect to a transmission line leased to AES Gener by means of a contract entered into December 31, 1998. The amount of the tariff revenue demanded is ThUS$8,337. This procedure was terminated by judgment issued on December 20, 2018. In the ruling, the arbitrator rejected the demand for early termination of the lease, it is up to perform the reassessments and comply with the resolution by the arbitrator. based on the foregoing assessment, AES Gener recognized approximately ThUS $ 5,250 as revenue and will be able to continue using the leased transmission line.

j. Arbitral proceeding Compañía Minera del Pacífico

On December 11, 2017, Guacolda Energía S.A filed an arbitration request against Compañía Minera of the Pacific S.A. before the Arbitration and Mediation Center of the Chamber of Commerce of Santiago, for breach of the energy supply contracts signed on September 28, 2012 and January 29, 2014. On December 26, March 2018 Guacolda Energía filed the lawsuit. CMP, for its part, in answering the complaint presented a counterclaim requesting a reduction in the price of the supply contract due to change in the conditions of market. At the date of presentation of the Financial Statements, the arbitration procedure is in the stage of conciliation and was suspended by mutual agreement by the parties.

k. Arbitration procedure between Constructora Nuevo Maipo S.A. - AES Gener S.A. and The AES Corporation.

On June 7, 2017, Alto Maipo terminated the construction contract for the tunnel complex dated November 6, 2012, with CNM. The contract was terminated due to multiple serious breaches of the contractor. On that same date Alto Maipo claimed for breach of contract before the International Chamber of Commerce ("ICC"). On July 3, 2017 CNM claimed for breach of contract against Alto Maipo before the ICC. On April 13, 2018, Alto Maipo made its written presentation before the Arbitration Panel, called "First Memorial", consisting of a statement of claim with the factual background and legal basis of Alto Maipo's claims, as well as the evidence that will be asserted in the trial, along with the amount of damages that are claimed. On August 3, 2018, CNM made the presentation of the statement of defense in which it requested payments for amounts between ThUS$103,000 and ThUS$157,000. The ICC set the hearings for the month of May 2019.

In August 2018, CNM initiated a new arbitration against AES Gener S.A. and AES Corporation ("Second Arbitration"). In the Second Arbitration, CNM requested the arbitration panel to establish that AES Gener S.A. and AES Corporation are responsible jointly and severally with Alto Maipo for each loss suffered by CNM under the contract of construction of works in the Alto Maipo Project. Alto Maipo has requested a provisional order in the First Arbitration that prevents CNM from proceeding with the Second Arbitration at this time. The resolution of this restriction request is still pending. Separately, AES Gener S.A. and AES Corporation requested the ICC Arbitral Tribunal to declare themselves incompetent, because there is no arbitration clause between them and CNM. The ICC denied that request. In consequence, after the decision of the ICC, AES Gener S.A. and AES Corporation asked the ICC to merge this arbitration with the first, to which the arbitration panel agreed, the form in which the pending hearing of the month of May set for the first arbitration.

l. Law of navigation lawsuits

There are currently three lawsuits (roles N ° 7, 9 and 13 of the year 2018) against AES Gener S.A., under combined of the Law of Navigation, brought by various groups of fishermen of different coves of the commune of Quinteros. These claims are processed before single-person courts, which correspond to Ministers of the Court of Appeals from Valparaíso. The three lawsuits request the payment of compensation, based on the alleged coal dumps in the bay of Quinteros and Playa de Ventanas, which are claimed to affect the activities fisheries in the area. These demands are in the discussion period and were combined to be processed jointly.

m. Summary Investigations of the Maritime Governorship of Valparaíso

Currently, two investigations are underway by the Maritime Government of Valparaíso, both related to various episodes of alleged contamination of the bay of Quinteros due to the presence of coal on the beach of Ventanas. The first of the investigations (File N° 12.050 / 10/19), was instructed via Tax Opinion dated October 24, 2017, which proposed, among other measures, the payment of a fine of "52,000 pesos gold" ($200 million approximately), due to unauthorized discharges of burnt coal and coal to be burnt, between the period that goes from November 8, 2012 to November 8, 2013. Subsequently, this was passed the background to the Maritime Governor for purposes of deciding on its application, which, by means of a resolution dated February 5, 2019, ordered the reopening of the investigation period, decreeing a period of 6 months to the realization of a field test, which consists in the verification through a theoretical model of the origin and trajectory that coal particles would have had in the Bay of Quinteros. The second investigation (File N°. 12.050 / 10/21) was instructed on January 23, 2019, and a series of relative information was requested to the downloads of the Ventanas Thermoelectric Complex, as well as a request to visit the plant by the Maritime Governance, whose date is yet to be defined.

n. Guacolda Energia S.A. administrative process

On September 20, 2018, the Superintendence of Electricity and Fuels ("SEC") notified the charges filed against Guacolda Energía SA. The charges filed consisted of two violations; In (a) having delivered false or erroneous information to the CDEC-SIC about the real "real technical minimums" of its five units between September 9, 2015 and September 16, 2017 and, 8b) have dilated and hindered the technical audit provided in Opinion 5-2016 of the Panel of Experts. On October 24, 2018, Guacolda filed its disclaimers to the SEC requesting that it is absolved of any claim because the Panel of Experts determined in the Discrepancy 22-2017 that the "technical minimums" of the units of Guacolda were correctly informed for the period prior to September 2017 and, that Guacolda timely fulfilled with the demands formulated, fulfilling all the orders issued by the Coordinator, participating actively in the audit process and collaborating with the actions that were necessary to carry out the reduction of their technical minimums; what was achieved in a substantially in less time than other comparable plants.

In the event that the SEC considers the arguments filed by Guacolda as not acceptable, the Guacolda is exposed to fines that range from 500 to 10,000 "unidades tributaries anuales" (UTA).

31.2 Financial Commitments

31.2.1 Commitments involving Gener

The agreements entered into by the Company and its subsidiaries with various financial institutions and the issuance contracts that govern the Company's notes issued, impose certain financial obligations during the term of the loans and notes. These obligations are standard for these transactions. As of December 31, 2018, the Companies and its subsidiaries are are in compliance with the terms and conditions of each covenant and agreements as follows: .

a) On April 8, 2009, the Company carried out a second note issuance against the line of bonds registered in the Securities Registry under number 517 on November 9, 2007. This issuance consisted of Q series bonds for ThUS$196,000 at 8.0% maturing in 2019. Later, in July 2011, July 2015 and December 2015 Gener accepted voluntary tender offers for ThUS$93,800, ThUS$62,380 and ThUS$15.280, respectively, reducing the outstanding principal to ThUS$24,540.

In accordance with the covenants established in its bond agreements, the Company must comply with the following financial ratios on a quarterly basis, calculated using the consolidated financial statements.

- Indebtedness level no greater than 1.20 times; as the ratio of financial debt (set of effective and equivalent to cash) on net assets, excluding those subsidiaries with special object (project finance). The value calculated for this indicator as of December 31, 2018 was 0.36 times.

- Financial expense coverage ratio no less than 2.50 times; as the ratio of net financial income (financial costs (-) financial income) on EBITDA, excluding those subsidiaries with special object (project finance). The value calculated for this indicator as of December 31, 2018, was 11.93 times.

- Minimum equity no less than ThUS$1,574,622. The value of the net worth used for this, this indicator as of December 31, 2018, was ThUS $ 2,625,321; and

- Holding assets that represent at least 70% of the Company´s consolidated operating revenue and relate to generation, transmission and commercialization of energy and fuels (Property plant and equipment used in operations). As of the date of these financial statements, the Company is in compliance with this indicator.

b) In December 2013, Gener issued a subordinated 8.375% notes due 2073 for a total of ThUS$ 450,000. These subordinated Junior notes have no financial restrictions

c) In August 2011, Gener successfully completed a refinancing process in the international markets with the issuance of new Senior Notes 144A and Regulation S of the securities regulation of the United States for a total of ThUS$401,682, due in 2021 at an interest rate of 5.25%. These notes have no financial restrictions. In December 2017, Gener repurchased the notes for a total of ThUS$110,000, and then, on July 11, 2018, Gener made another repurchase of the notes for a total of ThUS $ 99,997. These notes redeemed were liquidated. As of December 2018, the current notional amount is ThUS$291,682.

d) On December 18, 2017 and February 26, 2018, AES Gener closed the credit agreement of the committed financing line subscribed with a trade union of banks for ThUS$250.000. Gener must comply quarterly, with the following financial indicators calculated, based on their Consolidated financial statements:

- Indebtedness level no greater than 1.20 times; as the ratio of financial debt (net of cash and cash equivalent) on net assets, excluding those subsidiaries with special purpose (project finance). The value calculated for this indicator was 0.36 times as of December 31, 2018

- Financial expense coverage ratio no less than 2.50 times; as the ratio of net financial income (financial costs (-) financial income) on EBITDA, excluding those subsidiaries with special purpose (project finance). The value calculated for this indicator was 11.93 times as of December 31, 2018.

- Minimum equity no less than ThUS$1,574,622. The value of the net worth used for this indicator was ThUS $ 2,625,321 as of December 31, 2018; and

As of December 31, 2018, this credit line has not been drawn down and AES Gener was in compliance with the aforementioned ratios.

This new committed credit agreement replaces the financing line contract committed to a syndicate of banks in October 2011 and amended in December 2014 for UF 6,000,000 (ThUS$238,057), which ended on March 9, 2018.

e) In July 2015, Gener completed a debt refinancing transaction and issued a new Senior notes in the international market, under the rule 144A and regulation S of the States United with an interest rate of 5.00% and maturity in 2025 for a total of ThUS$425,000. These notes have no financial restrictions. In June and December 2016 and, subsequently, in January 2017, Gener made the repurchase of the notes for a total of ThUS$35,000. In December 2017, Gener made another repurchase of the notes for a total of ThUS$217,637. The redeemed notes were liquidated. As of December, 31 2018, the current notional is ThUS$172,363.

f) ESSA was obliged, as issuer, under a issuance agreement (notional of UF 1,086,000 (ThUS$43,088)), registered in the Securities Registry of the Commission for the financial market, under No. 214.

On January 10, 2018, a bondholders meeting was held where the Company informed the corporate reorganization resulting from the signing of the purchase and sale contract of ESSA shares Generadora Metropolitana SpA, and in virtue of which the note issuance contract of ESSA would eventually reside in AES Gener. The bondholders unanimously approved the modification of the
notes issuance in the following matters:

- Release the payment solidarity of ESSA established in the issuance contract for the ESSA division event.
- Modify ESSA's financial safeguards to align them with those of the current AES Gener notes .
- Adjust the issuance agreement in terms of obligations to do, not to do, events of non-compliance and decision-making mechanisms to standardize it with the current provisions in the AES Gener bonds.
- Release the new company from the financial safeguards applicable to it during the period between the division and its merger into AES Gener (it would be counted with a solidarity guarantee from AES Gener from the registration of the new company in the Registration of Securities).

On January 26, 2018, the demerge of ESSA took place, and Nueva Eléctrica Santiago SpA ("NESSA") was incorporated and all the obligations under the issuance contract of ESSA notes were assigned and filed before the regulator accordingly. The registry of security notes was completed on March 29, 2018. .

In March 2018, the merge of NESSA with Gener was completed, and the Company assumed as the issuer, including all rights and obligations under the issuance agreement. These obligations pursuant to a modification agreement executed with the Banco de Chile on April 11, 2018,were homologated with those contained in the note issuance agreement of AES Gener dated September 5, 2007, and its amendments referred to in letter (a) preceding. As indicated in that section, the Company is in compliance with all covenants per this agreement. The remaining capital as of December 31, 2018, is UF 838,935 (ThUS$33,286)

31.2.2 Commitments involving Chivor

On January 22, 2018, the credit granted by Bancolombia for Central Tunjita was drawn for an amount of ThCol$157,925,927 (ThUS $ 48,596) with forty eight quarterly principal amortization ThCol$ 3,257,222 (ThUS$ 1,002), a fee of interest of the CPI + 5.5% and a purchase option of 1% MCOP$1,579,259 (ThUS $ 486) at the end of the loan with due on 01/22/2030. As of December 31, 2018, the debt value of MCOP$ 148,154,260 is in effect (ThUS $ 45,589).

On May 4 and December 11, 2017, Chivor executed a two 1-year term loans for a total ofThCol$30,000,000 (ThUS $ 9,231) and ThCol$ 150,000,000 (ThUS $ 46,157) to prepay the loan with AES Gener for ThUS $ 80,000. The counterparties banks of these loans are Citibank Colombia and Banco Colpatria each for an amount of ThCol$ 15,000,000 (ThUS $ 4,616) and Citibank Colombia for ThCol$ 150,000,000 (ThUS $ 45,157). These loans have financial restrictions. On April 27 and 30, 2018, the ThCol$ 30,000,000 loan was prepaid (ThUS $ 9,231) with Citibank Colombia and Banco Colpatria respectively. On December 6, 2018, the ThCol$ 150,000,000 (ThUS $ 46,157) loan was refinanced with Scotiabank Colpatria. This loan has no financial restrictions. As of 31 December 2018, the total debt amounts to of MCOP $ 150,000,000 (ThUS $ 46,157).

AES Gener S.A. issued a Corporate Guarantee in favor of Ecopetrol S.A. guaranteeing the construction of the Castilla solar complex and the subsequent completion of the power sale contract.

31.2.3 Commitments Involving Angamos

On November 25, 2014, EEA SpA completed the issuance and placement of a guaranteed bond to the 4.875% due in 2029 for a total of ThUS $ 800,000. The issue was made in order to refinance the liabilities of the Company. The operation was carried out under Rule 144-A and Regulation S of the rules of values of the United States of America. This Bond has no financial maintenance restrictions.

On March 29, 2016, EEA SpA tendered the existing 144-A / RegS notes for up to ThUS$ 200,000. On April 14 and April 29, 2016, EEASpA accepted offers for ThUS$ 187,429 and ThUS$ 11,599, respectively, reducing the principal amount of the notes to ThUS$ 600,972. EEASpA completed the transaction mentioned above, with the agreement of 4 credit lines of financing with banks, BCI, Banco Estado, Itaú, Corpbanca and Banco de Chile. The lines were rotated on April 12 by ThUS$ 87,429 and April 27 for ThUS$ 11,599. These loans have the same maturity profile as the bonds and do not have restrictions.

On July 13, 2018, Angamos made the repurchase of the notes for a total of ThUS$ 100,061, which was financed with available funds. The notes redeemed were liquidated. The current notional after the repurchase it is ThUS$ 474,768.

As of December 31, 2018, the debt in the amount of ThUS $ 634,889 is in force.

31.2.4 Other Commitments Involving Empresa Eléctrica Cochrane S.p.A. ("EEC")

On March 27, 2013, EEC secured financing for up to ThUS$1,000,000 for the construction of the Cochrane power plant as well as letters of credit for up to ThUS$55,000 to guarantee several obligations. The loan is for an 18-year period and is guaranteed by assets, shares and project cash flows. As of December 31, 2018, ThUS$893,910 have been disbursed, associated with this funding and there are no revolving amounts associated with letters of credit.

31.2.5 Other Commitments Involving Alto Maipo S.p.A

On March 17, 2017, Alto Maipo SpA completed the financial restructuring process of the project, closing the original refinancing for up to ThUS$1,217,000 in ThUS$1,316,000. Additionally, AES Gener committed additional disbursements for up to ThUS$117,000, which will be made pro rata with the debt to be disbursed by the banks and of which to date, has been paid ThUS$61,712 has been paid. On the other hand, and in accordance with the original financing, letters of credit were issued for up to ThUS$14,000 to guarantee certain obligations of the draft. Finally, AES Gener S.A. committed a limited and contingent guarantee for a maximum amount of ThUS$55,000 up to the end of the construction of the project. The loan is for a term of 22 years and is insured with the assets, shares and project flows.

During the month of June and as reported in the Essential Fact GG 017/2017 dated July 31, 2017, Alto Maipo terminated one of the main constructors of the Project, CNM, due to the contract violations. Since then, Alto Maipo management took over the works temporarily and started the search process for a new contractor to replace CNM; Likewise, a series of judicial and arbitral proceedings were initiated, including the collection of bank guarantees to CNM for ThUS$73,000. Although Alto Maipo managed to collect the aforementioned guarantees, it is not possible to anticipate the result of the other arbitration proceedings pending with CNM until they have been ruled out.

On May 8, 2018 Alto Maipo SpA completed its 2nd financial restructuring, closing the Project debt in ThUS $ 1,451,000. Additionally, AES Gener committed additional disbursements for up to ThUS$ 200,000 pro rata debt to be disbursed by the banks and ThUS$ 200,000 after disbursement of the debt committed by the banks. The loan is for a term of 22 years and is insured with the assets, shares and flows of the project. As of December 31, 2018, ThUS$ 817,038 associated with this financing have been disbursed and AES Gener has contributed ThUS$ 180,000 of the ThUS $ 200,000 committed.

31.2.6 Other Commitments Involving Inversiones Nueva Ventanas S.p.A. ("Inversiones Nueva Ventanas"):

On March 27, 2013, Inversiones Nueva Ventanas constituted a commercial pledge on shares issued by EECSpA in favor of its creditors to guarantee its obligations related to financing for the Cochrane power plant.

On November 30, 2018, Inversiones Nueva Ventana SpA absorbed Norgener Inversiones SpA. the same act, Inversiones Nueva Ventana SpA changed its name to Norgener Inversiones SpA.

31.2.8 Other Commitments Involving Norgener S.p.A.:

On December 9, 2013, Norgener provided a pledge to cover the shares issued by Alto Maipo S.p.A. to guarantee payment to the creditors involved in the project financing of the Alto Maipo Plant.

NOTE 32 – GUARANTEES

Guarantees Granted

The detail of the guarantees granted by AES Gener in force as of December 31, 2018 is as follows:

On December 19, 2007, Gener signed a cross currency swap contract with Credit Suisse International to hedge the risk of foreign exchange variations between the UF and US dollars related to the UF bonds issued in December 2007 for UF 4.4 million (ThUS$174,575) and UF 1.2 million (ThMUS$47,611) with maturities in 2028 and 2015 respectively. On September 16, 2009, the swap contract for UF 4.4 million (ThUS$174,575) was modified and one part was assigned to Deutsche Bank Securities. Both swap contracts require Gener to grant a guarantee when the market value of the swap exceeds the limit established in the contract. On June 12, 2014, the swap portion associated with the Series O of the bond, which was prepaid on July 14, 2014, was terminated, and only the portion associated with Series N due in 2028 is still outstanding.

As of December 31, 2018, the MTM of the contract with Credit Suisse was negative for ThUS$ 2,652, which was covered totally through the delivery of a guarantee, which was implemented through SBLC (Stand By letter of credit) for a total of ThUS $ 5,000, which was issued by The Bank of Nova Scotia, due in March 2019.

Other Guarantees

The gas transport agreement between TermoAndes S.A. ("TermoAndes") and Transportadora de Gas del Norte S.A. ("TGN") does not require a guarantee from Gener. Per the contract, no guarantee is required if TermoAndes or any of its shareholders have an investment grade rating, defined in the contract as BBB- (in Argentina) or higher. If Termoandes does not maintain an investment-grade rating while one of its direct or indirect controlling shareholders does maintain such a rating, that shareholder must grant a corporate guarantee to TGN or, in its absence, Termoandes must provide a bank guarantee equal to the payment for transport service for one year. Termoandes currently has a rating of A (in Argentina), issued by Fitch Ratings, with a stable outlook.

Guarantees Received

On September 30, 2015, the risk rating of Teck Resources Limited ("Teck"), guarantor of Compañía Minera Quebrada Blanca S.A. ("Quebrada Blanca") in PPA signed with AES Gener S.A. and its subsidiaries Norgener SpA., Empresa Electrica Angamos S.A. and Empresa Eléctrica Cochrane SpA, was downgraded by the risk rating company S & P below the note BBB-. The power purchase agreements in question establish that a loss of risk classification in the terms expressed, gives obligation to replace the guarantees granted by Teck to Compañía Minera Quebrada Blanca S.A. (Parent Company Guarantee) by letters of credit (Standby Letter of Credit, SBLC) in favor of AES Gener SA, Empresa Electrica Angamos S.A., and Empresa Eléctrica Cochrane SpA, for amounts amounting to ThUS$125,000, ThUS$217,000 and ThUS$330,000 respectively. On November 24, 2015, Teck delivered the aforementioned guarantees, which were instrumented through SBLC's (Stand By letter of credits) in favor of AES Gener S.A., Norgener SpA and Empresa Electrica Angamos S.A, which were issued by The Bank of Nova Scotia, Bank of Montreal, Banco Estado de Chile New York Branch, due November 2019. On the other hand, Teck delivered to Cochrane Electric Company 2 SBLCs (Stand By letter of credit), which were issued by The Bank of Nova Scotia and The Toronto Dominion Bank, with maturities in November 2019.

On November 8, 2017, Teck modified the corporate guarantee (Parent Company Guarantee) increasing the guaranteed value until
the total value of the energy contract between Empresa Eléctrica Cochrane SpA and Compañía Minera Quebrada Blanca S.A.

On June 7, 2017, based on the breaches detailed in the Commitments section of Note 30, Alto Maipo SpA terminated the process of construction of tunnels held with CNM and proceeded to execute bank guarantees for ThUS$73,000 granted by the latter.

On May 8, 2018, Strabag SE issued a Parent Company Guarantee to guarantee up to the total value of the construction contract between Alto Maipo S.p.A. and Strabag S.p.A.

Beneficiary	Guarantee Description	Date From	Date To	ThUS$
HSBC Bank N.A., New York	Guarantee the reserve account of the debt service	11/9/2017	11/9/2018	51,000
Terminal Graneles del Norte S.A. (1)	Compliance of Port Contract Services	10/22/2013	10/22/2018	12,400
Ministerio de Obras Públicas , Dirección General de Aguas	Construction of Hydraulic Works for Alfalfal II and Alto Maipo Project	12/9/2013	12/9/2021	7,176
Minera Escondida Ltda	Fullfilment of Supply	10/22/2013	10/22/2019	6,568
Credit Suisse International	Guarantee bond debt Cross Currency Swap	12/18/2018	4/2/2019	5,000
Minera Spence S.A.	Fullfilment of Supply	10/22/2013	10/22/2019	1,750
Ilustre Municipalidad de Mejillones	Guarantees tender offer contract port	10/19/2017	10/31/2020	864
Compañía General de Electricidad	Compliance Contract Services CGE S.A and Mesamavida	12/10/2018	12/4/2020	700
Clínica las Condes	Guarantees tender offer contract PPA	8/29/2018	9/4/2019	433
Ministerio de Bienes Nacionales	Guarantees concession contract fulfillment	7/24/2017	7/24/2019	291
Ministerio de Bienes Nacionales	Guarantees concession contract	3/13/2018	4/1/2019	290
Aguas Andinas S.A.	Guarantees tender offer contract PPA	4/13/2018	4/12/2019	149
Secretaria Ministerial de Bienes Nacionales	Guarantee the interest in signing a concession contract on fiscal land	8/29/2018	8/31/2019	105
	Other guarantees			71
				86,797

(1) On January 25, 2019, the LC was reduced to ThUS$11,600

On November 21, 2018 AES Gener S.A. issued a Corporate Guarantee in favor of Ecopetrol S.A. guaranteeing the construction of the complex Castilla Solar and the subsequent fulfillment of the power sale contract.

Grantor of Guarantee	Guarantee Description	Date From	Date To	ThUS$
Teck Resources Ltd.	Fullfilment of Electricity Supply Contract	11/27/2015	11/24/2018	330,417
Strabag SPA	Construction of Tunnel Complex	5/17/2018	5/17/2019	167,476
KGHM International Ltd.	Guarantee commitments of the contract	6/22/2017	6/30/2019	137,500
Strabag SPA (2)	Construction of Tunnel Complex	5/4/2018	5/4/2019	132,524
Sumitomo Metal Mining Co. Ltd.	Fullfilment of Electricity Supply Contract	3/14/2013	12/31/2019	78,750
Teck Rosources Chile Limitada	Guarantees tender offer contract PPA Teck Quebrada Blanca	1/22/2018	1/18/2020	75,000
Teck Rosources Chile Limitada	Guarantees tender offer contract PPA Teck Quebrada Blanca	10/25/2018	10/23/2019	75,000
Minera Teck Quebrada Blanca	Guarantees tender offer contract PPA	12/19/2018	12/17/2019	75,000
Teck Resources Ltd.	Guarantees tender offer contract PPA Teck Quebrada Blanca	11/24/2016	11/24/2019	66,667
Sumitomo Corporation	Fullfilment of Electricity Supply Contract	3/15/2013	12/31/2019	33,750
Voith Hydro S.A.	Turnkey Construction of Las Lajas Power Plant	12/9/2013	12/20/2019	31,972
Teck Quebrada Blanca	Guarantees tender offer contract PPA	11/24/2016	11/24/2019	27,917
Teck Quebrada Blanca	Fullfilment of Supply	11/24/2016	11/24/2019	22,000
Voith Hydro S.A.	Turnkey Construction of Alfalfal	12/9/2013	12/20/2019	15,654
Posco Engeneering & Construction Co.	Engineering Construction, Assembly and Commissioning of Cochrane Power Plant	4/9/2013	9/20/2019	12,280
Compañía Portuaria Mejillones	Fullfilment of Contract to Transfer and Handle Bulk Products	3/31/2018	4/10/2019	6,000
R & Q Ingenieria	Guarantee commitments of the contract	5/31/2017	9/30/2019	4,141
Posco Engeneering & Construction Co.	Guarantee commitments of Cochrane Project	10/19/2017	9/30/2019	1,500
KDM Industrial SA	Guarantee commitments of the contract	5/2/2018	5/2/2019	1,167
General Electric International (1)	Guarantee commitments of the contract	8/1/2018	12/31/2018	882
Pilotes-Terratest S.A.	Guarantee commitments of the contract	8/8/2017	3/31/2019	534
Servicios Industriales Limitada	Guarantee commitments of the contract	3/20/2018	3/31/2019	300
Ingeniería y Construcción Incolur S.A	Guarantee commitments of the contract	2/23/2018	3/30/2020	275
Abengoa Chile S.A.	Guarantees payment obligations	8/13/2018	12/31/2018	227
Pilotes-Terratest S.A.	Guarantee commitments of the contract	8/8/2017	7/31/2019	213
Puga Mujica Asociados	Guarantee commitments of the contract	2/6/2018	1/31/2019	182
Agricola Ancali Limitada	Fullfilment of Electricity Supply Contract	3/31/2018	4/8/2019	145
Ing. y Consdtrucción Sigdo Koppers S.A.	Engineering, Construction, Assembly and Commissioning of Cochrane's Plant	11/27/2017	1/15/2019	141
Puente Alto Ingenieria y Servicios	Guarantee commitments of the contract maintenance of lines	4/5/2017	5/31/2019	131
IDE Projects LTD	Fullfilment of Supply	11/21/2018	5/30/2019	109
	Other guarantees			552
	TOTAL			**1,298,406**

(1) Non-renewed guarantees

(2) In process of reduction by milestone scope, according to construction contract with Strabag.

(3) On February 21, 2019, Fitch Ratings granted the investment grade (BBB-) to Teck Resources Ltd. In accordance with the supply contracts of signed with AES Gener and with the subsidiaries Cochrane, Angamos and Andes Solar, Teck Resources Ltd has requested the return of the letters of credit issued in favor of AES Gener and subsidiaries guaranteeing the payment of the obligations under the aforementioned contracts.

NOTE 33 - ENVIRONMENTAL EXPENDITURES

The Company has a long-term sustainable development policy that governs its activities, in harmony with the environment. In this context, investments made in facilities, equipment and industrial plants include state-of-the-art technology with the latest advances available.

The principal Environmental Expenditures for the years ended December 31, 2018 and 2017, are detailed as follows:

Details	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Air Quality Monitor Station	190	64
Ash deposit and handing	4,566	1,282
Marine Monitoring (Oceanographic Monitoring and Liquid)	576	309
Smokestack and Noise Monitoring	2,036	1,079
Expenses for Law 99 in Colombia	9,317	5,708
River and land transport	-	358
Waste Disposal	2,484	1,253
Other	982	639
Total	**20,151**	**10,692**

As part of the environmental investment plan, the Company is working on the replacement of discharge pipelines in Ventanas U1 and U2; as of December 31, 2018, the accumulated investment had reached ThUS$1,578. This project is in development at the
date of these consolidated financial statements.

As a result of new emissions standards, the Companyhas authorized ThUS$115,641 and ThUS$112,193 for environmental decontamination plans for the Ventanas and Tocopilla power plant, respectively. These projects are completed as of the date of the present Consolidated financial statements.

The projects included are intended to optimize plant performance in order to guarantee compliance with applicable regulations.

In AES Gener S.A, there are also other projects associated with the development of new technologies applied to mitigate the impact on the environment.

AES Gener
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NOTE 34- ASSETS AND LIABILITIES IN FOREIGN CURRENCY

			December 31, 2018		December 31, 2017	
			Less than 90 Days	From 90 days to 1 Year	Less than 90 Days	From 90 days to 1 Year
CURRENT ASSETS	**Foreign Currency**	**Functional Currency**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Cash and Cash Equivalents	Chilean Pesos	US$	33,422	-	37,394	-
	Other Currencies	US$	15,707	-	8,794	-
Other Current Financial Assets	Other Currencies	US$	1,133	-	3,057	-
Other Current Non-Financial Assets	Other Currencies	US$	3,994	-	240	-
Trade and Other Receivables	Chilean Pesos	US$	193,533	27,278	257,821	17,532
	UF	US$	139	66,683	72	82,423
	Other Currencies	US$	67,138	5,054	51,875	986
Related Party Receivables	Chilean Pesos	US$	21,899	-	6,292	-
Inventory	Other Currencies	US$	2,120	-	1,426	-
Taxes Receivables	Chilean Pesos	US$	-	22	-	466
	Other Currencies	US$	-	3,853	-	4,928
TOTAL CURRENT ASSETS			**339,085**	**102,890**	**366,971**	**106,335**

			December 31, 2017			December 31, 2016		
			From One to Three Years	From Three to Five Years	Beyond Five Years	From One to Three Years	From Three to Five Years	Beyond Five Years
NON-CURRENT ASSETS	**Foreign Currency**	**Functional Currency**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Other Non-Current Financial Assets	Chilean Pesos	US$	661	-	-	471	-	-
	Other Currencies	US$	-	-	-	822	-	-
Other Non-Current Non-Financial Assets	Chilean Pesos	US$	60	-	-	873	-	-
	UF	US$	-	27,119	-	-	-	23,277
	Other Currencies	US$	-	-	-	-	-	-
Trade and Other Receivables	Chilean Pesos	US$	-	-	-	72	-	-
	UF		5,741	-	-	-	-	6,308
	Other Currencies	US$	4,259	-	-	11,658	890	-
Intangible Assets other than Goodwill	Other Currencies	US$	591	-	-	476	-	-
Property, Plant and Equipment	Other Currencies	US$	-	-	413,610	-	-	448,746
TOTAL NON-CURRENT ASSETS			**11,312**	**27,119**	**413,610**	**14,372**	**890**	**478,331**

CURRENT LIABILITIES	Foreign Currency	Functional Currency	December 31, 2018 Less than 90 Days ThUS$	December 31, 2018 From 90 days to 1 Year ThUS$	December 31, 2017 Less than 90 Days ThUS$	December 31, 2017 From 90 days to 1 Year ThUS$
Other Current Financial Liabilities	UF	US$	141	2,360	450	2,461
	Other Currencies	US$	202	50,167	9,228	62,485
Trade and Other Payables	Chilean Pesos	US$	140,026	18,865	105,658	16,917
	UF	US$	8,272	-	55,231	59
	Other Currencies	US$	29,866	1,401	41,934	1,177
Related Party Payables	Chilean Pesos	US$	16,563	-	26,050	-
	Other Currencies	US$	-	-	-	-
Provisions	Chilean Pesos	US$	-	-	188	-
	Other Currencies	US$	26	154	34	193
Taxes Payable	Chilean Pesos	US$	-	-	-	-
	Other Currencies	US$	33,772	11,123	16,064	-
Employee Benefits	Chilean Pesos	US$	2,798	-	4,028	-
	Other Currencies	US$	441	-	479	-
Other Current Non-Financial Liabilities	Chilean Pesos	US$	22,411	1,422	12,193	10,424
	Other Currencies	US$	1,949	405	2,496	553
TOTAL CURRENT LIABILITIES			**256,467**	**85,897**	**274,033**	**94,269**

NON-CURRENT LIABILITIES	Foreign Currency	Functional Currency	December 31, 2017 From One to Three Years ThUS$	December 31, 2017 From Three to Five Years ThUS$	December 31, 2017 Beyond Five Years ThUS$	December 31, 2016 From One to Three Years ThUS$	December 31, 2016 From Three to Five Years ThUS$	December 31, 2016 Beyond Five Years ThUS$
Other Non-Current Financial Liabilities	UF	US$	4,696	14,051	14,566	4,588	7,993	26,078
	Other Currencies	US$	8,318	8,888	33,436	6,048	7,377	49,395
Trade and Other Receivables Non Current	Other Currencies	US$	1,603	599	-	2,169	1,750	-
Provisions	Chilean Pesos	US$	-	-	-	-	-	-
Deferred Taxes	Other Currencies	US$	-	-	49,229	-	-	57,460
Employee Benefits	Chilean Pesos	US$	50	4,171	22,401	174	6,768	23,465
	Other Currencies	US$	4,745	-	-	5,574	-	-
TOTAL NON-CURRENT LIABILITIES			**19,412**	**27,709**	**119,632**	**18,553**	**23,888**	**156,398**

NOTE 35 - REGULATORY CHANGES

As of the date of issuance of these consolidated financial statements, no relevant regulatory changes have been recorded that could significantly affect their presentation.

NOTE 36 - SUBSEQUENT EVENTS

In February 2019, AES Chivor & Cía S.C.A. ESP acquired 100% of the shares of Jemeiwaa shares Kai S.A.S (JK) from Colwind S.A.R.L, for ThUS$ 15,000. JK currently has five projects under development for a maximum installed capacity of 648MW of wind projects in Colombia.

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Consolidated Financial Statements

AES GENER S.A. AND SUBSIDIARIES

Santiago, Chile
As of December 31, 2017 and 2016

CONSOLIDATED
FINANCIAL STATEMENTS
AES Gener S.A. and Subsidiaries

For the year ended
December 31, 2017 and 2016

This document includes the following sections:

- **Classified Consolidated Statements of Financial Position**
- **Consolidated Statements of Comprehensive Income**
- **Consolidated Statements of Changes in Equity**
- **Consolidated Statements of Cash Flows (Direct Method)**
- **Notes to the Consolidated Financial Statements**

EY Chile
Avda. Presidente
Riesco 5435, piso 4,
Santiago

Tel: +56 (2) 2676 1000
www.eychile.cl

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Independent Auditor's Report

(Translation of the report originally issued in Spanish)

To
Shareholders and Directors
AES Gener S.A.

We have audited the accompanying consolidated financial statements of AES Gener S.A. and its subsidiaries ("the Company"), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the 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 International Financial Reporting Standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AES Gener S.A. and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis on a matter: Degree of progress Alto Maipo hydroelectric project

As indicated in Note 20 and 31 to the financial statements, the affiliate Alto Maipo SpA presents a "technical default" event under the current project financing contracts, and for this reason, this Company cannot continue requesting disbursements to financing entities under them, as long as this situation is not regularized. Likewise, as a consequence of the aforementioned technical default, this Company's financial debt amounting to US$ 750 million (includes derivatives for US$ 132), has been presented as current debt in the consolidated financial statements of AES Gener, which generates negative consolidated working capital of US$ 635 million. Management's plans in this regard are described in Note 31. If the result of the Management's actions were significantly adverse for Alto Maipo, it could generate significant effects on its financial situation and a possible impairment of the assets of the affiliate. Our opinion on the financial statements of AES Gener S.A. does not change with respect to this matter.

Andrés Marchant V. | EY Audit SpA

Santiago, Chile
February 26, 2018

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US$	United States dollars
ThUS$	Thousands of United States dollars
$	Chilean pesos
ThUS$	Thousands of Chilean pesos
Col$	Colombian pesos
ThCol$	Thousands of Colombian pesos
Ar$	Argentine pesos
UF	Unidad de Fomento. An inflation-indexed, Chilean peso-denominated monetary unit. The UF rate is set daily in advance, based on the change in the consumer price index of the previous month.

CONSOLIDATED FINANCIAL STATEMENTS

AES GENER S.A. AND SUBSIDIARIES

As of December 31, 2017 and 2016

AES Gener S.A. and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2017 and 2016
(In thousands of United States dollars)

ASSETS	Note	December 31, 2017	December 31, 2016
		ThUS$	ThUS$
CURRENT ASSETS			
Cash and Cash Equivalents	9	275,948	469,560
Other Current Financial Assets	10	10,647	21,692
Other Current Non-Financial Assets	12	5,529	3,007
Trade and Other Receivables	13	444,905	373,146
Related Party Receivables	14	10,066	18,833
Inventory	15	155,157	136,235
Taxes Receivables	16	25,911	37,909
Assets available for sale	8	181,539	
Total Current Assets		**1,109,702**	**1,060,382**
NON-CURRENT ASSETS			
Other Non-Current Financial Assets	10	34,398	12,824
Other Non-Current Non-Financial Assets	12	24,274	33,620
Trade and Other Receivables	13	18,929	20,021
Investments in Associates	17	410,882	419,468
Intangible Assets	18	52,589	51,857
Goodwill	18	-	7,309
Property, Plant and Equipment	19	6,421,441	6,150,290
Deferred Taxes	16	87,592	93,133
Total Non-Current Assets		**7,050,105**	**6,788,522**
TOTAL ASSETS		**8,159,807**	**7,848,904**

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

AES Gener S.A. and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2017 and 2016
(In thousands of United States dollars)

LIABILITIES AND EQUITY	Note	December 31, 2017	December 31, 2016
		ThUS$	ThUS$
CURRENT LIABILITIES			
Other Current Financial Liabilities	20	1,052,448	230,814
Trade and Other Payables	21	355,108	358,154
Related Party Payables	14	278,918	10,654
Provisions	22	1,450	912
Taxes Payable	16	25,542	38,180
Employee Benefits	23	4,507	3,858
Other Current Non-Financial Liabilities	24	27,490	35,724
Total Current Liabilities		**1,745,463**	**678,296**
NON-CURRENT LIABILITIES			
Other Non-Current Financial Liabilities	20	2,781,566	3,672,070
Trade and Other Payables	21	15,314	17,266
Non-Current Related Party Payables	14	-	241,031
Provisions	22	286,047	71,662
Deferred Taxes	16	575,871	571,597
Employee Benefits	23	35,981	28,570
Other Non-Current Non-Financial Liabilities	24	9,495	9,819
Total Non-Current Liabilities		**3,704,274**	**4,612,015**
TOTAL LIABILITIES		**5,449,737**	**5,290,311**
EQUITY			
Issued Capital	25	2,052,076	2,052,076
Retained Earnings	25	412,913	544,760
Share Premium		49,864	49,864
Other Components of Equity	25	238,157	237,408
Other Reserves	25	(159,090)	(457,378)
Equity Attributable to Shareholders of Parent		**2,593,920**	**2,426,730**
Non-Controlling Interests	3.b	116,150	131,863
Total Equity		**2,710,070**	**2,558,593**
TOTAL EQUITY AND LIABILITIES		**8,159,807**	**7,848,904**

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

AES Gener S.A. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2017 and 2016
(In thousands of United States dollars, except for Basic Earnings (Losses) per Share, which are presented in United States dollars)

STATEMENT OF PROFIT AND LOSS	Note	December 31, 2017	December 31, 2016
		ThUS$	ThUS$
Statement of Income			
Net Income			
Operating Revenues	26	2,436,712	2,286,401
Cost of Sales	27	(1,819,218)	(1,660,954)
Gross Profit		**617,494**	**625,447**
Other Operating Income		457	2,243
Administrative Expenses	27	(108,656)	(102,296)
Other Operating Expenses		(2,142)	(2,981)
Other Income (Loss)	28	(44,108)	534
Finance Income	29	8,173	8,111
Finance Expenses	29	(177,037)	(161,531)
Equity Participation in Net Income of Associates	17	23,584	12,909
Foreign Currency Exchange Differences	29	(4,662)	(17,297)
Net Income before Taxes		**313,103**	**365,139**
Income Tax Expense	16	(115,018)	(106,830)
Net Income from Continuing Operations		**198,085**	**258,309**
Net Income from Discontinued Operations		-	-
Net Income		**198,085**	**258,309**
Income Attributable to:			
Income Attributable to Shareholders of Parent		184,519	261,009
Loss Attributable to Non-Controlling Interests	3.b	13,566	(2,700)
Net Income		**198,085**	**258,309**
Earnings per Share			
Basic Earnings per Share			
Basic Earnings per Share from Continuing Operations	30	0.022	0.031
Basic Earnings per Share from Discontinued Operations			
Basic Earnings per Share		**0.022**	**0.031**
Diluted Earnings per Share			
Diluted Earnings per Share from Continuing Operations		0.022	0.031
Diluted Earnings per Share from Discontinued Operations			
Diluted Earnings per Share		**0.022**	**0.031**

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

AES Gener S.A. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2017 and 2016
(In thousands of United States dollars, except for Basic Earnings (Losses) per Share, which are presented in United States dollars)

STATEMENT OF COMPREHENSIVE INCOME	December 31, 2017	December 31, 2016
	ThUS$	ThUS$
Net Income (loss)	198,085	258,309
Components of Other Comprehensive Income that will not be Reclassified to Net Income, before Taxes		
Other Comprehensive Income from Actuarial Gains (Losses) on Defined Benefit Plans, before Taxes	(6,516)	1,143
Other Comprehensive Income from investments in equity instruments, before Taxes	-	198
Other Comprehensive Income that will not be Reclassified to Net Income, before Taxes	**(6,516)**	**1,341**
Components of Other Comprehensive Income that will be Reclassified to Net Income, before Taxes		
Income (Loss) from Foreign Currency Translation Adjustments	1,116	10,790
Unrealized Income (Loss) for Cash Flow Hedges	2,187	33,021
Other Comprehensive Income from Associates and Joint Arrangements accounted for under Equity Method	2,331	4,380
Other Comprehensive Income that will be Reclassified to Net Income, before Taxes	**5,634**	**48,191**
Other Components of Other Comprehensive Income, before Taxes	**(882)**	**49,532**
Income Tax Related to Components of Other Comprehensive Income that will not be Reclassified to Net Income		
Income Tax Related to Actuarial Gains (Losses) on Defined Benefit Plans	2,066	(680)
Income Tax Related to Components of Other Comprehensive Income that will not be Reclassified to Net Income	**2,066**	**(680)**
Income Tax Related to Components of Other Comprehensive Income that will be Reclassified to Net Income		
Income Tax Related to Cash Flow Hedges of Other Comprehensive Income	412	(9,562)
Income Tax Related to Components of Other Comprehensive Income that will be Reclassified to Net Income	**412**	**(9,562)**
Income Tax Related to Other Components of Other Comprehensive Income	**2,478**	**(10,242)**
Total Other Comprehensive Income	**1,596**	**39,290**
Total Comprehensive Income	**199,681**	**297,599**
Comprehensive Income Attributable to:		
Comprehensive Income Attributable to Shareholders of Parent	185,294	295,819
Comprehensive Income Attributable to Non-Controlling Interest	14,387	1,780
Total Comprehensive Income	**199,681**	**297,599**

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

AES Gener S.A. and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(In thousands of United States dollars)

				Other Comprehensive Income					
Statement of Changes in Equity	**Issued Capital**	**Share Premium**	**Other Components of Equity**	**Foreign Currency Translation Reserve**	**Cash Flow Hedge Reserve**	**Defined Benefit Plan Reserve**	**Other Miscellaneous Reserves**	**Total Other Reserves**	**Retained Earnings**
	ThUS$	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Opening Balance, January 1, 2017	2.052.076	49.864	237.408	(143.308)	(198.288)	(9.583)	(106.199)	(457.378)	544.760
Changes in Equity									
Comprehensive Income									
Net Income (loss)	-	-	-	-	-	-	-	-	184.519
Other Comprehensive Income	-	-	-	1.116	4.100	(4.441)	-	775	-
Comprehensive Income	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	(316.366)
Increases (Decreases) for Transfers and Other Changes	-	-	749	-	-	-	297.513	297.513	-
Total Changes in Equity	-	-	749	1.116	4.100	(4.441)	297.513	298.288	(131.847)
Ending Balance, December 31, 2017	2.052.076	49.864	238.157	(142.192)	(194.188)	(14.024)	191.314	(159.090)	412.913

				Other Comprehensive Income					
Statement of Changes in Equity	**Issued Capital**	**Share Premium**	**Other Components of Equity**	**Foreign Currency Translation Reserve**	**Cash Flow Hedge Reserve**	**Defined Benefit Plan Reserve**	**Other Miscellaneous Reserves**	**Total Other Reserves**	**Retained Earnings**
	ThUS$	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Opening Balance, January 1, 2016	2,052,076	49,864	236,567	(154,098)	(221,710)	(10,041)	(106,339)	(492,188)	377,125
Changes in Equity									
Comprehensive Income									
Net Income (loss)	-	-	-	-	-	-	-	-	261,009
Other Comprehensive Income	-	-	-	10,790	23,422	458	140	34,810	-
Comprehensive Income	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	(93,374)
Increases (Decreases) for Transfers and Other Changes	-	-	841	-	-	-	-		-
Total Changes in Equity	-	-	841	10,790	23,422	458	140	34,810	167,635
Ending Balance, December 31, 2016	2,052,076	49,864	237,408	(143,308)	(198,288)	(9,583)	(106,199)	(457,378)	544,760

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

AES Gener S.A. and Subsidiaries
Consolidated Statements of Cash Flows (Direct Method)
For the years ended December 31, 2017 and 2016
(In thousands of United States dollars)

STATEMENT OF CASH FLOWS - DIRECT METHOD	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Cash Flows Provided by (Used in) Operating Activies		
Classes of receipts from Operating Activities:		
Receipts from Sales of Goods and Services	2,714,959	2,471,871
Other Receipts from Operating Activities	21,888	29,892
Classes of payments		
Payments to Suppliers for Goods and Services	(1,662,077)	(1,537,769)
Payments to Employees	(81,695)	(78,232)
Other Payments for Operating Activities	(136,158)	(103,436)
Dividends Paid	(261,009)	(93,374)
Dividends Received	36,409	-
Interest Paid	(184,517)	(156,745)
Interest Received	3,330	3,077
Income Taxes Paid	(101,453)	(97,603)
Other Cash Outflows	(9,020)	(15,760)
Net Cash Flows Provided by Operating Activities	340,657	421,921
Cash Flows Provided by (Used in) Investing Activities		
Proceeds from loss of control of associates	-	616
Proceeds from Sales of Property, Plant and Equipment	595	11
Purchases of Property, Plant and Equipment	(496,938)	(561,919)
Proceeds from sales of Intangible Assets	109	1,704
Purchases of Intangible Assets	(564)	(766)
Proceeds from Other Assets	171,690	163,506
Purchases of Other Assets	(162,907)	(144,787)
Other Cash Inflows	68,406	(60)
Net Cash Flows Used in Investing Activities	(419,609)	(541,695)
Cash Flows Provided by (Used in) Financing Activities		
Proceeds from Share Issuance	22,156	21,280
Payments to acquire or redeem the shares of the entity	(33,600)	(10)
Proceeds from Long-Term Borrowings	242,149	608,537
Proceeds from Short-Term Borrowings	151,822	23,600
Loan from Related Party	-	-
Loan Payments	(484,669)	(312,482)
Payment of Finance Lease Obligations	(1,275)	(1,879)
Interest Paid	(9,939)	-
Other Cash Outflows	(2,825)	(21,837)
Net Cash Flows Used in Financing Activities	(116,181)	317,209
Net Cash and Cash Equivalent Decrease, before Foreign Exchange Difference	(195,133)	197,435
Net Foreign Exchange Differences on Cash and Cash Equivalents		
Net Foreign Exchange Differences on Cash and Cash Equivalents	1,521	4,892
Decrease in Cash and Cash Equivalents	(193,612)	202,327
Cash and Cash Equivalents at Beginning of Period	469,560	267,233
Cash and Cash Equivalents at End of Period	275,948	469,560

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

AES Gener S.A. (www.aesgener.cl) (hereinafter "the Company", "the Group", "AES Gener" or "Gener") was formed by public deed on June 19, 1981, signed before Santiago Public Notary Mr. Patricio Zaldívar Mackenna. Its corporate name at that time was Compañía Chilena de Generación Eléctrica S.A. (Chilectra Generación S.A.). Its bylaws were approved by the Chilean Superintendence of Securities and Insurance ("SVS") in resolution No. 410-S on July 17, 1981, published in Official Bulletin No. 31,023 on July 23, 1981. The Company is registered in the Commercial Registry of the Santiago Real Estate Registrar, on page 13,107, number 7,274 of 1981.

Gener is a publicly-held corporation dedicated primarily to electricity generation. Its role is to efficiently, safely and sustainably supply electricity, while fulfilling commitments with customers, shareholders, employees, communities, suppliers, regulators and other persons and groups with which it interacts.

The Company operates in the Central Interconnected System (SIC) through the following power plants: four run-of-the-river hydroelectric power plants, two coal-fired thermoelectric power plants, three diesel-fueled turbogas power plants and one cogeneration power plants, all of which belong directly to Gener; a natural gas and/or diesel combined-cycle power plant and those diesel power plant belonging to its subsidiary Sociedad Eléctrica Santiago S.p.A. ("ESSA"); two coal-fired thermoelectric power plants belonging to its subsidiaries Empresa Eléctrica Ventanas S.A. ("EEVSA") and Empresa Eléctrica Campiche S.A. ("Campiche"); and a coal-fired thermoelectric power plant belonging to its associate Empresa Eléctrica Guacolda S.A. ("Guacolda").

The Company also provides energy to the Northern Interconnected Grid (SING), through three coal-fired thermoelectric power plants belonging to Gener, Empresa Eléctrica Angamos S.A and Empresa Eléctrica Cochrane SpA. and one solar photovoltaic plant.

To address opportunities offered by the Chilean electric market, Gener is in the process of building a run-of-the-river hydroelectric power plant, Alto Maipo with 531 MW of capacity in the SIC.

On November 2017, the interconnection of both systems (SIC and SING) was materialized, creating the National Electrical System (SEN), which integrates the supply and demand of both systems.

In addition to its share operations in the Chilean electricity market, Gener generates energy in Argentina and Colombia through its subsidiaries TermoAndes S.A. and AES Chivor & Cía. S.C.A. E.S.P. ("Chivor"), respectively.

Gener's commercial office is located at Rosario Norte 532, floors 18-20, Las Condes, Santiago, Chile.

The Company is controlled by AES Corporation through its subsidiary Inversiones Cachagua Ltda. with a 66.70% interest as of December 31, 2017.

These consolidated financial statements were approved by the Board of Directors on February 26, 2018.

NOTE 2 - BASIS OF PRESENTATION

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements of AES Gener S.A. and its subsidiaries include the consolidated Statements of Financial Position as of December 31, 2017, and 2016, the corresponding Statements of Comprehensive Income, Changes in Equity and Cash Flows for the years ended December 31, 2017, and 2016, and their related notes

These consolidated financial statements have been prepared under the going concern principle by applying the cost method, except for those assets and liabilities measured at fair value according to IFRS.

The preparation of these consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving more judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 6.

An asset or liability is considered current when it is expected to be realized, sold or consumed during the company's normal operating cycle, it is maintained for commercialization or expected to be realized within 12 months following the reporting date.

The information contained in these consolidated financial statements is the responsibility of AES Gener's management. In the preparation of the consolidated financial statements, the policies issued by AES Gener S.A. have been applied for all the subsidiaries included in the consolidation.

For the convenience of the reader, these financial statements and their accompanying notes have been translated from Spanish into English.

2.2.- New accounting pronouncements

a) Accounting pronouncements with effective application as of January 1, 2017:

The standards and interpretations, as well as the improvements and modifications to IFRS that have been issued, with effect from the date of these financial statements, are detailed below:

Amendments and / or Modifications	Date of Mandatory Application
IFRS 12: Disclosures of Interest in Other Entities	January 1, 2017
IAS 7 : Statement of Cash Flow	January 1, 2017
IAS 12: Income tax	January 1, 2017

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Company for the year ended December 31, 2016.

The amendments and improvements to the regulations, which have come into effect as of January 1, 2017, have not had significant effects on the Consolidated financial statements of AES Gener S.A.

b) Accounting pronouncements with effective application as of January 1, 2018, and following:

Revised and Amended Standards	Date of Mandatory Application
New Standards:	
IFRS 9: Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 15: Revenue from Contracts with Customers	January 1, 2018
IFRS 16: Leases	January 1, 2019
IFRIC 22: Foreign Currency Transactions and Advance Payments	January 1, 2018
IFRIC 23: Uncertainty Over Income Tax Treatments	January 1, 2019
IFRS 17: Insurance Contracts	January 1, 2021
Amendments:	
IFRS 1: First Time Adoption of International Financial Reporting Standards	January 1, 2018
IFRS 2: Share-based Payment	January 1, 2018
IFRS 4: Insurance contracts	January 1, 2018
IAS 28: Investments in Associates and Joint Ventures	January 1, 2018
IAS 40: Investment Property	January 1, 2018
IFRS 3: Business Combinations	January 1, 2019
IFRS 9: Financial Instruments	January 1, 2019
IFRS 11: Joint Arrengements	January 1, 2019
IAS 12: Income tax	January 1, 2019
IAS 23: Borrowing Costs	January 1, 2019
IAS 7 : Cash Flow Statement	January 1, 2019
IFRS 10: Consolidated Financial Statements	Determined

New accounting pronouncements and related impacts

IFRS 9 "Financial Instruments: Classification and Measurement"

In July 2014, the final version of IFRS 9 Financial Instruments was issued, bringing together all phases of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard includes new requirements based on principles for the classification and measurement, introduces a "more prospective" model of expected credit losses for impairment accounting and a substantially reformed model for hedge accounting. The entities will also have the option to apply in advance the accounting for gains and losses due to changes in fair value related to "own credit risk" for financial liabilities designated at fair value through profit or loss, without applying the other requirements of IFRS 9. The standard will be mandatory for annual periods beginning on or after January 1, 2018. Early application is allowed. Regarding hedge accounting under IFRS 9, the Company may choose as an accounting policy to continue applying the hedge accounting requirements of IAS 39, instead of the requirements of IFRS 9, until the publication and adoption of the regulations on "macro-hedging".

The actual impact of the adoption of IFRS 9 in the consolidated financial statements of AES Gener and subsidiaries is preliminary to this date and cannot be estimated reliably since it will depend on the financial instruments held by the Company, and the accounting decisions regarding the elections and accounting judgments made during the implementation period. The Company plans to adopt the new standard on the required effective date and will not restate the comparative information.

Currently, the Company is working on a preliminary assessment of the potential impacts, which is based on information available at the date of these financial statements, and therefore may be subject to changes derived from the detailed analyses developed or new information available in the future. However, based on the preliminary analysis carried out, the following can be indicated:

- Classification and measurement: The Company does not expect a significant impact on its balance sheet or equity in the application of the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Loans and commercial accounts receivable are maintained to collect the contractual cash flows and the Company expects them to generate cash flows that only represent capital and interest payments. The Company analyzed its cash flows contracts, the characteristics of those instruments and their business model and concluded that they meet the criteria for the measurement of amortized cost under IFRS 9.

Therefore, reclassification is not required for these instruments

- Impairment: IFRS 9 requires the Company to record the expected credit losses on all its debt securities, loans and Trade accounts receivable, either for 12 months or for life. An analysis of financial assets is being carried out in trade accounts receivable, which represent the majority of the Company's credit exposure. The Company will apply the simplified approach and will record the expected lifetime losses on all trade accounts receivable. The Company has determined that, using the FWL ("Forward looking") approach, the allocation of the loss will have a non-significant increase in the consolidated financial statement due to the nature of their loans and accounts receivable.

- Hedge accounting: Given that the transition to IFRS 9 implies the prospective application of hedge accounting, its adoption will have no impact on the consolidated financial statements on the date of initial application. In addition, the Company has decided, as an accounting policy, to continue applying the hedge accounting requirements of IAS 39, instead of the requirements of IFRS 9, until the publication and adoption of the regulations on "macro-hedging"

IFRS 15 "Revenue from contracts with customers"

IFRS 15 Revenue from contracts with customers, issued in May 2014, is a new standard that is applicable to all contracts with customers, except leases, financial instruments and insurance contracts. This is a joint project with the FASB to eliminate differences in the revenue recognition between IFRS and US GAAP. This new rule is intended to improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparability of companies from different industries and regions. It provides a new model for the recognition of revenue and more detailed requirements for contracts with multiple elements. In addition, requires more detailed disclosures. The rule will be mandatory for annual periods beginning on or after 1 January 2018. Early application is permitted.

The Company started a project to identify and measure the possible impacts of the application of the standard in its financial statements. At the current stage of the analysis, which is still under development, it has been determined that there are no material effects due to the adoption of IFRS 15 for the operations of the Company with respect to the sale of energy and capacity to free and regulated customers in Chile, Colombia and Argentina. The evaluation has been focused on the aspects most affected by IFRS 15: identification of contractual obligations; contracts with multiple obligations; contracts with variable consideration and recognition opportunity; analysis of principal versus agent; capitalization of costs of obtaining and fulfilling a contract; and disclosures to comply with the standard. Within the preliminary conclusions, there are the following:

- Sale of energy and capacity: The Company provides the service of energy and capacity supply to free and regulated customers. The Company recognizes revenue from service based on the physical delivery of energy and capacity. Per IFRS 15, the allocation will be made based on independent sale prices. Therefore, the allocation of the consideration and, consequently, the schedule of the amount of revenue recognized in relation to these sales would be affected. The Company concluded that the services are satisfied over time since the client receives and consumes the benefits provided by the Company simultaneously. Consequently, per IFRS 15, the Company would continue to recognize the revenue from these contracts of service/service components grouped over time instead of at a point of time.

- Principal versus agent: Considerations of principal versus agent. IFRS 15 requires the evaluation of whether the Company controls a good or specific service before it is transferred to the client. In the Company's contracts, it is considered that it is the main responsible to fulfill the promise to provide the specified goods or services, mainly because the Company assumes the credit risk in these transactions. In accordance with the current accounting policy, depending on the existence of credit risk and the nature of the consideration in the contract, the Company concluded that it has an exposure to significant risks and benefits associates and accounts for contracts as a principal.

- Presentation and disclosure requirements: The presentation and disclosure requirements in IFRS 15 are more detailed than in current IFRS. The filing requirements represent a significant change with respect to current practice and significantly increase the volume of disclosures required in the financial statements of an entity. Many of the requirements of disclosure in IFRS 15 are new, however, the Company has assessed that the impact would not be significant. The Company expects that the notes to the financial statements will be expanded due to the disclosure of judgments made: how the transaction price has been allocated to performance obligations, and the assumptions made to estimate independent sales prices of each performance obligation.

As of January 1, 2018, the Company plans to adopt the new standard on the required effective date using the modified retrospective method. The Company has decided to apply the standard using the accumulated effect method, recognizing the cumulative effect of the initial application as an adjustment to the opening balance of the accumulated result for the year 2018. Based on the evaluation carried out, no significant effects on the consolidated financial statements of AES Gener S.A. and subsidiaries were identified.

During 2016 and 2017, the Company implemented appropriate systems, internal controls, policies and procedures necessary to collect and reveal the information required.

IFRS 16 “Leases”

In January 2016, the IASB issued IFRS 16 Leases. IFRS 16 sets the definition of a contract lease and specifies the accounting treatment of assets and liabilities originated from these contracts from the point of view of the lessor and lessee. The new standard does not differ significantly from IAS 17, regarding the accounting treatment from the point of view of the lessor. However, from the point of view of the lessee, the new standard requires the recognition of assets and liabilities for most contracts. IFRS 16 is mandatory for annual periods beginning on or after 1 January 2019. Early application is permitted if it is adopted in conjunction with IFRS 15 “Revenue from Contracts with Customers”.

The Company is evaluating the potential impact of the future application of IFRS 16 in its consolidated financial statements. The quantitative effect will depend, among other things, on the chosen transition method, on the extent to which the Company uses practical solutions and exemptions from recognition, and of any additional lease that the Company enters into in the future.

IFRIC Interpretation 22 Transactions in Foreign Currency and Advance Payments

The Interpretation addresses how to determine the date of the transaction to establish the exchange rate to be used in the initial recognition of the asset, expense or related income (or part thereof), in the derecognition of non-monetary assets or non-monetary liabilities arising from payment or collection of the anticipated consideration in foreign currency. For this purpose, the date of the transaction corresponds to the time when an entity initially recognizes the non-monetary asset or non-monetary liability arising from payment or collection of the anticipated consideration. If there are multiple payments or prepayments, the entity will determine a date of the transaction for each payment or collection of the anticipated consideration. This Interpretation will be applied for annual periods beginning on or after January 1, 2018. Early application is permitted. If an entity applies this Interpretation to earlier periods, it will disclose this fact.

The Company is still evaluating the impacts that the mentioned norm could generate, estimating that it will not significantly affect the financial statements.

IFRIC 23: Uncertainty Over Income Tax Treatments

In June 2017, the IASB issued the IFRIC 23, which clarifies the application of the recognition and measurement criteria required by IAS 12 Income Taxes when there is uncertainty about tax treatments. This Interpretation will apply for the annual periods starting on January 1, 2019.

The Company is still evaluating the impacts that the mentioned norm could generate, estimating that it will not significantly affect the financial statements.

IFRS 17: Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new comprehensive accounting standard for insurance contracts that covers the recognition, measurement, presentation and disclosure. Once in force, it will replace IFRS 4 Insurance Contracts issued in 2005. The new standard applies to all types of insurance contracts, regardless of the type of entity issuing them.

IFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with required comparative figures. Early adoption is permitted, provided that the entity also applies IFRS 9 and IFRS 15.

The Company is still evaluating the impacts that the mentioned norm could generate, estimating that it will not significantly affect he financial statements.

Improvements and Modifications in accounting pronouncements and related impacts.

IFRS 1: First Time Adoption of International Financial Reporting Standards

The amendment to IFRS 1 eliminates the transitional exceptions included in Appendix E.

IFRS 2 “Share-based payments”

In June 2016, the IASB issued amendments to IFRS 2 share-based payments, the amendments address the following areas:

- Compliance conditions when share-based payments are settled in cash.
- Classification of share-based payment transactions, net of withholding income tax
- Accounting for changes made to the terms of contracts that modify the classification of payments settled in cash or settled in equity shares

At the effective date of the amendment, it is not mandatory to restructure the financial statements of previous periods, but their retrospective adoption is permitted. Early adoption is allowed.

IFRS 4 "Insurance contracts"

The amendments address the concerns arising from the application of the new pronouncements included in IFRS 9 before implementing the new insurance contracts. The amendments introduce the following two options for those entities that issue insurance contracts:

- The temporary and optional exemption of the application of IFRS 9, which will be available to entities whose activities are predominantly connected with insurance. The exception will allow entities to continue applying IAS 39 Financial Instruments, Recognition and Valuation until January 1, 2021.
- The overlapping approach, which is an option available to entities that adopt IFRS 9 and issue insurance contracts, to adjust the gains or losses for certain financial assets; the adjustment eliminates the volatility in the valuation of the financial instruments that may arise from the application of IFRS 9, allowing to reclassify these effects of the P&L of the year to the other comprehensive income.

IAS 28 “Investments in Associates and Joint Ventures”, IFRS 10 “Consolidated Financial Statements”

The amendment clarifies that an entity that is a venture capital organization, or another qualifying entity, can choose, in the initial recognition to value its investments in associates and joint ventures at fair value with changes in P&L. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, it may choose to maintain the fair value measurement applied to its associate. The modifications must be applied retrospectively and the effective date is from January 1, 2018, allowing early application.

IAS 40 "Investment Property"

The amendments clarify when an entity must reclassify assets, including assets under construction or development in investment property, indicating that the reclassification must be made when the property meets, or no longer meets, the definition of investment property and there is evidence of change in the use of the asset. A change in management's intentions for the use of a property does not provide evidence of a change in use. The modifications must be applied prospectively and the effective date is from January 1, 2018, allowing their application in advance.

IFRS 3: Business Combinations

The amendments clarify that, when an entity obtains control of an entity that is a joint operation, it applies the requirements for a business combination in stages, including previously held interests on the assets and liabilities of a joint operation presented at fair value. The amendments should be applied to business combinations made after January 1, 2019. Early application is permitted.

IFRS 9: Financial Instruments - Prepayment Features with Negative Compensation

A debt instrument can be measured at amortized cost, cost or at fair value through other comprehensive income, provided that the contractual cash flows are only principal and interest payments on outstanding principal and the instrument is carried out within of the business model for that classification. The amendments to IFRS 9 are intended to clarify that a financial asset meets the criteria only principal payments plus interest, irrespective of the event or circumstance that causes the early termination of the contract or from which party pays or receives reasonable compensation for early termination of the contract.

The amendments to IFRS 9 should be applied when the prepayment approaches the unpaid amounts of principal and interest in such a way that reflects the change in reference interest rate. This implies that prepayments at fair value or for an amount that includes fair value of the cost of an associated hedging instrument, will normally satisfy the criterion only principal payments plus interest only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are not representative. The application will be from January 1, 2019 and will be carried out retrospectively with early adoption allowed.

IFRS 11: Joint Arrangements

The amendment affects joint agreements on interests previously held in a joint operation. A party that participates but does not have joint control of a joint operation could gain control if the activity of the joint operation constitutes a business as defined by IFRS 3. The amendments clarify that the interests previously held in this joint operation are not remeasured at the moment of the operation. Amendments should apply to transactions in which joint control subsequently acquired as of January 1, 2019. Early application is allowed.

IAS 12 "Income tax"

The amendments clarify that the income tax on dividends generated by financial instruments classified as equity is more directly linked to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes income tax on dividends in P&L, other comprehensive income or equity, depending on where the entity originally recognized those transactions or past events. The amendments must be applied to the recognized dividends after January 1, 2019.

IAS 23: Borrowing Costs

The amendments clarify that an entity treats as a general loan any indebtedness originally made to develop a qualified asset when substantially all the activities necessary to complete that asset for its use or sale are complete. The amendments must be applied as of January 1, 2019,

IAS 28: Investments in Associates

The amendments clarify that an entity applies IFRS 9 Financial Instruments for long-term investments in associates or businesses sets for those investments that do not apply the equity method but that, in substance, form part of the net investment in the associate or joint venture. This clarification is relevant because it implies that the expected credit loss model, described in IFRS 9, applies to these long-term interests. Entities should apply the amendments retrospectively, with certain exceptions. The effective date will be from January 1, 2019, with early application allowed.

IAS 28: Investments in Associates and Joint Ventures, IFRS 10 "Consolidated Financial Statements"

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address a recognized inconsistency between the requirements of IFRS 10 and those of IAS 28 (2011) in the treatment of the sale or contribution of goods between an investor and its associate or joint venture. The amendments, issued in September 2014, establish that when the transaction involves a business (whether it is in a subsidiary or not) all the generated profit or loss is recognized. A partial gain or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are in a subsidiary. The date of Mandatory application of these modifications is yet to be determined because the IASB plans a thorough investigation that could result in a simplification of accounting of associates and joint ventures. Immediate adoption is allowed.

IMPACT OF APPLYING NEW STANDARDS AND AMENDMENTS IN 2017

The accounting policies adopted in preparing these consolidated financial statements are consistent with those used in preparing the Company's annual financial statements for the year ended December 31, 2016.

There is no impact from the adoption of new standards and interpretations that became effective as of January 1, 2017

NOTE 3 - BASIS OF CONSOLIDATION

The consolidated financial statements consist of the financial statements of AES Gener S.A. (the "Parent Company") and its subsidiaries as of December 31, 2017, and 2016.

The financial statements of the subsidiaries are prepared as of and for the same periods as the Parent Company, consistently applying the same accounting policies.

(a) Subsidiaries

In accordance with IFRS 10, subsidiaries are all entities over which AES Gener S.A. has control. An investor controls an investee when the investor (a) has power over the investee; (b) has exposure, or rights, to variable returns from its involvement with the investee; and (c) has the ability to use its power over the investee to affect the amount of the investor's returns. An investor is considered to have power over an investee when the investor has existing rights that give it the current ability to direct relevant activities (i.e. activities that significantly affect the investee's returns). In the Company's case, in general, control over subsidiaries is derived from the possession of the majority of the voting rights granted by equity instruments of the subsidiaries.

When the Company has less than the majority of the voting rights in an investee, it has power over the investee when these voting rights are sufficient to give it the practical ability to unilaterally direct the investee's relevant activities. The Company considers all the events and circumstances in evaluating whether the voting rights in an investee are sufficient to provide it with power, including:

(a) the size of its holding of voting rights relative to the size and dispersion of holdings of other vote holders;
(b) potential voting rights held by the investor, other vote holders or other parties;
(c) rights from other contractual agreements; and
(d) any additional facts and circumstances that indicate that the investor has, or does not have, the current ability to direct the relevant activities when decisions need to be made, including voting behavior patterns in prior shareholder meetings.

The Company will reevaluate whether it has control in an investee if the facts and circumstances indicate that there have been changes in one or more of the four elements of control mentioned above. A subsidiary will be consolidated from the date on which the investor obtains control of the investee and consolidation will cease when control over the investee is lost. Specifically, the income and expenses of a subsidiary acquired or sold during the year are included in the Income Statement from the date on which the Company obtains control until the date on which the Company ceases to control the subsidiary.

The purchase method is used to account for acquisitions of subsidiaries. The acquisition cost is the fair value of the assets delivered, equity instruments issued and liabilities incurred or assumed at the date of exchange. All identifiable assets acquired and liabilities and identifiable contingencies assumed in a business combination are initially valued at fair value as of the acquisition date, irrespective of the extent of any non-controlling participation. The excess of the purchase price over the fair value of AES Gener's share of the net identifiable assets acquired is recognized as goodwill. If the purchase price is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in net income.

The Company consolidates the following subsidiaries:

TAX PAYER ID NUMBER	COMPANY NAME	COUNTRY	FUNCTIONAL CURRENCY	OWNERSHIP INTEREST December 31, 2017 DIRECT	OWNERSHIP INTEREST December 31, 2017 INDIRECT	OWNERSHIP INTEREST December 31, 2017 TOTAL	OWNERSHIP INTEREST December 31, 2016 TOTAL
96.678.770-8	NORGENER FOREIGN INVESTMENT S.p.A. (3)	CHILE	US$	99.9999	0.0000	99.9999	99.9999
96.717.620-6	SOCIEDAD ELECTRICA SANTIAGO S.p.A.	CHILE	US$	99.9999	0.0001	100.0000	100.0000
96.814.370-0	EMPRESA ELECTRICA VENTANAS S.A.	CHILE	US$	0.0001	99.9999	100.0000	100.0000
Foreign	AES CHIVOR & CIA S.C.A. E.S.P.	COLOMBIA	COL$	0.0000	99.9800	99.9800	99.9800
Foreign	GENER BLUE WATER (2)	CAYMAN ISLANDS	US$	0.0000	0.0000	0.0000	100.0000
76.803.700-0	INVERSIONES NUEVA VENTANAS S.p.A.	CHILE	US$	0.0001	99.9999	100.0000	100.0000
78.759.060-8	INVERSIONES TERMOENERGIA DE CHILE LTDA. (2)	CHILE	US$	0.0000	0.0000	0.0000	99.9900
Foreign	GENER ARGENTINA S.A.	ARGENTINA	US$	92.0400	7.9600	100.0000	100.0000
Foreign	TERMOANDES S.A.	ARGENTINA	US$	8.8200	91.1800	100.0000	100.0000
Foreign	INTERANDES S.A.	ARGENTINA	US$	13.0100	86.9900	100.0000	100.0000
96.761.150-6	GENERGIA S.A. (2)	CHILE	US$	0.0000	0.0000	0.0000	99.9999
Foreign	GENERGIA POWER LTD. (ISLAS CAIMAN) (2)	CAYMAN ISLANDS	US$	0.0000	0.0000	0.0000	100.0000
76.004.976-K	EMPRESA ELECTRICA ANGAMOS S.A.	CHILE	US$	5.1840	94.8160	100.0000	100.0000
76.008.306-2	EMPRESA ELECTRICA CAMPICHE S.A.	CHILE	US$	0.0001	99.9999	100.0000	100.0000
Foreign	ENERGEN S.A.	ARGENTINA	US$	94.0000	6.0000	100.0000	100.0000
Foreign	AES CHIVOR S.A.	COLOMBIA	COL$	47.5000	51.8800	99.3800	99.3800
76.085.254-6	EMPRESA ELECTRICA COCHRANE S.p.A. (1)	CHILE	US$	0.0000	60.0000	60.0000	60.0000
76.170.761-2	ALTO MAIPO S.p.A. (1)	CHILE	US$	0.0000	93.3000	93.3000	60.0000
76.680.107-2	CÍA. TRANSMISORA DEL NORTE GRANDE S.p.A	CHILE	US$	28.4800	71.5200	100.0000	0.0000
76.680.114-5	CÍA. TRANSMISORA ANGAMOS S.p.A	CHILE	US$	0.0000	100.0000	100.0000	0.0000
76.786.354-3	NORGENER INVERSIONES S.p.A (3)	CHILE	US$	100.0000	0.0000	100.0000	0.0000
76.786.355-1	NORGENER RENOVABLES S.p.A (3)	CHILE	US$	100.0000	0.0000	100.0000	0.0000
76.579.067-0	ANDES SOLAR S.p.A	CHILE	US$	0.0000	100.0000	100.0000	0.0000

1) Alto Maipo SpA completed the financial restructuring process of its project on March 17, 2017. The main aspects of the restructuring process are the following: (i) acquisition by AES Gener of the entire participation of Minera Los Pelambres in the company Alto Maipo SpA; (ii) incorporation of Strabag SpA, the main contractor of the project, as minority shareholder of Alto Maipo, with an initial percentage of approximately 7% of the company's shares; (iii) modification of the energy supply contracts signed by Minera Los Pelambres with Alto Maipo and AES Gener; (iv) and (v) modification to the terms and conditions of the current senior financing of the Project, including, among others, extensions to the terms and granting of additional financing to Alto Maipo by the parties involved, which, in the case of AES Gener, implies an additional contribution of ThUS$117,000.

2) On April 6, 2017, Gener Blue Water and Genergía Power Ltd were merged into Norgener SpA. Likewise, on May 15 and 26, 2017, Inversiones Termoenergía de Chile Ltda and Genergía S.A., respectively, were also merged into Norgener SpA. These mergers did not generate accounting effects at the level of Consolidated Financial Statements.

3) On November 27, 2017, the name of the company "Norgener SpA" was changed to "Norgener Foreign Investment SpA". Also, the company "Norgener Foreign Investment SpA" was divided into three companies, the aforementioned being maintained as continuation and, as a result, two new share companies with the names "Norgener Renovables SpA" and "Norgener Inversiones SpA". This division did not generate accounting effects at the level of Consolidated Financial Statements.

(b) Transactions with Non-controlling Interests

Non-controlling interest represents the share of net income or net losses and net assets of subsidiaries not fully owned by the Company. Non-controlling interests are presented separately in the income statements and in the equity line of the consolidated statement of financial position. AES Gener considers transactions with non-controlling interests to be transactions with third parties outside the Company. Disposal or acquisitions of non-controlling interests that do not result in a change in control are accounted for as an equity transaction without recognizing gains and/or losses in income. Any difference between the price paid and the corresponding share of the carrying amount of the subsidiary’s net assets is recognized in Equity as a capital increase or decrease.

Summarized financial information as of December 31, 2017, of subsidiaries that have material non-controlling interests is detailed as follows:

	Proportion of equity interest held by NCI %	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Operating Revenues	Operating Expenses	Net Income (Loss)
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Empresa Eléctrica Cochrane S.p.A.	40.00%	136,048	1,237,889	(122,953)	(1,021,040)	331,656	(231,966)	33,643
Alto Maipo S.p.A.	93.30%	129,420	1,695,707	(949,307)	(514,527)	-	(110)	2,098

Accumulated balances of non-controlling interests:	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Empresa Eléctrica Cochrane S.p.A.	91,978	107,737
Alto Maipo S.p.A.	24,207	24,176
Other	(35)	(50)
Total	**116,150**	**131,863**

Income (Loss) Attributable to Non Controlling Interests:	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Empresa Eléctrica Cochrane S.p.A.	13,457	1,706
Alto Maipo S.p.A.	141	(4,390)
Other	(32)	(16)
Total	**13,566**	**(2,700)**

Comprehensive Income (Loss) Attributable to Non Controlling Interests:	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Empresa Eléctrica Cochrane S.p.A.	14,964	3,173
Alto Maipo S.p.A.	(545)	(1,377)
Other	(32)	(16)
Total	**14,387**	**1,780**

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Associates

Associates consist of all entities over which AES Gener exercises significant influence but not control, and in which it holds between 20% and 50% of the voting rights. Investments in affiliates or associates are accounted for using the equity method and are initially recognized at cost. AES Gener’s investments in associates include goodwill identified in the acquisition, net of accumulated impairment losses.

The Company’s share of post-acquisition losses or gains (“equity in earnings”) of its associates is recognized in the Income Statement and its share of post-acquisition equity movements that do not constitute income are recognized in the corresponding equity reserves (and reflected in the Statement of Other Comprehensive Income). In the event that the Company’s share of an associate's losses is equal to or greater than its share in that entity, including any other unsecured receivables, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of that associate.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. When necessary, the accounting policies of associates are modified to ensure their uniformity with the policies adopted by the Company.

4.2 Operating Segments

Segment information is presented consistently within internal reports provided to the Company's management, who is responsible for assigning resources and evaluating the performance of the operating segments. Management identifies its operating segments based on the markets in which it participates and for which strategic decisions are made: the SIC and SING markets in Chile; the SADI market in Argentina and the National Interconnected System (SIN) in Colombia.

Intercompany transactions between segments are eliminated at a consolidated level. Finance expenses are not separated by operating segment because the Company manages debt at a consolidated level.

In November 2017, the interconnection of both systems (SIC and SING) was materialized, creating the National Electrical System (SEN), which integrates the supply and demand of both systems.

Segment information is presented in Note 7.

4.3 Foreign Currency Transactions

(a) Presentation and Functional Currency

The items included in the financial statements of each of the Company's entities are valued using the currency of the principal economic environment in which the entity operates ("functional currency"). The consolidated financial statements of AES Gener are presented in US dollars, which is the functional and presentation currency of the Company and all subsidiaries, except for its Colombian subsidiary, Chivor, whose functional currency is the Colombian peso.

(b) Transactions and Balances

Transactions in foreign currencies other than the functional currency are converted to the functional currency using the exchange rate in effect as of the date of the transaction. Exchange differences that result from settling these transactions and converting foreign currency denominated monetary assets and liabilities to closing exchange rates are recognized in the Consolidated Income Statement, except when deferred in equity as effective cash flow hedges.

Non-monetary items in a currency other than the functional currency that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair values in a foreign currency are translated using the exchange rate at the date the fair value was determined.

(c) Basis of Conversion

Assets and liabilities denominated in foreign currencies and Unidades de Fomento (UF) are presented using the following exchange rates and closing values per US$1:

	December 31, 2017	December 31, 2016	December 31, 2015
Chilean Pesos ($)	614.75	669.47	710.16
Argentinean Pesos (Ar$)	18.649	15.890	13.040
Colombian Pesos (Col$)	2,984.00	3,000.71	3,183.00
Euro	0.8317	0.9488	0.9168
Unidad de Fomento (UF)	0.02294	0.02541	0.02771

The Unidad de Fomento (UF) is an inflation-indexed monetary unit denominated in Chilean pesos. The UF rate is established daily in advance based on the prior month's variation in the Chilean Consumer Price Index.

(d) **Basis of Conversion of Subsidiaries with Different Functional Currencies**

Assets, liabilities, income and expenses of all Group entities (none of which uses the currency of a hyperinflationary economy) with a functional currency that differs from the presentation currency are converted to the presentation currency as follows:

(i) Assets and liabilities are converted using the year-end exchange rate.

(ii) Goodwill and fair value adjustments that arise in the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted using the appropriate year or period-end exchange rate.

(iii) Income and expense accounts are converted using monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the exchange rates prevailing at the dates of the transactions, in which case income and expenses are converted using the exchange rate as of each transaction date).

Resulting foreign exchange translation differences are recognized as a separate component of equity, under the item Other Reserves. On disposal of the investment, the exchange rate differences are recognized in the income statements as part of the gain or loss on the disposal.

4.4 Property, Plant and Equipment

Land belonging to the Company is recognized at cost, net of accumulated impairment losses.

Plants, buildings, equipment and transmission systems used for electricity generation and other items of property, plant and equipment are recognized at historical cost less related accumulated depreciation and impairment losses.

The cost of an asset includes its purchase price, all costs directly related to bringing the asset to the location and condition necessary for it to be capable of operating as intended by management and the initial estimate of costs for dismantling, withdrawal or partially or totally removing the asset, as well as costs for restoring the site where it is located, all of which the Company undertakes to do upon acquiring the asset or as a consequence of using the asset during a given period.

Subsequent costs are recognized as part of the carrying amount of the asset or as a separate asset, only if they meet the recognition criteria in IAS 16 "Property, Plant and Equipment": It is probable that the future economic benefits related with the item will flow to the Company and the cost of the parts can be determined reliably. The value of the replaced component is de-recognized. All other repairs and maintenance are charged to income for the period in which they are incurred.

Works under construction include, among other concepts, the following expenses that are capitalized during the construction period:

(i) Financial expenses related to external financing that are directly attributable to construction, both specific and generic in nature. In terms of generic financing, capitalized financial expenses are obtained by applying the weighted average cost of long-term financing to the average accumulated investment not directly financed.

(ii) Directly related personnel and other expenses of an operating nature attributable to the construction.

Construction in progress balances are transferred to property, plant and equipment once the testing period is finalized when they are available for use, at which time depreciation begins.

Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated economic useful lives. The estimated useful lives of the most important principal asset classes are detailed in Note 19.

The residual value and the useful life of the assets are reviewed, and adjusted if necessary, as of each year end, so that the remaining useful life is in accordance with the expectations of the use of the asset.

When the fair value of an asset is greater than its estimated recoverable value, its carrying amount is written down to its recoverable value by recognizing an impairment loss (see Note 4.7).

Gains and losses on sales of property, plant and equipment are calculated by comparing the proceeds from the sale with the carrying amount and are included in "Other Gains (Losses)".

The amounts corresponding to the derecognized elements of property, plant and equipment include the original cost net of accumulated depreciation at the moment of recording.

4.5 Goodwill

Goodwill represents the excess of the purchase price over the fair value of AES Gener's share of the net identifiable assets of an acquired subsidiary/associate as of the acquisition date. Goodwill is subject to annual impairment testing and valued at cost less accumulated impairment losses. Gains and losses on the sale of an entity include the carrying amount of goodwill related to the entity sold.

Goodwill impairment is determined by assessing the recoverable amount of each cash generating unit ("CGU") to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods (see Note 4.7).

4.6 Intangible Assets

***(a)* Software**

Licenses for purchased software are capitalized based on the costs incurred to purchase and prepare them to use the specific program. These costs are amortized over their estimated useful lives, using the straight-line method (See Note 18).

Expenses related to software development or maintenance are expensed as incurred. Costs related directly to production of unique and identifiable software controlled by the Company, and which will probably generate economic benefits greater than these costs for more than one year, are recognized as intangible assets. Direct costs include expenses for personnel that develop the software. Software development costs recognized as assets are amortized over their estimated useful lives.

***(b)* Easements**

Easement rights are presented at historic cost. The exploitation period of these rights has no limit and therefore they are considered assets with an indefinite useful life and consequently will not be subject to amortization. However, the determination of useful life is reviewed during each reporting period to determine whether the status of indefinite useful life still applies. These assets undergo impairment testing on a yearly basis. An exception to this concept of indefinite useful life exists in the cases where there is a contractual obligation that limits the useful life of the easement (see Note 18).

***(c)* Water Rights**

Water rights are presented at historic cost. The exploitation period of these rights has no limit and therefore they are considered assets with an indefinite useful life and consequently will not be subject to amortization. However, the determination of indefinite useful life is reviewed during each reporting period to determine whether the status of indefinite useful life still applies. These assets undergo impairment testing on an annual basis.

4.7 Impairment of Non-Financial Assets

Assets subject to amortization are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication of impairment exists, the recoverable amount will be estimated for the individual asset. If the recoverable amount cannot be estimated for the individual asset or the asset has an indefinite useful life, the entity will determine the lowest level for which there are separately identifiable cash flows ("cash generating units") and estimate the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognized when there is an excess between the carrying amount of the assets or cash-generating unit of cash and the corresponding recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the value in use. The estimate of the value in use is based on cash flow projections that are discounted using a rate that reflects the current evaluations of the market and the risks associated with the assets or cash generating unit. The best estimate of fair value less costs to sell includes prices of similar transactions carried out in the market place. If the transactions cannot be identified in the market, a valuation model will be used.

Non-financial assets, other than goodwill, that have suffered an impairment loss are assessed at the end of each reporting period for indications that the impairment loss may no longer exist. Loss reversals cannot exceed the carrying amount that would have been obtained, net of amortization and depreciation, had no impairment loss been recognized for the asset in prior years.

Impairment tests of goodwill and intangible assets with indefinite useful lives are performed annually as of October 1.

4.8 Financial Assets

Presentation and Classification

AES Gener classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity financial investments and available-for-sale financial investments. The classification depends on the purpose with which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition.

(a) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading or designated as such upon initial recognition. A financial asset is classified in this category if acquired principally to sell in the short term. Gains and losses from assets held for trading are recognized in the Income Statement and the related interest is recognized separately as Finance Income. Derivatives are also classified as acquired for trading unless they are designated as hedges.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except those with maturities greater than 12 months from year-end, which are classified as non-current assets. Loans and receivables are included in Trade and Other Receivables in the Consolidated Statement of Financial Position.

(c) Held-to-Maturity Financial Investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold until their maturity. If the Company were to sell more than an insignificant amount of held-to-maturity financial assets, the entire category would be reclassified to the available-for-sale category.

(d) Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or not previously classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of year-end.

Initial Recognition and Disposal Valuations

Initial Recognition

Acquisitions and disposals of financial assets are recognized as of the date of negotiation (i.e. the date on which the Company commits to purchase or sell the asset). Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are recorded in the Income Statement. The accounting policy used to determine fair value is described in greater detail in Note 4.21.

Subsequent Valuation

Available-for-sale financial assets and financial assets at fair value through profit and loss are accounted for subsequently at fair value.

Gains and losses arising from changes in fair value of financial assets at fair value through profit or loss are recognized in Other Gains (Losses) in the Statement of Profit and loss. Dividend income from financial assets at fair value through profit or loss is recognized in the Statement of Comprehensive Income within Other Gains when the Company's right to receive payment is established. Interest related to a financial instrument is recognized separately in Finance Income.

Variations in the fair value of debt instruments denominated in foreign currency and classified as available for sale are analyzed by separating the differences arising from the amortized cost of the instrument and other changes in the instrument's carrying amount. Exchange differences of monetary instruments are recognized in net income; foreign currency translation differences of non-monetary instruments are recognized in "Other reserves". Variations in the fair value of monetary and non-monetary instruments classified as available for sale are recognized in "Other reserves".

When instruments classified as available for sale are disposed of or impaired, the accumulated fair value adjustments previously recognized in Accumulated Other Comprehensive Income is included in net income.

Interest from available-for-sale instruments calculated using the effective interest rate method is recognized in profit and loss within Finance Income. Dividend income from available-for-sale equity instruments is recognized in profit and loss within Other Gains (Losses) when the Company's right to receive payment is established.
The fair values of quoted investments are based on current purchase prices. If the market for a financial asset is not active, the Company establishes the fair value using valuation techniques that include the following:

(i) the use of recent transactions between willing and duly informed interested parties, about other substantially similar instruments; or

(ii) discounted cash flow analysis; or

(iii) options price fixing models, maximizing use of market inputs and relying as little as possible on entity specific assumptions.

Investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and benefits of ownership.

Loans and receivables and held-to-maturity financial assets are accounted for at their amortized cost based on the effective interest rate method. The method of effective interest rate is a method of calculating the amortized cost of a financial asset or financial (or of financial assets or liabilities) and of allocating the interest income or interest expense over the relevant period liabilities.

The effective interest rate is the rate that exactly discounts the cash flows receivable or payable estimated over the expected life of the financial instrument (or, when appropriate, a shorter period) to the net amount the asset or financial liability.

Impairment

As of each reporting date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets may be impaired. In the case of equity instruments classified as available for sale, to determine if impairment exists, the Company will consider whether a significant or prolonged decline in the fair value of the instruments below their cost has taken place. If any such evidence exists for available-for-sale financial investments, the accumulated loss determined as the difference between the acquisition cost and the current fair value, less accumulated impairment loss, is eliminated from Accumulated Other Comprehensive Income and is recognized in income. Impairment losses recognized in the Income Statement for equity instruments are not reversed through the Income Statement.

Trade accounts receivable are initially recognized at fair value and subsequently at its amortized cost, in accordance with the effective interest rate, less impairment provision.

The allowance for doubtful accounts in Trade and Other Receivables is established when evidence exists that the Company will not be able to receive the amounts according to the original terms. The existence of financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy or financial reorganization and the failure or delay of payments are considered indicators that the account receivable is impaired. The amount of the allowance is the difference between the asset's carrying value and the present value of the estimated future cash flows, discounted using the effective interest rate. The carrying amount of the asset is reduced by the allowance for doubtful accounts and the loss is recognized in Costs of Sales. When a trade receivable cannot be collected, it is written off against the allowance for trade receivables.

The subsequent recovery of amounts previously derecognized is recorded as a credit to Cost of Sales.

4.9 Financial Liabilities

AES Gener classifies its financial liabilities into the following categories: at fair value through profit or loss, other financial liabilities or derivatives designated as hedging instruments in an effective hedge (see Note 4.10). Management determines the classification of its financial liabilities upon initial recognition.

Financial liabilities are derecognized when the obligation is settled, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, the original liability is de-recognized and the new liability recognized with the difference in the respective carrying amounts recorded in income.

Financial liabilities are initially recognized at fair value and, in the case of loans, include costs directly attributable to the transaction. Subsequent measurement of financial liabilities depends on their classification, as described below.

When the Company has the right to offset obligations with financial rights, they will not be presented net according to NIC 32 Instruments Financial: Presentation paragraph 42, given that the Company intends to pay and collect these items independently. The Disclosures of IFRS 7: Financial Instruments: Disclosures will also apply to recognized financial instruments, whose Derivative contracts are subject to an enforceable compensation agreement or similar agreement, regardless of the net or gross presentation under IAS 32. See note 11.2 (e).

(a) Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are classified as at fair value through profit or loss when they are held for trading or designated as such upon initial recognition. Gains and losses from liabilities held for trading are recognized in the Income Statement. This category includes derivative instruments not designated for hedge accounting.

(b) Other financial liabilities

Other Financial Liabilities are measured at their amortized cost using the effective interest rate method. The amortized cost is calculated considering any premium or discount on the acquisition and it includes the costs of transactions that are part of the effective interest rate. Commercial creditors with maturity per the generally accepted commercial terms are not discounted.

4.10 Derivative Financial Instruments and Hedging

The Company uses derivative financial instruments such as interest rate swaps, cross currency swaps and currency forwards to hedge its risks associated with interest and exchange rate fluctuations. Derivatives are initially recognized at fair value on the date on which the derivative contract is signed and are subsequently re-measured at their fair value. The method for recognizing the loss or gain resulting from changes in the fair value depends on whether the derivative has been designated as a hedging instrument and, if so, of the nature of the hedged item. The Company designates derivatives as:

(a) fair value hedges;
(b) cash flow hedges;

The Company documents the relationship between hedge instruments and the hedged items at the beginning of the transaction, as well as its risk management objectives and strategy for carrying out diverse hedge transactions. The Company also documents its assessment, both at the beginning as well as on a continual basis, of whether the derivatives used in hedge transactions are highly effective at offsetting changes in fair value or in the cash flows of hedged items.

(a) Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any change in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Company has not used fair value hedges in the periods covered by these financial statements.

(b) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in Other Comprehensive Income within the Cash Flow Hedge Reserve. Any loss or gain related to the ineffective portion is recognized immediately in the Income Statement within Finance Expense or Foreign Currency Exchange Differences, based on their nature.

Amounts accumulated in Accumulated Other Comprehensive Income are recorded in the Income Statement in the periods in which the hedged item impacts the Income Statement. For variable interest rate hedges, the amounts recognized in Accumulated Other Comprehensive Income are reclassified to Finance Expense as the associated debts accrue interest. For cross currency swaps, the amounts recognized in Accumulated Other Comprehensive Income are reclassified as Finance Expense as they accrue interest and to Foreign Currency Exchange Differences as a result of valuing the debt using period-end exchange rates.

A hedge is considered highly effective when changes in fair value or cash flows of the underlying attributable to the hedged risk are offset by changes in fair value or cash flows of the hedge instrument, with an effectiveness that is in the range of 80% - 125%.

When a hedge instrument matures, is sold or when it no longer meets hedge accounting requirements, gains or losses accumulated in Accumulated Other Comprehensive Income remain in equity and are recognized when the forecasted transaction affects earnings. When the forecasted transaction is not expected to occur, any accumulated gain or loss in Accumulated Other Comprehensive Income is immediately recognized in net income within Finance Expense and Foreign Currency Exchange Differences, based on their nature.

(c) Derivatives Not Designated as Hedges

Derivatives that are not designated as hedging instruments in an effective hedge are recognized at fair value through profit or loss. Changes in the fair value of any derivative instrument recorded in this way are recognized immediately in the Income Statement.

***(d)* Embedded Derivatives**

The Company evaluates the existence of embedded derivatives in financial and non-financial instrument contracts, which are not already accounted for as assets or liabilities at fair value through profit or loss, to determine if their characteristics and risks are closely related to the host contract. If they are not closely related, embedded derivatives are separated from the host contract and recorded at fair value with variations recognized immediately in the Income Statement.

4.11 Inventory

Inventory is valued at the lesser of cost and net realizable value, except for those items that will be consumed in the production of finished goods, if it is estimated that the carrying value will be recovered through the sale of the finished product. Cost is determined using the Acquisition Cost Method. The net realizable value is the estimated sales price during the normal course of business, less estimated variable costs necessary to make the sale.

4.12 Cash and Cash Equivalents

Cash and cash equivalents include cash balances; time deposits in credit entities; other highly-liquid, short-term investments originally maturing in less than three months; and bank overdrafts. In the Statement of Financial Position, bank overdrafts are classified as external resources within Other Current Financial Liabilities.

Restricted cash is included in the Statement of Financial Position in Cash and Cash Equivalents except when the nature of the restriction is such that it stops being liquid or easily convertible to cash. In this case, cash restricted with restrictions less than 12 months will be recognized in Other Current Financial Assets and those greater than 12 months will be recognized in Other Non-Current Financial Assets. The classification of cash and cash equivalents does not differ from that used in the Cash Flow Statement.

IAS 7 permits presentation of the Statements of Cash Flows using either the direct or indirect method. AES Gener presents its Statement of Cash Flows using the direct method beginning the reporting period ending on March 31, 2013.

4.13 Issued Capital

The Company's issued share capital consists of a single class of ordinary shares with one vote per share.

Incremental costs directly attributable to the issuance of new shares or options are presented in equity as a deduction, net of taxes, of the funds obtained by issuing new shares.

4.14 Taxes

Current Taxes

The Company and its subsidiaries determine their current income taxes based on their net taxable income, which is determined in accordance with tax laws in effect for each period. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Income tax expense or benefit for the period is determined as the sum of the Company's and its subsidiaries' current income tax, which results from applying the tax rate to net taxable income for the period and includes taxable income and deductible expenses, plus variations in deferred tax assets and liabilities and tax credits.

Deferred Taxes

Deferred taxes arising from temporary differences and other events that generate differences between the carrying amount for financial reporting purposes and tax bases of assets and liabilities are recorded in accordance with IAS 12 "Income Taxes".

Except for investments in subsidiaries, affiliates and interests in joint ventures as indicated below, deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. A deferred tax liability is recognized for temporary tax differences related to investments in subsidiaries, associates and interests in joint ventures, except when the following conditions are met:

(a) the parent company, investor or participant of a business can control the opportunity to reverse the temporary difference; and

(b) it is probable that the temporary difference will not be reversed in the future.

A deferred tax asset is recognized for all deductible temporary tax differences that originate from investments in subsidiaries, associates or interests in joint ventures, only to the extent that it is probable that:

(c) Temporary differences are reversed in the foreseeable future; and

(d) There is taxable profit available against which temporary differences can be used.

Current taxes and variations in deferred taxes that do not arise from business combinations are recorded in the Income Statement or equity, based on where the gains or losses that originated them were recorded.

Deferred tax assets and tax credits are recognized only to the extent that it is probable that sufficient future taxable profits exist to recover the deductible temporary differences and make use of the tax credits.

Group companies with tax losses recognize a deferred tax asset when use of these losses is likely, for which generation of future taxable profits and the expiration date of the tax losses are considered. In both Chile and Colombia, tax losses do not expire, but in Argentina they expire after five years.

The Argentine subsidiaries determine the minimum presumed income tax by applying the current 1% rate on computable assets at the close of each year. This tax is complementary to the income tax. The fiscal obligation in each year corresponds to the higher amount when comparing the minimum presumed income tax with the income tax. However, if the profit tax minimum amount exceeds the income tax in a fiscal period, said excess may be computed as payment on account of any surplus of the income tax on the minimum presumed income tax that may occur in any of the ten periods of 3 months following.

4.15 Employee Benefits

(a) Short-Term Employee Benefits

The Company and its subsidiaries recognize all liabilities related to short-term benefits to employees such as salary, vacation, bonuses and others as they are accrued considering amounts stipulated in collective agreements following normal Company policy.

(b) Post-Employment Benefits: Defined Benefit Plans

The Company has recognized the total obligation related to voluntary pension and other post-employment benefits for retired employees as stipulated in collective agreements held by Chilean companies within the Group. The current active employees do not have the rights to these benefits upon retirement. Pension benefits include a complementary pension plan, which is paid throughout the retired employee's lifetime, in addition to benefits received through the Chilean social security system. These benefits also include complementary health services and electricity subsidies. Likewise, the Colombian subsidiary Chivor has a pension plan limited to a certain group of employees that consists of a complementary pension for those persons not covered by the provisions of Law No. 100 of 1993.

The obligations at the plans for post-employment benefits have been registered to the value of the obligation of the projected profit determined by actuarial calculation and using the method of Projected Unit Credit Method. The actuarial assumptions considered in the calculation include the probability of such payments or benefits based on the mortality (in the case of retired employees) of employees, future costs and levels of benefits and discount rate. In Chile, the discount rate is based on reference to the yield on sovereign bonds in Unidad de Fomento of the Central Bank of Chile and the average projected inflation in the long term, while in Colombia the rate is determined based on the performance of the long-term sovereign bonds issued by the Colombian Government. The use of the rates of sovereign bonds is done by considering that in both countries there are no markets sufficiently active of corporate bonds of high credit quality.

In the case of those former employees in Chile who are only entitled to medical benefits and electricity subsidies, the benefits are recognized based on an estimate of the proportion of benefits earned at the balance sheet date. Obligations for medical benefits and electricity subsidies have been determined considering the trend in future medical costs and fixed electricity for the delivered bond to retired and active employees after retirement.

Actuarial gains and losses include experience adjustments and the effects of changes in actuarial assumptions and they are recognized in other comprehensive income.

(c) **Share-based Compensation**

AES Corporation, the majority shareholder of AES Gener S.A., grants share-based compensation, which consists of a combination of options and restricted stock, to certain employees of its subsidiaries. Rights to these plans generally vest over a term of three years.

The fair value of employee services received in exchange for an award of stock options is recognized as an expense and a corresponding increase or contribution in the Company's equity. The cost is measured on the granting date based on the fair value of the equity instruments or liabilities issued and is recognized as an expense using the straight-line method over the vesting period, net of an estimate for unexercised options.

Currently, the Company uses the Black-Scholes model to estimate the fair value of the stock options granted to employees.

(d) **Severance Payments**

The Company's obligation for staff severance indemnities is measured and recorded at the present value of the total obligation using the projected benefit cost method, considering a discount rate based on UF-denominated sovereign bonds from the Chilean Central Bank and average long-term projected inflation.

Assumptions considered in the calculation include the probability of such payments or benefits based on mortality, employment rotation, future costs, amounts of benefits offered and the discount rate. The discount rate is determined in the same way as pension benefits as detailed in Note 4.15 (b) Defined Benefit Pension Plans.

4.16 Provisions

Provisions for environmental restoration, site restoration and asset removal, as well as restructuring and litigation expenses are recognized when:

(a) the Company has a current obligation, whether legal or constructive, as a result of past events; and

(b) it is probable that an outflow of resources will be needed to settle the obligation; and

(c) the amount can be reliably estimated.

No provisions for future operating losses are recognized.

Provisions are recorded at the present value of the expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a rate that reflects current market conditions, the time value of money and the risks specific to the liability. Increases in provisions due to the passage of time are recognized as an interest expense.

4.17 Revenue Recognition

The Company recognizes revenues when:

(a) The amount can be reliably measured, and

(b) It is probable that the future economic benefits flow to the entity; and

(c) Specific conditions have been met for each of the Company's activities as described below.

Operating revenue includes the fair value of considerations received or to be received for the sale of goods and services in the ordinary course of the Company's activities. Operating revenue is presented net of value added taxes, returns, rebates and discounts and after eliminating inter-group sales.

(a) **Sales Revenues**

Revenue from energy and capacity sales is recognized once the energy or capacity has been physically delivered at prices established in the respective contracts or at current electricity market prices in accordance with current regulations. This includes un-invoiced income from energy and capacity supplied but not billed as of each period end, which is accounted for at the contractual rates existing at each respective period end. These amounts are included in current assets as Trade and other Accounts Receivable.

Additionally, the Company recognizes revenues for sales of inventory, such a coal, when all risks and benefits are transferred to the customers. It also recognizes revenues for engineering, advisory and other services as the service is provided using the degree of completion method.

(b) **Finance Income**

Finance income is recognized using the effective interest rate method.

(c) **Dividend Income**

Dividend income is recognized when the shareholder's right to receive payment is established, after the approval of the shareholder's boards of the company that will distribute the dividends.

(d) **Deferred Revenue**

The Company has included amounts paid in advance for facility use and supply contracts within both current and non-current liabilities. The effect on income of these payments is recognized within Operating Revenue over the life of the respective contract.

4.18 Leases

In determining whether an agreement contains a lease, the Company analyzes whether the agreement depends on the use of specific asset or assets and whether the agreement conveys a right to use the asset. Leases in which the risks and rewards are substantially transferred to the property are classified as a finance lease. Examples of indicators that the agreement is a finance lease include:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to buy the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the beginning of the lease, the present value of future minimum lease payments is at least substantially all the fair value of the leased asset; and
- the leased assets are of a nature so specialized that only the lessee can use them without realizing major modifications.

Contracts which do not comply with the finance lease indicators are classified as operating leases.

(a) Company as a Lessee – Finance Lease

The Company leases certain property, plant and equipment. Leases of property, plant and equipment in which the Company retains substantially all risks and rewards of ownership are classified as finance leases. Assets subject to capital leases are capitalized at the beginning of the lease at the lower between the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is distributed between the liability and finance charges to produce a constant interest rate on the outstanding balance of the obligation. The corresponding lease obligations, net of finance charges, are included in Other Current or Non-Current Financial Liabilities, depending on their maturities. The interest element of the finance expense is charged to the Income Statement over the lease period. Items of property, plant and equipment acquired under a finance lease are depreciated over the shorter of their useful lives and the duration of the respective lease contract.

(b) Company as a Lessee – Operating Lease

Leases in which the lessor retains an important part of the risks and rewards of ownership are classified as operating leases. Payments for operating leases (net of any incentive received from the lessor) are charged to the Income Statement on a straight-line basis over the lease period.

(c) Company as a Lessor – Finance Lease

When assets are leased under finance leases, the present value of the minimum lease payments is recognized as an account receivable, just like the net investment of the lease. The value of the net investment is the discounted cost using the implicit rate of the minimum lease payments and the non-secured residual value of the asset.

Income from leases is recognized in the lease period using the net investment method, which reflects a constant periodic rate of return.

(d) Company as a Lessor – Operating Lease

Assets leased to third parties under operating leases are included in Property, Plant and Equipment within the Statement of Financial Position according to the nature of the asset.

Income from operating leases is recognized in the Income Statement on a straight-line basis over the lease period.

During the years covered by these consolidated financial statements, the Company did not participate in significant contracts of this type.

4.19 Dividends

Dividend distributions to the Company's shareholders are recognized as a liability with a corresponding decrease in the Company's consolidated equity in the fiscal year in which the dividends are approved by the Company's shareholders.

As of each year-end, the Company records a provision of 30% of that period's net income as a minimum dividend in accordance with Law 18,046. The law in Chile requires the distribution of at least 30% of financial net income of the period, unless the shareholders decide unanimously against it.

Net income is equal to Income (Loss) Attributable to Owners of the Parent.

4.20 Environmental Expenditures

Disbursements related to environmental protection are recorded in income when incurred. Investments in infrastructure intended to comply with environmental standards are capitalized based on the general accounting criteria for property, plant and equipment, in accordance with the applicable standards of IFRS.

4.21 Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk and other elements. Thus, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

A fair value measurement requires an entity to determine the following:

- the particular asset or liability being measured;
- for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;
- the main or most advantageous market in which an orderly transaction would take place for the asset or liability; and
- the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instrument (e.g. equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfill the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be canceled or otherwise extinguished on the measurement date.

The fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 inputs) and lowest priority to unobservable inputs (Level 3 inputs). If the fair value uses some unobservable inputs, it is classified as Level 2 as long as the quantity of unobservable inputs is not significant. Transfers between hierarchy levels are recognized as of the date of the event or change in circumstances that gave rise to the transfer.

4.22 Assets classified as held for sale and discontinued operations

Non-current assets, including property, plant and equipment, intangible assets, investments in associates and joint ventures, and groups of assets for disposal (group of assets that are going to be sold or distributed together with their directly associated liabilities) are classified as held for sale if its book value will be recovered primarily through a sale transaction instead of its continued use.

For the above classification, assets must be available for immediate sale in their current conditions and the sale must be highly probable. For the transaction to be considered highly probable, Management must be committed to a sales plan and must have initiated the necessary actions to complete said plan. Also, it should be expected that the sale is completed in one year from the date of classification.

The activities required to complete the sales plan must indicate that it is unlikely that significant changes in the plan will occur, or that it will be canceled. The probability of approval by shareholders (if required in the jurisdiction) must be considered as part of the evaluation of whether the sale is highly probable.

Assets or groups subject to expropriation classified as held for sale are measured at the lowest value between their book value or their fair value less selling costs.

The depreciation and amortization of these assets ceases when the criteria to be classified as non-current assets held are met for sale.

Assets that are no longer classified as held for sale, or stop being part of a group of assets for disposal, they are valued at the lower of their book value before their classification, less depreciation, amortization or revaluation that would have been recognized if they had not been classified as such, and the recoverable value on the date on which they are reclassified as non-current assets. Non-current assets and the components of groups of assets for disposal that are classified as held for sale are presented in the consolidated statement of financial position as follows: the assets in a single line called "Assets classified as held for sale. "

A discontinued operation is a component of the Company that has been disposed of, or that has been classified as held for sale, and:

- represents a line of business or a geographical area, which is significant and can be considered separated from the rest;
- is part of an individual and coordinated plan to have a line of business or a geographical area of the operation that is significant and can be considered separated from the rest; or
- it is a subsidiary entity acquired exclusively for the purpose of reselling it.

The after-tax results of discontinued operations are presented in a single line of comprehensive income statement called "Gain (loss) from discontinued operations", as well as the gain or loss recognized by the measurement at fair value less costs to sell or the disposal of the assets or groups for disposal that constitute the operation discontinued.

NOTE 5 - FINANCIAL RISK MANAGEMENT

5.1 Risk Management Policy

The Company's risk management strategy is designed to safeguard the stability and sustainability of AES Gener and its subsidiaries always, under both normal and exceptional circumstances in relation to all relevant components of financial uncertainty. The Company's risk management is aligned with the general guidelines defined by its controlling shareholder, the AES Corporation.

"Financial risk events" refer to situations in which there is exposure to conditions that indicate financial uncertainty, and are classified based on the source of the uncertainty and associated transmission mechanisms. The responsible and effective management of these uncertainties is viewed by the Company as strategic from the standpoint of value creation, both under normal and exceptional conditions.

The following aspects of financial risk management are most important:

- Providing transparency, establishing and managing risk tolerances and determining guidelines to develop strategies to limit significant exposure to risk.

- Providing a disciplined and formal process for assessing risk and carrying out the commercial aspects of the business.

Financial risk management involves the identification, determination, analysis, quantification, measurement and control of these events. It is management's responsibility, particularly financial and commercial management, to constantly assess and manage financial risk.

5.2. Market and financial risks

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to a change in market prices. Market risks include the following three categories: foreign currency risk, interest rate risk and commodity price risk. Financial risk relates to the potential occurrence of events which could have a negative financial impact on the Company and specifically includes credit risk and liquidity risk.

5.2.1 Foreign Exchange Risk

Except for operations in Colombia, the Group's functional currency is the US dollar given that its revenue, expenses and investments in equipment and debt are mainly determined based in US dollar. Also, the Company is authorized to file and pay its income taxes in Chile in US dollars. Exchange rate risk is associated with any revenue, expenses, investments and debt denominated in any currency other than US dollars. The main items denominated in Chilean pesos are contract sales and tax credits mainly associated with VAT. As of December 31, 2017, AES Gener maintained several currency forwards with banks to mitigate its exposure to foreign exchange variations associated with energy sales, given that even though most of the Company's energy supply agreements have prices denominated in US dollars, payments are made in Chilean pesos at an exchange rate that is fixed for a specific period, and VAT payments. Given the Company's net asset position in Chilean pesos as of December 31, 2017, the impact of 10% devaluation in the exchange rate of the Chilean peso with respect to the US dollar could have resulted in a realized negative impact of approximately ThUS$8,080 in AES Gener net income.

During the year ended on December 31, 2017 approximately 88% of operating revenue and 86% of the Company's costs of sales were denominated in US dollars compared to 79% of operating revenue and 89% of costs of sales during the year 2016.

The functional currency of Chivor, the Company's Colombian subsidiary, is the Colombian peso since most its revenue, particularly contract and spot sales and operating costs are linked to the Colombian peso. For the year ended on December 31, 2017, sales in Colombian pesos represented 12% of the Company's consolidated operating revenue, while they represented 19% in the year 2016. Additionally, AES Chivor's dividends are determined in Colombian pesos, although financial hedge instruments are used to fix the amount to be distributed in US dollars. Given AES Chivor's net liability position in US Dollars as of the close of December 2017, a 10% devaluation in the exchange rate of the Colombian peso with respect to the US dollar could have generated a negative impact of approximately ThUS$1,164 in AES Gener's net income.

Spot prices in the Argentine market, as of February 2017, are also set in US dollars. The revenues from these sales represented 2% of consolidated revenues in the year ended December 31, 2016, considering that at that date they were set in Argentine pesos. It is estimated that, as of December 31, 2017, a 10% devaluation in the Argentine peso with against the US dollar at the close of the year would have generated a negative impact of ThUS$1,191 on the results of AES Gener, given the net active position in Argentine pesos that Termoandes maintained at that date.

In consolidated terms, investments in new plants and maintenance equipment are principally denominated in US dollars. Short-term investments are also mostly held in U.S. dollars. As of December 31, 2017, 83% of short-term investments and current account balances were in US dollars, 14% in Chilean pesos, 1% in Colombian pesos and 2% in Argentine pesos. Cash balances in Argentine pesos are subject to exchange restrictions and exchange rate volatility to the Argentine market. As of December 2016, 87% of investments and balances were in US dollars, 12% in Chilean pesos and 1% in Argentinean pesos.

With respect to debt (bank loans and bonds payable) denominated in currencies other than the U.S. dollar, AES Gener has taken hedges in the form of cross-currency swaps to reduce the exchange rate risk. AES Gener executed a cross-currency swap for the UF-denominated bonds issued in 2007 for approximately ThUS$219,527 and the swaps extend throughout the duration of the debt. It should be noted that a portion of this swap was unwound in June 2014, associated with the Series O Bonds with maturity in 2015, and the swap related to the Series N Bonds, with maturity in 2028 for ThUS$172,264 remained in force. As of December 31, 2017, 96% of AES Gener and its subsidiaries' debt was denominated in U.S. dollars, including the local bonds mentioned above and the associated swaps. The following table shows the composition of debt by currency as of December 31, 2017, and December 31, 2016:

Currency	December 31, 2017 %	December 31, 2016 %
US$	96.0	97.8
UF	1.0	0.9
Col$	3.0	1.3

5.2.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with variable interest rates.

AES Gener manages its interest rate risk by having an important percentage of its debt at fixed rate or with interest rate swaps, to fix it. Additionally, AES Gener has entered interest rate swaps to mitigate interest rate risk for long-term obligations. Currently, AES Gener has interest rate swaps for an important part of the debt associated with subsidiaries Eléctrica Cochrane and Alto Maipo. A 10% increase in variable interest rates would not have a significant impact on net income as 93.5% of the Company's debt is at fixed rates or rate swaps. The following table shows the composition of debt by type of interest rate as of December 31, 2017, and December 31, 2016:

Rate	December 31, 2017 %	December 31, 2016 %
Fixed rate	93.5	90.9
Variable rate	6.5	9.1

The subordinated bond issued in December 2013 for a total of ThUS$450,000 with tenor of 60 years, has a fixed interest rate of 8.375% until 5.5 year from the issuance. From that period onwards, the interest rate is recalculated based on the 5-year swap rate published by Bloomberg plus a margin (spread) established in the offer and subsequently recalculated, based on the same conditions, every 5 years to maturity of debt.

5.2.3 Commodity Price Risk

The Company is affected by the volatility of certain commodity prices. The fuels used by the Company, mainly coal, diesel and liquefied natural gas (LNG), are commodities with international prices set by market factors outside of the Company's control. In Argentina, the Company's subsidiary TermoAndes purchases natural gas at a fixed price under short-term contracts, which is reflected in the energy contract price fixation.

The price of fuel is a key factor in plant dispatch and spot prices both in Chile and Colombia. Since AES Gener is a company based mainly on thermal generation, fuel costs represent a significant portion of the cost of sales.

Currently, most of the Company's power purchase agreements include indexation mechanisms that adjust prices based on the increase and decrease in the price of coal in accordance with the indexes and adjustment periods specified under each contract, to mitigate major variations in the fuel cost.

Currently, AES Gener's contracted energy is balanced with energy generation of facilities with high probability of dispatch (efficient generation) and the remaining facilities (back-up facilities) which utilize diesel or LNG are expected to generate only during periods with limited market supplies such as dry hydrological conditions in the SIC, selling energy on the spot market. Currently, diesel and LNG purchases are not hedged as spot market sales allow variations in fuel prices to be transferred to the sale price. However, the price of fuel (particularly LNG or diesel) directly affects the spot price and plant dispatch.

However, the price of fuel (particularly LNG or diesel) directly affects the spot price and plant dispatch. It is estimated that a 10% increase in the cost of diesel would have resulted in a negative impact on the Company's consolidated gross profit of approximately ThUS$2,374 in the SIC and positive variation of the ThUS$2,454 in the SING for the year ended December 31, 2017. It is worth noting that Eléctrica Santiago's Nueva Renca plant can use either diesel or LNG and acquires defined volumes of LNG volumes using short-term contracts when the LNG price is more competitive than diesel.

5.2.4 Credit Risk

Credit risk relates to the credit quality of counterparties with which AES Gener and its subsidiaries establish relationships. These risks are reflected primarily in accounts receivables and financial assets including bank and other deposits and other financial instruments.

In respect of accounts receivable, AES Gener's counterparties in Chile are mainly distribution companies and industrial customers of elevated solvency and an important percentage of these customers or their parent companies have local and/or international investment grade credit ratings. Necessarily, sales made by the AES Gener Group companies in the spot market must be made to other generators, members of the CDEC, in accordance with the economic dispatch determined by this entity.

In Colombia, AES Chivor performs risk assessments of its counterparties based on an internal credit quality evaluation, which in some cases may include guarantees.

In Argentina, the principal counterparties are CAMMESA (Compañía Administradora del Mercado Mayorista Eléctrico S.A.) and large unregulated consumers with contracts under the Energía Plus program. TermoAndes carries out internal credit evaluations of its unregulated customers and requests guarantees to secure payments.

Financial investments, such as mutual funds, time deposits and derivatives hold by AES Gener and its subsidiaries, are executed with local and foreign financial institutions which have national and/or international credit ratings greater than or equal to "A" under the S&P and Fitch scale and "A2" under the Moody's scale. Similarly, derivatives for financial debt are executed with first class international entities. Cash, investment and treasury policies direct the management of the Company's cash portfolio and minimize credit risk.

5.2.5 Liquidity Risk

Liquidity risk relates to the funding requirements to meet payment obligations. The Company's objective is to maintain a balance between continuity of funding and financial flexibility, through internally generated cash flows, bank loans, bonds, short-term investments, committed credit lines and uncommitted credit lines.

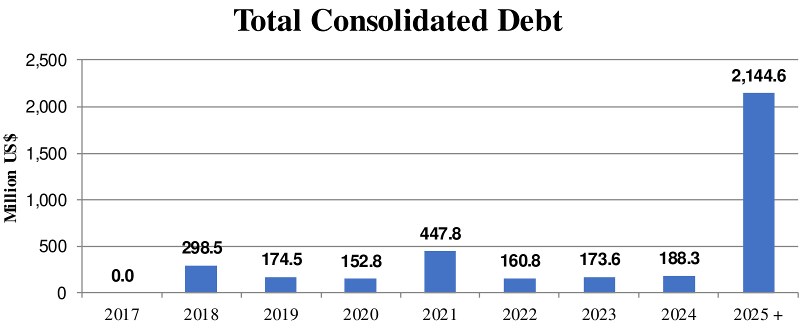
As of December 31, 2017, AES Gener had available liquid funds of ThUS$275,948 included in cash and cash equivalents. Meanwhile, as of the closing of December 2016, the balance in liquid resources amounted to ThUS$469,560 including cash and cash equivalents. It should be noted that the balance of cash and cash equivalents includes cash, term deposits with expiration of less than 90 days, securities, low risk immediately available mutual funds in U.S. dollars and re-sale and fiduciary agreements.

Additionally, as of December 31, 2016, AES Gener has committed and uncommitted credit lines for approximately ThUS$392,000 and uncommitted and unused credit lines for approximately ThUS$76,257.

For more detail of the restricted cash see note 9 of Financial Statements "Effective and equivalent to the cash".

The chart and table below show the maturity profile, based on actual debt, in millions of US dollars as of December 31, 2017:

			Schedule of Maturities as of December 31, 2017			
		Average Rate	**2018**	**2019**	**2020**	**2021 +**
Fixed Rate						
Gener US$ 450 M Junior Notes due 2073	450.00	8.38%	-	-	-	450.00
Gener US$ 24.5 M Senior Notes due 2019	24.54	7.95%	-	24.54	-	-
Gener US$ 402 M Senior Notes due 2021	291.68	5.25%	-	-	-	291.68
Gener US$ 409 M Senior Notes due 2025	172.36	5.00%	-	-	-	172.36
Gener UF$ 4.4 M Senior Notes due 2028	172.26	7.34%	15.66	15.66	15.66	125.28
Gener US$ 91,5 M ST Loan due 2018	91.50	2.18%	91.50	-	-	-
ESSA UF$ 1.0 M Senior Notes due 2024	37.97	9.31%	1.40	1.56	1.75	33.26
Angamos US$ 600 M Senior Secured Notes due 2029	600.97	4.88%	52.28	52.28	52.28	444.13
Angamos US$ 199 M Term Loans due 2029	199.03	4.50%	17.32	17.32	17.32	147.07
Cochrane Fixed Portion	767.70	4.16%	46.57	48.36	50.23	622.54
Alto Maipo Fixed Portion	627.75	6.31%	-	-	-	627.75
Chivor US$ 60 M (7,5% cop)	60.32	3.02%	60.32	-	-	-
Total Fixed Rate	**3,496.08**	**5.53%**	**285.05**	**159.72**	**137.24**	**2,914.07**
	93.5%					
Floating Rate						
Cochrane Floating Portion	191.92	4.16%	11.64	12.09	12.56	155.63
Tunjita	52.92	5.87%	1.83	2.69	3.01	45.39
Total Floating Rate	**244.84**	**4.53%**	**13.47**	**14.78**	**15.57**	**201.02**
	6.5%					
Total			**298.52**	**174.50**	**152.81**	**3,115.09**



The 60-year subordinated hybrid bond issued in December 2013 for a total of ThUS$450,000, has a fixed interest rate of 8.375% for 5.5 years after the date of issuance. Afterwards, the interest rate will be recalculated every five years until the date of maturity based on Bloomberg's five-year swap rate plus a predefined spread.

In June 2017 as reported in the Essential Fact GG 017/2017 dated July 31, 2017, Alto Maipo SpA ("Alto Maipo ") terminated its project construction contract with Constructora Nuevo Maipo S.A. ("CNM"), due to breaches by the contractor. The termination of this contract with CNM has produced a technical event of default under the credit facility and hence there may be modifications to the payment term.

Likewise, in November 2017, an agreement was signed with Strabag that modifies and restructures the construction contract of the tunnel complex in force between the parties, establishing new terms and conditions which contemplate that: (i) Strabag will execute the works under lump sum mode with a fixed price, with Strabag assuming the geological risks of the construction, (ii) guaranteed construction dates will be included, (iii) construction of the El Volcán and El Yeso systems is included, contract assigned originally to CNM, (iv) Strabag will grant financing for a part of the contract cost and (v) an increase in the equity participation and subordinated loans of Strabag in Alto Maipo

For more information, refer to Note 31 of these Financial Statements.

It should be noted that a significant percentage of these debts have interest rate swaps.

5.3 Risk Measurement

The Company supports methods to measure the effectiveness and effectiveness of risk strategies, both prospectively and retrospectively.

For this analysis, diverse market methodologies on risk quantification are used and documented, such as methods of analysis of regression, risk tolerances and maximum exposures, in order to adjust risk and mitigation strategies and evaluate their impacts.

More information associated with risks are exposed in the Management Discussion and Analysis of Financial Condition and Results of Operations section.

NOTE 6 - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Management must make judgments and estimates that have a significant effect on the figures presented in the financial statements. Changes in these assumptions and estimates may have a significant impact on the financial statements. The estimates and critical judgments used by the Company's management are detailed below:

- Hypotheses used in actuarial calculations of employee benefits obligations. (See Note 23)
- The useful lives and residual values of property, plant and equipment and intangible assets. (See Notes 18 and 19)
- The assumptions used to calculate the fair value of financial instruments, including credit risk. (See Note 11)
- The probability of occurrence and the amount of contingent liabilities or liabilities whose amount or timing is uncertain. (See Note 22 and 31)
- Future disbursements for asset dismantling or removal obligations, including the discount rate. (See Note 22)
- Determination of the existence of finance or operating leases based on the transfer of risks and rewards of the leased assets. (See Note 19)
- Allocation of intangibles and goodwill to each CGU and the calculation of the recoverable amount in the impairment test. (See Note 18)

Although these estimates have been made based on the best information available as of the date of these consolidated financial statements, it is possible that future developments may force the Company to modify these estimates in upcoming periods. Such modifications would be adjusted prospectively, recognizing the effects of the change in estimate on the corresponding future consolidated financial statements, as required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

NOTE 7 - OPERATING SEGMENTS

7.1 Definition of Segments

The Company defines and manages its activities based on certain business segments that meet and individual economic, regulatory, commercial or operating characteristics.

A segment is a component of the Group:

- That engages in business activities from which it generates income and incurs costs; and
- Whose operating results are regularly monitored by management, to make decisions, allocate resources and evaluate performance, and
- For which discrete financial information is available.

Management monitors the operating results of each segment separately to make decisions related to resource allocation and performance evaluations. A segment's performance is evaluated based on certain operating indicators such as gross profit (difference between operating revenues and cost of sales) and EBITDA. EBITDA is calculated as net income, plus interest expense, depreciation and amortization, foreign currency exchange differences, asset retirement obligation accretion expense, other gains (losses) and the participations in earnings of associates.

Earnings and asset balances in segments are measured in accordance with the same accounting policies applied to the financial statements. Transactions and associated unrealized gains or losses between segments are eliminated.

AES Gener's financial liabilities are centralized and controlled at a corporate level and are not presented by reportable segments.

7.2 Description of Segments

The Company segments its business activities based on the interconnected energy markets in which it operates, which are:

- The Central Interconnected System ("SIC")
- The Great North Interconnected System ("SING")
- The Argentinean Interconnected System ("SADI")
- The National Interconnected System ("SIN"), for its operations in Colombia.

These segments refer to geographic areas and corresponding electrical systems.

In each segment, the Company's principal activity consists of electricity generation.

On November 21, 2017, one of the most important milestones in electric transmission in the history of Chile was materialized as it interconnected synchronously the electrical systems of the central and north (SING and SIC respectively). With this milestone, the System National Electricity (SEN) was created that connects, through a network of transmission of more than 3,000 km of extension, the city of Arica with the Islands of Chiloé. This first stage of the interconnection project comprises, in the main, a 500 kV double circuit transmission line of 600 km. length that goes from Mejillones (in the Antofagasta Region) to the Cardones sector in Copiapó (in the Atacama Region). In this first stage of operation, the interconnection will be restricted in its transmission capacities due to the still pending complete entry into operation of the Cardones project - Polpaico 2 x 500 kV.

In a future operating regime, with an unrestricted interconnection other than those of technical design, a new market for electric power, which integrates in supply and demand its predecessors SING and SIC. Based on these changes, AES Gener is analyzing the impact on its business segments and financial reports.

7.3 Assets by Segment

The details of assets by segment are detailed as follows:

ASSETS BY OPERATING SEGMENT	December 31, 2017						Decem		
	SIC Market ThUS$	SING Market ThUS$	SIN Market ThUS$	SADI Market ThUS$	Intercompany Eliminations ThUS$	Total ThUS$	SIC Market ThUS$	SING Market ThUS$	SIN Market ThUS$
Cash and Cash Equivalents	151,476	97,051	15,939	11,482	-	275,948	290,025	124,248	51,224
Trade and Other Receivables (1)	314,366	641,838	34,509	32,542	(549,355)	473,900	337,940	502,285	37,896
Property, Plant and Equipment	3,126,617	2,665,616	448,746	180,462	-	6,421,441	2,883,715	2,630,345	453,319
Investment in Empresa Electrica Guacolda S.A.	410,882	-	-	-	-	410,882	419,468	-	-

(1) Trade and Other Receivables includes both current and non-current portions as well as the account Current Related Party Receivables.

7.4 Revenue, Expenses and Capital Expenditures by Segment

The details of Revenues, Expenses and Capital Expenditures by segment and other selected information are detailed as follows:

REVENUES AND COSTS BY OPERATING SEGMENT	December 31, 2017						Decem		
	SIC Market ThUS$	SING Market ThUS$	SIN Market ThUS$	SADI Market ThUS$	Intercompany Eliminations ThUS$	Total ThUS$	SIC Market ThUS$	SING Market ThUS$	SIN Market ThUS$
Operating Revenues	1,437,852	816,319	325,941	138,787	(282,187)	2,436,712	1,211,128	646,666	434,733
Cost of Sales	1,194,737	623,535	149,543	132,927	(281,524)	1,819,218	915,367	499,751	255,782
Gross Profit	243,115	192,784	176,398	5,860	(663)	617,494	295,761	146,915	178,951
Income before Taxes	189,677	104,605	143,699	(2,360)	(122,518)	313,103	368,483	306,789	143,723
Net Income	155,625	84,928	84,996	(4,946)	(122,518)	198,085	331,821	293,501	86,727
EBITDA	279,231	311,375	173,608	29,192	-	793,406	338,260	242,727	172,057
Finance Income	5,183	20,165	1,183	2,711	(21,069)	8,173	5,874	14,765	1,280
Finance Expenses	97,318	90,724	8,336	1,728	(21,069)	177,037	110,678	59,227	8,815
Equity Participation of Empresa Electrica Guacolda S.A.	23,584	-	-	-	-	23,584	12,909	-	-
Depreciation and Amortization	109,945	130,474	11,941	29,164	-	281,524	109,933	102,603	11,155
Capital Expenditures	564,828	(21,887)	4,752	25,624	-	573,317	433,339	164,136	15,668
Net Cash Flows Provided by Operating Activities	126,732	206,038	(10,516)	18,403	-	340,657	306,284	75,035	35,843
Net Cash Flows Used in Investing Activities	(141,229)	(137,343)	(4,497)	(12,289)	(124,251)	(419,609)	(344,114)	(204,406)	(15,642
Net Cash Flows Used in Financing Activities	(124,108)	(95,743)	(20,581)	-	124,251	(116,181)	162,425	187,575	(861

The following table sets forth the EBITDA calculation:

Calculation EBITDA	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Operating Revenues	2,436,712	2,286,401
Cost of Sales	(1,819,218)	(1,660,954)
Gross Profit	**617,494**	**625,447**
Depreciation and Amortization	281,524	249,926
Operating Margin	**899,018**	**875,373**
Decommissioning Costs (ARO)	4,729	5,863
Other Operating Income	457	2,243
Other Expenses	(2,142)	(2,981)
Administrative Expenses	(108,656)	(102,297)
TOTAL EBITDA	**793,406**	**778,201**

NOTE 8 – ASSETS CLASSIFIED AS HELD FOR SALE

On December 21, 2017, AES Gener S.A. and Norgener Foreign Investment SpA, as sole shareholders of Electrica Santiago S.A., entered into an agreement with Sociedad Generadora Metropolitana SpA, whose indirect shareholders are Andes Mining and Energy Corporate SpA and EDF Chile SpA, for the sale of 100% of the shares of the Company that owns the Renca, Nueva Renca, Los Vientos and Santa Lidia power plants.

The sale price of the ESSA shares is ThUS$300,000, which will be paid to AES Gener and Norgener Foreign Investment SpA in proportion to their respective participations and will be subject to working capital adjustments as indicated in the agreement.

The funds that the Company will receive for this operation will be relevant to strengthen its capital structure and finance its growth plan.

According to the terms of the agreement, the sale is subject to the buyer obtaining the financing for the acquisition of the company no later than January 2, 2018 and compliance, not later than June 30, 2018, with the following precedent conditions:

- Approval of the operation by the National Economic Prosecutor pursuant to Title IV of DL 211 of 1973
- Implementation of a corporate reorganization of ESSA so that the buyer acquires the company free of financial debt while retaining the property of the power plants and other assets necessary for its operation

It is also established that this operation will have a positive effect of about Th US$65,000 in the Company's Income Statement of the year in which the sale is completed.

For the above mentioned, IFRS 5 "Non-current assets classified as held for sale" has been applied to the Financial Statements as of December 31, 2017,.which implies that the group of assets and liabilities that are subject to sale will be classified as Held for Sale in the Financial Statements.

The Company's assets and liabilities that, as of December 31, 2017, are available for sale are as follows:

ASSETS	December 31, 2017
	ThUS$
CURRENT ASSETS	
Cash and Cash Equivalents	42
Other Current Non-Financial Assets	7,821
Trade and Other Receivables	2,427
Inventory	5,314
Taxes Receivables	3,805
Total Current Assets	**19,409**
NON-CURRENT ASSETS	
Other Non-Current Non-Financial Assets	68
Intangible Assets	1,306
Property, Plant and Equipment	229,110
Deferred Taxes	-
Total Non-Current Assets	**230,484**
TOTAL ASSETS	**249,893**

LIABILITIES	December 31, 2017
	ThUS$
CURRENT LIABILITIES	
Other Current Financial Liabilities	62
Trade and Other Payables	33,077
Taxes Payable	4,831
Employee Benefits	87
Other Current Non-Financial Liabilities	863
Total Current Liabilities	**38,920**
NON-CURRENT LIABILITIES	
Other Non-Current Financial Liabilities	3,561
Provisions	15,657
Deferred Taxes	9,193
Employee Benefits	1,023
Other Non-Current Non-Financial Liabilities	-
Total Non-Current Liabilities	**29,434**
TOTAL LIABILITIES	**68,354**
ASSET CLASSIFIED AS HELD FOR SALE	**181,539**

NOTE 9 – CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Cash on Hand	36	29
Cash at Banks	215,002	221,326
Short-Term Deposits	52,199	240,739
Other Cash and Cash Equivalents	8,711	7,466
Total Cash and Cash Equivalents	**275,948**	**469,560**

Short-Term Deposits maturity is less than three months from their acquisition date and accrue interest at market rates for this type of short-term investments.

Other Cash and Cash Equivalents primarily includes mutual funds, which are low-risk investments in US dollars that allow for immediate availability without restrictions, recorded at their fair value as of the closing date of these consolidated financial statements, and repurchase agreements, which are short-term investments with banks and stock brokerage firms, backed by financial instruments issued by the Chilean Central Bank and private banks with high-quality credit ratings.

Balances of Cash and Cash Equivalents included in the Statement of Financial Position do not differ from those in the Statement of Cash Flows.

Cash and Cash Equivalents by type of currency as of December 31, 2017, and 2016, are detailed as follows:

Cash and Cash Equivalents by Currency	December 31, 2017 ThUS$	December 31, 2016 ThUS$
$	37,394	55,234
Ar$	4,909	4,850
Col$	3,885	1,164
US$	229,760	408,312
Total Cash and Cash Equivalents	**275,948**	**469,560**

As of December 31, 2017, and 2016, the Company has the following cash amounts with restrictions held in bank accounts. These funds are being used by the Company for operational and working capital requirements, detailed as follows:

Company	Cash and Cash Equivalents with Restrictions	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Empresa Eléctrica Cochrane S.p.A.	Cash at Banks	61,194	88,065
Alto Maipo S.p.A	Cash at Banks	60,836	38,853
	Total	**122,030**	**126,918**

The balance related to Cochrane is restricted by the requirements of the credit agreement with several banks, led by Mizuho Corporate Bank Ltd., Sumitomo Mitsui Banking Corporation, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and HSBC Bank USA, National Association.

The balance related to Alto Maipo is restricted by the requirements of the credit agreement with several banks, led by Banco Corpbanca as administrative agent.

NOTE 10 – OTHER FINANCIAL ASSETS

As of December 31, 2017, and December 2016, Other Financial Assets are detailed as follows:

	Current		Non-Current	
Other Financial Assets	December 31, 2017 ThUS$	December 31, 2016 ThUS$	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Hedging Instruments (1)	6,800	6,105	28,483	5,362
At Fair Value through Profit or Loss (1)	3,681	6,754	821	1,140
Investment in Gasoducto Gasandes S.A. (2)	-	-	2,353	2,988
Investment in Gasoducto Gasandes (Argentina) (2)	-	-	2,200	2,200
Investment in CDEC SIC Ltda.	-	-	70	137
Investment CDEC SING Ltda.	-	-	-	
Restricted Cash	-	-	471	421
Investments in Bonds (3)	-	8,669	-	-
Other Financial Assets	166	164	-	576
Total	**10,647**	**21,692**	**34,398**	**12,824**

(1) Hedging Instruments and assets at Fair Value through profit or Loss (derivatives not designated as hedges) are recorded at their fair value (Refer to Note 11.4 Derivative Instruments for more detail).

(2) The investments in Gasoducto Gasandes S.A. (Argentina) and Gasoducto Gasandes S.A. correspond to a 13% interest that AES Gener S.A. holds in both companies as detailed in Note 11.1 Financial Assets and Note 28 Other Gains (Losses).

(3) It corresponds to the investment in Argentinian sovereign bonds, Bonar X, held by the subsidiary Termoandes. The bonds are denominated in US Dollars and have an agreed upon 7% annual rate, with maturity on April 17, 2017.

NOTE 11 – FINANCIAL INSTRUMENTS

11.1 Financial Assets and Liabilities by category

Financial Assets are classified into the categories described in Note 4.8, detailed as follows:

December 31, 2017	Cash and Cash Equivalents ThUS$	Loans and Receivables ThUS$	At Fair Value through Profit or Loss ThUS$	Hedging Instruments ThUS$	Available for Sale ThUS$	Total ThUS$
Cash and Cash Equivalents	275,948	-	-	-	-	275,948
Other Current Financial Assets	-	-	3,681	6,800	166	10,647
Trade Receivables	-	325,212	-	-	-	325,212
Other Non-Current Financial Assets	-	-	1,292	28,483	4,623	34,398
Related Party Receivables	-	10,066	-	-	-	10,066
Total	**275,948**	**335,278**	**4,973**	**35,283**	**4,789**	**656,271**

December 31, 2016	Cash and Cash Equivalents ThUS$	Loans and Receivables ThUS$	At Fair Value through Profit or Loss ThUS$	Hedging Instruments ThUS$	Available for Sale ThUS$	Total ThUS$
Cash and Cash Equivalents	469,560	-	-	-	-	469,560
Other Current Financial Assets	-	-	6,754	6,105	8,833	21,692
Trade Receivables	-	299,343	-	-	-	299,343
Other Non-Current Financial Assets	-	-	1,561	5,362	5,901	12,824
Related Party Receivables	-	18,833	-	-	-	18,833
Total	**469,560**	**318,176**	**8,315**	**11,467**	**14,734**	**822,252**

The carrying amount of financial assets such as Cash and Cash Equivalents and the current portion of Related Party Receivables are approximately equivalent to their fair values, due to the short-term nature of their maturities.

Instruments recorded in Other Current Financial Assets, classified as at Fair Value through Profit or Loss and Derivative Instruments (i.e. hedging and non-hedging instruments) are presented at their fair value in the Consolidated Statement of Financial Position. See Note 11.2 for the methods used in the calculation of their fair value.

Financial instruments classified as Available-for-Sale recorded in Other Current and Non-Current Financial Assets consist of investments in the CDEC SIC and SING and Gasoducto Gasandes S.A and Gasoducto Gasandes Argentina, and are presented in this category at cost due to the insufficient information available to determine their market value (see Note 10 Other Financial Assets for more information). As of December 31, 2016, the current includes investment in government bonds Argentina Bonar X of the subsidiary Termoandes.

Financial liabilities are classified into the categories described in Note 4.9, detailed as follows:

December 31, 2017	At Fair Value through Profit or Loss ThUS$	Hedging Instruments ThUS$	Other Financial Liabilities ThUS$	Total ThUS$
Other Current Financial Liabilities	141,103	9,417	901,928	1,052,448
Trade Payables	-	-	404,146	404,146
Other Non-Current Financial Liabilities	2,534	2,039	2,776,993	2,781,566
Related Party Payables	-	-	278,918	278,918
Total	**143,637**	**11,456**	**4,361,985**	**4,517,078**

December 31, 2016	At Fair Value through Profit or Loss ThUS$	Hedging Instruments ThUS$	Other Financial Liabilities ThUS$	Total ThUS$
Other Current Financial Liabilities	13,994	33,706	183,114	230,814
Trade Payables	-	-	331,727	331,727
Other Non-Current Financial Liabilities	1,620	134,307	3,536,143	3,672,070
Related Party Payables	-	-	251,685	251,685
Total	**15,614**	**168,013**	**4,302,669**	**4,486,296**

The book value of the current portion of Accounts Payable to Related Parties and Trade Payables approximates their fair values given the short-term nature of their maturities.

Instruments recorded in Other Current and Other Non-Current Financial Liabilities classified as Financial Liabilities at Fair Value through Profit or Loss (derivatives not designated as hedging instruments) and hedging derivatives are presented at fair value in the Statement of Financial Position. See Note 11.2 for the methods used to calculate these fair values.

The carrying value of interest-bearing loans included in Other Current and Other Non-Current Financial Liabilities differs from their fair values principally due to fluctuations in exchange rates and market interest rates. The methodology to calculate fair values of these instruments consists of discounting future cash flows of the debt using a yield curve. For the purposes of calculating this present value, assumptions are used such as the value of the currency of the debt, the credit rating of the instrument and the credit rating of the Company or Group. The assumptions used as of December 31, 2017, and December 31, 2016, are classified as Level 2 within the Fair Value Hierarchy as defined in Note 11.2 (d).

The following table details the carrying amounts and fair values of interest-bearing loans:

	December 31, 2017		December 31, 2016	
Interest-Bearing Loans	**Carrying Value ThUS$**	**Fair Value ThUS$**	**Carrying Value ThUS$**	**Fair Value ThUS$**
Interest-Bearing Loans	3,678,921	3,733,587	3,719,257	3,869,419

11.2 Valuation of derivate instruments

The Company has hired Chatham Financial to calculate the fair value of interest rate and cross currency swaps. For the calculation of embedded derivatives and interest rate and cross currency swaps of AES Gener S.A., the Company has developed internal valuation models.

The following principal assumptions are used in valuation models for derivative instruments:

a) Market assumptions such as future spot prices, other price projections, credit risk (own and counterparty).

b) Discount rate inputs such as risk-free rates, local and counterparty spreads (based on risk profiles and data available in the market).

c) The models also incorporate variables such as volatilities, correlations, regression formulas and market spreads using observable market data and techniques commonly used by market participants.

Valuation Methodology for Derivative Instruments

(a) **Interest Rate Swaps**

The valuation model for interest rate swaps involves forecasting cash flows using forward curves for each intermediate and final settlement date, and then discounting those cash flows using the LIBOR zero coupon rate. The assumptions used in the model include prices and rates observable in the market, risk-free rates, country and/or counterparty risk, the Company's credit risk, etc.

(b) **Cross Currency Swaps**

The valuation model for cross currency swaps involves discounting expected cash flows using the local curve for the forecasted exchange rate and then converts these discounted cash flows into US dollars using spot rates. The assumptions used in the model include historic transactions, prices and rates observable in the market, risk-free rates, country and/or counterparty risk, the Company's credit risk, etc.

(c) **Foreign Exchange Forwards**

The Company uses forward prices observable in the market and other assumptions, such as country and/or counterparty risk and the Company's own credit risk, to calculate the fair value of foreign exchange forwards.

(d) **Hierarchy of Fair Value of Financial Instruments**

Financial instruments recognized at fair value in the Statement of Financial Position are classified based on the following hierarchies:

Level 1: Quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

The financial asset and liability fair value hierarchy is detailed as follows:

December 31, 2017	Note	Level 1 ThUS$	Level 2 ThUS$	Level 3 ThUS$	Total
Assets					
At Fair Value through Profit or Loss					**4.973**
Foreign Exchange Forwards	11.4 (b)	-	4.502	-	
Mutual Funds		471	-	-	
Hedging Instruments					**35.283**
Cross Currency Swap	11.4 (a.2)	-	28.524	-	
Foreign Exchange Forwards	11.4 (a.3)	-	6.759	-	
Available-for-Sale					**166**
Other Investments		166	-	-	
Total Assets		**637**	**39.785**	**-**	**40.422**
Liabilities					
At Fair Value through Profit or Loss					**143.637**
Foreign Exchange Forwards	11.4 (b)	-	11.228	-	
Interest Rate Swap	11.4 (b)	-	-	132.409	
Hedging Instruments					**11.456**
Cross Currency Swap	11.4 (a.2)	-	3.477	-	
Interest Rate Swap	11.4 (a.1)	-	6.891	-	
Foreign Exchange Forwards	11.4 (a.3)	-	1.088	-	
Total Liabilities		**-**	**22.684**	**132.409**	**155.093**

December 31, 2016	Note	Level 1 ThUS$	Level 2 ThUS$	Level 3 ThUS$	Total
Assets					
At Fair Value through Profit or Loss					**8.315**
Foreign Exchange Forwards	11.4 (a.3)	-	7.894	-	
Mutual Funds		421	-	-	
Hedging Instruments					**11.467**
Cross Currency Swap	11.4 (a.2)	-	4.876	-	
Interest Rate Swap	11.4 (a.1)	-	75	-	
Foreign Exchange Forwards	11.4 (a.3)	-	6.516	-	
Available-for-Sale					**8.833**
Investments in Bonds		8.669	-	-	
Other Investments		164	-	-	
Total Assets		**9.254**	**19.361**	**-**	**28.615**
Liabilities					
At Fair Value through Profit or Loss					**15.614**
Foreign Exchange Forwards	11.4 (b)	-	15.614	-	
Hedging Instruments					**168.013**
Cross Currency Swap	11.4 (a.2)	-	17.562	-	
Interest Rate Swap	11.4 (a.1)	-	10.251	135.572	
Foreign Exchange Forwards	11.4 (a.3)	-	4.628	-	
Total Liabilities		**-**	**48.055**	**135.572**	**183.627**

The amount classified in Level 3 represents interest rate swaps of the subsidiary Alto Maipo, which corresponds to instruments executed in the year 2014.

The valuation of the derivative instrument contains variables not observable in the market and it principally relates to the credit risk associated with Alto Maipo. The credit risk rate used in the valuation considered the spread over Libor used in financing Alto Maipo, which is currently estimated weighted value of 513 points over Libor.

The Company has performed sensitivity analysis on the unobservable variables and the impact on the market value of the instruments classified as level 3. It is estimated that a change of +/- 50 basis points above credit spread would result in an impact of +/- 2.6% on the current valuation of these instruments.

The movement of the balance sheet is valued using Level 3 of the fair value hierarchy, is detailed as follows:

	Interest Rate Swap ThUS$
Opening Balance, January 1, 2017	**135,572**
Valuation Recognized in Other Comprehensive Income	11,264
Adjustment to Net Income	(42)
Settling	(14,385)
Ending Balance, December 31, 2017	**132,409**

(e) Master Netting Agreements

The following table shows the derivative instruments as of December 31, 2017, and December 31, 2016, that are subject to master netting agreements, where there is a contractual right to offset assets and liabilities under these financial instruments.

	December 31, 2017		December 31, 2016	
Current and Non-Current Derivative Instruments	Assets ThUS$	Liabilities ThUS$	Assets ThUS$	Liabilities ThUS$
Current	10,482	(150,519)	12,859	(47,700)
Non-Current	29,303	(4,572)	6,502	(135,927)
Total Derivative Instruments	**39,785**	**(155,091)**	**19,361**	**(183,627)**
Derivative Instruments Subject to Master Netting Agreements				
Subject to Master Netting Agreements (Gross is Equal to Net)	39,785	(155,091)	19,361	(183,627)
Gross Amount of Derivative Instruments Not Offset	(4,388)	2,739	(11,310)	9,999
Gross Amount of Collateral Not Offset	-	-	-	(17,000)
Total Amount	**35,397**	**(152,352)**	**8,051**	**(190,628)**

As of December 31, 2017, and December 31, 2016, the Company has not provided any cash guarantees.

11.3 Credit Risk of Financial Assets

The Company is exposed to credit risk in its commercial activities as well as in its financial activities.

Credit Quality of Gener's and Other Chilean Subsidiaries' Counterparties

The Company evaluates the credit quality of its counterparties, which includes principally distributors and industrial clients. In Gener’s case, the majority of them have local and international investment-grade ratings. Credit quality is determined by qualified rating agencies that determine the solvency of the entities on a rating from “AAA” (highest rating) to “E” (lower rating), obtaining the “investment grade” From the BBB rating.

Regarding financial assets and derivatives, Gener and its subsidiaries execute investments with local and international counterparties with international or national risk ratings of A or A2 per Standard & Poor’s and Moody’s, respectively. Similarly, derivatives executed for financial debt are carried out with top-level international entities. The Company has cash, investment and treasury policies to guide its cash management and minimize credit risk.

Credit Quality of Foreign Subsidiaries

Our Colombian subsidiary, Chivor, executes transactions that are denominated in Colombian pesos with banks that have credit ratings of “AAA”, which is considered to be the highest credit quality rating per Duff & Phelps, a Colombian risk rating agency. With respect to the credit quality of the counterparty for Chivor’s financing activities in US dollars, they have a rating of “A+” (Standard & Poor’s) or “A1” (Moody’s), which indicates a low credit risk.

Historically, Chivor has maintained minimal exposure to credit risk given the short-term nature of its receivables.

Management considers that the Argentinean subsidiary, TermoAndes S.A. has no major credit risks as its commercial operations are primarily with Argentina’s wholesale electric market administrative agent (CAMMESA) and clients known as “Major Users of the Electric Market”, whose contracts operate under Energía Plus legislation.

11.4 Derivative Instruments

Financial derivatives held by Gener and its subsidiaries correspond primarily to transactions entered with the intent to hedge interest and exchange rate volatility arising from financing development projects.

The Company, in line with its risk management policy, enters into interest rate and cross currency swaps and currency forwards to reduce the anticipated variability of the underlying debt’s future cash flows.

The portfolio of derivative instruments as of December 31, 2017, and December 31, 2016, is detailed as follows:

(a) Cash Flow Hedges

(a.1) Interest Rate Swaps

These swap contracts partially hedge the syndicated loans related to Empresa Eléctrica Alto Maipo S.p.A and Empresa Eléctrica Cochrane S.p. follows:

				December 31, 2017				D	
				Assets		Liabilities		Assets	
				Current	Non-Current	Current	Non-Current	Current	Non-Cur
Derivative Instrument	**Counterparty**	**Classification**	**Interest Rates**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS**
Interest Rate Swap	Various	Cash Flow Hedge	2,80% - 5,77%	-	-	4,856	2,035	-	
			Total	**-**	**-**	**4,856**	**2,035**	**-**	

Empresa Eléctrica Cochrane S.p.A.

In May 2013, Empresa Eléctrica Cochrane S.p.A. signed eight interest rate swap contracts with the banks Mizuho Capital Markets Corporation, The Ba Sumitomo Mitsui Banking Corporation and HSBC Bank NA, maturing in 18 years for ThUS$800,000, to fix variable interest rates during the construction plant.

As of December 31, 2017, the Swap instruments of the company Alto Maipo S.p.A., were discontinued as hedging instruments.

(a.2) Cross Currency Swaps

			December 31, 2017				Dece	
			Assets		Liabilities		Assets	
			Current	Non-Current	Current	Non-Current	Current	Non-Curren
Derivative Instrument	**Counterparty**	**Classification**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Cross Currency Swap	Credit Suisse - Deutsche Bank	Cash Flow Hedge	-	6,528	2,465	-	-	
Cross Currency Swap	Estado - Chile - BCI - Corpbanca	Cash Flow Hedge	2,831	19,165	1,012	-	1,841	3,03
		Total	**2,831**	**25,693**	**3,477**	**-**	**1,841**	**3,03**

In December 2007, AES Gener signed two cross currency swaps with Credit Suisse International to fix in U.S. Dollars the UF 5.6 million obligations in tw and O), equivalent to approximately ThUS$217,000 as of the date of issuance, maturing in 2015 and 2028.

In September 2009, AES Gener S.A. signed a modification to the cross-currency swap contract associated with the N Series bond. The previous contract w contracts that were executed with Deutsche Bank. Both swap contracts include provisions that require AES Gener to grant a cash guarantee or line of c exceeds the limit established in the contracts.

In April 2016, the anticipated partial redemption was carried out of the Bonds 144 RegS/to 4.875% of Angamos by an amount of MUS$199.028, to 94% of was funded with five loans obtained from local banks in pesos and UF, see note 20.1.(a), which have the same maturity with respect to the bonus rescued. T loans, Angamos signed five contracts for the swap of currency and interest rate with the banks themselves that granted funds for the rescue of the bond w the currencies of debt from Pesos and UF to dollars and also to convert variable interest rates at a fixed rate during the period in two of the five loans obta

(a.3) Foreign Exchange Forwards

			December 31, 2017				Decem	
			Assets		Liabilities		Assets	
			Current	Non-Current	Current	Non-Current	Current	Non-Current
Derivative Instrument	**Counterparty**	**Classification**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Foreign Exchange Forward (AES Gener)	Various	Financial Asset at Fair Value through Profit or Loss	3,969	2,790	1,084	4	-	
Foreign Exchange Forward (Alto Maipo USD/UF)	Corpbanca	Financial Asset at Fair Value through Profit or Loss	-	-	-	-	4,264	2,252
		Total	**3,969**	**2,790**	**1,084**	**4**	**4,264**	**2,252**

In November 2017, AES Gener S.A. executed foreign exchange forward contracts related to accounts receivable from regulated customers with JP Morga partial maturities and final settlement on January 2018. The outstanding nominal amount as of December 31, 2017, is ThUS$31,600.

In August and September 2017, AES Gener S.A. executed foreign exchange forward contracts related to fix costs with Banco de Chile, Scotiabank, Bar total of ThUS$322,335, with partial maturities and final settlement on July 2020. The outstanding nominal amount as of December 31, 2017, is ThUS$27

In December 2017, AES Gener S.A. executed foreign exchange forward contracts related to fix costs with HSBC, Scotiabank and Banco de Chile for a maturities and final settlement on October 2020. The outstanding nominal amount as of December 31, 2017, is ThUS$80,226.

As of December 31, 2017, the currency forward instruments of the company Alto Maipo S.p.A., were discontinued as hedging instruments.

(a.4) Other Information - Cash Flow Hedge

Hedge maturities are detailed as follows:

Company	Type of Derivative	Institution	Hedged Item	Period Covered Start	Period Covered End	2018 ThUS$	2019 ThUS$
AES Gener S.A.	Cross Currency Swap	Deutsche Bank y Credit Suisse	Interest Rate	12/1/2007	12/1/2028	15,660	15,660
Emp Eléctrica Cochrane S.p.A	Interest Rate Swap	Various	Interest Rate	4/24/2013	11/15/2030	39,510	47,453
Alto Maipo S.p.A.	Interest Rate Swap	Various	Interest Rate	4/15/2014	10/17/2033	-	44,547
TOTAL						**55,170**	**107,660**

For more details on debt maturity, see Note 20 Other Financial Liabilities.

The Company has not made cash flow accounting hedges for highly probable transactions that have not yet occurred. Regarding the restructuring carried point of view of hedge accounting, the modified instruments were denominated as new instruments at the date of restructuring and designated again as hed they were considered highly effective

For the years ended December 31, 2017 and 2016, the ineffectiveness of cash flow hedges caused income in the Income Statement of ThUS$9,824 and Th

The following movements were recognized in Accumulated Other Comprehensive Income (See note 25 c) during the years ended December 31, 2017 and

Movements in Other Comprehensive Income	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Valuation of Available-for-Sale	(385)	(2,293)
Gains (Losses) related to Derivatives Recognized in Other Comprehensive Income	25,764	39,303
Gains (Losses) related to Derivatives Reclassified from Other Comprehensive Income to Net Income	(23,192)	(3,989)
Gains (Losses) related to Derivatives of Associate Recognized in Other Comprehensive Income	2,331	4,380
	4,518	**37,401**

(b) Derivatives not Designated as Hedging Instruments

			December 31, 2017				De	
			Assets		Liabilities		Assets	
			Current	Non-Current	Current	Non-Current	Current	Non-Curr
Derivative Instrument	**Counterparty**	**Classification**	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS
Swap Tasa de Interés	Various	Financial Asset at Fair Value through Profit or Loss	-	-	132,409	-	-	
Foreign Exchange Forward (Options)	Various	Financial Asset at Fair Value through Profit or Loss	790	-	-	-	-	
Foreign Exchange Forward AES Chivor	Various	Financial Asset at Fair Value through Profit or Loss	2,891	821	8,438	2,534	6,373	1
Foreign Exchange Forward AES Gener	Various	Financial Asset at Fair Value through Profit or Loss	-	-	256	-	-	
Foreign Exchange Forward (AES Gener - VAT Alto Maipo)	Various	Financial Asset at Fair Value through Profit or Loss	-	-	-	-	97	
Foreign Exchange Forward (AES Gener - Coal)	Various	Financial Asset at Fair Value through Profit or Loss	-	-	-	-	284	
Foreign Exchange Forward (AES Gener - VAT Cochrane)	Various	Financial Asset at Fair Value through Profit or Loss	-	-	-	-	-	
		Total	**3,681**	**821**	**141,103**	**2,534**	**6,754**	**1**

Derivative instruments of Alto Maipo S.p.A - Interest swaps and FX derivatives.

In January 2014, Alto Maipo S.p.A. held ten interest rate swap contracts with banks KFW IPEX Bank, DNB Bank ASA, Banco Itaú Chile and Corpbanca, for 19 years for ThUS$973,578, to convert variable interest rates at a fixed rate during the period of construction and the period of operation of its plant.

In March 2017, Alto Maipo S.p.A. carried out a financial restructuring which included a modification of the interest rate swaps with the BCI and Itaú banks (including Corpbanca). The amendment consisted of reducing the original fixed rate of the interest rate swap from the date of restructuring until the first quarter of 2020. This reduction will be compensated by partial increases in the fixed rate up to the reduction initially applied to the original fixed rate of hedging instruments. The increase in the fixed rate of the rate swap will be carried out from the first quarter of 2020 until the original maturity of these instruments. From the point of view of hedge accounting, the modified instruments were denominated as new instruments at the date of restructuring and newly designated as hedging instruments, since at that date they were considered highly effective.

In April 2017, Alto Maipo S.p.A. entered into European currency option contracts with BCI and JP Morgan Chase banks Bank for a nominal value of ThCh$ 82,774. The nominal values as of December 31, 2017, amount to ThCh$ 5,720.

Alto Maipo S.p.A. has executed interest rate swaps, options and currency forwards since the beginning of the project with the purpose of hedging exposures to variable interest rate and foreign currency, which have been accounted for as hedge accounting under IAS 39. As of June 30, 2017, because of the termination of one of the construction contracts relevant to the project, with Nueva Maipo (CNM), there was a technical default event under the clauses of the financing contracts. There was also a cross-default in the derivative framework contracts executed by Alto Maipo S.p.A., which is why the total balances for financial assets and liabilities are presented as current in the statement of financial position.

Additionally, the fact that Alto Maipo is currently in technical financial default (see Note 31), affects its ability to carry out debt disbursements, and increases the uncertainty of the flows related to payments to the replacement contractor and the opportunity of the debt disbursements to realize these. Such uncertainty affects the ability of management to assess the likelihood of occurrence of these cash flows resulting in the prospective discontinuation of hedge accounting as of June 30, 2017. The changes in the fair value for the interest rate swap, options and currency forward executed by Alto Maipo S.p.A. will be recorded prospectively in the Company's Income Statement from the discontinuation date of hedge accounting.

Other subsidiaries - Currency FX forwards

In December 2017, AES Gener S.A. executed foreign exchange forward contracts related to unregulated accounts receivable with Banco Estado for a total of ThUS$4,087, with final settlement on January 2018. The nominal amount outstanding as of December 31, 2017, is ThUS$4,087.

In the second quarter of 2016, the subsidiary Chivor executed foreign exchange forward contracts with Bank of América and Bancolombia, respectively, for a total nominal value of ThUS$102,468. The nominal amount outstanding as of December 31, 2017, is ThUS$31,617.

In the fourth quarter of 2016, the subsidiary Chivor executed foreign exchange forward contracts with Bank of América, JP Morgan and Bancolombia, respectively, for a total nominal value of ThUS$106,899. The nominal amount outstanding as of December 31, 2017, is ThUS$68,235.

In the first quarter of 2017, the subsidiary Chivor executed foreign exchange forward contracts with Bank of América and JP Morgan, respectively, for a total nominal value of ThUS$39,196. The nominal amount outstanding as of December 31, 2017, is ThUS$22,286.

In the second quarter of 2017, the subsidiary Chivor executed foreign exchange forward contracts with JP Morgan, for a total nominal value of ThUS$6,520. The nominal amount outstanding as of December 31, 2017, is ThUS$6,520

In the third quarter of 2017, the subsidiary Chivor executed foreign exchange forward contracts with JP Morgan, Bancolombia and Bank of America, for a total nominal value of ThUS$58,277. The nominal amount outstanding as of December 31, 2017, is ThUS$58,277

In the fourth quarter of 2017, the subsidiary Chivor executed foreign exchange forward contracts with JP Morgan and Bank of America, for a total nominal value of ThUS$77,581. The nominal amount outstanding as of December 31, 2017, is ThUS$77,581.

During the year 2017, AES Gener executed foreign exchange forwards contracts associated to VAT Receivables related to the construction of Alto Maipo with Banco de Chile and Scotiabank for a total of ThUS$35,971 with final settlement on October 2017. There are no current nominal values as of December 31, 2017,

In September 2017, AES Gener executed currency forward contracts associated with customers in litigation with HSBC for a nominal value of ThUS$12,000, with final settlement in December 2017. There are no current nominal values as of December 31, 2017,

In December 2016, AES Gener entered into forward contracts for the purchase and sales of API2 (Price of Coal ore) associated with coverage by future purchases of coal with Morgan Stanley Bank for approximately 290,000 metric tons with partial maturities during the year 2017. There are no effective tons as of December 31, 2017,

The amounts related to these contracts are classified as Current Assets/Liabilities.

(c) Embedded Derivatives (Through Profit or Loss)

As of December 31, 2017, and 2016, there are no balances for this type of instrument.

NOTE 12 - OTHER NON-FINANCIAL ASSETS

As of December 31, 2017, and 2016, Other Non-Financial Assets are as follows:

	Current		Non-Current	
Other Financial Assets	**December 31, 2017 ThUS$**	**December 31, 2016 ThUS$**	**December 31, 2017 ThUS$**	**December 31, 2016 ThUS$**
Prepaid Insurance	372	655	-	33
Taxes Receivable (a)	-	-	15,894	22,726
Guarantees Granted	-	-	8,365	7,046
Advance payments tax imports	5,148	2,073	-	-
Advance Payment to General Electric	-	-	-	3,543
Other	9	279	15	272
Total	**5,529**	**3,007**	**24,274**	**33,620**

(a) Corresponds primarily to recoverable taxes of AES Gener, related to water rights tax credits.

NOTE 13 - TRADE AND OTHER RECEIVABLES

Amounts in Trade and Other Receivables relate to transactions within the Company's line of business and that of its subsidiaries, which principally consists of sales of energy, capacity, transmission and coal.

Amounts in Other Receivables consist primarily of prepayments to suppliers, receivables relating to employees and guarantees granted, among other items

1) As of December 31, 2017, and 2016, this account is detailed as follows:

	Current		Non-Current	
Trade and Other Receivables	**December 31, 2017 ThUS$**	**December 31, 2016 ThUS$**	**December 31, 2017 ThUS$**	**December 31, 2016 ThUS$**
Trade Receivables, Gross	320,915	289,022	7,722	13,300
Allowance for Doubtful Accounts	(3,425)	(2,979)	-	-
Trade Receivables, Net	**317,490**	**286,043**	**7,722**	**13,300**
Value Added Tax Credit	77,518	72,735	6,235	6,286
Other Receivables	49,897	14,368	4,972	435
Trade and Other Receivables, Net	**444,905**	**373,146**	**18,929**	**20,021**

The fair value of Trade and Other Receivables does not differ significantly from their carrying amount.

2) Trade Receivables past due but not impaired are detailed as follows:

These items are detailed in the table below:

	Regulated customers		Unregulated customers		TOTAL		
Stretches of delinquency at December 31, 2017	**No. Customers ThUS$**	**Amount portfolio gross ThUS$**	**No. Customers ThUS$**	**Amount portfolio gross ThUS$**	**Amount portfolio gross ThUS$**	**Allowance for Doubtful Accounts ThUS$**	**Amount portfolio net ThUS$**
Up to date	58	128.107	374	146.010	274.117	-	274.117
1-30 days	10	10.374	395	24.266	34.640	-	34.640
31-60 days	6	1.287	136	1.095	2.382	-	2.382
61-90 days	2	(328)	55	674	346	(221)	125
91-120 days	2	16	57	197	213	(124)	89
121-150 days	1	-	73	244	244	(124)	120
151-180 days	-	-	38	12	12	(44)	(32)
181-210 days	2	-	24	85	85	(51)	34
211- 250 days	1	-	70	62	62	(108)	(46)
> 250 days	8	2.714	643	13.822	16.536	(2.753)	13.783
Trade Receivables	**90**	**142.170**	**1.865**	**186.467**	**328.637**	**(3.425)**	**325.212**

	Regulated customers		Unregulated customers		TOTAL		
Stretches of delinquency at December 31, 2016	**No. Customers ThUS$**	**Amount portfolio gross ThUS$**	**No. Customers ThUS$**	**Amount portfolio gross ThUS$**	**Amount portfolio gross ThUS$**	**Allowance for Doubtful Accounts ThUS$**	**Amount portfolio net ThUS$**
Up to date	28	122.704	264	133.370	256.074	-	256.074
1-30 days	12	4.688	123	6.273	10.961	-	10.961
31-60 days	2	992	68	1.008	2.000	-	2.000
61-90 days	3	1.031	50	241	1.272	(165)	1.107
91-120 days	1	890	37	87	977	(33)	944
121-150 days	1	873	25	41	914	(20)	894
151-180 days	-	285	24	174	459	(21)	438
181-210 days	3	133	34	25	158	(25)	133
211- 250 days	1	184	11	66	250	(80)	170
> 250 days	18	27.862	192	1.395	29.257	(2.635)	26.622
Trade Receivables	**69**	**159.642**	**828**	**142.680**	**302.322**	**(2.979)**	**299.343**

3) Impaired Trade and Other Receivables are detailed as follows:

Movements of Allowance for Doubtful Accounts	**Current Balance ThUS$**
Balance as of December 31, 2015	**4,447**
Increases for the Year	(1,468)
Amounts Written off to Income	-
Balance as of December 31, 2016	**2,979**
Increases for the Period	446
Amounts Written off to Income	-
Balance as of December 31, 2017	**3,425**

NOTE 14 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its subsidiaries consist of recurring transactions made at terms equivalent to those that prevail in an arm's lengt transactions have been eliminated upon consolidation and are not disclosed in this note.

14.1 Balances and Transactions with Related Parties

a) The balances of Accounts Receivable between the Company and its related companies are detailed as follows:

Related Party Receivables					
Tax ID Number	Company	Country	Description of Transaction	Relationship	Currency
Foreign	AES Corporation	United States	Miscellaneous Services	Ultimate Parent Company	US$
Foreign	AES Maritza East Ltd.	Bulgaria	Miscellaneous Services	Common Parent	US$
Foreign	AES Panamá Limitada	Panamá	Miscellaneous Services	Common Parent	US$
Foreign	Compañía de Alumbrado Eléctrico	El Salvador	Miscellaneous Services	Common Parent	US$
Foreign	AES Andres BV	Dominican Republic	Miscellaneous Services	Common Parent	US$
Foreign	AES Big Sky	United States	Miscellaneous Services	Common Parent	US$
Foreign	AES TEG Operations, S.de R.L. de CV	United States	Miscellaneous Services	Common Parent	US$
Foreign	Dominican Power Part	Dominican Republic	Miscellaneous Services	Common Parent	US$
Foreign	AES Electric Ltd	Britain	Miscellaneous Services	Common Parent	US$
Foreign	AES Private Limites	India	Miscellaneous Services	Common Parent	US$
Foreign	AES Engineering, LLC	United States	Miscellaneous Services	Common Parent	US$
Foreign	AES Argentina Generación S.A.	Argentina	Miscellaneous Services	Common Parent	US$
Foreign	AES Latinoamerica, S De RL	Panamá	Miscellaneous Services	Common Parent	US$
Foreign	Masinloc Power Partners Co.Ltd	Philippines	Miscellaneous Services	Common Parent	US$
Foreign	AES Hawaii	United States	Miscellaneous Services	Common Parent	US$
96.790.240-3	Minera Los Pelambres	Chile	Energy and Capacity Sales	Non-Controlling Interest in Subsidiary	US$
96.418.918-3	Guacolda Energía S.A.	Chile	Coal Sale	Associate	US$
Total					

The Company has not recorded any non-current receivables.

b) The balances of Accounts Payable between the Company and its related companies are detailed as follows:

Related Party Payables						Current	
						December 31, 2017	December 31, 2
Tax ID Number	Company	Country	Description of Transaction	Relationship	Currency	ThUS$	ThUS$
Foreign	AES Corporation	United States	Salaries	Ultimate Parent Company	US$	5,957	3,
Foreign	AES Corporation	United States	Reimbursement of Fees	Ultimate Parent Company	US$	455	
Foreign	AES Corporation	United States	Other Services	Ultimate Parent Company	US$	845	
Foreign	AES Corporation	United States	Dividend to pay	Ultimate Parent Company	US$	-	
Various	Minority shareholders	Chile	Dividend to pay	Shareholders	US$	55,356	
Foreign	AES Servicios América	Argentina	IT Consultancy Services	Common Parent	US$	512	
Foreign	AES Energy Ltd	Argentina	Miscellaneous Services	Common Parent	US$	8	
Foreign	Compañía de Alumbrado Eléctrico	El Salvador	Miscellaneous Services	Common Parent	US$	113	
Foreign	AES Panamá Limitada	Panama	Miscellaneous Services	Common Parent	US$	38	
Foreign	AES Big Sky, LLC	United States	Miscellaneous Services	Common Parent	US$	1,615	
Foreign	Masinloc Power Partners Co. Ltd	Phillipines	Miscellaneous Services	Common Parent	US$	2	
Foreign	AES Energy Storage	United States	Miscellaneous Services	Common Parent	US$	4	
Foreign	AES Electric Ltd	Britain	Miscellaneous Services	Common Parent	US$	303	
Foreign	AES Argentina	Argentina	Miscellaneous Services	Common Parent	US$	32	
Foreign	AES NA Central, LLC	United States	Miscellaneous Services	Common Parent	US$	24	
Foreign	AES Latinoamerica, S De RL	Panama	Miscellaneous Services	Common Parent	US$	2	
Foreign	AES Alicurá	Argentina	Miscellaneous Services	Common Parent	US$	1	
Foreign	Dominican Power Part	Dominican Republic	Miscellaneous Services	Common Parent	US$	72	
Foreign	Inversora AES Americas Holding España SL	Spain	Administrative fee and technical assistance	Common Parent	US$	36	
Foreign	AES Transpower Pte. Ltd.- Philippines Branch	Philippines	Miscellaneous Services	Common Parent	US$	7	
Foreign	AES TEG Operations, S.de R.L. de CV	United States	Miscellaneous Services	Common Parent	US$	-	
Foreign	AES Hawaii	United States	Miscellaneous Services	Common Parent	US$	48	
96.418.918-3	Guacolda Energía S.A.	Chile	Purchase of Energy and Capacity	Associate	US$	26,052	4,
76.236.918-4	Strabag SpA	Chile	Borrowing	Non-Controlling Interest in Subsidiary	US$	43,899	
76.236.918-4	Strabag SpA	Chile	Project construction services	Non-Controlling Interest in Subsidiary	US$	139,333	
Foreign	Empresa Eléctrica Itabo S.A.	Dominican Republic	Coal Purchase	Common Parent	US$	4,204	
96.790.240-3	Minera Los Pelambres	Chile	Loan	Non-Controlling Interest in Subsidiary	US$	-	
Total						**278,918**	**10,**

c) The effects on the Income Statement of these transactions with unconsolidated related companies during the years ended December 31, 2017 and

Tax ID Number	Company	Country	Description of Transaction	Relationship	December 31, 2017 ThUS$	Effect in Incom ThUS$
96.418.918-3	Guacolda Energía S.A.	Chile	Sale of Energy and Capacity	Associate	18,384	18,3
96.418.918-3	Guacolda Energía S.A.	Chile	Purchase of Energy and Capacity	Associate	77,910	(77,9
96.418.918-3	Guacolda Energía S.A.	Chile	Fuel Sales	Associate	99,049	99,0
96.418.918-3	Guacolda Energía S.A.	Chile	Management fee and technical assistance	Associate	3,602	3,6
96.418.918-3	Guacolda Energía S.A.	Chile	Transmission Revenues	Associate	28	
96.418.918-3	Guacolda Energía S.A.	Chile	Miscellaneous Services	Associate	11	
96.790.240-3	Minera Los Pelambres	Chile	Loan received and interest costs	Non-Controlling Interest in Subsidiary	24,710	(24,7
96.790.240-3	Minera Los Pelambres	Chile	Sale of Energy and Capacity	Non-Controlling Interest in Subsidiary	36,938	36,9
Foreign	Gasoducto Gasandes Argentina	Argentina	Dividends	Investment	1,287	1,2
96.721.360-8	Gasoducto Gasandes Chile S.A.	Chile	Capital Decrease	Investment	623	-
Foreign	AES Corporation	United States	Foreign personnel costs and other services	Ultimate Parent Company	739	(7
Foreign	AES Corporation	United States	Miscellaneous Services	Ultimate Parent Company	525	(5
Foreign	AES Big Sky, LLC	United States	Miscellaneous Services	Common Parent	1,273	(1,2
Foreign	AES Latinoamerica, S De RL	Panama	Miscellaneous Services	Common Parent	-	-
Foreign	AES Servicios America S.R.L.	Argentina	Miscellaneous Services	Common Parent	1,510	(1,5
Foreign	AES Hawaii	United States	Miscellaneous Services	Common Parent	48	(
Foreign	AES Hawaii	United States	Miscellaneous Services	Common Parent	7,737	7,7
Foreign	Masinloc Power Partners Co. Ltd	Philipinas	Miscellaneous Services	Common Parent	76	
Foreign	Compañía de Alumbrado Eléctrico	El Salvador	Miscellaneous Services	Common Parent	247	(2
Foreign	AES Transpower Pte. Ltd.- Philippines Branch	Philipinas	Miscellaneous Services	Common Parent	-	-
Foreign	Inversora AES Americas Holding España SL	Spain	Administrative fee and technical assistance	Common Parent	446	(4
6.375.799-3	Luis Felipe Cerón C	Chile	Consulting Services	Directors	301	(3

Transactions with related companies, in general, consist of recurring transactions made on terms equivalent to those that prevail in an arm's lengtl

As of the date of these consolidated financial statements, there are no allowances for doubtful accounts relating to these balances.

13.2 Key Management Personnel

Key management personnel are those that have the authority and responsibility to plan, direct and control the activities of the Company, whether direct or indirectly. AES Gener S.A. is managed by the members of the Senior Management and by a Board of Directors composed of seven directors and their respective alternates, who are elected for a period of three years by the shareholders in the Ordinary General Shareholders' Meeting.

In conformity with the provisions of Article 50-bis of Law 18,046 on Corporations, AES Gener S.A. has an Audit Committee composed of 3 members that have been granted the powers contained in that article.

(a) Balances and Transactions with Key Management Personnel

There are no pending receivables or payables between the Company and its Directors and Senior Management.

In the periods covered by these consolidated financial statements, no transactions other than those disclosed in Note 14.2, section c) and payment of compensation took place between the Company and its Directors or Senior Management

The Company has established no guarantees on behalf of the Directors.

There are no guarantees granted by the Company in favor of the Senior Management.

There are no compensation plans linked to the market value of shares of the Company.

(b) Board Compensation

AES Gener's by-laws establish that its directors do not receive compensation for serving as directors.

During the periods covered by these consolidated financial statements, the Company's Directors who are employed by AES Corporation or any subsidiary or associate did not receive any compensation, entertainment or travel expenses, royalties, or any other stipend. However, some directors do receive compensation for serving as members of the Audit Committee, as disclosed in the following paragraph.

In the Ordinary General Shareholders' Meeting held April 26, 2017, shareholders agreed to set compensation for Audit Committee members at 240 Unidades de Fomento for 2017. During the periods covered by these financial statements, the amounts detailed in the following table were paid to Audit Committee members and directors of subsidiaries.

Board Members		December 31, 2017		
		Board of Directors of AES Gener	Board of Directors of Subsidiaries	Audit Committee
Name	Position	ThUS$	ThUS$	ThUS$
Andrés Gluski	Director	-	-	-
Bernerd da Santos	Chairman	-	-	-
Arminio Borjas	Director	-	-	-
Vineet Mohan	Director	-	-	-
Gonzalo Parot Palma	Director	-	-	105
Claudia Bobadilla Ferrer	Director	-	-	106
Radovan Roque Razmilic Tomicic	Director	-	-	105
	TOTAL	**-**	**-**	**316**

Board Members		December 31, 2016		
		Board of Directors of AES Gener	Board of Directors of Subsidiaries	Audit Committee
Name	Position	ThUS$	ThUS$	ThUS$
Andrés Gluski	Chairman	-	-	-
Bernerd da Santos	Director	-	-	-
Michael Chilton	Director	-	-	-
Gonzalo Parot Palma	Director	-	-	50
Claudia Bobadilla Ferrer	Director	-	-	50
Iván Díaz-Molina	Ex - Director	-	-	24
Radovan Roque Razmilic Tomicic	Director	-	-	74
José Pablo Arellano Marín	Ex - Director	-	-	24
Luis Felipe Ceron Ceron	Ex - Director	-	-	-
	TOTAL	**-**	**-**	**222**

On April 5, 2017, the board of AES Gener received the resignation of Mr. Felipe Cerón Cerón from the position of Regular Director and President of the Company. Because of the foregoing, the board of directors proceeded to appoint Mr. Bernerd Da Santos as President of the Company (to date, Principal Director) and Mr. Arminio Borjas as Regular Director (to date, Alternate Director).

On February 5, 2018, in an extraordinary session the board of AES Gener received the resignation of Mr. Javier Giorgio from the position of General Manager of the Company, which will be effective as of March 31, 2018. In the same session, it was decided that the position be assumed by Mr. Ricardo Falú as of April 1, 2018,

(c) Overall Compensation of Executives that are not Directors

The overall compensation of the Company's Senior Management includes fixed monthly compensation, bonuses based on performance and corporate results as compared to the year prior, to long-term compensation and indemnification. The Company's key management personnel include its Chief Executive Officer and Managers of the following departments: Operations, Legal and Corporate Matters, Engineering and Construction, Development, and Finance.

Key management participate in an annual bonus plan based on goal achievement and individual contribution to the Company's results. These incentives are structured as a minimum and maximum number of gross monthly salaries and are paid once a year.

The Company's key executives received overall compensation for the years ended as of December 31, 2017, and 2016, of ThUS$5,049 and ThUS$6,044 respectively.

NOTE 15 - INVENTORY

Inventory, valued in accordance with Note 4.11, is detailed as follows:

Inventory	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Coal	48,693	31,083
Oil	4,404	4,318
Materials	50,068	48,619
Coal in Transit	48,516	48,808
Materials in Transit	716	722
Other Inventory	2,760	2,685
Total	**155,157**	**136,235**

The amount of inventory recognized as cost of sales in net income for the years ended December 31, 2017 and 2016, is detailed as follows:

Inventory Recognized as Cost of Sales in Net Income	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Coal	647,321	492,381
Oil	19,413	15,761
Gas	88,002	108,011
Other (1)	33,591	28,989
Total	**788,327**	**645,142**

(1) Other consists principally of materials, lime and biomass consumption.

In the periods covered by these consolidated financial statements, no adjustments exist that would significantly affect the carrying value of inventory.

NOTE 16 - TAXES

Current Taxes Receivables and Payables

Current Taxes Receivable as of December 31, 2017, and 2016, are detailed as follows:

Current Taxes Receivable	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Monthly Provisional Tax Payments	7,713	17,454
Sence Credit	401	-
Donations Credit	42	-
Argentinean Tax Credit	4,928	4,741
Colombia Income Prepayment	-	4,784
Refunds Pending	19,285	17,528
Other	-	543
Less:		
Rejected Expenses Provision	92	265
First Category Tax Provision	6,366	6,876
Total	**25,911**	**37,909**

On the other hand, the details of the accounts payable for current taxes (which do not involve a net position of the box above) is the following:

Current Taxes Payable	December 31, 2017 ThUS$	December 31, 2016 ThUS$
First Category Tax Provision	77,795	80,792
Argentinean Tax	-	9,491
Other	1,049	617
Less:		
Monthly Provision Payments	20,949	12,303
Refunds Pending	14	242
Colombia Income Prepayment	32,339	39,976
Other	-	199
Total	**25,542**	**38,180**

Income Tax Expense

The income tax expense for the years ended December 31, 2017 and 2016, is detailed as follows:

Current and Deferred Income Tax Expense	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Current Tax Expense	93,807	93,507
Adjustments to the current tax of the previous period	-	(5,098)
Other Tax Expense	36	721
Total Current Tax Expense	**93,843**	**89,130**
Deferred Tax Expense Related to Changes in Temporary Differences	21,175	17,700
Total Deferred Tax Expense	**21,175**	**17,700**
Income Tax Expense	**115,018**	**106,830**

Foreign and National Tax Expense	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Foreign Current Tax Expense	63,935	66,636
National Current Tax Expense	29,908	22,494
Total Current Tax Expense	**93,843**	**89,130**
Foreign Deferred Tax Expense	(2,646)	(9,757)
National Deferred Tax Expense	23,821	27,457
Total Deferred Tax Expense	**21,175**	**17,700**
Income Tax Expense	**115,018**	**106,830**

The following table reconciles the income tax charge resulting from applying the statutory tax rate in Chile to the effective rate for the years ended December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Reconciliation of Tax Expense	**ThUS$**	**ThUS$**
Tax Expense Using the Statutory Rate	79,841	87,633
Effect of the Tax Rates in Other Jurisdictions (a)	20,613	22,706
Non-Taxable Operating Revenue	(4,353)	(3,523)
Non-Deductible Expenses	13,816	(1,660)
Tax effect associated with reorganizations	(8)	-
Tax Benefit Previously Unrecognized in Income Statement	-	(2,200)
Effect of tax rates changes	868	653
Tax Benefit from Excess Taxes from Previous Periods	(233)	(84)
Tax effect by absorption of loss without credit	-	-
Foreign Currency Exchange Differences	2,057	2,777
Other Increases due to Changes in Statutory Taxes	2,417	528
Adjustments to Tax Expenses using Statutory Rate	**35,177**	**19,197**
Tax Expense Using Effective Rate	**115,018**	**106,830**

(a) Rates in Other Jurisdictions represents the differences that arise from applying the current rate in Chile (25.5%) and the other jurisdictions in which foreign subsidiaries are domiciled (Argentina 35% and Colombia 40%).

	December 31, 2017	December 31, 2016
Tax Related to Items Recorded in Net Equity	**ThUS$**	**ThUS$**
Deferred Taxes Related to Items Recorded in Net Equity	(2,478)	10,242
Total Tax Effect Related to Items Recorded in Equity	**(2,478)**	**10,242**

Deferred taxes recorded through equity are related to Other Comprehensive Income (Other Reserves) for cash flow hedge derivatives and employee benefit plans.

Deferred Taxes

On February 08, 2016, the Law No. 20,899 was published in the Official Journal, which introduces changes to the existing tax system and modifies some aspects of Law No. 20,780.

Law No. 20,899, provides that the Company will apply, for being an open joint stock society, to the Partially Integrated System, thus not allowing to opt for the Attributed Income regime. As such, the law on Tax Reform incorporated a tax on emissions from thermoelectric plants, which will become effective as of 2017.

In Colombia, on January 1, 2017, the structural tax reform came into effect, which in general terms unifies the corporate tax, decreases the corporate tax rate, eliminates the CREE tax and establishes a transitional tax rate of 6% and 4% for 2017 and 2018 respectively, thus gradually lowering corporate tax, from 40% in 2017 to 33% from 2019 onwards. Likewise, the new tax regulation taxed the distribution of dividends with a rate of 10%, establishes a new anti-evasion regulation and taxed new activities with VAT, among other modifications.

Balances of Deferred Tax Assets as of December 31, 2017, and 2016, are detailed as follows:

Deferred Tax Assets	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Amortization	-	-
Provisions	14,897	9,228
Employee Benefits	9,894	8,231
Fair Value of Financial Instruments	4,600	8,785
Tax Losses	296,108	346,560
Deferred Income	2,501	13,405
Interest-Bearing Loans	1,923	889
Lease Obligations	19,062	20,026
Finance Expense	10,699	7,874
Other	96,726	25,858
Total Deferred Tax Assets	**456,410**	**440,856**

The most significant deferred asset is related to the fiscal losses of companies in construction stage or only with a few years of operations. The origin of such losses is mainly financial expenses not capitalized under projects, accelerated depreciation of plant assets that are already in operation and the valuation of derivative instruments.

There is evidence that these losses will be reversed in the future due to taxable income associated with energy supply contracts (PPAs), already signed. For the most part, they correspond to companies that have not started their operations or that have started its operations a short time ago.

As of December 31, 2017, the item "Other" principally includes the difference related to decommissioning liabilities for property, plant and equipment.

Balances of Deferred Tax Liabilities as of December 31, 2017, and December 31, 2016, are detailed as follows:

Deferred Tax Liabilities	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Depreciation	803,515	845,256
Provisions	-	-
Employee Benefits	7,436	5,120
Fair Value of Financial Instruments	11,466	10,474
Deferred Income	9	16
Interest-Bearing Loans	6,835	25,674
Lease Obligations	220	314
Finance Expense	40,432	21,933
Other	74,776	10,533
Total Deferred Tax Liabilities	**944,689**	**919,320**
Deferred Tax Net Position	**(488,279)**	**(478,464)**

Reconciliation between amounts in the Statement of Financial Position and the deferred tax tables are detailed as follows:

Statement of Financial Position	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Deferred Tax Asset	87,592	93,133
Deferred Tax Liability	(575,871)	(571,597)
Deferred Tax Net Position	**(488,279)**	**(478,464)**

Note 15 - Deferred Taxes	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Deferred Tax Asset	456,410	440,856
Deferred Tax Liability	(944,689)	(919,320)
Deferred Tax Net Position	**(488,279)**	**(478,464)**

The following movements occurred in Deferred Tax Assets and Liabilities during the years ended December 31, 2017 and December 31, 2016, are detailed as follows:

Movements in Deferred Taxes	Asset ThUS$	Liability ThUS$
Balance as of January 1, 2016	423,435	871,082
Increase in Income (Losses)	27,097	44,797
Decrease in Other Comprehensive Income	(10,393)	-
Foreign Currency Translation Adjustment	717	3,441
Balance as of December 31, 2016	**440,856**	**919,320**
Increase in Income (Losses)	28,862	50,038
Increase in Other Comprehensive Income	2,477	-
Increase (decrease) by reclassification assets Held for Sales	(15,921)	(25,114)
Foreign Currency Translation Adjustment	136	445
Balance as of December 31, 2017	**456,410**	**944,689**

NOTE 17 - INVESTMENTS IN ASSOCIATES

AES Gener S.A. has a 50% stake in Guacolda Energía S.A. ("Guacolda S.A.") and the same percentage of voting rights. The Company's rights in this concept and definition in IFRS 11 "Joint Ventures" but since it has significant influence, it is still classified as an "associate" in accordance with IAS 2 Joint Ventures".

Information on associates as of December 31, 2017, and December 31, 2016, is detailed as follows:

Investment in Associates	Country	Functional Currency	Ownership Interest	Percentage of Voting Rights	Balance as of January 1, 2017	Equity Participation in Earnings
					ThUS$	ThUS$
Guacolda Energía S.A.	Chile	US$	50.00%	50.00%	419,468	23,584
				TOTAL	**419,468**	**23,584**

Investment in Associates	Country	Functional Currency	Ownership Interest	Percentage of Voting Rights	Balance as of January 1, 2016	Equity Participation in Earnings
					ThUS$	ThUS$
Guacolda Energía S.A.	Chile	US$	50.00%	50.00%	402,178	12,909
				TOTAL	**402,178**	**12,909**

During year ended December 31, 2017 and 2016, dividends were received the amount of ThUS$34,500 and ThUS$22,500, respectively.

Summarized information as of December 31, 2017, and 2016, of the entity accounted for under the equity method is detailed as follows:

	December 31, 2017					
Investment in Associates	Ownership Interest	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Operating Revenues
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Guacolda Energía S.A.	50.00%	192,278	1,651,268	(147,431)	(855,397)	493,451
	TOTAL	**192,278**	**1,651,268**	**(147,431)**	**(855,397)**	**493,451**

	December 31, 2016					
Investment in Associates	Ownership Interest	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Operating Revenues
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Guacolda Energía S.A.	50.00%	153,284	1,600,891	(122,155)	(773,664)	380,500
	TOTALES	**153,284**	**1,600,891**	**(122,155)**	**(773,664)**	**380,500**

NOTE 18 - INTANGIBLE ASSETS

18.1 Intangible Assets

Movements in the principal classes of Intangible Assets, valued as described in Notes 4.5 and 4.6, are detailed as follows:

	December 31, 2017		
Intangible Assets	Gross Amount ThUS$	Accumulated Amortization ThUS$	Carrying Amount ThUS$
Goodwill	-	-	-
Intangible Assets with Definite Useful Lives	49,502	(30,976)	18,526
Intangible Assets with Indefinite Useful Lives	34,063	-	34,063
Intangible Assets	**83,565**	**(30,976)**	**52,589**
Software	20,212	(14,210)	6,002
Easements	17,541	(406)	17,135
Water Rights	17,066	-	17,066
Other Identifiable Intangible Assets	28,749	(16,363)	12,386
Total Identifiable Intangible Assets	**83,568**	**(30,979)**	**52,589**

	December 31, 2016		
Intangible Assets	Gross Amount ThUS$	Accumulated Amortization ThUS$	Carrying Amount ThUS$
Goodwill	7,309	-	7,309
Intangible Assets with Definite Useful Lives	47,278	(27,780)	19,498
Intangible Assets with Indefinite Useful Lives	32,359	-	32,359
Intangible Assets	**86,946**	**(27,780)**	**59,166**
Software	16,853	(12,409)	4,444
Easements	16,761	(342)	16,419
Water Rights	17,192	-	17,192
Other Identifiable Intangible Assets	28,831	(15,029)	13,802
Total Identifiable Intangible Assets	**79,637**	**(27,780)**	**51,857**

Easements and water rights do not have a defined useful life; therefore, it has been determined that they are indefinite and continuously permanent. These intangibles have not suffered any contractual or legal modification as of December 31, 2017. Accumulated amortization of easements as of December 31, 2017, and 2016, corresponds exclusively to the easement of the Mejillones lot A of Empresa Eléctrica Angamos, the easement of the Angamos-Atacama and Angamos-Encuentro lines of Empresa Eléctrica Cochrane, and the easement of the Laberinto-Lomas Bayas and Norgener-Crucero lines of Norgener, which have a defined useful life related to the duration of the underlying contracts.

Movements in Intangible assets during year ended December 31, 2017 and December 31, 2016, respectively, are detailed as follows:

	2017			
	Software	**Easements**	**Water Rights**	**Other Identifiable Intangible Assets**
Movements in Intangible Assets	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Balance as of January 1, 2017	4,444	16,419	17,192	13,802
Additions	3,574	1,363	1,052	47
Removals	-	(583)	-	-
Amortization	(1,980)	(64)	-	(1,370)
Assets Held for Sales	(36)	-	(1,178)	(93)
Increase (Decrease) in Foreign Currency Translation	-	-	-	-
Total Changes	**1,558**	**716**	**(126)**	**(1,416)**
Ending Balance of Identifiable Intangible Assets as of December 31, 2017	**6,002**	**17,135**	**17,066**	**12,386**

	2016			
	Software	**Easements**	**Water Rights**	**Other Identifiable Intangible Assets**
Movements in Intangible Assets	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Balance as of January 1, 2016	6,068	15,735	17,207	14,228
Additions	567	749	-	2,316
Removals	-	-	(15)	-
Amortization	(2,216)	(65)	-	(2,742)
Increase (Decrease) in Foreign Currency Translation	25	-	-	-
Total Changes	**(1,624)**	**684**	**(15)**	**(426)**
Ending Balance of Identifiable Intangible Assets as of December 31, 2016	**4,444**	**16,419**	**17,192**	**13,802**

Estimated Useful Lives or Amortization Rates used	Unit	Maximum Useful Life or Rate	Minimum Useful Life or Rate
Software	Years	5	3
Easements	Years	Indefinite	27
Water Rights	Years	Indefinite	29
Other Identifiable Intangible Assets	Years	12	3

Individually Significant Identifiable Intangible Assets as of December 31, 2017	Carrying Amount ThUS$	Remaining Amortization Period
Water Rights Volcan River	11,908	Indefinite
Contract Compañía Manufacturera Papeles y Cartones - Central Laja	5,760	7 Years

Note 18.2 Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

The goodwill acquired in business combinations and intangible assets with indefinite lives have been assigned to the following cash generating units ("CGUs"), which at the same time are operating segments for the purposes of the annual impairment test:

	SIC		SING		Total	
Item	December 31, 2017 ThUS$	December 31, 2016 ThUS$	December 31, 2017 ThUS$	December 31, 2016 ThUS$	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Goodwill	-	7,309	-	-	-	7,309
Water Rights	17,066	17,192	-	-	17,066	17,192
Easements	13,141	13,182	1,192	1,192	14,333	14,374
Other Intangibles	2,664	793	-	-	2,664	793
Total	**32,871**	**38,476**	**1,192**	**1,192**	**34,063**	**39,668**

As of December 31, 2017, no impairment losses were recorded for intangible assets or at the CGU level.

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

Note 19.1 Property, Plant and Equipment

The balances of our Property, Plant and Equipment for the years ended December 31, 2017 and December 31, 2016, are detailed as follows:

	December 31, 2017		
	Gross Amount	Accumulated Depreciation	Carrying Amount
Property, Plant and Equipment Categories	ThUS$	ThUS$	ThUS$
Construction in Progress	1.595.806	-	1.595.806
Land	26.833	-	26.833
Buildings	25.700	(13.117)	12.583
Plant and Equipment	6.654.510	(2.130.291)	4.524.219
IT Equipment	23.102	(14.390)	8.712
Furniture	16.239	(12.125)	4.114
Motor Vehicles	6.003	(4.771)	1.232
Other Property, Plant and Equipment	259.625	(11.683)	247.942
Total	**8.607.818**	**(2.186.377)**	**6.421.441**

	December 31, 2016		
	Gross Amount	Accumulated Depreciation	Carrying Amount
	ThUS$	ThUS$	ThUS$
Construction in Progress	1,181,575	-	1,181,575
Land	38,703	-	38,703
Buildings	25,468	(11,384)	14,084
Plant and Equipment	7,078,327	(2,213,084)	4,865,243
IT Equipment	21,448	(13,301)	8,147
Furniture	16,936	(11,404)	5,532
Motor Vehicles	6,067	(4,634)	1,433
Other Property, Plant and Equipment	46,449	(10,876)	35,573
Total	**8,414,973**	**(2,264,683)**	**6,150,290**

Construction in Progress corresponds to investments associated with the Alto Maipo project as well as other minor projects.

The useful lives of the Company's most important assets are detailed below:

Method Used for Depreciation of Property, Plant and Equipment	Unit	Minimum Useful Life	Maximum Useful Life
Buildings	Years	20	40
Plant and Equipment	Years	5	30
Plant and Equipment (Colombian Dam)	Years	80	80
IT Equipment	Years	2	5
Furniture	Years	2	20
Motor Vehicles	Years	2	5
Other Property, Plant and Equipment	Years	5	25

Additional Disclosures for Property, Plant and Equipment	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Commitments for acquisition of property, plant and equipment	1,009,795	484,809

Movements in Property, Plant and Equipment during the years ended December 31, 2017 and December 31, 2016, respectively, are detailed as follow

	Movements in Propert, Plant and Equipment	Construction in Progress ThUS$	Land ThUS$	Buildings ThUS$	Plant and Equipment ThUS$	IT Equipment ThUS$	Furniture ThUS$	Motor Vehicles ThUS$
	Balance as of January 1, 2017	1,181,575	38,703	14,084	4,865,243	8,147	5,532	1,433
	Additions	549,589	735	-	33,224	349	2,291	494
	Removals	187	(471)	(2,172)	(38,243)	(40)	(87)	(33)
	Assets Held for Sales	(8,803)	(12,150)	-	(184,940)	(45)	(2,835)	(79)
Changes	Depreciation Expense	-	-	(1,728)	(272,404)	(1,527)	(1,281)	(490)
	Increase (Decrease) in Foreign Currency Translation (a)	17	16	10	2,775	27	6	-
	Transfers	(126,759)	-	2,389	118,564	1,801	488	(93)
	Total Changes	**414,231**	**(11,870)**	**(1,501)**	**(341,024)**	**565**	**(1,418)**	**(201)**
	Balance as of December 31, 2017	**1,595,806**	**26,833**	**12,583**	**4,524,219**	**8,712**	**4,114**	**1,232**

	Movements in Propert, Plant and Equipment	Construction in Progress ThUS$	Land ThUS$	Buildings ThUS$	Plant and Equipment ThUS$	IT Equipment ThUS$	Furniture ThUS$	Motor Vehicles ThUS$
	Balance as of January 1, 2016	1,774,918	38,751	14,904	3,870,936	5,399	5,453	1,676
	Additions	573,534	283	-	47,060	257	160	713
	Removals	(6)	(565)	-	(2,975)	(72)	(15)	(51)
Changes	Depreciation Expense	-	2	(1,741)	(238,421)	(1,568)	(1,615)	(526)
	Increase (Decrease) in Foreign Currency Translation (a)	2,160	116	44	18,100	122	41	3
	Transfers	(1,169,031)	116	877	1,170,543	4,009	1,508	(382)
	Total Changes	**(593,343)**	**(48)**	**(820)**	**994,307**	**2,748**	**79**	**(243)**
	Balance as of December 31, 2016	**1,181,575**	**38,703**	**14,084**	**4,865,243**	**8,147**	**5,532**	**1,433**

(a) This is related to the currency translation of Colombian subsidiary Chivor, which uses the Colombian peso as its functional currency.

Capitalized interest costs for the year and the average effective rate of the Company's debt are detailed as follows:

Capitalized Interest	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Capitalized Interest Expense	62,426	65,148
Capitalization Rate	26.07%	28.74%

The Company and its subsidiaries have insurance contracts for their generation plants, including all-risk policies and business interruption insurance, which cover damages caused by fire, flood and earthquakes, among other events.

Note 19.2 Leased Assets

Finance leases by asset class, the Company as lessee:

Finance Lease	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Buildings	5,523	6,274
Plant and Equipment	2,848	2,979
IT Equipment	16	16
Total Property, Plant and Equipment under Finance Leases	**8,387**	**9,269**

Minimum lease payments related to finance leases, the Company as lessee:

	December 31, 2017			December 31, 2016		
Minimum Lease Payments Details	Gross ThUS$	Interest ThUS$	Present Value ThUS$	Gross ThUS$	Interest ThUS$	Present Value ThUS$
Less than One Year	721	119	602	1,025	442	583
Between One and Five Years	2,891	245	2,646	4,097	1,508	2,589
More than Five Years	20,686	10,512	10,174	28,509	14,486	14,023
Total	**24,298**	**10,876**	**13,422**	**33,631**	**16,436**	**17,195**

Note 19.3 Asset Impairment

As indicated in Note 4.7, the recoverable amounts of property, plant and equipment is measured when there is evidence that the asset may be impaired.

No impairment losses were identified during the years ended December 31, 2017 and 2016.

NOTE 20 - OTHER FINANCIAL LIABILITIES

As of December 31, 2017, and December 31, 2016, Other Financial Liabilities are detailed as follows:

	Current		Non-Current	
Other Financial Liabilities	December 31, 2017 ThUS$	December 31, 2016 ThUS$	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Interest-Bearing Loans (20.1)	901,928	183,114	2,776,993	3,536,143
Hedging derivatives (11.1)	9,417	33,706	2,039	134,307
Derivatives not designated as hedges	141,103	13,994	2,534	1,620
Total	**1,052,448**	**230,814**	**2,781,566**	**3,672,070**

20.1 Interest-Bearing Loans

	Current		Non-Current	
Interest-Bearing Loans	December 31, 2017 ThUS$	December 31, 2016 ThUS$	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Bank Loans	813,029	156,718	1,101,237	1,488,260
Bonds	88,297	25,813	1,662,936	2,031,271
Lease Obligations (18.2)	602	583	12,820	16,612
Total	**901,928**	**183,114**	**2,776,993**	**3,536,143**

In June 2017, as reported in the Essential Fact GG 017/2017, Alto Maipo SpA ("Alto Maipo") terminated its project construction contract with Constructora Nuevo Maipo S.A. ("CNM"), due to breaches by the contractor. The termination of this contract with CNM produced a technical event of default under the credit facility and hence there may be modifications to the payment terms. There was also a cross-default in the derivative framework contracts executed by Alto Maipo reason why its financial debt, including its financial instruments balances, as of December 31, 2017, are presented as current in the Financial Statements of Alto Maipo and AES Gener.

(a) Bank Loans

Bank Loans by financial institution, including currency, rates and maturity as of December 31, 2017, are detailed as follows:

Tax ID Number	Company Name	Country	Lender Name	Currency	Type of Amortization	Effective Interest Rate	Nominal Rate	Matur
76.085.254-6	Empresa Eléctrica Cochrane S.p.A (1)	Chile	Syndicated Banks led by Bank of Tokyo	US$	Semi-annual	3.12%	3.12%	2030
94.272.000-6	AES Gener S.A.	Chile	Syndicated Banks	US$	At maturity	2.21%	2.21%	2018
76.170.761-2	Alto Maipo S.p.A	Chile	Syndicated Banks led by Corpbanca	US$	Monthly	5.15%	5.15%	2033
Extranjera	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Leasing Bancolombia S.A.	Col$	Monthly	9.73%	0.00%	2028
Extranjera	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Citibank Colombia	Col$	Monthly	0.00%	0.00%	2018
Extranjera	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Banco Colpatria	Col$	Monthly	7.65%	0.00%	2018
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Estado	CLP$	Semi-annual	4.64%	4.35%	2029
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Estado	CLP$	Semi-annual	4.56%	4.27%	2029
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco de Crédito e Inversión	CLP$	Semi-annual	4.80%	4.51%	2029
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Corpbanca	CLP$	Semi-annual	4.96%	4.67%	2029
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Chile	UF$	Semi-annual	4.86%	4.57%	2029
								Total

The maturity schedule represents expected future cash flows of capital and projected interest payments.

				Current			Non-		
Tax ID Number	Company Name	Country	Lender Name	Maturity less than 90 days ThUS$	Maturity more than 90 days ThUS$	Total Current as of December 31, 2017 ThUS$	Maturity between 1 and 2 years ThUS$	Maturity between 2 and 3 years ThUS$	Maturity between 3 and 4 years ThUS$
76.085.254-6	Empresa Eléctrica Cochrane S.p.A (1)	Chile	Syndicated Banks led by Bank of Tokyo	-	90,465	**90,465**	90,699	91,111	91,156
94.272.000-6	AES Gener S.A.	Chile	Syndicated Banks	81,892	-	**81,892**	-	-	-
76.170.761-2	Alto Maipo S.p.A	Chile	Syndicated Banks led by Corpbanca	1,462	636,135	**637,597**	-	-	-
Extranjera	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Leasing Bancolombia S.A.	601	1,911	**2,512**	5,881	6,978	37,553
Extranjera	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Citibank Colombia	-	55,709	**55,709**	-	-	-
Extranjera	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Banco Colpatria	27	5,027	**5,054**	-	-	-
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Estado	-	6,962	**6,962**	6,758	6,564	6,357
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Estado	-	1,499	**1,499**	1,455	1,414	1,370
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco de Crédito e Inversión	-	7,047	**7,047**	6,836	6,634	6,420
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Corpbanca	-	7,132	**7,132**	6,913	6,704	6,482
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Chile	-	3,539	**3,539**	3,432	3,330	3,221
				83,982	**815,426**	**899,408**	**121,974**	**122,735**	**152,559**

(1) Payments of capital associated to the obligation of Empresa Eléctrica Cochrane S.p.A commenced from the year 2017 onwards. In the case of Alto M
will not begin until 2022.

Bank Loans by financial institution, including currency, rates and a maturity as of December 31, 2016, are detailed as follows:

Tax ID Number	Company Name	Country	Lender Name	Currency	Type of Amortization	Effective Interest Rate	Nominal Rate	Maturi
76.085.254-6	Empresa Eléctrica Cochrane S.p.A (1)	Chile	Syndicated Banks led by Bank of Tokyo	US$	Semi-annual	3.12%	3.12%	2030
94.272.000-6	AES Gener S.A.	Chile	Syndicated Banks	US$	At maturity	1.26%	1.26%	2017
76.170.761-2	Alto Maipo S.p.A	Chile	Syndicated Banks led by Corpbanca	US$	Monthly	4.57%	4.57%	2033
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Leasing Bancolombia S.A.	Col$	Monthly	12.74%	12.74%	2028
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Estado	CLP$	Semi-annual	4.64%	4.35%	2029
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Estado	CLP$	Semi-annual	4.56%	4.27%	2029
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco de Crédito e Inversión	CLP$	Semi-annual	4.80%	4.51%	2029
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Corpbanca	CLP$	Semi-annual	4.96%	4.67%	2029
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Chile	UF$	Semi-annual	4.86%	4.57%	2029
								Total

The maturity schedule represents expected future cash flows of capital and projected interest payments.

				Current			Non-Curre			
Tax ID Number	Company Name	Country	Lender Name	Maturity less than 90 days ThUS$	Maturity more than 90 days ThUS$	Total Current as of December 31, 2016 ThUS$	Maturity between 1 and 2 years ThUS$	Maturity between 2 and 3 years ThUS$	Maturity between 3 and 4 years ThUS$	Matu 4 a
76.085.254-6	Empresa Eléctrica Cochrane S.p.A (1)	Chile	Syndicated Banks led by Bank of Tokyo	31,719	21,249	**52,968**	58,210	60,450	62,790	
94.272.000-6	AES Gener S.A.	Chile	Syndicated Banks	-	101,230	**101,230**	-	-	-	
76.170.761-2	Alto Maipo S.p.A	Chile	Syndicated Banks led by Corpbanca	729	14,856	**15,585**	15,585	23,833	23,154	
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Leasing Bancolombia S.A.	-	1,651	**1,651**	5,383	6,535	37,016	
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Estado	-	2,375	**2,375**	6,962	6,758	6,564	
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Estado	-	505	**505**	1,499	1,455	1,414	
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco de Crédito e Inversión	-	2,462	**2,462**	7,047	6,836	6,634	
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Corpbanca	-	2,549	**2,549**	7,132	6,913	6,704	
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Banco Chile	-	1,247	**1,247**	3,539	3,432	3,330	
				32,448	**148,124**	**180,572**	**105,357**	**116,212**	**147,606**	

(1) Payments of capital associated to the obligation of Empresa Eléctrica Cochrane S.p.A commenced from the year 2017 onwards. In the case of Alto M
will not begin until 2022.

(b) Bonds Payable

Bonds Payable by company, series, currency, rates and a maturity as of December 31, 2017, are detailed as follows:

Tax ID Number	Company Name	Country	Instrument Registration Number	Series	Currency or Indexation Unit	Effective Interest Rate	Nominal Rate	Fina Matur
94.272.000-9	AES Gener S.A.	Chile	N-series Bond	N Series	U.F.	7.92%	7.34%	12/1/20
94.272.000-9	AES Gener S.A.	Chile	Senior Notes	US$ Bonds	US$	5.64%	5.25%	8/15/20
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	Q Series	US$	8.23%	8.00%	4/1/20
94.272.000-9	AES Gener S.A.	Chile	Subordinated Bond	US$ Bonds	US$	8.38%	8.58%	12/18/2
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	US$ Bonds	US$	5.22%	5.00%	7/14/20
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Rule 144 A/REG S Bonds	US$ Bonds	US$	5.25%	4.88%	5/25/20
96.717.620-6	Sociedad Eléctrica Santiago S.p.A.	Chile	214	B Series	U.F.	8.04%	7.50%	10/15/2
								Total

The maturity schedule represents expected undiscounted future cash flows of capital and projected interest payments.

				Current			Non-		
				Maturity less than 90 days	Maturity more than 90 days	Total Current as of December 31, 2017	Maturity between 1 and 2 years	Maturity between 2 and 3 years	Maturity between 3 and 4 years
Tax ID Number	Company Name	Country	Instrument Registration Number	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
94.272.000-9	AES Gener S.A.	Chile	N-series Bond	-	28,188	**28,188**	27,023	25,886	24,692
94.272.000-9	AES Gener S.A.	Chile	Senior Notes	7,657	7,657	**15,314**	15,313	15,313	306,998
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	-	1,925	**1,925**	25,503	-	-
94.272.000-9	AES Gener S.A.	Chile	Subordinated Bond	-	37,688	**37,688**	37,688	37,688	37,688
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	4,339	4,309	**8,648**	8,618	8,618	8,618
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Rule 144 A/REG S Bonds	-	80,945	**80,945**	78,396	75,847	73,298
96.717.620-6	Sociedad Eléctrica Santiago S.p.A.	Chile	214	-	4,167	**4,167**	4,228	4,298	4,781
				11,996	**164,879**	**176,875**	**196,769**	**167,650**	**456,075**

Bonds Payable by company, series, currency, rates and a maturity as of December 31, 2016, are detailed as follows:

Tax ID Number	Company Name	Country	Instrument Registration Number	Series	Currency or Indexation Unit	Effective Interest Rate	Nominal Rate	Final Maturi
94.272.000-9	AES Gener S.A.	Chile	N-series Bond	N Series	U.F.	7.92%	7.34%	12/1/20
94.272.000-9	AES Gener S.A.	Chile	Senior Notes	US$ Bonds	US$	5.64%	5.25%	8/15/20
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	Q Series	US$	8.23%	8.00%	4/1/201
94.272.000-9	AES Gener S.A.	Chile	Subordinated Bond	US$ Bonds	US$	8.38%	8.58%	12/18/20
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	US$ Bonds	US$	5.22%	5.00%	7/14/20
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Rule 144 A/REG S Bonds	US$ Bonds	US$	5.25%	4.88%	5/25/20
96.717.620-6	Sociedad Eléctrica Santiago S.p.A.	Chile	214	B Series	U.F.	8.04%	7.50%	10/15/20
								Total

The maturity schedule represents expected undiscounted future cash flows of capital and projected interest payments.

				Current			Non-C		
				Maturity less than 90 days	Maturity more than 90 days	Total Current as of December 31, 2016	Maturity between 1 and 2 years	Maturity between 2 and 3 years	Maturity between 3 and 4 years
Tax ID Number	Company Name	Country	Instrument Registration Number	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
94.272.000-9	AES Gener S.A.	Chile	N-series Bond	-	12,818	**12,818**	28,188	27,023	25,886
94.272.000-9	AES Gener S.A.	Chile	Senior Notes	10,544	10,543	**21,087**	21,089	21,089	21,089
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	-	1,925	**1,925**	1,925	25,503	-
94.272.000-9	AES Gener S.A.	Chile	Subordinated Bond	-	37,688	**37,688**	37,688	37,688	37,688
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	9,802	9,800	**19,602**	19,600	19,600	19,600
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Rule 144 A/REG S Bonds	-	29,297	**29,297**	80,945	78,396	75,847
96.717.620-6	Sociedad Eléctrica Santiago S.p.A.	Chile	214	-	3,765	**3,765**	3,762	3,817	3,881
				20,346	**105,836**	**126,182**	**193,197**	**213,116**	**183,991**

NOTE 21 - TRADE AND OTHER PAYABLES

Trade and Other Payables as of December 31, 2017 and December 31, 2016, are detailed as follows:

Trade and Other Payables	Current		Non-Current	
	December 31, 2017 ThUS$	December 31, 2016 ThUS$	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Trade Payables	181,266	60,404	-	-
Trade Payables unbilled	222,880	271,323	-	-
Other Accounts Payable (a)	90,548	26,427	15,314	17,266
Total Trade and Other Payable	**494,694**	**358,154**	**15,314**	**17,266**

(a) As of December 31, 2017, the current portion includes mainly sales taxes and withholding tax liabilities as well as liabilities with the employees. The non-current portion consists mainly of a liability related to an exchange of water rights and tax liabilities from Argentine subsidiaries.

	SUPPLIER PAY TO DAY							
	Until 30 days ThUS$	31-60 days ThUS$	61-90 days ThUS$	91-120 days ThUS$	121-365 days ThUS$	366 y más days ThUS$	Total ThUS$	Average paydays
December 31, 2017	40,311	36,956	364	838	1,226	232	**79,927**	30
December 31, 2016	26,999	27,802	428	-	22	175	**55,426**	29

	SUPPLIERS EXPIRED						
	Until 30 days ThUS$	31-60 days ThUS$	61-90 days ThUS$	91-120 days ThUS$	121-365 days ThUS$	366 y más days ThUS$	Total ThUS$
December 31, 2017	18,677	4,928	79	487	1,320	1,074	**26,566**
December 31, 2016	731	338	771	139	618	2,381	**4,977**

The average payment term for suppliers is 30 days; therefore, the book value does not significantly differ from the fair value.

NOTE 22 – PROVISIONS

As of December 31, 2017 and December 31, 2016, provisions are detailed as follows:

Provisions	Current		Non-Current	
	December 31, 2017 ThUS$	December 31, 2016 ThUS$	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Legal Provisions (a)	193	160	-	-
Decommissioning Costs (b)	72	72	286,047	70,927
Other Provisions (c)	1,185	680	-	735
Total	**1,450**	**912**	**286,047**	**71,662**

(a) Legal Provision

Current balances correspond primarily to contingent fines and penalties from regulatory authorities, mentioned in greater detail in Note 31.

Given the characteristics of this type of provision, the Company is unable to determine a reasonable timeframe for the dates of any payments that may be required.

(b) Decommissioning Costs

Non-current balances within this provision relate to the decommissioning costs and rehabilitation of land on which the Company's different power plants are located. The expected disbursement period fluctuates between 30 and 45 years, depending on the laws, regulations or contracts that give rise to the obligation.

The current amount represents the decommissioning of the Constitucion Plant, owned by AES Gener S.A.

During the year ended December 31, 2016, a provision related to the decommissioning of the Solar Project has been booked.

(c) Other Provisions

This item primarily includes the provisions for employee's involvement in the Company's results and bonuses, which are generally paid within the first quarter of each year.

(d) Movements in Provisions

Provisions	Legal Provisions ThUS$	Decommissioning Costs ThUS$	Other Provisions ThUS$	Total ThUS$
Balance as of January 1, 2017	160	70.999	1.415	**72.574**
Movements in Provisions				
Decommissioning, restructuring and rehabilitation Costs	-	4.708	-	**4.708**
Additional Provisions	-	9.041	138	**9.179**
Increase (Decrease) in Existing Provisions (*)	33	217.030	(368)	**216.695**
Assets Held for Sales		(15.659)		**(15.659)**
Changes in Provisions	**33**	**215.120**	**(230)**	**214.923**
Ending Balance as of December 31, 2017	**193**	**286.119**	**1.185**	**287.497**

Provisions	Legal Provisions ThUS$	Decommissioning Costs ThUS$	Other Provisions ThUS$	Total ThUS$
Balance as of January 1, 2016	2,298	105,955	1,801	**110,054**
Movements in Provisions				
Decommissioning, restructuring and rehabilitation Costs	-	5,862	-	**5,862**
Increase (Decrease) in Existing Provisions	(2,138)	(40,783)	(487)	**(43,408)**
Provisions used	-	(9)	-	**(9)**
Increase (Decrease) in Foreign Currency Translation	-	(26)	(4)	**(30)**
Changes in Provisions	**(2,138)**	**(34,956)**	**(386)**	**(37,480)**
Ending Balance as of December 31, 2016	**160**	**70,999**	**1,415**	**72,574**

(*) The increase in the valuation of the provision for decommissioning (ARO) is mainly explained by a change in the criteria of the determination of the discount rate applied per IFRS standards, going from a risk-free discount rate that included a premium for risk related to the company's business at a risk-free rate applied in Chile.

NOTE 23 - EMPLOYEE BENEFITS

AES Gener and some of its subsidiaries offer different employee benefit plans to some of their active or retired workers, which are determined and recorded in the consolidated financial statements based on the criteria described in Note 4.15, sections b) and d).

As of December 31, 2017 and 2016, the Company's Employee Benefits Liability is detailed as follows:

	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Current Portion	4,507	3,858
Non-Current Portion	35,981	28,570
Total	**40,488**	**32,428**

23.1 Present Value of Employee Pension Plans

The following movements took place in post-employment liabilities for services provided in the years ended December 31, 2017 and December 31, 2016:

Present Value of Defined Benefit Pension Plan	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Opening Balance	**32,428**	**31,649**
Service Costs	2,099	2,545
Interest Costs	1,588	1,343
Actuarial Losses (Gains) - Demographic Assumptions	4,601	(617)
Actuarial Losses (Gains) - Financial Assumptions	1,404	(527)
Increase (Decrease) due to Foreign Currency Exchange	2,751	1,635
Contributions Paid	(3,585)	(3,600)
Other	(798)	-
Ending Balance	**40,488**	**32,428**

23.2 Expense recognized in profit or loss

The following amounts were recorded in the consolidated income within "Cost of Sales" and "Administrative Expenses" in the Statement of Comprehensive Income in the years ended December 31, 2017 and 2016:

Expenses Recognized in Income	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Service Cost	2,182	2,545
Interest Cost	1,305	1,343
Expenses Related to Settlement of Obligations	2,867	1,772
Total Expenses	**6,354**	**5,660**

23.3 Other Disclosures

(a) Actuarial Assumptions:

The following hypotheses were used in actuarial calculations of employee benefits:

Actuarial Assumptions Used in Calculating Liability	Chile December 31, 2017	Chile December 31, 2016	Colombia December 31, 2017	Colombia December 31, 2016
Nominal Discount Rate	4.58%	4.82%	6.75%	7.50%
Average Personnel Turnover Rate	7.49%	7.49%	0.00%	0.00%
Expected Salary Increases	4.45%	3.80%	4.50%	4.30%
Mortality Table	Tables issued in accordance with joint standard of the Chilean SVS and the Chilean Pension Supervisor		Tables issued in accordance with US institutions GAM 1971	

(b) Sensitivity:

As of December 31, 2017, variations in the cost of medical benefits, the discount rate, salary increases and turnover would have generated the following effects:

Discount Rate Sensitivity	Decrease of 0.25% ThUS$	Increase of 0.25% ThUS$
Effect on Defined Benefit Obligation	3,388	(1,198)

Salary Increase Sensitivity	Decrease of 0.25% ThUS$	Increase of 0.25% ThUS$
Effect on Defined Benefit Obligation	(4,422)	(3,558)

Turnover Rate Sensitivity	Decrease of 1.0% ThUS$	Increase of 1.0% ThUS$
Effect on Defined Benefit Obligation	(4,042)	(3,949)

NOTE 24 - OTHER NON-FINANCIAL LIABILITIES

As of December 31, 2017 and December 31, 2016, balances of Non-Financial Liabilities are detailed as follows:

	Current		Non-Current	
Other Non-Financial Liabilities	December 31, 2017 ThUS$	December 31, 2016 ThUS$	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Deferred Revenue (23.1)	573	573	8,690	9,262
Accumulated Liabilities (23.2)	25,396	31,968	610	-
Other Liabilities (23.3)	1,521	3,183	195	557
Total	**27,490**	**35,724**	**9,495**	**9,819**

24.1 Deferred Revenue

As of December 31, 2017 and December 31, 2016, Deferred Revenues are detailed as follows:

	Current		Non-Current	
Deferred Revenue	December 31, 2017 ThUS$	December 31, 2016 ThUS$	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Escondida	74	74	814	887
Torquemada	281	281	5,223	5,504
LNG Quintero	168	168	1,678	1,846
Other Deferred Revenue	50	50	975	1,025
Total	**573**	**573**	**8,690**	**9,262**

24.2 Accumulated Liabilities

Accumulated Liabilities are primarily vacations and other employee benefits, accrued as of December 31, 2016,

NOTE 25 - EQUITY

25.1 Capital Management

Equity includes issued capital, share premiums, retained earnings and other reserves.

The main objective of the Company's capital management is to ensure that it maintains a strong credit rating and solid capital ratios in order to sustain business and maximize shareholder value.

The Company manages its capital structure and adjusts based on changes in economic conditions. To maintain or adjust its capital structure, the Company can adjust dividend payments or capital returns to shareholders or issue new shares.

No changes were made to the Company's capital objectives, policies or processes during the years ended December 31, 2017 and December 31, 2016.

25.2 Subscribed and paid Capital

As of December 31, 2017 and December 31, 2016, the Company's share capital consisted of 8,400,318,891 subscribed and paid shares.

a) The Company's share movements are detailed as follows:

	Issued Capital			
	Authorized	Issued	Subscribed	Paid
Balance as of December 31, 2015	8,798,739,130	8,400,318,891	8,400,318,891	8,400,318,891
Subscribed and Paid	-	-	-	-
Decrease in full right	(398,420,239)			
Balance as of December 31, 2016	8,400,318,891	8,400,318,891	8,400,318,891	8,400,318,891
Subscribed and Paid	-	-	-	-
Balance as of December 31, 2017	8,400,318,891	8,400,318,891	8,400,318,891	8,400,318,891

On November 18, 2016, 398,420,239 shares were reduced as a matter of law, due to the expiration of the term established for the total subscription and payment of capital increase agreed at the 41st Extraordinary Shareholders' Meeting held on October 3, 2013.

25.3 Dividend Policy

In an Ordinary General Shareholders' Meeting held April 26, 2017, the shareholders agreed to distribute up to 100% of 2017 net income in dividends to shareholders, conditional upon: The Company's actual net income, periodically prepared forecasts and requirements to use its own resources to finance investment projects, among other conditions. Also, it was decided that the Company intended to distribute interim dividends in 2017.

Shareholders agreed to distribute the following dividends for the year-ended December 31, 2016:

An amount of US$261,008,828, corresponding to approximately 100% of 2016 net income, which amounts to the payment of a final dividend of US $ 0.03110713 per share. The payment will be materialized in the following way:

- With a dividend of US $ 0.0173803 equivalent to 55.94%, which will be paid on May 08, 2017,
- With a dividend of US $ 0.0071426 equivalent to 22.99%, which will be paid on September 27, 2017,
- With a dividend of US $ 0.0065484 equivalent to 21.07%, which will be paid on November 28, 2017,

25.4 Retained Earnings (Losses)

Retained Earnings (Losses) for each year are detailed as follows:

Retained Earnings	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Opening Balance as of January 1	544,760	377,125
Net Income Attributable to Shareholders of Parent	184,519	261,009
Declared Dividends	(261,009)	(93,374)
Interim Dividends	(55,357)	-
Distribution Net Income Dividend Reserve Fund	-	-
Total Ending Balance	**412,913**	**544,760**

25.5 Other Components of Equity

Other Components of Equity are detailed as follows:

	Share-Based Option Plans ThUS$	Dividend Reserve Fund ThUS$	Total ThUS$
Opening Balance as of January 1, 2017	7,799	229,609	237,408
Share-Based Option Plans	749	-	749
Ending Balance as of December 31, 2017	**8,548**	**229,609**	**238,157**

	Share-Based Option Plans ThUS$	Dividend Reserve Fund ThUS$	Total ThUS$
Opening Balance as of January 1, 2016	6,958	229,609	236,567
Share-Based Option Plans	841	-	841
Ending Balance as of December 31, 2016	**7,799**	**229,609**	**237,408**

25.6 Other reserves

Movements in Other reserves for each year are detailed as follows:

	Foreign Currency Translation Reserve ThUS$	Cash Flow Hedge Reserve ThUS$	Defined Benefit Plan Reserve ThUS$	Equity Translation Reserve (1) ThUS$	Other Reserves ThUS$	Total ThUS$
Opening Balance as of January 1, 2017	(143,308)	(198,288)	(9,583)	(136,741)	30,542	(457,378)
Valuation of Available-for-Sale Assets	-	(385)	-	-	-	(385)
Derivatives Valuation Recognized in Profit and Loss	-	(23,192)	-	-	-	(23,192)
Derivatives Valuation Recognized in Other Comprehensive Income	-	25,764	-	-	-	25,764
Valuation of Associate's Derivatives	-	2,331	-	-	-	2,331
Deferred Taxes	-	412	2,066	-	-	2,478
Non-Controlling Interests (Net of Taxes)	-	(830)	9	-	-	(821)
Subsidiary Foreign Currency Exchange	1,116	-	-	-	-	1,116
Other Variations	-	-	(6,516)	297,513	-	290,997
Ending Balance as of December 31, 2017	**(142,192)**	**(194,188)**	**(14,024)**	**160,772**	**30,542**	**(159,090)**

	Foreign Currency Translation Reserve ThUS$	Cash Flow Hedge Reserve ThUS$	Defined Benefit Plan Reserve ThUS$	Equity Translation Reserve (1) ThUS$	Other Reserves ThUS$	Total ThUS$
Opening Balance as of January 1, 2016	(154,098)	(221,710)	(10,041)	(136,741)	30,402	(492,188)
Valuation of Available-for-Sale Assets	-	(2,293)	-	-	-	(2,293)
Derivatives Valuation Recognized in Profit and Loss	-	(3,989)	-	-	-	(3,989)
Derivatives Valuation Recognized in Other Comprehensive Income	-	39,303	-	-	-	39,303
Valuation of Associate's Derivatives	-	4,380	-	-	-	4,380
Deferred Taxes	-	(9,562)	(680)	-	-	(10,242)
Non-Controlling Interests (Net of Taxes)	-	(4,417)	(5)	-	-	(4,422)
Subsidiary Foreign Currency Exchange	10,790	-	-	-	-	10,790
Other Variations	-	-	1,143	-	140	1,283
Ending Balance as of December 31, 2016	**(143,308)**	**(198,288)**	**(9,583)**	**(136,741)**	**30,542**	**(457,378)**

(1) This item corresponds to an adjustment for the difference between paid-in capital at the year-end exchange rate as of December 31, 2008, and its historical value, in accordance with Official Form Letter 456 dated June 20, 2008 of the SVS.

25.7 Restrictions on Dividend Distributions from Subsidiaries

Gener's subsidiaries can distribute dividends as long as they comply with the restrictions, ratios and limits established in their respective loan agreements. For more details on compliance with covenants, see Note 31.2.

NOTE 26 – REVENUE

Revenue for the years ended December 31, 2017 and 2016, is detailed as follows:

Operating Revenue	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Contracted Energy and Capacity Sales (1)	1,833,919	1,603,068
Spot Market Energy and Capacity Sales	317,106	425,881
Other Operating Revenue (2)	285,687	257,452
Total	**2,436,712**	**2,286,401**

(1) For the years ended December 31, 2017 and 2016 "Capacity and energy sale contracts" include the revenues related to the lease of Nueva Renca plant to Endesa for ThUS$8,560 and ThUS$12,100, respectively.

(2) "Other operating revenues" includes mainly transmission and coal sale revenues.

NOTE 27 - EXPENSES

27.1 Expenses by Nature

The principal operating and administrative costs and expenses recorded by the Company in the years ended December 31, 2017 and 2016, within the following accounts in the Statement of Comprehensive Income: Cost of Sales and Administrative Expenses, are detailed as follows.

Expenses by Nature	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Purchases of Energy and Capacity	298,557	441,624
Fuel Consumption	610,082	476,613
Cost of Fuel Sales	150,766	144,104
Transmission System Use Costs	97,802	94,004
Cost of Production and Other Sales	323,397	197,485
Personnel Expenses	57,090	57,198
Depreciation	278,472	246,574
Amortization	3,052	3,352
Cost of Sales	**1,819,218**	**1,660,954**
Personnel Administrative Expenses	33,381	38,953
Other administrative expenses	75,275	63,343
Administrative Expenses	**108,656**	**102,296**
TOTAL	**1,927,874**	**1,763,250**

27.2 Personnel Expenses

Personnel expenses for the years ended December 31, 2017 and 2016, are detailed as follows:

Personnel Expenses	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Salaries and Wages	72,146	78,744
Short-Term Employee Benefits	9,435	9,302
Post-Employment Benefit Expense	3,259	943
Employment Termination Expense	2,712	4,290
Share-Based Payments	1,691	1,636
Other Personnel Expenses	1,228	1,236
Total	**90,471**	**96,151**

NOTE 28 - OTHER GAINS (LOSSES)

Other gains (losses) for the years ended December 31, 2017 and 2016, are detailed as follows:

Other Gains (Losses)	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Property, Plant and Equipment Disposals	(5,296)	(2,910)
Sale of Property, Plant and Equipment and Intangible Assets	373	243
Dividends Received from Gasandes	1,287	-
Adjustment Accounts Payable	-	416
Costs Related to Refinancing Debt	(19,713)	6,803
Write-off tax credits	(18,648)	(6,379)
Costs anticipated closing contract	(2,070)	-
Other	(41)	2,361
Total	**(44,108)**	**534**

NOTE 29 – FINANCE INCOME AND EXPENSE

Finance Income and Expense for the years ended December 31, 2017 and 2016, are detailed as follows:

Finance Income and Expenses	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Income from Financial Assets	5,370	6,599
Other Finance Income	2,803	1,512
Total Finance Income	**8,173**	**8,111**
Interest on Bank Loans	(70,097)	(45,737)
Interest on Bonds	(135,443)	(142,505)
Gains (Losses) for Valuation of Derivative Instruments	(15,693)	(11,942)
Other Finance Expense	(18,229)	(26,495)
Capitalized Finance Costs	62,425	65,148
Total Finance Expenses	**(177,037)**	**(161,531)**
Foreign Currency Exchange Differences	(4,662)	(17,297)
Total Net Finance Expense	**(173,526)**	**(170,717)**

NOTE 30 - EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to the Company's net equity holders by the weighted average number of shares in circulation in a year, excluding, if any common shares acquired by the Company and maintained as treasury shares.

Basic Earnings (Loss) per Share are expressed in US dollars.

Basic Earnings per Share	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Net Income Attributable to Shareholders of Parent	184,519	261,009
Net Income Attributable to Shareholders of Parent, Basic	**184,519**	**261,009**
Weighted Average Number of Shares, Basic	8,400,318,891	8,400,318,891
Basic Earnings per Share	**0.022**	**0.031**

There are no transactions or concepts that create a dilutive effect. The shares do not have nominal value.

NOTE 31 – CONTINGENCIES AND COMMITMENTS

31.1 Litigation

a) CGE EMEL Arbitration Proceeding

The CGE Group Emel disagreed a difference with Gener regarding the interpretation of the supply contracts in force between the parties, in relation to Supreme Decree No. 14, which regulates sub-transmission rates. Due to the foregoing, during the month of November 2014, Gener began various arbitrations against companies of the CGE Emel Group (Empresa Eléctrica de Atacama S.A., Empresa Eléctrica de Melipilla Colchagua and Maule S.A., Empresa Eléctrica de Talca S.A. and Empresa Eléctrica de Antofagasta S.A.).

During the month of November 2017, AES Gener S.A. and the CGE Emel Group (Empresa Eléctrica de Atacama S.A., Empresa Eléctrica de Melipilla Colchagua and Maule S.A., Empresa Eléctrica de Talca S.A. and Empresa Electrica de Antofagasta S.A.) reached an agreement to end these arbitrations, through the payment by the latter to AES Gener of ThCh$10,594,380 (ThUS$17,233).

b) Civil Claim of Indemnification of Damages to AES Gener S.A.

On September 20, 2016, a claim for damages was filed in the 1st Civil Court of Santiago, against Ingeniería y Construcción Sigdo Koppers S.A. ("Sigdo Koppers") and AES Gener SA, as a result of a fatal accident at the Cochrane Project, which cost the life of a worker of a subcontractor of Sigdo Koppers, who is also a contractor of Empresa Electrica Cochrane SpA, a subsidiary of AES Gener SA. The purpose of the lawsuit is for Sigdo Koppers and AES Gener to be jointly and severally liable to pay plaintiffs for moral damages, the total sum of ThCh$450,000 (ThUS$732). The amounts claimed have not been provisioned, as they are covered by insurance contracted during the construction period of the Cochrane Plant. To date of presentation of these Financial Statements, the cause is in probationary term.

c) Interandes ("IA")

On May 4, 2016, Interandes received a note from the company 360 Energy informing them of its intention to build a solar park 600MW in the cordilleran zone of Salta and, consequently, they requested authorization to access the LAT of AI. Subsequently, they received various access requests from various companies for the same purpose as 360 Energy. Per the letter of the ENRE resolution that granted IA the concession of the line, the filing of an application of such type is important for the controlling shareholder as it may inform them of the need to disinvest in IA or in TermoAndes S.A.

On January 26, 2018, the Ministry of Energy of the Ministry of Electric Power and Mining of the Nation, informed InterAndes S.A. that it authorizes the entry as a Generating Agent of the Wholesale Electricity Market to Cauchari Solar I SAU, Cauchari Solar II SAU and Cauchari Solar III SAU, for Cauchari I Solar Park, Cauchari II Solar Park and Cauchari I Solar Park, respectively. The company is currently analyzing with the regulator the choices to comply with current legislation.

d) Alto Maipo SpA Sanctioning Process ("Alto Maipo")

On January 26, 2017, the Superintendence of Environment (the "SMA") notified Alto Maipo about certain breaches associated with their environmental permit, initiating a sanctioning process through Exempt Resolution No. 1 / ROL D-001-2017. Pursuant to the regulation, it is possible to submit for consideration and approval of the SMA a "Compliance Program" with actions that correct the deviations and allow a return to the state of full compliance. The presentation of the plan implies the suspension of the sanction process. If this plan is approved by the SMA and satisfactorily completed by the company, the process is completed without sanctions and does not generate further actions. On February 16, 2017, the company presented the Compliance Program to the SMA. To solve the matter, the SMA ordered a visit to the project facilities, diligence that took place in April 2017. On February 6, 2018, a new Compliance Program, Consolidated, Coordinated and Systematized will be presented, with the purpose of receiving and responding to observations made by the Superintendence of the Environment on January 5, 2018. At the date of presentation of the present Financial Statements, the process is pending resolution by the authority.

e) Request for Arbitration under the power purchase agreement subscribed between Sociedad Química y Minera de Chile S.A. (SQM) AES Gener S.A. and Empresa Eléctrica Cochrane SpA.

a) On December 14, 2016, Sociedad Quimica y Minera de Chile filed with the Arbitration and Mediation Center of the Chamber of Commerce of Santiago a request for arbitration in relation to the energy purchase agreements signed with Empresa Eléctrica Cochrane, dated February 13, 2013, and with AES Gener and Empresa Eléctrica Cochrane, dated March 30, 2012. Arbitral claims filed on April 11, 2017 request the arbitral tribunal declare that the tax established by article 8 of Law 20,780 does not constitute a New Regulatory Requirement. Per said terms, this is defined in the respective contracts, and that consequently their effects should not be considered for purposes of calculating the price of the energy contracted under the same. On September 6, 2017, the conciliation hearing was held, an opportunity in which the parties agreed to suspend the hearing for a period of 30 days to analyze the possibility of reaching an agreement that would allow the arbitration to be terminated. It was extended for a new period of 30 days at the hearing held on October 6, 2017. The parties have requested successive extensions to said suspension to continue the negotiations, and the procedure was suspended until next March 27, 2018.

b) On December 29, 2016, AES Gener S.A. and Empresa Eléctrica Cochrane SpA presented before the Center of Arbitration and Mediation of the Chamber of Commerce of Santiago, two requests for arbitration under the power purchase agreements signed by these companies with SQM dated March 30, 2012 and February 13, 2013, respectively, for differences arising between the parties regarding the application of the clauses that regulate new regulatory requirements included in said contract, in relation to the new tax that taxes emissions from fixed sources, established by Article 8 of Law 20,780. On April 10, 2017, the first hearing to agree the rules of the procedure and the arbitral claims were presented by AES Gener and Cochrane dated May 12, 2017. The answer to these demands was issued on August 9, 2017, after which the arbitral tribunal granted a period of 30 business days to formulate observations to the technical reports that were attached to the demand and to the answer the same. As of the date of presentation of the Financial Statements, the receipt of the cause is still pending. The parties have requested successive extensions to this suspension for continuing the negotiations, and the procedure was suspended until next March 27, 2018.

f) Civil Complaint of Damage Compensation against AES Gener

On April 4, 2017, AES Gener was notified of a civil claim for compensation of damages filed by a private individual the 4th Civil Court of Santiago. The demand, in which is claimed the payment of ThCh$250,000 (ThUS$407) for moral damages, is based on an accident suffered by the plaintiff while bathing on the beach of Ventanas, in the commune of Puchuncaví, which, per the applicant, it would have been due to the lack of adoption of the necessary security measures by AES Gener. As of the date of presentation of these Financial Statements, the conciliation hearing is pending. To date, the Company has not made a provision in relation to this matter.

g) Demand for Environmental Damage against AES Gener S.A.

In July 2016, two union organizations of fishermen, divers, and other crafts related to the extraction of products from the sea, along with 18 people living in the towns of Horcón and Ventanas, filed a complaint with the Second Environmental Court of Santiago against AES Gener S.A., the Ministry of Environment, and 10 other companies located in the area (CODELCO, Puerto Ventanas, National Electricity Company, GNL Quintero, Empresas COPEC, Gasmar, Oxiquim, Petróleos Asfaltos y Combustibles S.A., Melón Cementos and ENAP) for the alleged environmental damage caused by the companies, including us, and authorized by the State. The action aims to repair the environmental damage of the bays of Quintero and Ventanas, supposedly derived from the commercial activity of the defendants and proposes the creation of a fund to which the latter contribute, the purpose of which is to finance the studies that allow the determination of the state of the environmental reparation measures that are necessary to adopt. The demand was notified in the middle of January 2017 and answered by the Company on January 27 of the same year. After that, on July 28, 2017, the resolution received the cause to probation, which established each of the points on which the parties must submit documentary evidence, testimonial and expert, among others. This decision was the subject of appeals lodged by several defendants (including AES Gener), which were admitted for processing, and were sent to the Illustrious Court of Appeals of Santiago for its knowledge and resolution.

The process before the Environmental Court continues its processing in parallel and this is how during the month of September 2017, the first conciliation hearing was held, at which time the plaintiffs made a proposal to be considered as a basis for reaching an agreement to allow the trial to end, before which the defendants requested a period to review the proposal in detail. The Court accepted this request, citing a second hearing for October 18, 2017, at which time the parties expressed their willingness to start the dialogue. The Court ordered the plaintiff to present a schedule of meetings between the parties with the purpose of moving forward in the creation of an agreement. Said schedule contemplated a series of meetings between the parties, carried out between October 25 and December 11, 2017. On December 6, 2017, the plaintiff filed the result of the meetings and the progress registered in the conciliation process with the Court.

However, on the same date, the Court ordered the suspension of the procedure and quashed the citation to the hearing on December 13, 2017, in which the conciliation process would continue. The previous, given that the Illustrious Court of Appeals, before deciding on the appeals to the resolution that received the cause to probation, found that the same was not notified to the defendant Petróleos Asfaltos y Combustibles S.A., and ordered its prior notification to the knowledge of the resources. To date, the procedure is suspended pending the request of the complainant to take the necessary steps to effects of the orderly notification being carried out.

h) Civil claim for compensation of damages against GasAtacama Chile S.A.

On May 4, 2017, AES Gener S.A. and its subsidiary Empresa Eléctrica Angamos S.A. filed a claim for compensation for damages against GasAtacama Chile S.A. before the 24th Civil Court of Santiago, in the amount of ThUS$37,400 and ThUS$26,300, respectively. The purpose of the claim is to compensate the damages caused to the plaintiffs by GasAtacama when, during the period between January 2011 and October 2015, unreliable information was delivered to the Economic Load Dispatch Center (CDEC, today National Electrical Coordinator, CEN), which implied higher costs that had to be assumed by the actors of the electrical system, within of which AES Gener S.A. and Empresa Eléctrica Angamos. At the date of presentation of the Financial Statements GasAtacama has opposed dilatory exceptions to the claim filed, which were answered by the plaintiffs, and its resolution by the court is pending.

i) Arbitration procedure between Alto Maipo SpA and Constructora Nuevo Maipo S.A.

On June 7, 2017, Alto Maipo terminated the construction contract for the tunnel complex dated November 6, 2012, with Constructora Nuevo Maipo S.A. (hereinafter "CNM"). The contract was terminated due to multiple serious breaches of the contractor. On that same date, Alto Maipo claimed for breach of contract before the International Chamber of Commerce (hereinafter "ICC"). On July 3, 2017, CNM claimed for breach of contract against Alto Maipo before the ICC and a request for prejudicial action was presented by CNM in Chile before the 8th Civil Court of Santiago to avoid the collection of bank guarantees for a sum close to US$73 million. Additionally, two emergency arbitrations were requested under the rules of the ICC to resolve precautionary measures that CNM presented with respect to, i) the recovery and backing of certain project information, carried out by Alto Maipo and ii) the collection and management of the funds obtained from the aforementioned bank guarantees. Alto Maipo, in short, obtained the lifting of the prejudicial precautionary measure before Chilean courts and proceeded to the collection of bank guarantees. On February 12, 2018, the arbitration panel rejected CNM's application for the creation of the bond to ensure the results of the trial by Alto Maipo and it accepted the request of Alto Maipo to annul the resolution of the first emergency arbitration, regarding the support of the information about the project, which Alto Maipo had carried out. The next stage in the arbitration procedure consists of the presentation of the brief on April 13, 2018, consisting of a statement of claim with the facts and fundamentals of law of Alto Maipo's pretensions, as well as the evidentiary record that will be asserted in the trial.

j) Civil Complaint of Compensation for Damages against AES Gener S.A. and Alto Maipo SpA

On May 16, 2017, a claim for compensation of damages was filed before the 28th Civil Court of Santiago against Constructora Nuevo Maipo SpA (CNM), Alto Maipo SpA and AES Gener SA, following a car accident occurred on the route to the Alto Maipo project in which a CNM worker was killed. The purpose of the lawsuit is to establish that CNM, Alto Maipo SpA and AES Gener S.A. are jointly and severally liable to pay the plaintiffs the sum of ThCh$560,000 (ThUS$911). The amounts claimed have not been provisioned as they are covered by the insurance contracted by Alto Maipo. At the date of thwse Financial Statements, the beginning of the probationary period is pending.

k) Request for Arbitration under power purchase agreements signed between Empresa Eléctrica Angamos S.A. ("Angamos"), Minera Spence S.A ("Spence") and Minera Escondida Limitada ("MEL").

On September 4, 2017, Angamos presented before the Arbitration and Mediation Center of the Chamber of Commerce of Santiago two requests for arbitration under the energy purchase agreements signed by Angamos with MEL and Spence, both of March 17, 2008, regarding differences between the parties for the application of the clauses that regulate new regulatory requirements included in said contract, in relation to the new tax that taxes emissions from fixed sources, established by article 8 of Law 20,780. The Arbitral claims were filed by Angamos on December 28, 2017. At the date of presentation of the Financial Statements the answer to the lawsuit by MEL and Spence is pending.

l) Arbitral Proceeding Zaldívar

On August 2, 2017, AES Gener S.A was notified of the lawsuit filed by Compañía Minera Zaldivar SpA for termination of the contract of lease, reassessment of rental income and collection of tariff revenues, with respect to a transmission line leased to AES Gener by means of a contract entered into on December 31, 1998. The amount of the revenue tariff demanded is ThUS$8,337. After the stages of discussion and conciliation, on March 4, 2018, the deadline for proposing the test points and the probative means.

m) Arbitral Proceeding CMP

On December 11, 2017, Guacolda Energía S.A filed an arbitration request against Compañía Minera del Pacífico S.A. before the Center of Arbitration and Mediation of the Chamber of Commerce of Santiago, for breach of energy supply contracts signed on September 28, 2012, and January 29, 2014. The deadline to submit the claim is March 26, 2018. As of December 31, 2018, the amount owed by CMP amounts to ThUS$10,520.

31.2 Financial Commitments

31.2.1 Commitments involving Gener

Both the loan agreements entered by Gener with various financial institutions and the issuance contracts that govern the Company's bonds impose certain financial obligations over the duration of the loans and bonds. These obligations are standard for these types of transactions. As of December 31, 2017, Gener follows all of the debt commitments and financial restrictions in accordance with the terms and conditions of each covenant and contract.

a) In December 2007, Gener placed UF 5,600,000 (ThUS$244,115) in bonds, issued in two series, which were registered in Chile's Securities Registry under numbers 516 and 517 on November 9, 2007. This issuance includes Series N bonds for UF 4,400,000 at 4.3% maturing in 2028 and Series O bonds for UF 1,200,000 at 3.10% maturing in 2015. The Series O bonds were prepaid in full on July 14, 2014.

On April 8, 2009, Gener carried out a second bond issuance against the line of bonds registered in the Securities Registry under number 517 on November 9, 2007. This issuance consisted of Q series bonds for ThUS$196,000 at 8.0% maturing in 2019. Later, in July 2011, July 2015 and December 2015 Gener accepted voluntary tender offers for ThUS$93,800, ThUS$62,380 and ThUS$15.280, respectively, reducing the outstanding principal to ThUS$24,540.

In July 2015, the approval was requested by bondholders of Q and N Series, issued under bond line No 517 registered in the SVS, for the modification of the definition of financial covenants in order to exclude subsidiaries defined with special object of the calculations. The change was approved by the bondholders.

In accordance with the covenants established in its bond agreements, the Company must comply with the following financial ratios on a quarterly basis, calculated using the consolidated financial statements.

Indebtedness level no greater than 1.20 times; as the ratio of financial debt (set of effective and equivalent to cash) on net assets, excluding those subsidiaries with special object (project finance);

Financial expense coverage ratio no less than 2.50 times; as the ratio of net financial income (financial costs (-) financial income) on EBITDA, excluding those subsidiaries with special object (project finance);

Minimum equity no less than ThUS$1,574,622; and

Maintain essential assets equivalent to at least 70% of total consolidated operating income in investments related to generating, transmitting, retailing, distributing and/or supplying electricity or fuels.

As of December 31, 2017, Gener was in compliance with the aforementioned ratios.

b) In December 2013, Gener issued subordinated notes for an amount of ThUS$450,000 at an interest rate of 8.375% maturing in 2073. The notes were issued to finance development of new projects, including Alto Maipo and Cochrane, and to prepay ThUS$147,050 of international AES Gener notes that were set to mature in March 2014. This junior subordinated notes do not carry financial restrictions. The prepayment occurred on January 27, 2014.

c) In August 2011, Gener successfully completed a refinancing process in the international markets with the issuance of new Senior Notes 144A and Regulation S of the securities regulation of the United States for a total of ThUS$401,682, due in 2021 at an interest rate of 5.25%. These notes have no financial restrictions. In December 2017, Gener repurchased the notes for a total of ThUS$110,000, which was financed with available funds and the subscription of a short-term loan with 4 banks for ThUS$91,500. As of December 2017, the current notional amount is ThUS$291,682. The notes redeemed were liquidated.

d) Per the financing credit line agreement subscribed with a syndicate of banks in October 2011 and modified in December 2014, for UF 6,000,000 (ThUS$261,552), Gener must comply with the following financial ratios based on a quarterly basis, on its consolidated financial statements, as established in the loan agreement signed with the banks syndicate mentioned above:

Indebtedness level no greater than 1.20 times; as the ratio of financial debt (set of effective and equivalent to cash) on net assets, excluding those subsidiaries with special object (project finance);

Financial expense coverage ratio no less than 2.50 times; as the ratio of net financial income (financial costs (-) financial income) on EBITDA, excluding those subsidiaries with special object (project finance);

Minimum equity no less than ThUS$1,574,622; and

Maintain essential assets equivalent to at least 70% of total consolidated operating income in investments related to generating, transmitting, retailing, distributing and/or supplying electricity or fuels.

As of December 31, 2017, this credit line has not been drawn down and AES Gener was in compliance with the aforementioned ratios.

e) On December 18, 2017, AES Gener closed the credit agreement of the committed financing line subscribed with a trade union of banks for ThUS$130,000. Gener must comply quarterly, with the following financial indicators calculated, based on their Consolidated financial statements:

Indebtedness level no greater than 1.20 times; as the ratio of financial debt (set of effective and equivalent to cash) on net assets, excluding those subsidiaries with special object (project finance);

Financial expense coverage ratio no less than 2.50 times; as the ratio of net financial income (financial costs (-) financial income) on EBITDA, excluding those subsidiaries with special object (project finance);

Minimum equity no less than ThUS$1,574,622.

As of December 31, 2017, this credit line has not been drawn down and AES Gener was in compliance with the aforementioned ratios.

f) On December 17, 2014, AES Gener closed the financing for ThUS$100,000 with various banks with maturity in December 2017. As of December 31, 2016, the total amount has been drawn down. Subsequently, in January, April, May and December 2017, Gener made the partial prepayment for a total of ThUS$25,000 respectively, which were financed with available funds. As of December 31, 2017, there is no debt for this financing.

g) In July 2015, Gener completed a transaction of refinancing liabilities and issued new senior notes in the international market, under Rule 144A and Regulation S of the United States with an interest rate of 5.000% and maturity in 2025 for a total of ThUS$425,000. These notes do not have financial restrictions. In June and December 2016 and January 2017, Gener carried out the repurchase of the notes for a total of ThUS$35,000, which was financed with funds available. The redeemed notes were liquidated. In December 2017, Gener repurchased the notes for a total of ThUS$217,637, which was financed with available funds. As of December 31, 2017, the current notional amount is ThUS$172,363. The notes redeemed were liquidated.

31.2.2. Commitments involving ESSA

On a quarterly basis, ESSA must comply with the following financial ratios established in its bond issuance contract (outstanding balance UF 870,972 (ThUS$37,967)) for bonds registered in Chile's Securities Registry under No. 214, calculated based on its unconsolidated financial statements:

Unencumbered assets should be equal to at least 125% of unsecured current liabilities;

Indebtedness level no greater than 1.75 times equity plus non-controlling interest;

Minimum equity no less than UF 2 million (ThUS$87,184); and

Prohibition to sell "essential assets", which represent more than 40% of total assets, without prior authorization from the Bondholders' Council.

As of December 31, 2017, ESSA was in compliance with the aforementioned ratios.

On January 10, 2017, a bondholders' meeting was held, where the Company reported the corporate reorganization resulting from the signing of the contract of the sale of ESSA shares. The bondholders approved to modify the credit agreement in the following matters:

- Release the payment solidarity established in the bond contracts for the division event.
- Modify the ESSA financial reserves to approve them with those of the current AES Gener bonds.
- Adapt the issuance contract in terms of obligations to do, not to do, non-compliance events and mechanisms for making decisions to approve it with the provisions in force in the AES Gener bonds.
- Release the New ESSA of the financial safeguards applicable to it during the period between the division and merger (AES Gener joint and several guarantees will be counted from the New ESSA registry in the securities registry).

31.2.3 Commitments involving Chivor

On December 27, 2011, Chivor secured financing for up to ThCol$120,000,000 (ThUS$40,214) for the construction of Tunjita Hydro Plant. The loan is for a 12-year period and is secured with the Project Assets. For accounting purposes, this transaction was considered as a Capital Lease. On April 6, 2015, Chivor subscribed addendum No 1 to leasing Infrastructure Contract to increase the total amount toThCol$150,000,000 (ThUS$50,268). On June 23, 2016, Chivor subscribed addendum No 4 to leasing Infrastructure Contract to increase the total amount toThCol$168,000,000 (ThUS$56,300). As of December 31, 2017, ThCol$157,924,757 (ThUS$52,924) have been disbursed, associated with this financing agreement.

On the other hand, on May 4 and December 11, 2017, loans were taken out at a term of 1 year for a total of ThCol$30,000,000 (ThUS$10,054) and ThCol$150,000,000 (ThUS$50,268) to prepay the loan with AES Gener for ThUS$ 80,000. The counterparts of these loans are Citibank Colombia and Banco Colpatria, each for an amount of ThCol$15,000,000 (ThUS$5,027) and Citibank Colombia for ThCol$150,000,000 (ThUS$50,268). These loans have no financial restrictions.

31.2.4 Commitments Involving Empresa Eléctrica Angamos S.A. (“EEASA”)

On November 25, 2014, EEASA completed the issuance and placement of secured notes at 4.875% with maturity in 2029 for a total amount of ThU$800,000. The purpose was to refinance the Company’s liabilities. The operation was performed under Rule 144A and Regulation S of the securities regulation of the United States. This notes do not have any financial restrictions.

On March 29, 2016, EEASA began the process of early redemption of the notes 144-A / RegS for up ThUS$200,000. On April 14 and April 29, 2016, EEASA accepted offers for MUS ThUS$187,429 and ThUS$11,599, respectively, reducing the principal amount of the notes to ThUS$600,972. EEASA completed this transaction with 4 credits agreements with BCI, Banco Estado, CorpBanca and Banco de Chile. The funds were drawn on 12 April by ThUS$187,429 and 27 April by ThUS$11,599. These loans have the same maturity profile of the notes and do not have any financial restrictions.

31.2.5 Other Commitments Involving Empresa Eléctrica Cochrane S.p.A. (“EEC”)

On March 27, 2013, EEC secured financing for up to ThUS$1,000,000 for the construction of the Cochrane power plant as well as letters of credit for up to ThUS$55,000 to guarantee several obligations. The loan is for an 18-year period and is guaranteed by assets, shares and project cash flows. As of December 31, 2017, ThUS$959,620 have been disbursed, associated with this funding and there are no revolving amounts associated with letters of credit.

31.2.6 Other Commitments Involving Alto Maipo S.p.A

On March 17, 2017, Alto Maipo SpA completed the financial restructuring process of the project, closing the original refinancing for up to ThUS$1,217,000 in ThUS$1,316,000. Additionally, AES Gener committed additional disbursements for up to ThUS$117,000, which will be made pro rata with the debt to be disbursed by the banks and of which to date, has been paid ThUS$61,712 has been paid. On the other hand, and in accordance with the original financing, letters of credit were issued for up to ThUS$14,000 to guarantee certain obligations of the draft. Finally, AES Gener S.A. committed a limited and contingent guarantee for a maximum amount of ThUS$55,000 up to the end of the construction of the project. The loan is for a term of 22 years and is insured with the assets, shares and project cash flows. As of December 31, 2017, ThUS$627,174 associated with this financing have been disbursed.

In June 2017 and as reported in the Essential Fact GG 017/2017 dated July 31, 2017, Alto Maipo SpA ("Alto Maipo ") terminated its project construction contracts with Constructora Nuevo Maipo S.A. ("CNM"), due to breaches by the contractor. Since then, Alto Maipo has taken over the works temporarily and started a search process for a contractor to replace CNM; Likewise, a series of judicial and arbitral proceedings have been initiated, including the collection of bank guarantees to CNM for ThUS$73,000. Although Alto Maipo managed to collect the aforementioned guarantees, it is not possible to anticipate the result of the other arbitration proceedings pending with CNM until they have been ruled out.

The termination of the construction contract with CNM produced a technical event of default under the credit facility. Due to this reason the financial liabilities and financial instruments balances of Alto Maipo SpA, which as of December 31, 2017, amount to ThUS$617,779 and ThUS$132,409, respectively, will be presented as current in the Financial Statements of Alto Maipo SpA and AES Gener S.A. as long as this situation is maintained.

To remedy this situation, Alto Maipo is currently making its best efforts to replace CNM and to restructure one of the main construction contracts of the Project to grant certainty regarding the cost total and date of completion. These efforts include negotiations with Strabag, a minority partner in Alto Maipo and one of the main contractors of the Project, and other potential contractors. These negotiations could lead to additional costs for the project which have not yet been quantified.
It is important to mention that as of June 7, Alto Maipo took interim control of the works originally contracted to CNM and continues with the construction of the Project with the funds available, while the negotiations mentioned above are carried out.
On February 19, 2018, a new construction contract for the project was agreed between Alto Maipo SpA and Strabag, based on lump sum fixed price, and in which Alto Maipo transfers the geological risk to the builder. To date, the Project presents 62% progress.

31.2.7 Other Commitments Involving Inversiones Nueva Ventanas S.p.A. (“Inversiones Nueva Ventanas”):

On March 27, 2013, Inversiones Nueva Ventanas constituted a commercial pledge on shares issued by EECSpA in favor of its creditors to guarantee its obligations related to financing for the Cochrane power plant.

31.2.8 Other Commitments Involving Norgener S.p.A.:

On December 9, 2013, Norgener provided a pledge to cover the shares issued by Alto Maipo S.p.A. to guarantee payment to the creditors involved in the project financing of the Alto Maipo Plant.

NOTE 32 – GUARANTEES

Guarantees Granted

Gener has the following commitments and guarantees:

i) Guarantees to Third Parties

On December 19, 2007, Gener signed a cross currency swap contract with Credit Suisse International to hedge the risk of foreign exchange variations between the UF and US dollars related to the UF bonds issued in December 2007 for UF 4.4 million (ThUS$191,804) and UF 1.2 million (ThMUS$52,310) with maturities in 2028 and 2015 respectively. On September 16, 2009, the swap contract for UF 4.4 million (ThUS$191,804) was modified and one part was assigned to Deutsche Bank Securities. Both swap contracts require Gener to grant a guarantee when the market value of the swap exceeds the limit established in the contract. On June 12, 2014, the swap portion associated with the Series O of the bond, which was prepaid on July 14, 2014, was terminated, and only the portion associated with Series N due in 2028 is still outstanding.

As of December 31, 2017, the "mark-to-market" of the contract with Credit Suisse was negative for ThUS$2,994 so it was necessary to provide guarantees through the issuance of 2 Stand-by Letters of Credit for a total of ThUS$17,000 issued by The Bank of Nova Scotia, with maturities in June 2018 (ThUS$5,000), and December 2018 (ThUS$12,000).

b) Guarantees on Behalf of Subsidiaries

(i) The gas transport agreement between TermoAndes S.A. ("TermoAndes") and Transportadora de Gas del Norte S.A. ("TGN") does not require a guarantee from Gener. Per the contract, no guarantee is required if TermoAndes or any of its shareholders have an investment grade rating, defined in the contract as BBB- (in Argentina) or higher. If Termoandes does not maintain an investment-grade rating while one of its direct or indirect controlling shareholders does maintain such a rating, that shareholder must grant a corporate guarantee to TGN or, in its absence, Termoandes must provide a bank guarantee equal to the payment for transport service for one year. Termoandes currently has a rating of A (in Argentina), issued by Fitch Ratings, with a stable outlook.

Beneficiary	Guarantee Description	Date From	Date To	ThUS$
HSBC Bank N.A., New York	Guarantee the reserve account of the debt service	11/9/2017	11/9/2018	50,000
Terminal Graneles del Norte S.A.	Compliance of Port Contract Services	10/22/2013	10/22/2018	13,200
Credit Suisse International	Guarantee bond debt Cross Currency Swap	3/11/2015	12/19/2018	12,000
Ministerio de Obras Públicas , Dirección General de Aguas	Construction of Hydraulic Works for Alfalfal II and Alto Maipo Project	12/9/2013	12/9/2021	7,884
Minera Escondida Ltda	Fullfilment of Supply	10/22/2013	10/22/2018	6,568
Credit Suisse International	Guarantee bond debt Cross Currency Swap	3/11/2015	7/4/2018	5,000
Servicios y Consultorías Hendaya S.A.	Guarantees tender offer contract PPA	9/14/2017	8/18/2018	3,792
Compañía Minera Zaldivar SpA (*)	Guarantees tender offer contract PPA	9/1/2017	3/31/2018	2,180
Minera Spence S.A.	Fullfilment of Supply	10/22/2013	10/22/2018	1,750
Embotelladora Andina	Guarantees tender offer contract PPA	1/11/2018	7/17/2018	429
Clinica las Condes	Guarantees tender offer contract PPA	3/1/2017	4/1/2018	476
Ministerio de Bienes Nacionales	Guarantees concession contract fulfillment	3/30/2016	1/31/2018	319
	Other guarantees			569
				104,167

(*) The guarantee with Minera Zaldivar was extended until April 26, 2018

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Guarantees Received

On September 30, 2015, the risk rating of Teck Resources Limited (“Teck”), guarantor of Compañía Minera Quebrada Blanca S.A. (“Quebrada Blanca”) in energy purchase agreements (PPA) signed with AES Gener S.A. and its subsidiaries Norgener SpA., Empresa Electrica Angamos S.A. and Empresa Eléctrica Cochrane SpA, was downgraded by the risk rating company S & P below the note BBB-. The power purchase agreements in question establish that a loss of risk classification in the terms expressed, gives obligation to replace the guarantees granted by Teck to Compañía Minera Quebrada Blanca S.A. (Parent Company Guarantee) by letters of credit (Standby Letter of Credit, SBLC) in favor of AES Gener SA, Norgener SpA, Empresa Electrica Angamos S.A., and Empresa Eléctrica Cochrane SpA, for amounts amounting to ThUS$22,000, ThUS$103,000, ThUS$17,000, and ThUS$330,000 respectively. On November 24, 2015, Teck delivered the aforementioned guarantees, which were instrumented through SBLC's (Stand By letter of credits) in favor of AES Gener S.A., Norgener SpA and Empresa Electrica Angamos S.A, which were issued by The Bank of Nova Scotia and Banco Estado de Chile New York Branch, due November 2018. On the other hand, Teck delivered to Cochrane Electric Company 2 SBLCs (Stand By letter of credit), which were issued by The Bank of Nova Scotia and The Toronto Dominion Bank, with maturities in November 2018.

On November 8, 2017, Teck modified the corporate guarantee (Parent Company Guarantee) increasing the guaranteed value until the total value of the energy contract between Empresa Eléctrica Cochrane SpA and Compañía Minera Quebrada Blanca S.A.

On June 7, 2017, based on the breaches detailed in the Commitments section of Note 30, Alto Maipo SpA terminated the process of construction of tunnels held with Constructora Nuevo Maipo ("CNM") and proceeded to execute bank guarantees for ThUS$73,000 granted by the latter.

Grantor of Guarantee	Guarantee Description	Date From	Date To	ThUS$
Teck Resources Ltd.	Fullfilment of Electricity Supply Contract	11/27/2015	11/24/2018	330,417
Teck Resources Limited	Fullfilment of Electricity Supply Contract	11/24/2015	11/24/2018	319,583
KGHM International Ltd.	Guarantee commitments of the contract	6/22/2017	6/30/2018	137,500
Sumitomo Metal Mining Co. Ltd.	Fullfilment of Electricity Supply Contract	3/14/2013	12/31/2018	78,750
Strabag SPA	Construction of Tunnel Complex	12/11/2013	12/10/2018	77,113
Posco Engeneering & Construction Co.	Engineering Construction, Assembly and Commissioning of Cochrane Power Plant	4/9/2013	9/20/2018	68,655
Strabag SPA	Construction of Tunnel Complex	4/24/2017	12/10/2018	51,806
Strabag SPA	Construction of Tunnel Complex	12/30/2013	12/27/2018	38,557
Sumitomo Corporation	Fullfilment of Electricity Supply Contract	3/15/2013	12/31/2018	33,750
Voith Hydro S.A.	Turnkey Construction of Las Lajas Power Plant	12/9/2013	12/20/2018	32,615
Teck Resources Limited	Guarantee commitments of the contract	11/24/2015	11/24/2018	22,000
Voith Hydro S.A.	Turnkey Construction of Alfalfal	12/9/2013	12/20/2018	15,786
Compañía Portuaria Mejillones	Fullfilment of Contract to Transfer and Handle Bulk Products	3/31/2017	4/7/2018	6,000
R & Q Ingenieria	Guarantee commitments of the contract	5/31/2017	9/30/2019	4,549
Isolux Ingeniería Agencia en Chile	Guarantee commitments of the contract	2/27/2017	4/1/2018	1,923
Posco Engeneering & Construction Co.	Guarantee commitments of Cochrane Project	10/19/2017	9/30/2018	1,500
Parker Hannifin Corporation	Guarantee commitments of the contract	7/10/2013	7/9/2018	1,496
Departamento de maquinarias e Infraestructura	Guarantees payment purchase order	9/6/2017	7/28/2018	1,015
Elecnor Chile S.A.	Guarantees transmission tower modifications	12/19/2017	2/28/2018	1,000
China Bluestar International Chemical CO. Ltd	ET Solar Project	8/29/2016	3/15/2018	955
Ing. y Consdtrucción Sigdo Koppers S.A.	Engineering, Construction, Assembly and Commissioning of Cochrane’s Plant Transmission System	7/27/2017	7/20/2018	879
Mitsubishi Co	Guarantees payment purchase order	11/17/2016	6/29/2018	860
Pilotes-Terratest S.A.	Guarantee commitments of the contract	8/8/2017	7/31/2019	821
Ingenieria y Contrucciones Incolur S.A.	Guarantee commitments of the contract	12/21/2017	5/29/2018	358
Ingenieria y Contrucciones Incolur S.A.	Guarantee commitments of the contract	8/2/2017	4/27/2018	567
Siemens S.A.	Guarantee commitments of the contract	11/25/2016	11/22/2018	342
Ingeniería y Construcción Incolur S.A (*)	Guarantee commitments of the contract	7/3/2017	2/7/2018	275
Abengoa Chile S.A.	Guarantees payment obligations	12/13/2017	6/11/2018	225
IKA Servicios Industriales SpA	Guarantee commitments of the contract handling of ashes	7/28/2017	7/26/2018	203
Mitsubishi Chile Ltda	Guarantees payment purchase order	8/8/2017	4/26/2018	124
	Other guarantees			1,112
	TOTAL			**1,230,736**

NOTE 33 - ENVIRONMENTAL EXPENDITURES

The Company has a long-term sustainable development policy that governs its activities in harmony with the environment. In this context, investments made in facilities, equipment and industrial plants include state-of-the-art technology with the latest advances available.

The principal Environmental Expenditures for the years ended December 31, 2017 and 2016, are detailed as follows:

Details	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Air Quality Monitor Station	64	256
Ash deposit and handing	1,282	2,785
Marine Monitoring (Oceanographic Monitoring and Liquid)	309	661
Smokestack and Noise Monitoring	1,079	1,613
Expenses for Law 99 in Colombia	5,708	6,209
River and land transport	358	438
Waste Disposal	1,253	1,090
Other	639	622
Total	**10,692**	**13,674**

As part of the environmental investment plan, the Company is working on the replacement of discharge pipelines in Ventanas U1 and U2; as of December 31, 2017, the accumulated investment had reached ThUS$1,578. This project is in development at the date of these consolidated financial statements.

As a result of new emissions standards, the Company has authorized ThUS$115,641 and ThUS$112,193 for environmental decontamination plans for the Ventanas and Tocopilla power plant, respectively. These projects are completed as of the date of the present Consolidated financial statements.

The projects included are intended to optimize plant performance in order to guarantee compliance with applicable regulations.

In AES Gener S.A, there are also other projects associated with the development of new technologies applied to mitigate the impact on the environment.

NOTE 34- ASSETS AND LIABILITIES IN FOREIGN CURRENCY

(a) Current Assets and Liabilities

CURRENT ASSETS	Foreign Currency	Functional Currency	December 31, 2017 Less than 90 Days ThUS$	December 31, 2017 From 90 days to 1 Year ThUS$	December 31, 2016 Less than 90 Days ThUS$	December 31, 2016 From 90 days to 1 Year ThUS$
Cash and Cash Equivalents	Chilean Pesos	US$	37,394	-	55,234	-
	Other Currencies	US$	8,794	-	6,014	-
Other Current Financial Assets	Other Currencies	US$	3,057	-	164	-
Other Current Non-Financial Assets	Other Currencies	US$	240	-	65	195
Trade and Other Receivables	Chilean Pesos	US$	257,821	17,532	172,409	26,306
	UF	US$	72	82,423	64	72,854
	Other Currencies	US$	51,875	986	52,207	4,619
Related Party Receivables	Chilean Pesos	US$	6,292	-	9,679	-
Inventory	Other Currencies	US$	1,426	-	1,433	-
Taxes Receivables	Chilean Pesos	US$	-	466	20	289
	Other Currencies	US$	-	4,928	-	-
TOTAL CURRENT ASSETS			**366,971**	**106,335**	**297,289**	**104,263**

CURRENT LIABILITIES	Foreign Currency	Functional Currency	December 31, 2017 Less than 90 Days ThUS$	December 31, 2017 From 90 days to 1 Year ThUS$	December 31, 2016 Less than 90 Days ThUS$	December 31, 2016 From 90 days to 1 Year ThUS$
Other Current Financial Liabilities	UF	US$	450	2,461	130	2,139
	Other Currencies	US$	9,228	62,485	-	-
Trade and Other Payables	Chilean Pesos	US$	105,658	16,917	126,180	1,011
	UF	US$	55,231	59	11,415	73
	Other Currencies	US$	41,934	1,177	19,926	760
Related Party Payables	Chilean Pesos	US$	26,050	-	4,726	-
	Other Currencies	US$	-	-	-	329
Provisions	Chilean Pesos	US$	188	-	541	-
	Other Currencies	US$	34	193	30	160
Taxes Payable	Chilean Pesos	US$	-	-	41	-
	Other Currencies	US$	16,064	-	13,228	9,491
Employee Benefits	Chilean Pesos	US$	4,028	-	3,416	-
	Other Currencies	US$	479	-	442	-
Other Current Non-Financial Liabilities	Chilean Pesos	US$	12,193	10,424	15,144	14,288
	Other Currencies	US$	2,496	553	2,914	1,189
TOTAL CURRENT LIABILITIES			**274,033**	**94,269**	**198,133**	**29,440**

(b) Non-Current Assets and Liabilities

NON-CURRENT ASSETS	Foreign Currency	Functional Currency	December 31, 2017 From One to Three Years	From Three to Five Years	Beyond Five Years	From One to Three Years
			ThUS$	ThUS$	ThUS$	ThUS$
Other Non-Current Financial Assets	Chilean Pesos	US$	471	-	-	433
	Other Currencies	US$	822	-	-	576
Other Non-Current Non-Financial Assets	Chilean Pesos	US$	873	-	-	1,069
	UF	US$	-	-	23,277	-
	Other Currencies	US$	-	-	-	155
Trade and Other Receivables	Chilean Pesos	US$	72	-	-	164
	UF		-	-	6,308	-
	Other Currencies	US$	11,658	890	-	11,619
Intangible Assets other than Goodwill	Other Currencies	US$	476	-	-	474
Property, Plant and Equipment	Other Currencies	US$	-	-	448,746	-
TOTAL NON-CURRENT ASSETS			**14,372**	**890**	**478,331**	**14,490**

NON-CURRENT LIABILITIES	Foreign Currency	Functional Currency	December 31, 2017 From One to Three Years	 From Three to Five Years	 Beyond Five Years	 From One to Three Years
			ThUS$	ThUS$	ThUS$	ThUS$
Other Non-Current Financial Liabilities	UF	US$	4,588	7,993	26,078	2,24
	Other Currencies	US$	6,048	7,377	49,395	5,40
Trade and Other Receivables Non Current	Other Currencies	US$	2,169	1,750	-	2,93
Provisions	Chilean Pesos	US$	-	-	-	64
Deferred Taxes	Other Currencies	US$	-	-	57,460	
Employee Benefits	Chilean Pesos	US$	174	6,768	23,465	22
	Other Currencies	US$	5,574	-	-	4,83
TOTAL NON-CURRENT LIABILITIES			**18,553**	**23,888**	**156,398**	**16,31**

NOTE 35 - REGULATORY CHANGES

CHILE

From January 1, 2017 onwards come into effect the measurement of CO2, NOx, SOx and MP emissions to calculate the tax on emissions coming from sources with a installed capacity of 50 MW or more. For CO2 emissions, the tax corresponds to USD$ 5 per ton. To determine the tax payable, the Environmental Superintendence will certify in March each year the amount of carbon emissions of each taxpayer in the previous calendar year. The first payment of this tax will occur in April 2018 for the emissions corresponding to 2017. Most of the energy contracts of the Company contain clauses that allow the adjustment of the contracts for new taxes, which mitigates the negative effect of this tax.

On November 21, 2017, one of the most important milestones in electric transmission in the history of Chile was materialized as it synchronously interconnected the electrical systems of the center and north (SING and SIC respectively). The System was created with this milestone National Electricity (SEN) that connects, through a network of transmission of more than 3.000 km of extension, the city of Arica with the Islands of Chiloé. This first stage of the interconnection project comprises a 500kv double circuit transmission line of 600 km. length that goes from Mejillones (in the Antofagasta Region) to the Cardones sector in Copiapó (in the Atacama Region). In this first stage of operation, the interconnection will be restricted in its transmission capacities due to the still pending complete entry into operation of the Cardones project - Polpaico 2 x 500 kV.

In a future operating regime, with an unrestricted interconnection except for technical design, a new electric energy market is created, which integrates in supply and demand its predecessors SING and SIC. Based on these changes, AES Gener is analyzing the impact on its business segments and financial reports.

ARGENTINA

On February 2, 2017, Resolution 19/2017 of the Secretariat of Electric Power was published in the official bulletin. This resolution modifies the remuneration scheme for energy and power to the generators included in Resolution S.E. 95/2013 and its amendments. In the case of Termoandes it includes the power and energy not committed in the Energy Plus contracts. At the date of this resolution, the prices are set in US dollars and converted into pesos at the exchange rate of the close of the corresponding transaction month. From November 2017, the prices will be converted into pesos at the exchange rate of payment date. All the concepts determined in the resolution are paid on the due date of the economic transaction, thus there are no longer retained concepts.

Additionally, during February 2017, the ENRE carried out the Integral Rate Review (RTI) of the transportation system of energy, setting new rates for users of high voltage transport systems and transport by trunk distribution.

On November 28, 2017, the Secretary of Electric Energy published Resolution 1085-E / 2017, which sets a new methodology for distributing the cost of energy transport. According to this resolution, most of the costs will be assumed by the final transport users and the generators will pay the maintenance cost of the equipment that is dedicated exclusively to them. CAMMESA is working on the detailed implementation of this resolution.

On November 30, 2017, the Ministry of Energy and Mining published Resolution 474-E / 2017 establishes that the surcharge provided by Article 75 of Law No. 25,565 (Trust Fund for Residential Gas Consumption Subsidies for the southern part of the country) and its modifications, will be equivalent to 2.58% on the price of natural gas at the entry point to the transportation system. This modifies the amount that the generators must pay by concept, whose amount was 3.8 AR $ / dam3.

COLOMBIA

In the fourth quarter 2017, some regulatory developments were presented that may have an impact on our commercial activity:

- CREG 201-2017, which modifies CREG Resolution 243 of 2016. This resolution defines the methodology for determining firm energy for the Reliability Charge, ENFICC, of solar photovoltaic plants.
- CREG 182-2017, Draft resolution, which establishes the criteria for assigning the services associated with the Pacific natural gas import infrastructure.
- CREG 167-2017, which defines methodology to determine the firm energy of wind power plants;
- CREG 162-2017, which indicates the value of the contribution to be paid to the Energy and Gas Regulation Commission by each of the regulated entities for the year 2017.
- CREG 152-2017, which establishes complementary rules for the development of gas import infrastructure of the Pacific included in the transitory natural gas supply plan;
- CREG 145-2017, which extended the deadline for comments of Resolution CREG 121 of 2017, where activities are regulated of small-scale self-generation and distributed generation in the national interconnected system.
- CREG 144-2017, draft resolution, by which the Sale Rate is fixed in Electric Power Block for the purposes of the settlement of the transfers established in article 45 of Law 99 of 1993.
- Additionally, the regulator issued, under Circular CREG 084, the indicative regulatory agenda for the year 2018, which includes the following: Adjustments to the allocation methodology of the Reliability Charge, office Binding and intraday market, anonymous and standardized MAE market, mechanism for long-term contracts, adjustments to component G within the unit cost of the service, small-scale self-generation, adjustment of block sale rate and services complementary

NOTE 36 - SUBSEQUENT EVENTS

As of the date of issuance of these financial statements, no subsequent events were registered that have affected or could affect the information presented herein.

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THE ISSUER

AES Gener S.A.
Rosario Norte 532, 19th Floor
Las Condes
Santiago, Chile

LEGAL ADVISORS TO THE ISSUER

In respect of U.S. Law
Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022
United States of America

In respect of Chilean Law
Claro & Cía.
Av. Apoquindo 3721, 14th Floor
Las Condes, Santiago
Republic of Chile

LEGAL ADVISORS TO THE INITIAL PURCHASERS

In respect of U.S. Law
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
United States of America

In respect of Chilean Law
Morales, Besa Cía. Ltda.
Av. Isidora Goyenechea 3477, 19th Floor
Las Condes, Santiago
Republic of Chile

TRUSTEE, REGISTRAR, TRANSFER AGENT AND PAYING AGENT

Citibank, N.A.
388 Greenwich Street
New York, NY 10013

LUXEMBOURG LISTING AGENT, TRANSFER AGENT AND PAYING AGENT

Banque Internationale à Luxembourg SA
69, route d'Esch
Office PLM -101 F
L - 2953 Luxembourg

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LISTING MEMORANDUM

March 29, 2019