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OFFERING MEMORANDUM

U.S.$450,000,000

AES Gener S.A.

8.375% Junior Subordinated Capital Notes due 2073

Interest payable on June 18 and December 18

We are offering U.S.$450,000,000 aggregate principal amount of our 8.375% junior subordinated capital notes due 2073 (the "notes"). The notes will mature on December 18, 2073 (the "Maturity Date"). However, at our option, we may redeem the notes, in whole but not in part, on the First Reset Date and any Interest Payment Date (as both are defined herein) thereafter, at their aggregate principal amount, together with any accrued and unpaid interest to, but excluding, the First Reset Date or the relevant Interest Payment 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 offering memorandum. Subject to our right to defer payment, interest on the notes will be payable semi-annually in arrears on June 18 and December 18 of each year, beginning on June 18, 2014.

As more fully described in this offering 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 8.375% 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: 6.820%; (b) in respect of the Reset Periods commencing on June 18, 2024, June 18, 2029 and June 18, 2034: 7.070%; (c) in respect of any other Reset Period: 7.820%.

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.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trading, on the Euro MTF market. This offering memorandum constitutes a prospectus for the purposes of Luxembourg law dated July 10, 2005 on Prospectuses for Securities as amended.

Investing in the notes involves risks. See "Risk Factors" beginning on page 13.

Price: 100% plus accrued interest, if any, from December 18, 2013.

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. The notes will not be registered under Law No. 18,045, as amended, (the securities market law of Chile) with the Superintendency of Securities and Insurance (*Superintendencia de Valores y Seguros* or "*SVS*") 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 Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the SVS ("Rule 336"). Pursuant to 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, of the SVS).

Delivery of the notes in book-entry form is expected on December 18, 2013, through the facilities of The Depository Trust Company ("DTC") and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg").

Sole Structuring Agent

Citigroup

Joint Bookrunners

Citigroup **Goldman, Sachs & Co.**

Co-Managers

Deutsche Bank Securities **Mitsubishi UFJ Securities** **SMBC Nikko**

The date of this offering memorandum is December 11, 2013.

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Unless otherwise indicated or the context otherwise requires, all references in this offering 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 offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described in this offering memorandum. This offering 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 offering memorandum, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing. This offering memorandum may only be used for the purposes for which it has been published.

This offering 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 offering memorandum. Nothing contained in this offering 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 offering 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 offering 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 offering 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 offering 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 offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

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

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE

MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CHILEAN INVESTORS

RULE 336 OF THE CHILEAN SUPERINTENDENCY OF SECURITIES AND INSURANCE DISCLAIMER

LA OFERTA PRIVADA DE ESTOS BONOS SE INICIA EL DÍA 25 DE NOVIEMBRE DE 2013 Y SE ACOGE A LAS DISPOSICIONES DE LA NORMA DE CARÁCTER GENERAL Nº 336 DE LA SUPERINTENDENCIA DE VALORES Y SEGUROS DE CHILE ("SVS"). ESTA OFERTA VERSA SOBRE VALORES NO INSCRITOS EN EL REGISTRO DE VALORES O EN EL REGISTRO DE VALORES EXTRANJEROS QUE LLEVA LA SVS, POR LO QUE TALES VALORES NO ESTÁN SUJETOS A LA FISCALIZACIÓN DE ÉSTA. POR TRATARSE DE VALORES NO INSCRITOS EN CHILE NO EXISTE LA OBLIGACIÓN POR PARTE DEL EMISOR DE ENTREGAR EN CHILE INFORMACIÓN PÚBLICA RESPECTO DE LOS MISMOS. ESTOS VALORES NO PODRÁN SER OBJETO DE OFERTA PÚBLICA EN CHILE MIENTRAS NO SEAN INSCRITOS EN EL REGISTRO DE VALORES CORRESPONDIENTE.

The notes will be available initially only in book-entry form. We expect that the notes will be issued in the form of one or more registered global notes. The global notes will be 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 will be 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.$2,000 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"). Only four 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 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 & Cia., our special Chilean counsel, that no treaty exists between the United States and Chile for the reciprocal enforcement of foreign judgments. Chilean courts would enforce 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 reviewing 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 law (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, that process was appropriately served on the defendant and that the defendant was afforded a real opportunity to appear before the court and defend its case; 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 & Cia., 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 CT Corporation System as our authorized agent upon which process may be served in any action which may be instituted in any United States federal or state court having subject matter jurisdiction in the Borough of Manhattan, The City of New York, New York, arising out of or based upon the indenture governing the notes or the notes. See "Description of the Notes."

AVAILABLE INFORMATION

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

AES Gener is an issuer in Chile of securities registered with the *Superintendencia de Valores y Seguros*, the Chilean Superintendency of Securities and Insurance, or "SVS." Shares of our common stock are traded on the *Bolsa de Comercio de Santiago—Bolsa de Valores*, or the Santiago Stock Exchange, the *Bolsa Electrónica de Chile—Bolsa de Valores*, or Electronic Stock Exchange, and the *Bolsa de Corredores—Bolsa de Valores*, or the Valparaiso 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 SVS, and provide copies of such reports and notices to the Chilean Stock Exchanges. All such reports are available at www.svs.cl and www.aesgener.com.

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 offering memorandum.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained in this offering 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 offering 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 flow, 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 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;
- loss of market share or changes in the pricing environments in the industry in which we operate; and
- the notes being subordinated in payment to our senior creditors.

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 offering 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 offering memorandum with respect to 2012, 2011 and 2010 has been derived from financial statements that have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Our audited consolidated financial statements present our consolidated financial position as of December 2012 and 2011 and comprehensive income for the years ended December 31, 2012, 2011, and 2010 together with the notes thereto (collectively, our "audited consolidated financial statements").

Our unaudited interim consolidated financial statements included in this offering memorandum present our consolidated financial position as of September 30, 2013 and comprehensive income for the three and nine-month periods ended September 30, 2013 and 2012, together with the notes thereto (collectively, our "unaudited interim consolidated financial statements"). Our earnings for the nine-month period ended September 30, 2013 are not necessarily indicative of results to be expected for the year ended December 31, 2013 or any future period. We refer to our audited consolidated financial statements and our unaudited interim consolidated financial statements as our "consolidated financial statements."

We disclose in this offering memorandum our so-called non-GAAP financial measures, primarily Adjusted EBITDA and Adjusted Operating Income. Adjusted EBITDA, 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 offering 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 operating income as defined and required under IFRS.

We believe that Adjusted EBITDA and 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 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 28 to our consolidated financial statements, as defined below) and the participations in earnings of associates (refer to note 16 to our consolidated financial statements, as defined below). Adjusted Operating Income is calculated as gross profit plus other operating income less selling, general, administrative and other operating expenses. Accordingly, our management believes that disclosure of Adjusted EBITDA and Adjusted Operating Income provides useful information to investors, financial analysts and the public in their evaluation of our operating performance. Adjusted EBITDA and Adjusted Operating Income and our other key performance indicators listed in this offering 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 "Arg$" are to Argentine pesos, the legal currency of Argentina and references to "UF" are to "Unidades de Fomento." The UF is an inflation indexed, Chilean peso denominated monetary unit that is linked to, and set daily in advance to reflect changes in, the previous month's consumer price index of the Instituto Nacional de Estadísticas (the "Chilean National Statistics Institute"). As of December 31, 2012 and as of September 30, 2013, one UF was equivalent to Ch$22,840.75 and Ch$23,091.03, respectively. Certain numbers included in this offering 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.

Our principal consolidated subsidiaries include:

- Norgener S.A., or “Norgener”, which is 100.0% owned by us and operates a 277 MW coal-fired plant with two units and a 12 MW battery energy storage (“BESS”) facility in northern Chile;
- Empresa Eléctrica Angamos S.A., or “Eléctrica Angamos”, which is 100.0% owned by us and operates two coal fired units with an aggregate capacity of 545 MW;
- Empresa Eléctrica Nueva Ventanas S.A., or “Eléctrica Ventanas”, which is 100.0% owned by us and operates a 272 MW coal-fired plant in the central part of Chile;
- Empresa Eléctrica Campiche S.A., or “Eléctrica Campiche”, which is 100.0% owned by us and operates a 272 MW coal-fired plant in the central part of Chile, also referred to below as “Ventanas IV”; and
- AES Chivor & CIA SCA E.S.P., or “AES Chivor”, which is 99.9% owned by us and operates a 1,000 MW hydroelectric plant in Colombia.

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

As used in this offering 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:

- Empresa Eléctrica Guacolda S.A., or “Guacolda,” which is 50.0% owned by us and operates a 608 MW generation facility in Chile.

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 treated as available for sale investments.

Our available for sale 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.
- CDEC-SIC Ltda. is a Chilean private entity, organized as a limited liability company (*sociedad de responsabilidad limitada*), in charge of coordinating the operation of the SIC grid.
- CDEC-SING Ltda. is a Chilean private entity, organized as a limited liability company (*sociedad de responsabilidad limitada*), in charge of coordinating the operation of the SING grid.

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 CDEC-SING considers TermoAndes’ installed capacity as part of the SING, although it is not presently selling energy in that market.

Unless otherwise indicated, financial information is presented as of September 30, 2013, and information related to our generation and installed capacity is presented as of June 13, 2013, 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%.

Statement of Cash Flows

Although IAS 7 permits presentation of the Statement of Cash Flows using either the direct or indirect method, Oficio No 2058 dated February 3, 2012 issued by the SVS requires all Chilean publicly traded companies to present the Statement of Cash Flows using the direct method beginning with the reporting period ending March 31, 2013. For companies that had previously used the indirect method for presenting their Statement of Cash Flows, the SVS permitted a non-comparative presentation of the direct method during previous reporting periods. The Company previously used the indirect method. As such, the Company switched to the direct method for all financial statements filed for the periods ending on and after March 31, 2013. Therefore, in this offering memorandum, the cash flow statements for the years ended December 31, 2010, 2011 and 2012 have been presented using the indirect method while the cash flows for the nine months ended September 30, 2012 and 2013 are presented using the direct method.

Technical Terms

In this offering 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 offering 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 and 2012, which have 8,784 hours.

Statistical Information

Statistical information contained in this offering 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 CDEC-SIC, CDEC-SING, XM, UPME, the Chilean Central Bank and CAMMESA, among others. We believe such information is reliable and accurate, but we have not independently verified it.

GLOSSARY

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 Federal Planning, Public Investment and Services Ministry (*Ministerio de Planificación Federal, Inversión Pública y Servicios*).

CDEC: Economic Load Dispatch Center (*Centro de Despacho Económico de Carga),* a private organization in charge of coordinating the operation of each interconnected electricity system in Chile, specifically the CDEC-SIC and CDEC-SING. The members of each CDEC are representatives of companies that possess power generation plants or transmission facilities and unregulated customers directly connected to transmission facilities. Among other functions, each CDEC seeks to preserve the overall reliability of electricity supply as well as the efficient operation and the dispatch of generation units to satisfy electricity demand. Among other responsibilities, the CDEC operates the dispatch systems for each interconnected electricity system, dispatching plants in the order of their respective variable cost of production, starting with the lowest cost plants, such that electricity is supplied at the lowest available cost.

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 Chilean governmental entity in charge of calculating retail tariffs and short term energy and capacity node prices. The CNE also oversees distribution company bid processes, in each case approving the bid procedures. The CNE prepares a 10-year guide for the expansion of the system that must be consistent with the calculated node prices.

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.

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.

Firm capacity: The capacity that a generator is able to supply to the system on an annual basis in Chile calculated at certain peak hours, taking into consideration statistical and annual information regarding, among other things, the system over-installation factor (calculated as the quotient between the system peak demand over the system total installed capacity), the time the generator will be out of service for maintenance, the forced outage rate, self-consumption, the start-up time and the ramp-up rate.

Gigawatt (*GW*): One billion watts.

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

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.

Megawatt (*MW*): One million watts.

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

NCREs: Non-conventional renewable energies.

Node price: The regulated price of electric power provided to regulated customers in Chile.

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 hourly demand lower than 500kW; or (ii) a maximum hourly demand between 500 kW and 2,000 kW that have not opted to be subject to an unregulated regime.

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.

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.

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

SING: Northern Interconnected Electricity System (*Sistema Interconectado del Norte Grande*), covering the northern regions of Chile (Regions I, II and XV).

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.

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

SVS: Superintendency of Securities and Insurance (*Superintendencia de Valores y Seguros*), a governmental entity in Chile in charge of regulating Chilean public companies, the local securities markets and the local insurance sector.

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.

Unregulated customers: Customers in Chile with: (i) a maximum hourly demand of at least 2,000 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 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 1 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 2 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.

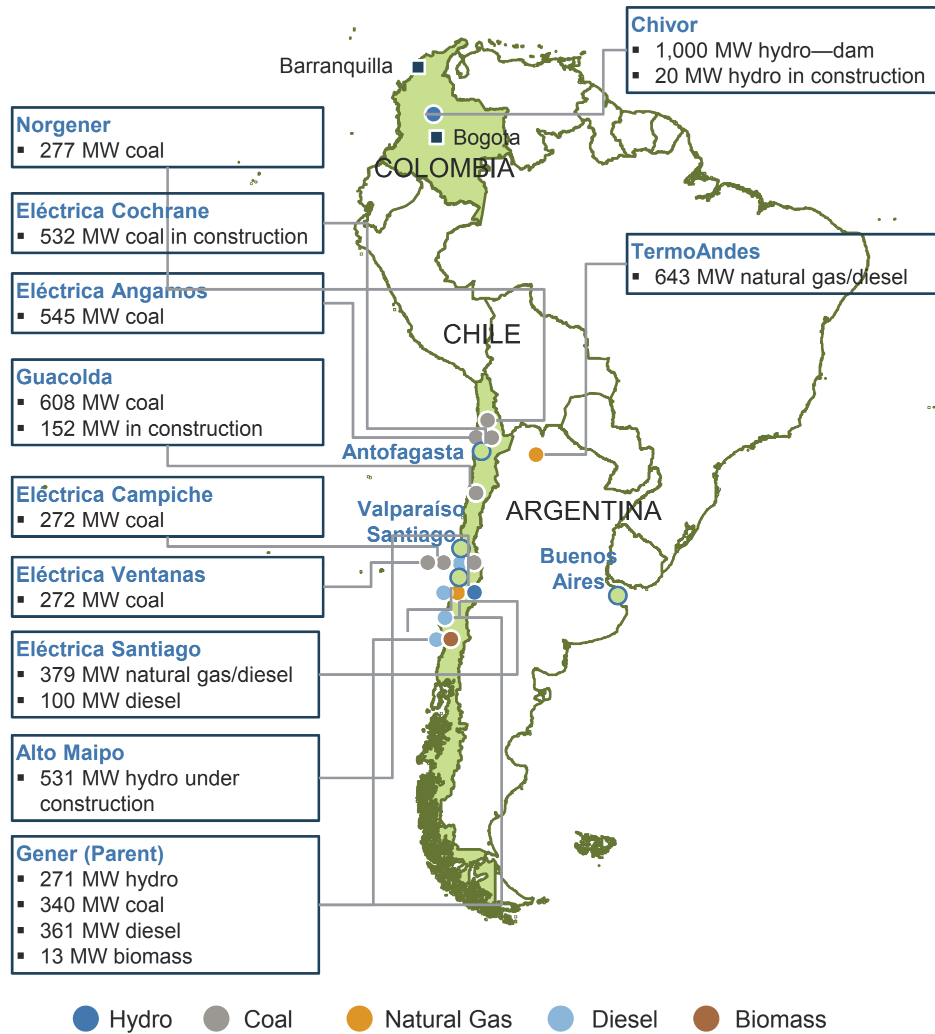
UPME: Mining and Energetic Planning Unit (*Unidad de Planeación Minero Energética*), a governmental entity in Colombia in charge of analyzing future energy demand and supply and elaborating an integral expansion plan for the electricity sector.

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



SUMMARY

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

Business Overview

We are the second largest electricity generation company in Chile with a market share of approximately 21.9% as of June 30, 2013, based on installed capacity and a significant presence in both the SIC and the SING. We also have a presence in the SIN in Colombia and the SADI in Argentina. As of June 30, 2013, our installed capacity in Chile totaled 4,081 MW, comprised of 2,616 MW in the SIC and 1,465 MW in the SING, including TermoAndes (as reported by the CDEC-SING). In Chile, we currently have under construction two coal-fired projects with gross capacity of 684 MW and a 20 MW battery energy storage project. We also have one hydroelectric project of 531 MW under construction as well as other hydroelectric, thermoelectric and solar projects under development. In Colombia, we currently have one hydroelectric project with gross capacity of 20 MW under construction.

In the SIC, which covers over 92.2% of Chile's population, including the densely populated Santiago Metropolitan Region, our market share totaled 18.6% and in the SING, where mining consumption is dominant, our market share totaled 31.8%, including TermoAndes, both as of June 30, 2013. In Colombia, we own the third-largest hydroelectric facility and our market share as of June 30, 2013 was 6.9% based on installed capacity, making us the fifth-largest generation company in the country. We are also currently constructing a 20 MW run-of-river hydroelectric project in Colombia.

In Chile, we have a diversified generation portfolio in terms of geography, technology and fuel source. Our installed capacity is located near the principal electricity consumption centers, including Santiago, Valparaiso and Antofagasta, extending from Tocopilla in the north to Los Angeles in south-central Chile. Our diverse generation portfolio, composed of hydroelectric, coal, gas, 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 spot market energy to the SIC and SING.

In Colombia, our 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.

Our 643 MW combined cycle in Salta, Argentina represents 2.1% of the system's installed capacity. At present, TermoAndes sells energy exclusively in Argentina; a portion of its generation is sold to unregulated customers under short-term contracts and the remainder is sold on the spot market. This plant is also connected to the SING.

Competitive Strengths

We believe our key competitive strengths are:

- *High-quality and diversified generation assets*. We have high-quality generation assets diversified in terms of geographic location, technology and energy source. We operate in four independent markets, the SIC and the SING, both 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 nine-month period ended September 30, 2013, the Adjusted EBITDA contribution from the SIC, SING, SIN, and SADI was 29.8%, 24.7%, 34.5% and 11.0%, respectively. We are the second-largest generation company in Chile with 21.9% of total installed capacity in the country, and have a significant presence in both major electric systems in Chile, with participation of 18.6% in the SIC and 31.8% in the SING. 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,

alternative-fueled gas or diesel, diesel and biomass plants. Our diversified plant portfolio in terms of technology 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 plant in Colombia has hydrology which 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 market with 250.7 MW of contracted energy under this program as of September 30, 2013.

- *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, with the spin-off of the state-owned vertically integrated power company into distinct operating companies, 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 and 2005 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, based on energy sales, has grown at an average compounded rate of 3.9% in the SIC and 4.2% in the SING since 2002. The CNE projects electricity consumption to grow at an annual average compounded rate of 4.5% in the SIC and 6.0% in the SING in the next ten years. Demand for electricity in Colombia, based on energy sales, has grown at an average compounded annual rate of 2.9% since 2002 and the UPME projects annual growth of 3.9% 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 flow generation. Additionally, the majority of our power purchase agreements are payable or 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 and hydroelectric capacity, under long-term, price-indexed contracts with regulated and unregulated customers. As of August 31, 2013, we have long-term contracts with high-quality distribution companies as well as mining and industrial companies for a total of 2,648 MW in Chile. Our principal customers include the distribution companies Chilectra S.A., Chilquinta Energía S.A., Compañía General de Electricidad S.A. and EMEL S.A. and mining companies such as Minera Escondida Ltda., Minera Spence S.A., Codelco, Sociedad Quimica y Minera de Chile S.A. ("SQM"), Sierra Gorda SCM, Quebrada Blanca S.A., Antofagasta Minerals S.A., Compañía Contractual Minera Candelaria, and Anglo American Sur S.A. Long-term contracts with distribution companies and mining companies present stable demand since supply for residential consumption has historically been stable and increasing. In addition, long-term contracts 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 pass-through of full fuel and regulatory costs. Our policy also involves contracting a portion of our projects' capacity before the start of construction. We have signed long-term, price-indexed contracts for substantially all of the installed capacity of the Cochrane project, which is currently under construction, with unregulated customers in the SING (Sierra Gorda SCM, SQM and Quebrada Blanca S.A.). Similarly, for the Alto Maipo project we have executed a long-term contract with an unregulated customer (Antofagasta Minerals S.A.). In Colombia, we maximize cash flow and operating margin by applying integrated business risk management 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, 2012, approximately 72.7% 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, with terms of one to four years, include indexation mechanisms to adjust for movements in the Colombian PPI. In Argentina, 306 MW of our TermoAndes' installed capacity from its gas turbines were authorized to be sold under Energía Plus PPAs with industrial customers. TermoAndes' strategy is to maximize the electricity sold under Energía Plus contracts. These contracts allow TermoAndes to sell electricity at higher prices compared to spot prices.

- *Strong Financial Position*. We maintain a strong financial position with solid liquidity, stable cash flows and broad access to local and international capital markets. We hold investment grade ratings with the principal international rating agencies, namely Moody's, S&P and Fitch. While we expect to maintain an investment grade rating with Fitch following the offering, we anticipate that our current rating with Fitch will be downgraded to BBB- due to the financing of the Alto Maipo project, which closed on December 10, 2013 (see "Risk Factors—Our ability to refinance our debt facilities could be adversely affected by variations in our international and local credit ratings and for other reasons", and "Risk Factors—The ratings 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.") As of September 30, 2013, our total consolidated balance of cash and cash equivalents and short term time deposits, was equal to U.S.$382.0 million and we had unused committed credit lines of approximately U.S.$274.8 million that we may draw on in our sole discretion.

- *Successful project development and construction and attractive development portfolio*. Since 2007, we have constructed and initiated commercial operations of 1,696 MW of new capacity, representing a significant portion of the increase in installed capacity and an investment in the SIC and SING during the same period. Our successful project development and demonstrated construction skills, evidenced by our ability to complete these projects on time and on budget, represent an important competitive advantage. Additionally, in Chile, we currently have under construction two coal-fired projects with gross capacity of 684 MW, 152 MW of which is represented by Unit V of Guacolda in the northern part of the SIC, scheduled to begin operations in the second half of 2015, with the remaining 532 MW represented by our Cochrane project in the SING, which is expected to begin operations in 2016. Our Cochrane project includes a 20 MW battery energy storage project which is also scheduled to initiate operations in 2016. For both our Guacolda and Cochrane projects, we have secured long-term non-recourse project financing in the aggregate of $318 million and $1 billion, respectively, representing more than 70% of the required funds to develop these projects. Additionally, in the SIC the 531 MW two unit run-of-river hydroelectric Alto Maipo project issued notice to proceed under the main construction contracts on December 11, 2013. In Colombia, we are currently constructing our 20 MW Tunjita run-of-river hydroelectric project, which is scheduled to start operations in the second half of 2014. Our development strategy focuses on obtaining environmental permits, solid construction contracts, power purchase agreements and structured financing prior to the initiation of new investment. We have several other projects in development with total capacity of approximately 1,100 MW and also possess significant water rights which can be used to develop new hydroelectric projects in Chile.

- *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 1,696 MW since 2007.

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

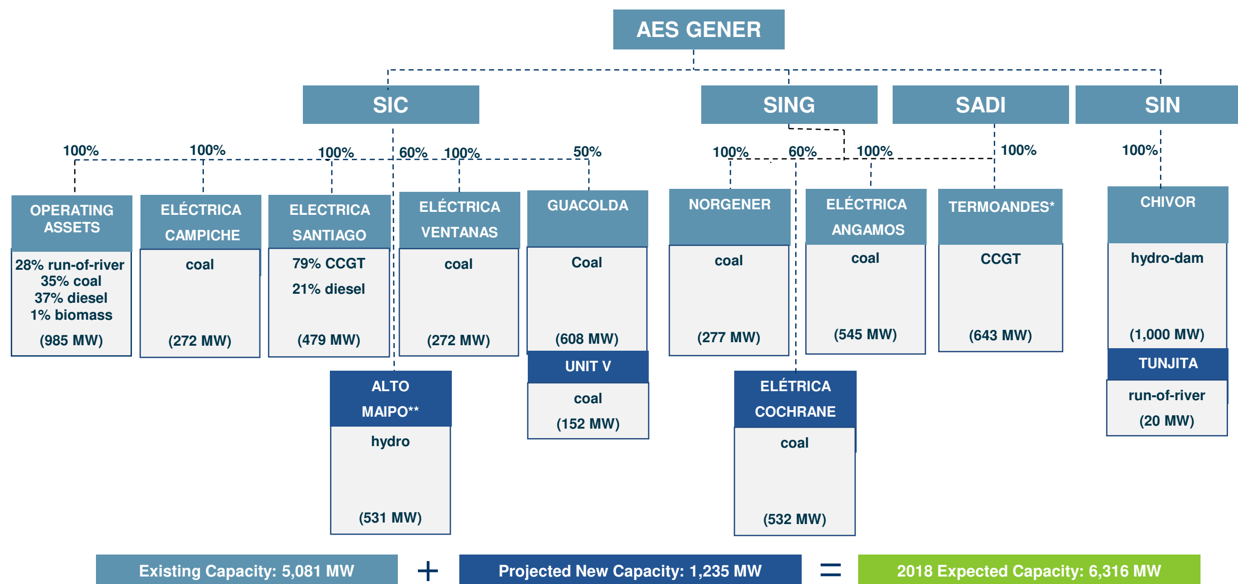
safety program has been implemented to safeguard our employees, our contractors and the communities where our operations are located. Operational efficiency focuses on guaranteeing long-term commercial availability of our generation assets through deploying our extensive operating expertise and continuous 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 minimize cash flow 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 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 and gas fired 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 and optimizing 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 flow and operating margin by maximizing the capacity authorized by the Ministry of Planning to be sold under Energy Plus PPAs.

- *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 prevent cash flow 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 September 30, 2013, our total consolidated cash balance of and cash equivalents and short term time deposits, was equal to U.S.$382.0 million, our outstanding indebtedness was equal to U.S.$2,375.2 million and we had unused committed credit facilities of approximately U.S.$274.8 million. We actively manage risks to achieve predictable and stable earnings and cash flows. Our financial risk management activities include hedging strategies to mitigate foreign exchange, interest rate and commodity exposure.

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 September 30, 2013, 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.



(*) Our Alto Maipo project issued notice to proceed under the main construction contracts on December 11, 2013, after the closing of the project's financing which occurred on December 10, 2013.

THE OFFERING

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this offering memorandum.

Issuer	AES Gener S.A.
Notes Offered	U.S.$450,000,000 aggregate principal amount of 8.375% junior subordinated capital notes due 2073.
Issue Price...	100% of the principal amount.
Maturity Date.......................................	December 18, 2073.
Interest Payment Dates	Subject to our right to defer payment, interest on the notes will be payable semi-annually in arrears on June 18 and December 18 of each year, beginning on June 18, 2014.
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 8.375% 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: 6.820%; (b) in respect of the Reset Periods commencing on June 18, 2024, June 18, 2029 and June 18, 2034: 7.070%; (c) in respect of any other Reset Period: 7.820%.
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 five nor more than 30 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 – 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 ten and not more than 15 Business Days notice to the holders.
Ranking	The notes will be our unsecured and subordinated obligations. The notes will be 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 September 30, 2013, we had U.S.$2,375.2 million of outstanding

debt, including approximately U.S.$1,116.4 million of senior debt and approximately U.S.$1,258.8 million of secured debt. As of September 30, 2013, our subsidiaries had U.S.$1,654.2 million of outstanding debt.

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.

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 redeemable in whole but not in part on the First Reset Date and 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 First Reset Date or the relevant Interest Payment 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 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 such event occurs prior to

Event	the First Reset Date and (ii) 100% of the principal amount of the notes outstanding if thereafter, 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 such event occurs prior to the First Reset Date and (ii) 100% of the principal amount of the notes outstanding if thereafter, 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.”
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.”
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, 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 – Event of Default.”
Use of Proceeds	We intend to use the net proceeds from this offering for repayment of our outstanding notes due March 15, 2014, development of new projects and other general corporate purposes. See “Use of Proceeds.”
Form and Denomination	The notes will be 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

	will be 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 offering memorandum, as described in “Plan of Distribution.” The notes will not be registered under Law 18,045, as amended, of Chile with the SVS 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 Rule 336 of the SVS.
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 — Certain 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	Application has been made 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 will be 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 SA.

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 as of and for each of the years ended December 31, 2012, 2011 and 2010 has been derived from our audited consolidated financial statements, which have been prepared in accordance with IFRS and are presented in U.S. dollars. The data as of and for the nine months ended September 30, 2013 and 2012, as well as annualized figures ending the same date, has been extracted from our unaudited consolidated financial statements, which have been prepared in accordance with IFRS and are presented in U.S. dollars. 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 unaudited consolidated interim financial statements and their related notes, appearing in this offering memorandum.

INCOME STATEMENT DATA	For the nine-month period ended September 30,		For the year ended December 31,		
	2013	**2012**	**2012**	**2011**	**2010**
	(*ThU.S.$*)	**(*ThU.S.$*)**	**(*ThU.S.$*)**	**(*ThU.S.$*)**	**(*ThU.S.$*)**
Operating Revenue					
Contract Energy and Capacity Sales [(1)]	1,242,583	1,167,957	1,554,632	1,381,449	1,217,247
Spot Market Energy Sales [(2)]	393,427	420,559	616,854	591,561	455,370
Other Operating Revenues	87,198	118,180	156,235	157,276	129,432
Total Operating Revenue	**1,723,208**	**1,706,696**	**2,327,721**	**2,130,286**	**1,802,049**
Cost of Sales					
Fuel Consumption	(515.052)	(616,387)	(824,855)	(797,372)	(573,904)
Energy and Capacity Purchases	(384,527)	(234,061)	(340,593)	(143,527)	(373,766)
Depreciation and Amortization Expense	(169,804)	(158,939)	(214,019)	(195,648)	(168,228)
Other Cost of Sales	(272,508)	(275,150)	(358,361)	(306,667)	(252,980)
Total Cost of Sales	**(1,341,891)**	**(1,284,537)**	**(1,737,828)**	**(1,443,214)**	**(1,368,878)**
Gross Profit	**381,317**	**422,159**	**589,893**	**687,072**	**433,171**
Selling, General, Administrative and Other Expenses	(86,404)	(109,606)	(148,186)	(153,435)	(135,192)
Other Operating Income	3,806	1,502	2,057	6,144	5,881
Total Other Operating Income	**298,719**	**314,055**	**443,764**	**539,781**	**303,860**
Finance Income	5,705	6,830	8,407	9,303	22,452
Finance Expense	(91,292)	(87,861)	(115,452)	(107,148)	(99,313)
Foreign Currency Exchange Differences	(27,187)	4,569	(3,633)	(13,348)	16,451
Other Non-Operating Income (Expense)	32,941	7,285	16,620	7,330	(46,426)
Income Before Taxes and Non-Controlling Interest	**218,886**	**244,878**	**349,706**	**435,918**	**197,024**
Income Tax Expense	(63,169)	(117,351)	(146,778)	(109,810)	(31,169)
Non-Controlling Interest	1,167	(24)	5	(24)	3,917
Net Income Attributable to Shareholders of the Parent	**156,884**	**127,503**	**202,933**	**326,084**	**169,772**

(1) Contract Energy and Capacity Sales is calculated as the sum of regulated and unregulated customers sales in the SIC and SING and contract sales in the SADI and Colombia.

(2) Spot Market Energy Sales is calculated as the sum of spot sales in the SIC, SING, SADI and Colombia and regulated customer without contract sales in the SIC.

SELECTED INFORMATION FROM THE STATEMENT OF FINANCIAL POSITION	As of and for the nine-month period ended September 30,		As of and for years ended December 31,		
	2013	2012	2012	2011	2010
	(*ThU.S.$*)	(*ThU.S.$*)	(*ThU.S.$*)	(*ThU.S.$*)	(*ThU.S.$*)
Cash and Cash Equivalents	373,659	360,164	397,204	409,157	294,261
Total Current Assets	861,317	864,750	855,576	1,086,889	1,085,655
Property, Plant and Equipment	4,710,479	4,506,204	4,599,363	4,375,469	4,178,072
Total Non-Current Assets	5,161,158	4,878,712	4,975,830	4,742,384	4,577,124
Total Assets	6,022,475	5,743,462	5,831,406	5,829,273	5,662,779
Total Current Liabilities	663,622	443,335	491,298	514,158	499,455
Total Non-Current Liabilities	2,731,923	2,859,798	2,859,087	2,786,336	2,608,748
Total Liabilities	3,395,545	3,303,133	3,350,385	3,300,494	3,108,203
Total Equity Attributable to Shareholders of Parent	2,554,735	2,440,183	2,477,667	2,528,670	2,554,489
Non-Controlling Interest	72,195	146	3,354	109	87
Total Liabilities and Equity	6,022,475	5,743,462	5,831,406	5,829,273	5,662,779
Cash Flow Data					
Net Cash Flows Provided by Operating Activities	166,587	107,547	283,335	177,524	187,170
Net Cash Flows Used in Investing Activities	(293,785)	(156,088)	(269,149)	(171,988)	(350,090)
Net Cash Flows Provided by (used in) Financing Activities	122,841	(14,430)	(38,694)	117,458	289,886
Other Financial Data					
Capital Expenditures Paid in the Period	(293,658)	(342,285)	(449,192)	(395,439)	(510,886)
Depreciation and Amortization	169,804	158,939	214,019	195,648	168,228
Adjusted EBITDA	471,658	475,168	660,701	737,275	473,598
Interest Coverage Ratio (3)	5.17	5.41	5.72	6.88	4.77
EBITDA Margin (4)	27%	28%	28%	35%	26%
Total Debt (5)	2,444,993	2,464,986	2,413,784	2,402,512	2,227,107
Total Debt / Capitalization (6)	49%	50%	49%	49%	47%
Total Debt / Shareholders' Equity	96%	101%	97%	95%	87%
Dividends Paid	(131,932)	(245,707)	(316,707)	(320,377)	(159,874)
Net Debt (7)	2,063,043	2,068,854	2,008,280	1,864,734	1,634,217
Times Interest Earned (8)	5.19	5.59	4.25	4.97	2.92

(3) Interest Coverage Ratio is calculated by dividing EBITDA by Finance Expense, which includes the net effect of swaps.
(4) Adjusted EBITDA margin is calculated by dividing EBITDA by Total Operating Revenues.
(5) Total Debt is the sum of total financial debt and Related Party Payables.
(6) The Debt to Capitalization Ratio is Total Debt divided by Shareholders' Equity plus Total Debt.
(7) Net debt is calculated as Total Debt less Cash and Cash Equivalents and other short term investments at the end of the period.
(8) Earnings consists of Net Income before tax and Non-Controlling Interest, Finance Expense (including capitalized Interest), amortization of previously capitalized interest. Finance Expense includes interest, both interest expense and capitalized interest.

	As of and for the twelve-month period ended September 30,		As of and for the years ended December 31,		
	2013	**2012**	**2012**	**2011**	**2010**
	(ThU.S.$) **(Unaudited)**	***(ThU.S.$)*** **(Unaudited)**	***(ThU.S.$)***	***(ThU.S.$)***	***(ThU.S.$)***
Total Debt / Adjusted EBITDA (9)	3.72	3.86	3.65	3.26	4.70
Net Debt / Adjusted EBITDA(9)	3.14	3.24	3.04	2.53	3.45
Adjusted EBITDA Calculation					
Net Income attributable to the Shareholders of the Parent	232,314	216,908	202,933	326,084	169,772
Non-Controlling Interest	(1,196)	30	(5)	24	(3,917)
Income Tax Expense	92,596	141,121	146,778	109,810	31,169
Other Income (Expense)	(42,276)	(30,627)	(16,620)	(7,330)	46,426
Foreign Currency Exchange Differences	35,389	(10,155)	3,633	13,348	(16,451)
Finance Expenses	118,883	114,978	115,452	107,148	99,313
Finance Income	(7,282)	(8,887)	(8,407)	(9,303)	(22,452)
Asset Retirement Obligation Accretion Expense	3,879	2,639	2,918	1,846	1,510
Depreciation and Amortization	224,885	212,725	214,019	195,648	168,228
Adjusted EBITDA	**657,192**	**638,732**	**660,701**	**737,275**	**473,598**

(9) Figures presented cover the twelve month period ended December 31, 2013, 2012 and 2010 as well as annualized values for the twelve month period ended September 30, 2013 and 2012.

RISK FACTORS

You should carefully consider the specific factors listed below and the other information included in this offering 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.

Our businesses are subject to extensive governmental legislation and regulation.

As regulated electric companies, 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 September 30, 2013, our subsidiaries had aggregate indebtedness of U.S.$1,654.2 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—Contractual Obligations" in this offering 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 nine-month period ended September 30, 2013, we derived 80.5%, 53.4% and 50.7% of our operating revenues in Chile, Colombia and Argentina, respectively, from electricity sales contracts. In Chile, our contracts are long-term in nature, currently with average terms of 12 years and 17 years in the SIC and SING, respectively. In Colombia, our contracts are typically for one to four year periods and in Argentina, for 12 to 18 months. 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, diesel, natural gas or liquefied natural gas, or "LNG," with the cost of fuel representing a significant portion of our variable costs. Fuel costs, primarily coal, represented 47.5% and 55.2% of our total costs of sales in 2012 and 2011, respectively. Coal is purchased internationally as the primary fuel for several of our plants and our equity-method investee Guacolda purchases coal both locally and internationally for its plants. Our back-up plants utilize petroleum-based fuels and our subsidiary Eléctrica Santiago is capable of alternatively utilizing natural gas, LNG or diesel. Our coal-fired facilities are efficient facilities and as such, we contract a significant portion of their production over the long term. In Chile, the generation from our gas, diesel and petroleum-based plants, including Eléctrica Santiago, is not contracted under PPAs and instead is sold in the spot market. In Argentina, TermoAndes sells both to the spot market and to Energía Plus 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 not own port facilities, and 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 imported from 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, natural gas, LNG 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 June 2011, a new regulation on air emissions standards for thermoelectric power plants became effective. This regulation provides for stringent limits on emissions of particulate matter and gases produced by the combustion of solid and liquid fuels, particularly coal. For existing plants, including those currently under construction, the new limits for particulate matter emissions will enter into effect by the end of 2013 and the new limits for SO_2, NO_x and mercury emissions will begin to apply in mid-2016, except for those plants operating in zones declared saturated or latent zones, where these emission limits will become effective by

June 2015. In order to comply with the new emissions standards, we estimate that AES Gener will have to invest approximately U.S.$220.0 million between 2012 and 2014 and our equity-method investee Guacolda will have to invest approximately U.S.$220.0 million between 2012 and 2015. As of September 30, 2013, we have invested U.S.$133.4 million and our equity-method investee Guacolda has invested U.S.$10.0 million.

Some of our PPAs include pass-through clauses with respect to changes in law. Future changes in environmental laws, or in the interpretation of those laws, including new requirements related to noise, air and wastewater emissions, and new regulations or agreements related to climate or green taxes, 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.

Regional and environmental authorities have 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 pollution. The practical effect of either declaration is that increases in air emissions by industries in such zones are barred, and in certain circumstances, reductions in air emissions are required. 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 include latent and saturated zones, such as the Puchuncaví area, where our Ventanas, Nueva Ventanas and Ventanas IV coal facilities are located and the Metropolitan Region, where the city of Santiago and our Renca and Nueva Renca diesel and gas facilities are located. If we are unable to sufficiently reduce our emissions, we may be exposed to sanctions and penalties. In the future, we may have to make additional investments to reduce our emissions in these latent or saturated zones.

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. In 1960, 1985 and 2007, Chile suffered 9.5, 8.0 and 7.7 magnitude earthquakes, respectively. Moreover, on February 27, 2010, an 8.8 magnitude earthquake hit central Chile, followed by a tsunami. Our plants were not substantially damaged by the earthquake or tsunami. The principal impact on us was minor damages at our coal-fired facilities, all of which were repaired during the first half of March 2010. Although strict civil work and construction codes are enforced, 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.

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 7 of the 8 units.

We maintain full 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 depends on numerous external factors, including the cost and availability of equipment, materials, labor and financing, as well as the impact from delays or difficulties related to regulatory approvals, including required permits, court rulings against governmental approvals already granted, opposition by local and/or international political, environmental and ethnic groups, strikes, adverse changes in the political or regulatory environment, adverse weather conditions, 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. We cannot assure you that public opposition to 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 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 provisions of such contracts and agreements may be disputed by the parties from time to time, and we cannot assure you that lawsuits brought against us or our related companies will not adversely affect our operations or financial condition.

The risk of mechanical 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 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.

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.$30.2 million in the last quarter of 2013, U.S.$379.6 million in 2014 and U.S.$113.1 million in 2015, including the U.S.$147.0 million in outstanding notes due in March 2014 which we expect to pay with the proceeds of the proposed notes issuance. Our ability to refinance our indebtedness could be adversely affected by variations in our international and local credit ratings and on prevailing capital and financial market conditions over which we have no control. In particular, our ability to refinance our indebtedness could be adversely affected by a downgrade in our senior debt and corporate credit ratings by Fitch that we anticipate will be effected due to the financing of the Alto Maipo project, which closed on December 10, 2013, and we cannot assure you that such downgrade will not result in our corporate credit rating with Fitch falling below investment grade. 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.

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.

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 flow 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 experienced a drought and the low hydrological conditions caused by this drought resulted in significant financial losses for one of the generators in the system. As a result, that generator was declared bankrupt. In the subsequent bankruptcy proceeding, we and one of our affiliates presented evidence that the outstanding debt owed by such generator was U.S.$2.9 million, plus applicable interest, of which the Company recovered U.S.$1.2 million. Additional payments are not expected and the relevant provision has been recorded as irrecoverable debt.

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 rating 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 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 under IFRS. There may be material differences between IFRS and U.S. GAAP.

In addition, Chilean securities laws, which govern 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 and/or equity offerings in domestic and international capital markets, and any debt incurred by such offerings may rank senior to the notes. We estimate that our Alto Maipo hydroelectric project, and our coal-fired project Cochrane, will require capital expenditures in excess of U.S.$3.0 billion on a combined basis. We plan to fund a significant portion of these investments with new structured debt and equity from project sponsors and such debt may rank senior to the notes. However, we cannot assure you that we will obtain sufficient funds from internal or external sources to fund our capital expenditure requirements. 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 September 30, 2013, 50.4% of our employees were represented by unions under eight separate collective bargaining agreements. Although we currently enjoy good relations with our employees and their unions and, since 2002, have been able to agree on terms without exposing us to strikes, 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)*, a subsidiary of AES Corp, which has a 70.7% ownership stake in us. Our controlling shareholder is in a position to direct 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 Legally Required Dividend), 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. As a result, circumstances may occur in which our controlling shareholders' interests in us could be in conflict with your interests as noteholders.

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

The Chilean peso, the Colombian peso and the Argentine peso have been subject to large fluctuations in the past and may be subject to significant fluctuations in the future. Historically, a significant portion of our consolidated indebtedness has been denominated in U.S. dollars and, although a substantial portion of our revenues in Chile is linked in part to U.S. dollars, 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.

As of September 30, 2013, in Colombia, 87.2% of our indebtedness was denominated in U.S. dollars, but only 49.3% of our revenues for the nine-month period ended on September 30, 2013 were denominated in U.S. dollars. As a result, 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' energy spot sales are denominated in

Argentine pesos, while contract sales are linked to U.S. dollars and payable in Argentine pesos. TermoAndes' net tax credits (including value-added tax ("VAT") and others) are also denominated in Argentine pesos. Consequently, a devaluation of the Argentine peso may result in a decrease in our tax credits in U.S. dollar terms.

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 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 consumer price index fluctuated by 3.0%, 3.3% and 1.4%, in 2012, 2011 and 2010, respectively. In Colombia, the Colombian consumer price index increased by 3.2%, 3.4% and 2.3%, in 2012, 2011 and 2010, respectively. In Argentina, the official consumer price index increased by 10.0%, 9.8% and 9.2% in 2012, 2011 and 2010, respectively. However, the unofficial annual rate of inflation is approximately 25-27% for 2012 and 2013 (projected). 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 any such increases on to our customers, which could have a material adverse effect on us.

Risk Factors Related to Our Chilean Operations

We are substantially dependent on economic conditions prevailing in Chile.

For the nine-month period ended September 30, 2013, 69.2% of our consolidated operating revenues were derived from our operations in Chile. Accordingly, our financial condition and results of operations are dependent upon economic conditions prevailing in Chile. Although the Chilean economy proved resilient during the recent international economic 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 prices. 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.

The Chilean government has modified, and has the ability to modify, monetary, fiscal, tax and other policies in order to influence the Chilean economy. For additional information concerning the recent changes to the Chilean tax regime, see "Taxation."

We are dependent on hydrological conditions in Chile.

Our hydro-electric assets in Chile currently account for 6.6% of our installed capacity in Chile, and we expect this to rise to 15.1% with the completion of the Alto Maipo project. Our operations are run under existing water rights in Chile, which are indefinite in term, unconditional and absolute property. The AES Gener plant consists of 11 units totaling 271 MW distributed in 4 run-of-river facilities.

Because 6.6% of our current installed capacity and 15.1% of our anticipated 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. System hydrological conditions largely influence our plant's dispatch and the spot prices in the SIC at which we sell our non-contracted generation in Chile. Accordingly, an adverse hydrological condition could have a significant adverse impact on our business, results of operations and financial condition. .

Restrictions in transmission systems could affect our contract prices.

Our generation facilities are connected to the main two Chilean grids, the SIC and SING. The latter allows us to supply energy to clients who are located long distances from our facilities. We provide this energy utilizing existing transmission lines that by law have an open access policy. Consequently, we can inject energy to a substation and our clients can withdraw such energy in another substation closer to their facilities. In the event there are transmission restrictions due to technical or design conditions, our ability to supply energy to our clients could be limited and could materially affect our business 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 CDECs 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 actors. A power generation company may also be obligated to make compensatory payments to regulated customers affected by electricity shortages or to unregulated customers, if the corresponding contract requires such payments.

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 an 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.

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 nine-month period ended September 30, 2013, and for the years ended December 31, 2012 and 2011, our Colombian operations accounted for 22.7%, 19.5% and 17.1%, respectively, of our consolidated operating revenue. As a result, economic conditions in Colombia have a significant impact on our results of operations and financial condition.

Economic growth in Colombia slowed down in 2008 and 2009 due to the adverse economic and financial effects of the global economic crisis beginning in 2008. According to preliminary figures based on the new methodology for calculating Colombia's GDP data, using 2005 as the base year for determining constant prices, real GDP grew approximately 4.0% in 2012, 6.6% in 2011 and 4.0% in 2010, according to IMF. Due to the volatility in the current global economic environment, no assurances can be given concerning actual results for 2013 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. All 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 and water concessions in Colombia.

Our only 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. Our operations are run under physical assets owned by AES Chivor and by two water rights concessions continuing through 2019 and 2034, respectively, which we expect to renew upon expiration. AES Chivor is requesting, in accordance with Law 1541 of 1978, the early renewal of its concession rights, which are set to expire in 2019, for a second period. The non-renewal of our concessions, in particular the concession expiring in 2019, would prevent AES Chivor from continuing full operations and could cause a material adverse effect on our operation and financial performance.

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 100.0% of our installed capacity in Colombia is hydroelectric, we are dependent on the prevailing hydrological conditions in the geographic region in which we operate. 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.

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 guerillas have exerted influence over the local population. In recent years, the guerilla 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.

The Colombian Government is currently holding peace negotiations with Colombia's largest guerrilla group, FARC, and is expected to start negotiations with the ELN group.

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.

Risk Factors Related to Our Argentine Operations

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

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high and variable levels of inflation and currency devaluation. Between 2001 and 2003, Argentina experienced a period of severe political, economic and social crisis. In 2002, enactment of Law No. 25,561 (the "Public Emergency Law") ended more than a decade of uninterrupted Argentine peso/U.S. dollar parity and the Argentine peso has fluctuated significantly since then. See "Exchange Rates."

Although general economic conditions in Argentina have recovered significantly during recent years, there is uncertainty as to whether this growth is sustainable. This is mainly because the economic growth was initially dependent on a significant devaluation of the Argentine peso and a high excess production capacity derived after a long period of deep recession, and was favored by high commodity prices. The global economic crisis of 2008 led to a sudden deceleration of the economy, accompanied by political and social unrest, inflationary and Argentine peso depreciation pressures and a lack of consumer and investor confidence. According to the IMF, Argentina's gross domestic product grew by 1.9 % in 2012, 8.9% in 2011 and 9.2% in 2010. We cannot assure you that GDP will increase or remain stable in the future. Even though projections for 2013 according to the IMF are around 3.5%, there is uncertainty as to whether Argentina may sustain prolonged economic growth. The recent economic

crisis in Europe and the uncertainties of the political future based on recent elections, among other factors, may affect the development of the Argentine economy and have an adverse effect on us.

Presidential elections in Argentina are scheduled for October 2015. During an election year, Argentine capital markets often experience volatility attributed to uncertainty regarding public policies to be enacted and carried out by the new government. The continuity of the current administration and its economic and other policies cannot be assured. The result of the elections and other political factors, as well as possible changes in Argentine economic policies, may adversely affect the economy and, thus, our business 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 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 flow 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 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 compensation system in which prices are aligned with generators' costs of production, increasing revenues of generators who were not selling their production under another scheme of contracts such as Energy Plus or under PPAs with CAMMESA. We do not expect this amendment to have an impact on TermoAndes' operations because Note 2053, issued by the Ministry of Energy in March 2013, states that TermoAndes' units will not be affected.

We cannot assure you that these or 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.

Exchange controls, transfer restrictions and other policies of the Argentine government have limited and can be expected to continue to limit the availability of international and local credit or otherwise adversely affect our business, as well as our ability to repay the notes.

During 2011, capital flight from Argentina amounted to U.S.$21.5 billion, a sharp increase of 90% compared to 2010. A historical account surplus has been eroded by a deterioration in the balance of the energy trade which reached a deficit of U.S.$3 billion in 2011 after years of surplus. After the 2011 presidential elections, the Argentine government responded to the increasing dollar demand by restricting access to foreign currency to companies and individuals. By implementing these foreign currency restrictions, the Argentine government has succeeded in slowing foreign currency outflows and in partially improving Argentina's balance of payments. However, these measures have impeded growth and credibility and have raised inflation, with an unofficial annual rate of inflation of around 25-27% for 2012 and 2013 (projected).

The current official foreign exchange rate as of September 10, 2013 was AR$/U.S.$ 5.71. Formal access to this market is allowed for payment of imports of goods and services, financial debt repayment, dividend payments and travel expenses. Access to this market is not only regulated by the Central Bank but is also currently subject to informal restrictions. These informal restrictions apply to dividend payments and travel expenses, where there is a total closure of the market. In the opinion of many market analysts, there is no expectation that the authorities will lift these formal and informal restrictions until the next presidential election in October 2015.

If local currency restrictions against the purchase of the U.S. dollar in Argentina continue, it would likely adversely affect our financial condition and could adversely affect our ability to fulfill our obligations under the notes.

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, reorganization, 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 September 30, 2013, we had U.S.$2,375.2 million of outstanding debt, including approximately U.S.$ 1,116.4 million of senior debt and approximately U.S.$ 1,258.8 million of secured debt. As of September 30, 2013, our subsidiaries had U.S.$ 1,654.2 million of outstanding 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 "—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 offering 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 on the First Reset Date and any Interest Payment Date thereafter at their aggregate principal amount, together with any accrued and unpaid interest to, but excluding, the First Reset Date or the relevant Interest Payment 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 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.

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

The notes will mature on December 18, 2073. 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 which 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, reorganization, 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. 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. While we expect to maintain an investment grade rating with Fitch following the offering, we anticipate that our current senior debt and corporate credit rating with Fitch will be downgraded due to the financing of the Alto Maipo project, which closed on December 10, 2013, and we cannot assure you that such downgrade will not result in our senior debt or our corporate credit rating with Fitch falling below investment grade. A downgrade in or withdrawal of our corporate credit rating or the rating of the notes, including any such downgrade by Fitch, 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, including any such downgrade by Fitch as discussed above, 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.

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.

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 SVS. 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 SVS. We may privately sell the notes in Chile to certain qualified investors, as defined by the SVS, 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 such Minimum Legally Required Dividend at our annual shareholders meeting and pay it within 30 days of such meeting, and the SVS has ruled that such obligation is enforceable against us whenever we are under the legal obligation to declare the Minimum Legally Required Dividend. In addition, our shareholders may file a complaint with the SVS 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 SVS or a notary public to certify a copy of the minutes of the annual shareholders' meeting and board 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' and board's meetings.

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—Dividend Stopper" and "—Limitation on Obligation to Make Interest Payments."

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 bankruptcy 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 (*Ley de Quiebras*, Book IV of the Commercial Code of Chile), if we were declared bankrupt, 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 bankruptcy proceedings;
- would cease to accrue interest;
- would be paid in U.S. dollars, pursuant to Article 68 of the 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;

- in order for the subordination to be effective in a bankruptcy 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 bankruptcy proceedings or notified to the trustee in bankruptcy (*síndico*); 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.

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 — Certain U.S. Federal Income Tax Consequences— 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 and, as discussed under “Taxation – Chilean Taxation”, should be treated as indebtedness for Chilean tax purposes. 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 — Certain 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 — Certain 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 “disproportionate distribution” by us for U.S. federal income tax purposes. In such a circumstance, you would be

deemed to have received a taxable distribution equal to the amount of any interest payments on the notes that are accrued but not paid in cash. Please see "Taxation — Certain U.S. Federal Income Tax Considerations — Section 305 Rules." You would generally be required to treat any such deemed distribution as a deemed dividend includible in taxable income for U.S. federal income tax purposes, regardless of when such interest payment is ultimately paid in cash. You are urged to consult your own tax advisor with respect to the particular tax consequences of this rule.

EXCHANGE RATES

Chile

Chile has two currency markets, the Formal Exchange Market (*Mercado Cambiario Formal*) and the Informal Exchange Market (*Mercado Cambiario Informal*). The Formal Exchange Market is comprised of banks and other entities authorized by the Chilean Central Bank. The Informal Exchange Market is comprised of 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 require 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 they 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 Chilean official gazette (*Diario Oficial*), is 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 Observed Exchange Rate within a desired range. During the past few years, the Chilean Central Bank has attempted to keep the Observed Exchange Rate within a certain range only under special circumstances. Although the Chilean Central Bank is not required to purchase or sell 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 Observed Exchange Rate. In recent years, the variation between the Observed Exchange Rate and the Informal Exchange Rate has not been significant.

The following table sets forth the annual low, high, average and period-end Observed Exchange Rate for U.S. dollars for each year starting in 2008, and for the period from January 1 through November 22, 2013, as reported by the Chilean Central Bank.

	Observed Exchange Rates (Ch$ per U.S.$)			
Year	**Low(1)**	**High(1)**	**Average(2)**	**Period-end(3)**
2008	431.22	676.75	521.79	636.45
2009	491.09	643.87	559.67	507.10
2010	468.37	549.17	510.38	468.01
2011	455.91	533.74	483.36	519.20
2012	469.65	519.69	486.75	479.96
2013:				
January	470.67	479.96	472.67	471.44
February	470.67	473.60	472.34	472.96
March	471.10	474.82	472.48	472.03
April	466.50	477.74	472.14	471.31
May	469.64	492.80	479.58	499.78
June	492.59	514.38	502.89	507.16
July	497.79	514.34	504.96	515.42
August	506.78	516.83	512.59	509.74
September	496.49	510.38	504.57	504.20
October	493.36	508.58	500.81	508.58
November (through November 22)	507.64	522.73	517.97	522.73

(1) Exchange rates are the actual low and high on a daily basis for each period.
(2) The yearly average rate is calculated as the average of the exchange rates on the last day of each month during the period.
(3) 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 actually represent, 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. The Federal Reserve Bank of New York does not report a noon buying rate for pesos.

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) (the "Free Market"), 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 Observed Exchange Rate for U.S. dollars for each year starting in 2008, and for the period from January 1 to November 22, 2013, based on information published by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*).

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

	Observed Exchange Rates (Col$ per U.S.$)			
Year	**Low[(1)]**	**High[(1)]**	**Average[(2)]**	**Period-end[(3)]**
2008	1,652.41	2,392.28	1,989.35	2,243.59
2009	1,825.68	2,596.37	2,180.19	2,044.23
2010	1,786.20	2,044.23	1,902.50	1,913.98
2011	1,748.41	1,972.76	1,846.97	1,942.70
2012	1,754.89	1,942.70	1,797.79	1,768.23
2013:				
January	1,758.45	1,779.84	1,769.67	1,775.65
February	1,775.65	1,818.54	1,790.55	1,814.28
March	1,797.28	1,832.20	1,813.75	1,832.20
April	1,813.11	1,847.02	1,830.23	1,825.83
May	1,825.83	1,897.10	1,847.92	1,907.76
June	1,882.38	1,942.97	1,909.85	1,929.00
July	1,873.25	1,929.00	1,901.54	1,896.15
August	1,868.90	1,943.04	1,902.10	1,935.43
September	1,887.30	1,952.11	1,919.51	1,908.29

Year	Observed Exchange Rates (Col$ per U.S.$)			
	Low(1)	High(1)	Average(2)	Period-end(3)
October	1,879.46	1,908.29	1,885.13	1,884.06
November (through November 22)	1,889.16	1,932.77	1,919.23	1932.42

(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 Superintendency of Finance

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. The Federal Reserve Bank of New York does not report a noon buying rate for Colombian pesos.

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. 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. The Public Emergency Law has been subsequently extended through December 31, 2013.

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. Additionally, in late 2011 the Argentine government started implementing new measures that restricted access to the foreign exchange market, limiting the sale of foreign currency to non-residents for the repatriation of direct investment and the transfer of dividends overseas, and the formation of foreign assets for residents, including the purchase of foreign currency.

Resolution No. 3210/2011 (as amended) of the Federal Administration of Public Revenue ("AFIP") and Communication "A" 5245 (as amended) of the Argentine Central Bank established the Foreign Exchange Consultation, a system through which the AFIP analyzes each operation in real time in order to analyze the consistency of transactions with each buyer's tax information, and determine whether to validate the operation or not.

The existing controls and restrictions, and any additional restrictions of this kind that may be imposed in the future, could impair our ability to transfer funds generated by our Argentine operations in U.S. dollars outside Argentina.

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.

Observed Exchange Rate of Arg$ per U.S.$(1)

Year	Observed Exchange Rates (Arg$ per U.S.$)			
	Low(1)	High(1)	Average(2)	Period-end(3)
2008	3.01	3.45	3.18	3.45
2009	3.45	3.85	3.75	3.80

Year	Observed Exchange Rates (Arg$ per U.S.$)			
	Low[1]	High[1]	Average[2]	Period-end[3]
2010	3.79	3.99	3.92	3.98
2011	3.97	4.30	4.13	4.59
2012	4.30	5.43	4.57	4.93
2013:				
January	4.93	4.98	4.95	4.99
February	4.98	5.05	5.01	5.05
March	5.05	5.12	5.09	5.12
April	5.12	5.19	5.15	5.19
May	5.19	5.28	5.24	5.29
June	5.29	5.39	5.33	5.39
July	5.39	5.51	5.44	5.51
August	5.51	5.67	5.58	5.69
September	5.69	5.79	5.74	5.80
October	5.80	5.90	5.85	5.90
November (through November 22)	5.92	6.08	5.99	6.08

(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

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)* (the "Chilean Central Bank Compendium").

Pursuant to the provisions of Chapter XIV of the Chilean Central Bank 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 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, at least within the first ten days of the month following the date on which the transaction took place. The regulations require that the information provided describe 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 Chilean Central Bank 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 Chilean Central Bank 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 regulations with respect to the issuance of debt securities, including the notes, as in force and effect as of the date of this offering 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 Chilean Central Bank Compendium, a copy of which is available from us upon request.

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. Pursuant to Resolution 5 of 2008 and Resolution 11 of 2008 of the Colombian Central Bank, such measures 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 540 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.

On October 8, 2008 and October 9, 2008, through Decree 3913 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%.

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. This Decree was enforced as from June 10, 2005 and, as regulated, established a system where:

(a) foreign exchange flows into and from the local foreign exchange market and all resident new debt transactions that may imply future foreign exchange payments to non-residents must be registered with the Argentine Central Bank;

(b) all new debt of the private sector with non-residents must be for a minimum term of 365 days, except for international trade financing and primary issuances of debt securities, if such securities' public offering and listing on self-regulated markets in Argentina has been duly authorized;

(c) all inflows of foreign exchange resulting from such indebtedness, (subject to the exceptions mentioned in the previous item and those regulated by the Argentine Central Bank which are detailed below), and all inflows of foreign exchange by non-residents, excluding direct foreign investments and certain portfolio investments, subscriptions of primary issuances of debt and equity securities, for which public offering and listing in self-regulated markets in Argentina has been duly authorized, and government securities acquired in the secondary market, must be for a term of at least 365 days and will be subject to a 30.0% deposit requirement;

(d) such 30.0% deposit requirement will be held in a local financial institution as an unremunerated dollar-denominated time deposit maturing in at least 365 days; such funds will not be available as a guarantee for any kind of debt and, upon the deposit maturity date, such funds will become available within the country and therefore, will be subject to the applicable restrictions on foreign exchange transfers abroad;

(e) the 30.0% deposit is not required for, among other things, inflows of foreign currency:

i. resulting from loans granted to residents by local financial institutions in foreign currency;

ii. resulting from capital contributions to local institutions when the contributor owns, previously or as a result of such contributions, 10.0% or more of the company's capital or votes, subject to compliance with certain requirements;

iii. resulting from sales of interests in local entities to direct investors;

iv. to be applied to real estate acquisitions;

v. resulting from an indebtedness with multilateral and bilateral credit agencies and with official credit agencies;

vi. resulting from other foreign indebtedness of the local non-financial private sector, with an average life of no less than two years, the proceeds of which will be applied to the acquisition of non-financial investments (as defined by the Argentine Central Bank);

vii. resulting from other foreign indebtedness where the proceeds will be applied to the settlement of foreign debt principal amortization or long-term investments in foreign assets;

viii. that will be utilized within ten Business Days of their liquidation in the local foreign exchange market pursuant to concepts listed as "*current transactions within the international accounts*" by the International Monetary Fund, among others, including the payment by non-Argentine residents of certain local taxes;

ix. resulting from the sale of foreign assets of residents in order to subscribe to primary issuances of public debt issued by the Government; and

x. the proceeds of sales of foreign assets brought into the country by residents through capital repatriation will be subject to the 30.0% deposit requirement, which will apply to any amounts exceeding U.S.$2.0 million per month if certain other operative requirements are met.

The Ministry of Economy is entitled to modify the percentages and terms detailed above when a change in the macroeconomic situation so requires. It is also entitled to modify the requirements established by Decree No.616/05, establish new requirements and/or increase the types of foreign currency inflows included. The Argentine Central Bank is entitled to regulate and control compliance with the regime established by Decree No.616/05 and to enforce the applicable penalties.

On November 16, 2005, the Ministry of Economy and Production issued Resolution 637/05, pursuant to which Decree 616/05 was regulated, providing that any inflow of funds to the local exchange market in connection with an initial public offering of securities, bonds or certificates issued by a trustee under a trust, whether or not such trust is publicly offered and listed in a self-regulated market, shall comply with all requirements provided for in Section 4 of Decree 616/05 relating to the inflow of funds to the local exchange market in connection with the acquisition of any of the assets under the trust.

In addition, access to the local foreign exchange market by non-residents (both individuals and entities) to transfer funds abroad is currently permitted with:

1. no limit in the case of: (i) proceeds from the principal amortization of government securities; (ii) recoveries from local bankruptcies; (iii) proceeds from the sale of direct investments in the non-financial private sector in Argentina or the final disposition of such investments if they were made with foreign currency that entered the local foreign exchange market no less than 365 days before; and (iv) certain other specific cases;

2. a U.S.$500,000 monthly limit in the case of the aggregate proceeds of the sale of portfolio investments made with foreign currency that entered the local foreign exchange market no less than 365 days before; and

3. a U.S.$5,000 monthly limit in cases not contemplated above, unless authorization from the Argentine Central Bank is obtained.

Access to the local foreign exchange market by residents (both individuals and entities) to make foreign real estate, direct or portfolio investments or to buy foreign exchange or traveler's checks is allowed, but limited to U.S.$2.0 million per month if certain other operative requirements are met. This limit may be increased in certain specific cases. The transfer abroad of dividend payments is currently authorized by applicable regulations to the extent such dividend payments are made in connection with audited financial statements approved by a shareholders' meeting.

Pursuant to Decree No.260/02, all foreign exchange transactions in Argentina must be executed only through the free and single foreign exchange market (*mercado libre y único de cambios*) on which the Argentine Central Bank buys and sells currency.

Any breach of the provisions of Decree No. 616/05 or any other foreign exchange regulation is subject to criminal penalties of the laws governing the Argentine exchange market.

USE OF PROCEEDS

We intend to use the net proceeds of U.S.$440,755,590 from this offering for repayment of our outstanding notes due March 15, 2014, development of new projects and other general corporate purposes.

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 consolidated financial statements and the related notes thereof included in this offering memorandum.

The following table sets forth our consolidated capitalization as of September 30, 2013 on an actual basis, and as adjusted to give effect to the proceeds from this offering.

Consolidated	**As of September 30, 2013**	
	Actual	**As Adjusted**
	(in millions of U.S. dollars) (unaudited)	
Short-Term Debt	290.2	290.2
Long-Term Debt	2,154.8	2,154.8
Notes Offered Hereby ([1])	-	440.8
Non-Controlling Interest	72.2	72.2
Total Equity Attributable to Shareholders of the Parent	2,554.7	2,554.7
Total Capitalization	**$ 5,071.9**	**5,512.7**

(1) This amount corresponds to gross proceeds from the issuance less estimated transaction costs.

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 unaudited consolidated financial statements and the related notes thereto included elsewhere in this offering 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 offering memorandum. Information included below as of December 31, 2012 and 2011 and for the years ended December 2012, 2011 and 2010 data appears in our audited consolidated financial statements included elsewhere in this offering memorandum.

The consolidated income statement and consolidated financial position data for the nine-month periods ended and as of September 30, 2013 are derived from our unaudited consolidated financial statements and the related notes thereto included elsewhere in this offering memorandum. The unaudited consolidated financial statements may not be indicative of results that may be expected for the full year.

	For the nine-month period ended September 30,		For the year ended December 31,		
INCOME STATEMENT DATA	**2013**	**2012**	**2012**	**2011**	**2010**
	(ThU.S.$)	***(ThU.S.$)***	***(ThU.S.$)***	***(ThU.S.$)***	***(ThU.S.$)***
Operating Revenue					
Contract Energy and Capacity Sales [1]	1,242,583	1,167,957	1,554,632	1,381,449	1,217,247
Spot Market Energy Sales [2]	393,427	420,559	616,854	591,561	455,370
Other Operating Revenues	87,198	118,180	156,235	157,276	129,432
Total Operating Revenue	**1,723,208**	**1,706,696**	**2,327,721**	**2,130,286**	**1,802,049**
Cost of Sales					
Fuel Consumption	(515.052)	(616,387)	(824,855)	(797,372)	(573,904)
Energy and Capacity Purchases	(384,527)	(234,061)	(340,593)	(143,527)	(373,766)
Depreciation and Amortization Expense	(169,804)	(158,939)	(214,019)	(195,648)	(168,228)
Other Cost of Sales	(272,508)	(275,150)	(358,361)	(306,667)	(252,980)
Total Cost of Sales	**(1,341,891)**	**(1,284,537)**	**(1,737,828)**	**(1,443,214)**	**(1,368,878)**
Gross Profit	**381,317**	**422,159**	**589,893**	**687,072**	**433,171**
Selling, General, Administrative and Other Expenses	(86,404)	(109,606)	(148,186)	(153,435)	(135,192)
Other Operating Income	3,806	1,502	2,057	6,144	5,881
Total Other Operating Income	**298,719**	**314,055**	**443,764**	**539,781**	**303,860**
Finance Income	5,705	6,830	8,407	9,303	22,452
Finance Expense	(91,292)	(87,861)	(115,452)	(107,148)	(99,313)
Foreign Currency Exchange Differences	(27,187)	4,569	(3,633)	(13,348)	16,451
Other Non-Operating Income (Expense)	32,941	7,285	16,620	7,330	(46,426)
Income Before Taxes and Non-Controlling Interest	**218,886**	**244,878**	**349,706**	**435,918**	**197,024**
Income Tax Expense	(63,169)	(117,351)	(146,778)	(109,810)	(31,169)
Non-Controlling Interest	1,167	(24)	5	(24)	3,917
Net Income Attributable to Shareholders of the Parent	**156,884**	**127,503**	**202,933**	**326,084**	**169,772**

(1) Contract Energy and Capacity Sales is calculated as the sum of regulated and unregulated customers sales in the SIC and SING and contract sales in the SADI and Colombia.

(2) Spot Market Energy Sales is calculated as the sum of spot sales in the SIC, SING, SADI and Colombia and regulated customer without contract sales in the SIC.

ASSETS	As of September 30, 2013 ThU.S.$ (Unaudited)	As of September 30, 2012 ThU.S.$ (Unaudited)	As of December 31, 2012 ThU.S.$	As of December 31, 2011 ThU.S.$	As of December 31, 2010 ThU.S.$
Cash and Cash Equivalents	373,659	360,164	397,204	409,157	294,261
Other Current Financial Assets	14,155	38,499	10,108	140,396	300,500
Other Non-Financial Assets	22,473	13,001	7,612	6,784	11,476
Trade and Other Receivables	293,740	307,582	312,627	391,118	422,540
Related Party Receivables	1,559	10,770	8,754	13,885	12,437
Inventory	113,597	112,920	90,703	105,946	42,078
Taxes Receivables	42,134	21,814	28,568	19,603	2,363
Total Current Assets	**861,317**	**864,750**	**855,576**	**1,086,889**	**1,085,655**
Other Non-Current Financial Assets	53,856	15,568	14,140	12,642	68,631
Other Non-Current Non-Financial Assets	36,576	18,801	17,988	11,187	17,134
Trade and Other Receivables	1,836	9,261	6,083	9,829	8,171
Investments in Associates	306,649	269,473	276,153	273,375	252,051
Intangible Assets	41,309	35,314	39,818	33,816	12,682
Goodwill	7,309	7,309	7,309	7,309	7,309
Property, Plant and Equipment	4,710,479	4,506,204	4,599,363	4,375,469	4,178,072
Deferred Taxes	3,144	16,782	14,976	18,757	33,074
Total Non-Current Assets	**5,161,158**	**4,878,712**	**4,975,830**	**4,742,384**	**4,577,124**
Total Assets	**6,022,475**	**5,743,462**	**5,831,406**	**5,829,273**	**5,662,779**

LIABILITIES	As of September 30, 2013 ThU.S.$ (Unaudited)	As of September 30, 2012 ThU.S.$ (Unaudited)	As of December 31, 2012 ThU.S.$	As of December 31, 2011 ThU.S.$	As of December 31, 2010 ThU.S.$
Other Financial Liabilities	271,435	136,598	124,281	94,654	97,946
Trade and Other Payables	317,080	225,516	254,750	347,840	314,335
Related Party Payables	18,795	16,224	17,017	9,526	26,313
Provisions	4,305	1,982	4,588	3,037	4,244
Taxes Payable	13,651	36,939	49,870	32,815	31,621
Employee Benefits	1,116	2,105	2,333	3,241	3,014
Other Current Non-Financial Liabilities	37,240	23,971	38,459	23,045	21,982
Total Current Liabilities	**663,622**	**443,335**	**491,298**	**514,158**	**499,455**
Other Non-Current Financial Liabilities	2,154,763	2,312,164	2,272,486	2,298,096	2,100,472
Trade and Other Payables	43,320	44,365	35,441	31,381	50,737
Related Party Payables	-	-	-	236	2,376
Provisions	72,837	56,745	81,125	47,203	31,035
Deferred Taxes	405,311	394,175	412,365	358,185	366,885
Employee Benefits	39,783	33,360	38,305	28,750	29,719
Other Non-Current Non-Financial Liabilities	15,909	18,989	19,365	22,485	27,524
Total Non-Current Liabilities	**2,731,923**	**2,859,798**	**2,859,087**	**2,786,336**	**2,608,748**
Total Liabilities	**3,395,545**	**3,303,133**	**3,350,385**	**3,300,494**	**3,108,203**
Issued Capital	1,901,720	1,901,720	1,901,720	1,901,720	1,901,720
Retained Earnings	571,382	542,001	546,430	642,666	511,238
Share Premium	49,908	49,908	49,908	49,908	49,908
Other Components of Equity	256,711	226,744	236,957	226,039	296,930
Accumulated Other Comprehensive Income	(224,986)	(280,190)	(257,348)	(291,663)	(205,307)
Total Equity Attributable to Owners of the Parent	**2,554,735**	**2,440,183**	**2,477,667**	**2,528,670**	**2,554,489**
Non-Controlling Interest	72,195	146	3,354	109	87
Total Equity	**2,626,930**	**2,440,329**	**2,481,021**	**2,528,779**	**2,554,576**
Total Liabilities and Equity	**6,022,475**	**5,743,462**	**5,831,406**	**5,829,273**	**5,662,779**

STATEMENT OF CASH FLOWS INDIRECT METHOD[1]	For the year ended December 31, 2012 ThU.S.$	2011 ThU.S.$	2010 ThU.S.$
Net-Cash Flows provided by Operating Activities			
Net Income	202,928	326,108	165,855
Non-Cash Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities			
Income Taxes	146,778	109,810	31,169
Decrease (Increase) in Inventory	15,243	(63,868)	9,205
Decrease (Increase) in Trade and Other Receivables	(6,244)	(39,777)	45,568
Increase (Decrease) in Trade and Other Payables	83,734	91,362	(22,700)
Depreciation and Amortization	214,019	195,648	168,228
Impairment recognized in period	-	-	3,370
Movements in Provisions	24,105	5,030	(4,862)
Unrealized Foreign Exchange Gains	(5,588)	3,957	(30,305)
Losses (gains) on differences in fair value	-	-	9,822
Non-Distributed Gains from Associates	(9,187)	(31,109)	(42,361)
Finance Income	(8,407)	(9,303)	(22,452)
Finance Expenses	115,452	107,148	99,313
Refinancing Debt Expenses	-	41,200	-
Loss (Gain) on Contract Settlement	-	(19,448)	45,392
Other Non-Cash	(12,414)	(16,466)	(2,619)
(Gain) Loss from sale of Non-Current Assets	(215)	2,373	(7)
(Gain) Loss on disposal of Property, Plant and Equipment	(5,050)	8,591	14,671
Dividend Payments	(316,707)	(320,377)	(159,874)
Dividend Received	13,409	23,240	11,219
Interest Payments	(99,027)	(96,890)	(101,015)
Interest Received	7,193	8,496	4,355
Income Tax Paid	(79,056)	(95,532)	(65,182)
Other Operating Inflows (Outflows)	2,369	(52,669)	30,380
Net Cash Flows provided by Operating Activities	**285,335**	**177,524**	**187,170**
Payments for Investments in Associates	-	-	(2,005)
Proceeds from Sales of Property, Plant and Equipment	893	822	760
Proceeds from Sale of Financial Assets	3,927	10,000	-
Additions to Property, Plant and Equipment	(449,192)	(395,439)	(510,886)
Acquisitions of Intangible Assets	(6,824)	(1,180)	(3,666)
Proceeds from Sale of Financial Assets	61,143	224,603	147,330
Purchase of Financial Assets	-	(55,125)	(120,840)
VAT Recovery related to Construction Projects	-	36,300	139,019
Other Investing Inflows (Outflows)	120,904	8,031	198
Net Cash Flows used in Investing Activities	**(269,149)**	**(171,988)**	**(350,090)**
Proceeds from Share Issuance	12,361	-	-
Proceeds from Borrowings	-	165,954	335,189
Payments on Loans	(48,978)	(37,944)	(27,439)
Payments on Finance Lease Liabilities	(2,157)	(2,044)	(2,443)
Other Financing Inflows (Outflows)	80	(8,508)	(15,421)

[1] Although IAS 7 permits presentation of the Statement of Cash Flows using either the direct or indirect method, Oficio No 2058 dated February 3, 2012 issued by the SVS requires all Chilean publicly traded companies to present the Statement of Cash Flows using the direct method beginning with the reporting period ending March 31, 2013. For companies that had previously used the indirect method for presenting their Statement of Cash Flows, the SVS permitted a non-comparative presentation of the direct method during previous reporting periods. The Company previously used the indirect method. As such, the Company switched to the direct method for all financial statements filed for the periods ending on and after March 31, 2013. Therefore, in this offering memorandum, the cash flow statements for the years ended December 31, 2010, 2011 and 2012 have been presented using the indirect method while the cash flows for the nine months ended September 30, 2012 and 2013 are presented using the direct method.

	For the year ended December 31,		
	2012	**2011**	**2010**
Net Cash Flows provided by (used in) Financing Activities	**(38,694)**	**117,458**	**289,886**
Net Cash and Cash Equivalents Increase (Decrease)............	(24,508)	122,994	126,966
Net Foreign Exchange Differences.......................................	12,555	(8,098)	4,648
Cash and Cash Equivalents at the Beginning of Period....................	409,157	294,261	162,647
Cash and Cash Equivalents at the End of Period..................	397,204	409,157	294,261

	For the nine-months ended September	
STATEMENT OF CASH FLOWS DIRECT METHOD[2]	**2013**	**2012**
	ThU.S.$ ***(unaudited)***	***ThU.S.$*** ***(unaudited)***
Proceeds from Operating Activities:		
Proceeds from Sales of Goods and Services	2,440,755	2,355,339
Other Proceeds from Operating Activities	11,317	41,781
Payments to Suppliers for Goods and Services......................................	(1,903,012)	(1,688,040)
Payment to Employees...	(56,779)	(59,919)
Other Payments for Operating Activities	(1,722)	(166,557)
Dividends Paid...	(131,932)	(245,707)
Dividends Received	1,997	13,409
Interest Paid	(83,724)	(64,063)
Interest Received	6,402	5,331
Income Taxes Paid...	(108,412)	(75,226)
Other Operating Cash Outflows...	(8,303)	(8,801)
Net Cash Flows provided by Cash Activities	**166,587**	**107,547**
Proceeds from sales of Property, Plant and Equipment	344	660
Additions to Property, Plant and Equipment..	(293,658)	(342,285)
Acquisitions of Intangible Assets	(471)	(1,485)
Purchase of Financial Assets	-	115,132
VAT Recovery related to Construction Projects....................................	-	61,143
Other Investing Inflows	-	10,747
Net Cash Flows Used in Investing Activities..	**(293,785)**	**(156,088)**
Proceeds from Share Issuance..	83,684	-
Proceeds from Borrowings	119,500	-
Payments on Loans	(36,240)	(13,974)
Payments on Finance Lease Liabilities	(1,151)	(456)
Payments of Financing Related Costs..	(41,920)	-
Other Financing Outflows..	(1,032)	-
Net Cash Flows Provided by (Used in) Financing Activities	**122,841**	**(14,430)**
Net Cash and Cash Equivalents Increase (Decrease)	(4,357)	(62,971)

[2] Although IAS 7 permits presentation of the Statement of Cash Flows using either the direct or indirect method, Oficio No 2058 dated February 3, 2012 issued by the SVS requires all Chilean publicly traded companies to present the Statement of Cash Flows using the direct method beginning with the reporting period ending March 31, 2013. For companies that had previously used the indirect method for presenting their Statement of Cash Flows, the SVS permitted a non-comparative presentation of the direct method during previous reporting periods. The Company previously used the indirect method. As such, the Company switched to the direct method for all financial statements filed for the periods ending on and after March 31, 2013. Therefore, in this offering memorandum, the cash flow statements for the years ended December 31, 2010, 2011 and 2012 have been presented using the indirect method while the cash flows for the nine months ended September 30, 2012 and 2013 are presented using the direct method.

STATEMENT OF CASH FLOWS DIRECT METHOD[2]	For the nine-months ended September	
	2013	**2012**
	ThU.S.$ ***(unaudited)***	***ThU.S.$*** ***(unaudited)***
Net Foreign Exchange Differences	(19,188)	13,978
Cash and Cash Equivalents at the Beginning of Period	397,204	409,157
Cash and Cash Equivalents at the End of Period	**373,659**	**360,164**

**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 offering 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 and unaudited interim consolidated financial statements included herein have been prepared in accordance with IFRS and are presented in U.S. dollars.

Overview

We are an electricity generation company and derive our sales revenue from the sale of electric energy and capacity to our customers under long-term contracts and in the spot market. For the years ended December 31, 2012, 2011 and 2010, sales under contracts represented 66.8%, 64.7% and 67.6% of our consolidated revenue, respectively. We generate and sell electricity in four markets: the SIC and SING in Chile, the SIN in Colombia and the SADI in Argentina.

With installed capacity 4,081 MW, including TermoAndes, we are the second-largest electricity generation company in Chile, with significant participation in both major markets. Based on installed capacity, our market share was approximately 21.9% as of June 30, 2013. In the SIC, which covers over 92.2% of Chile's population, including the densely populated Santiago Metropolitan Region, we have installed capacity of 2,616 MW and our market share is approximately 18.6%. In the SING, where mining consumption prevails over residential consumption, we have 1,465 MW of installed capacity, including TermoAndes, and our market share totals approximately 31.8%. In Colombia, we own a 1,000 MW dam-based hydroelectric facility, the third largest in the country, and our market share is approximately 6.9%, making us the sixth-largest generation company in the country. In Argentina, our 643 MW TermoAndes plant is a combined cycle which is capable of operating on either gas or diesel that generates and sells electricity in the SADI, representing 2.1% of the system's installed capacity. For purposes of calculating installed capacity, the CDEC-SING includes TermoAndes' installed capacity as part of the SING, although it is not presently selling energy in that market.

Our strategy focuses on maintaining cash flow stability. Our commercial policy seeks to maximize cash flow from our electricity business, managing and mitigating risks related to market and industry conditions, such as hydrological and fuel price variability, in order to minimize volatility and reduce uncertainty. The most significant variables affecting our results of operations are the quantity of energy sold under contract and on the spot market, the prices of energy and capacity, hydrological conditions in the SIC and SIN, and the cost of fuel utilized by our thermoelectric plants. Our principal customers in Chile are distribution companies and unregulated customers such as industrial and mining companies, with whom we enter into long-term power supply agreements. In Colombia, our principal customers are distribution companies. In Argentina, we sell electricity on the spot market and under contract to industrial customers.

Trends and Factors Affecting Our Results of Operations

Developments in Chile

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 and five plants with installed capacity of over 2,000 MW in the SING, 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 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 investment of approximately U.S.$3.0 billion and installed capacity of 1,696 MW, including six coal-fired generation units with combined installed capacity of 1,393 MW to increase efficient base load generation, two diesel-fired back-up facilities with combined installed capacity of 271 MW and two 32 MW BESS facilities to improve system reliability. We are in the process of completing construction of an additional 684 MW, which is composed of three coal units, and one 20 MW BESS facility.

In addition, in response to the lack of natural gas from Argentina, LNG regasification terminals were installed in both the 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 price and purchase terms offered in Chile are not yet competitive with coal-based generation for base load power nor 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 SIC in October 2010, which has continued through the present.

SIC

In the SIC, our only asset directly affected by the gas supply curtailments was our 379 MW Nueva Renca CCGT, which is owned by our subsidiary Eléctrica Santiago. As a result of gas restrictions, Nueva Renca was forced to replace natural gas with diesel, significantly increasing the plant's variable cost of production. As a result of the lack of natural gas supply, Nueva Renca switched from being a cost-efficient base load plant to a higher cost back-up facility while having a significant portion of its generation committed under contract at an average cost of production above the contract price. Eléctrica Santiago's contractual obligations terminated in 2010 and as such, as of January 1, 2011, all of its generation is currently sold on the spot market. During the dry hydrological conditions which affected the SIC in 2010 and 2011, Eléctrica Santiago, and in particular the Nueva Renca CCGT, generated primarily utilizing LNG purchased from a regasification terminal as fuel, selling 100.0% of its generation on the spot market and providing the system with back-up energy supplies necessary to meet demand. Since 2012, new efficient capacity has been added to the system, including our Ventanas IV coal plant, resulting in a decrease in spot prices which reduced the dispatch from Nueva Renca. Consequently, generation from Eléctrica Santiago decreased by 54.0% in the first nine-months of 2013 to 621 GWh for the nine-month period ended September 30, 2013 from 1,350 GWh for the nine-month period ended September 30, 2012.

All natural gas and natural gas transportation contracts for Eléctrica Santiago have been terminated. In December 2007, an arbitral tribunal terminated Eléctrica Santiago's gas supply contracts entered into with members of the Sierra Chata Consortium in light of the restrictions that had been placed on the export of gas by the Argentine Republic. Eléctrica Santiago thereafter terminated its gas transportation contract with Transportadora de Gas del Norte S.A. ("TGN") and initiated arbitration seeking relief from the obligation to pay the firm tariff under Eléctrica Santiago's gas transportation contracts with GasAndes Argentina and GasAndes Chile or in the alternative, termination of such contracts. TGN (which later filed a lawsuit against Eléctrica Santiago in Argentina), GasAndes Argentina and GasAndes Chile argued that the restrictions on the export of gas justified the adjustment or termination of the respective gas transportation contracts and sought due tariff payments. On December 29, 2010, Eléctrica Santiago reached settlement agreements with GasAndes Argentina, GasAndes Chile and TGN terminating the respective gas transportation contracts and resolving all pending legal disputes and potential future claims.

We responded to the SIC's need for 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. 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 new 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 is currently constructing a fifth 152 MW coal-fired unit in

the SIC, with reported construction progress of 31.2% as of September 30, 2013. The fifth Guacolda unit is scheduled to initiate operations in the second half 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, our only asset directly affected by the gas supply curtailments was our 643 MW TermoAndes CCGT owned by 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 by a transmission line owned by us which crosses the Andes mountains. The plant commenced operations in 2000, selling exclusively in the Chilean SING. 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 and its renewal and other alternatives are being evaluated by us. 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 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 with total installed capacity of 545 MW 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 allows 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 are currently constructing an additional two-unit coal-fired plant, the 532 MW Cochrane with reported construction progress of 14.6% as of September 30, 2013. Cochrane's units 1 and 2 are scheduled to initiate operations in the first and second half of 2016, respectively. This project also includes a 20 MW BESS facility, which is also expected to begin operations in 2016.

Developments in Argentina

The Argentine electricity sector has experienced significant changes in the past decade affected by government intervention and 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 contract program was created. Energía Plus is a service that can be provided by generators, cogenerators or self-generators, which were not members of the Wholesale Electricity Market (MEM, for its acronym in Spanish) 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 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 the Argentine Ministry of Federal Planning, Public Investment and Services, and the profit margin must be determined by the Argentine Secretariat of Energy. Energía Plus 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 Argentine Secretariat of Energy to participate in the Energía Plus program for all generation capacity in excess of 100 MW. As of September 30, 2013, our Energía Plus contracts with unregulated customers totaled 250.7 MW, the average energy price was U.S.$68.3/MWh (at the official FX rate) 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 nine month period ended September 30, 2013, the difference between the spot price and the average Energía Plus contract price for sales made by TermoAndes was approximately 189%, with TermoAndes registering an average spot price in the SADI of 23.3 U.S.$/MWh (at the official FX rate) and an average Energía Plus contract price of 68.3U.S.$/MWh (at the official FX rate).

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. Additional capacity of 3,643 MW is scheduled for completion between 2014 and 2018, with 648 MW of thermo plants, and 2,995 MW of several hydroelectric plants. We are currently constructing a 20 MW run-of-river hydroelectric plant, the Tunjita project, taking advantage of flow from the Tunjita river deviation, which is expected to begin commercial operations in the second half of 2014.

Electricity Demand and Electricity Supply

SIC

Electricity demand in the SIC grew at a compound annual growth rate of 3.9% between 2002 and 2012. In its latest semi-annual node price-fixing report, the CNE projected a compounded annual average growth rate in electricity demand of 4.5% per year for the next ten years. The severe reduction in the availability of natural gas in Chile's electricity grid arising from export curtailments from Argentina produced a sharp increase in spot market prices. This situation encouraged new investments to increase efficient installed capacity in the SIC. According to data published by the CNE, 473 MW, 876 MW, 568 MW and 737 MW of new capacity were introduced to the SIC in the first half of 2013, in 2012, 2011 and 2010, respectively, and another 1,020 MW are currently under construction according to the latest node price-fixing report from CNE, including our equity-method investee's Guacolda V plant with 152 MW.

The SIC serves about 92.2% of the Chilean population and is mostly oriented toward regulated customers. Total installed capacity in the SIC, including the plants owned by all the CDEC members, amounted to 14,050 MW at the end of June 2013, which accounts for 75.3% of the total installed capacity in the SIC and SING grids in Chile. Of the total installed capacity in the SIC, 42.3% is hydroelectric, 55.6% is thermoelectric and 2.1% is other generation. In 2012, 41.1% of total energy demand in the SIC was supplied by hydroelectric plants, 58.1% by thermoelectric generation and the remaining 0.8% was supplied by wind power. Total electric power production in the SIC in 2012 was 48,796 GWh, 5.9% higher than in 2011.

With the start-up of Ventanas IV in March 2013, we restored the balance between contracted volumes and efficient generation. With this balance, extreme hydrological conditions should represent an upside (unless we face temporary outages). In very wet conditions we can replace Ventanas IV's generation with cheaper power purchases to honor its commitments; inversely, in dry conditions, we can make additional margin through Ventanas IV and peaking plants selling uncontracted generation to the spot market. Regarding a potential reduction in demand, the majority of our unregulated contracts in the SIC include take or pay provisions or are associated with residential demand, which has been stable over the years and, as a result, we believe that changes in electricity demand and supply will not significantly affect our expected unregulated contract operating margins. In the case of regulated costumers, a reduction in demand is shared by all generators and we are exposed to approximately 20% of this potential reduction (for example, a 5% reduction means 1% for us).

SING

Electricity demand in the SING has grown at a compounded annual growth rate of 4.6% from 2002 to 2012. The CNE, in its latest semi-annual node price fixing report, projected a compounded annual average growth rate in electricity demand of 6.0% per year for the next ten years. The severe reduction in the availability of natural gas in Chile's electricity grid arising from export curtailments in Argentina produced a sharp increase in spot market prices. This situation encouraged new investments to increase installed capacity in the SING. According to data

published by CNE, 19 MW; 810 MW and 2 MW of new capacity were introduced to the SING in 2012, 2011 and 2010, respectively, and another 532 MW are currently under construction, comprising our Cochrane project.

The SING serves about 6.2% of the Chilean population and is mostly oriented toward mining companies. Total installed capacity in the SING, including the plants owned by all the CDEC members, amounted to 4,146 MW at the end of June 2013, which accounts for 24.7% of the total installed capacity in the SIC and SING grids in Chile. This total installed capacity includes 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 June 30, 2013, 99.2% is thermoelectric, 0.8% is hydroelectric and other generation. In 2012, 83.0% of total energy demand in the SING was supplied by coal generation, 13.6% by gas generation, 2.8% was supplied by diesel or fuel oil generation and 0.6% with hydroelectricity and other generation. Total electric power production in the SING in 2012 was 16,756 GWh, 5.4% higher than in 2011.

Given that our contracts in the SING have previously been and 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 would not, significantly affect our expected contract operating margins.

Colombia

Electricity demand in the SIN has grown at a compounded annual growth rate of 2.9% from 2002 to 2012. In its last report, the UPME projected an average annual compounded growth rate in electricity demand of 3.5% per year for the next ten years.

Total installed capacity in the SIN amounted to 14,533 MW at the end of 2012. Of the total capacity, 67.4% was hydroelectric, 31.7% was thermoelectric, and 0.9% was cogeneration and other self-generation. In 2012, 74.9% of total energy demand was supplied by hydroelectric plants, 19.2% by thermoelectric generation and the remaining 5.9% by cogeneration and self-generation power. Total electric power production in the SIN in 2012 was 59,988 GWh, which represented a 2.3% increase from 2011. During 2012, net exports to Ecuador and Venezuela were 713 GWh, which represented a 53.6% decrease from 2011 due to restrictions imposed by the government to ration energy exports during the unusually dry conditions experienced during the year. Net Colombian electricity exports are currently growing with total exports of 977 GWh sold during the seven-month period ended July 31, 2013, representing a 196.2% increase as compared with the same period in 2011.

Argentina

Electricity demand in the SADI has grown at an average compounded annual growth rate of 2.8% from 2007 to 2012. In Argentina, there is no official energy demand growth projection rate and unofficial market estimates project 4.5% demand growth 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 are no attractive incentives to stimulate investment in new generating capacity from private investors.

Total installed capacity in the SADI amounted to 31,055 MW at the end of 2012, from which 60.5% was conventional thermoelectric, 35.9% was hydroelectric and 3.2% was nuclear. In 2012, 65.8% of total energy demand was supplied by conventional thermoelectric generation, 29.2% by hydroelectric plants, 4.7% by nuclear generation and the remaining 0.3% by imports and other generation. Total electric power production in the SADI in 2012 was 125,381 GWh, which represented a 5.5% increase from 2011. During 2012, 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 “Energía Plus” PPAs. Considering the lack of supply in Argentina and that TermoAndes is the most efficient Energía Plus facility compared to its competitors, we expect TermoAndes to continue supplying a significant portion of the industrial demand growth in Argentina.

Contract and Spot 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, denominated back-up facilities, principally our diesel and gas-fired 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. In Chile, sales on the spot market are made only to other generation companies that are members of the relevant CDEC at the system marginal cost. This contracting strategy provides us with stable long-term earnings and cash flow under normal hydrological conditions and improved earnings and cash flow under extreme hydrological conditions.

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 proportion of the new project capacity is committed through long-term PPAs. As of August 31, 2013, we had long-term contracts with distribution companies, mining and industrial companies for a total of 2,648 MW. As of September 30, 2013, the average term of our contracts in the SIC was approximately 12 years and in the SING approximately 17 years. Our principal customers include the distribution companies Chilectra S.A., Chilquinta Energía S.A., Compañía General de Electricidad S.A. and EMEL S.A. and mining companies Minera Escondida Ltda., Minera Spence S.A., Codelco, Antofagasta Minerals S.A., Compañía Contractual Minera Candelaria and Anglo American Sur S.A. We have signed long-term, price-indexed contracts for substantially all of our Cochrane project's installed capacity with unregulated customers in the SING (Sierra Gorda SCM, SQM and Quebrada Blanca S.A.). We have also signed a long-term energy supply contract for our Alto Maipo project in the SIC with an unregulated customer (Antofagasta Minerals).

In recent years, including the years ended December 31, 2012, 2011 and 2010, given our temporary imbalance between contract volumes and efficient base load generation, over-contracted efficient capacity position in the SIC resulting from the Argentine gas curtailments; an increase in the price of fuel adversely affected our results of operations. In order to meet our contractual obligations, we were forced to generate with higher cost generation or purchase on the spot market. Given that the majority of our contracts in the SIC were regulated contracts which were adjusted every six months based on a series of variables, one of which was fuel cost, our contract prices often did not allow us to fully recover our fuel costs. Our subsidiary Eléctrica Santiago, which generated utilizing alternatively diesel and LNG during this period, recorded losses in 2010. In March 2013, when Ventanas IV initiated commercial operations, the balance between contract volume and efficient generation was restored, decreasing the cost of supplying our contracts. In the SING, the natural gas crisis had the opposite effect on our results of operations, since spot market prices increased significantly due to the replacement of gas-fired generation with diesel-fired generation. During these periods, with the exception of limited periods when TermoAndes was not unavailable for dispatch to Chile we sold energy on the spot market at historically high prices, thereby increasing our results of operations in the SING. Since mid-December 2011, 100% of TermoAndes' production has been utilized to supply demand in the SADI. However, spot prices in the SING started to decrease during 2011 with the start-up of new efficient capacity in the system and later at the end of 2012, when Decree 130 became effective. Decree 130 provides that the system marginal costs are determined without regard to the simulation of plants operating at minimum technical load for system security dispatch reasons.

In Chile, given that 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 assume that we will renew these contracts as they mature. As a result, our spot market sales are generally made during tight conditions such as natural gas restrictions which have affected the SING since 2004 and droughts which have affected Chile, most recently in 2012 and 2011. During these periods, energy sales from our back-up facilities, specifically Eléctrica Santiago in the SIC, have improved our results of operations. 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 flow and operating margin by applying integrated business risk management to optimize our commercial strategy based on 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 70% to 85% of annual expected output under contracts principally with distribution companies in the system in order to establish a low-risk customer portfolio. As of July 31, 2013, our contracts with distribution companies totaled 1,994 GWh, representing approximately 87.0% of the seven-month average generation. 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 84.5% for 2013, 76.3% for 2014, 58.1% for 2015 and 6.6% for 2016 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

In Argentina, 306 MW of our TermoAndes' installed capacity from its gas turbines (the total capacity of the gas turbines is 406 MW) were authorized to be traded under Energía Plus PPAs with industrial customers. The remaining capacity, over 306 MW and up to 643 MW, must be sold at the spot market with a lower margin. The TermoAndes strategy is to maximize the electricity sold under Energía Plus contracts with industrial customers. These contracts allow TermoAndes to sell electricity at higher prices compared to spot prices. Under Energía Plus program, the price is approximately U.S.$68.3/MWh (at the official FX rate) while the spot market price is capped at U.S.$22.3/MWh. Energía Plus PPAs prices are denominated in U.S. dollars.

Currently, TermoAndes supplies 385 industrial customers under the Energía Plus program, with a total contracted capacity of 250.7 MW, representing 82% of total capacity authorized by the Ministry of Planning to be sold under Energy Plus PPAs. As contracts under this program are executed for periods of up to 18 months, TermoAndes will continue to participate in several bids in 2013 and 2014 in order to renew contracts or to obtain additional contracted capacity in order to reach the 306 MW authorized by the Argentine Government.

Energía Plus PPAs are short-term sales contracts, usually with a term of one year to 18 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.

Energía Plus regulation establishes that in the event of shortfalls in the level of production relative to the contracted customer consumption, generators must purchase energy shortfalls of energy at "Market Marginal Cost" which is much higher than the contract price for these PPAs. This risk is mitigated with the above-mentioned back-up contracts among generators, whose sales prices are lower than the Market Marginal Cost but higher than the spot prices.

In the first nine months of 2013, Energía Plus contracts sales by TermoAndes represented 32.5% of its total energy sales of 3,473 GWh.

Firm Capacity and Firm Energy Sales

Chile

In Chile, we also receive capacity payments for contributing to the system's sufficiency to meet peak demand. These payments are added to the final electricity price paid by both unregulated and regulated customers. In each system, the CDEC annually determines the firm capacity amount allocated to each power plant. A plant's initial firm capacity is defined as the capacity that it can guarantee at peak hours during critical conditions, such as droughts and fuel shortages, taking into account statistical information regarding maintenance periods and the water

inflows in the case of hydroelectric plants. Initial firm capacity is then adjusted by aggregate capacity in relation to maximum demand to obtain final firm capacity. Based on the firm capacity assigned to each generation company, each year transfers occur between generators experiencing firm capacity surpluses with respect to their peak capacity commitments to their own customers and generators experiencing capacity deficits. The firm capacity transfers are determined by the CDEC and are valued at the capacity price fixed by the CNE in the semi-annual node price report and indexed to the U.S. CPI and other relevant indices. In 2012, our annual firm capacity revenues totaled U.S.$87.6 million and U.S.$41.9 million in the SIC and SING, respectively.

In Chile, at present, our firm capacity payments received from our customers and other operators provide a stable source of revenue. We plan to add new installed capacity to both systems in the medium-term with the expected commercial operation of Cochrane units I and II in the SING in the first and second half of 2016, respectively, and Guacolda V in the SIC in the second half of 2015, thereby increasing our firm capacity allotments. Our operational excellence strategy also strives to maintain the availability of our existing plants and their firm 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 firm 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 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. Additional capacity of 3,643 MW is scheduled for completion between 2014 and 2018 and is comprised of 648 MW of thermo plants and 2,995 MW of several hydroelectric plants. AES Chivor's reliability charge revenues totaled U.S.$40.3 million in 2012.

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 year 2014 in previously held auctions. We estimate that we will continue to maintain similar reliability revenues in the future, potentially experiencing a reduction of 2-3% in revenues 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 Argentina operations, capacity payments are included in energy sales. For uncommitted capacity under contracts, TermoAndes should receive approximately U.S.$2/MWh payable in ARS for being available in hours of capacity compensation (around 90 hours per week).

Prices

Chile

In Chile, we maintain long-term contracts with distribution companies and unregulated customers in the SIC and at present, solely with unregulated customers in 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 and hydrology in the SIC, often resulting in a volatile pattern. As there are virtually no natural resources of water in 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 SIC and the lack of sufficient cost-efficient capacity, spot prices have reached historical highs in recent years. Spot prices in the SING have stabilized since the second half of 2012 after new coal-fired capacity entered into operations in 2011, including our Angamos units 1 and 2. In the SIC, the addition of the new coal plants in 2012 and 2013 also increased the efficient base load generation, although spot prices have continued to be influenced by dry hydrological conditions.

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 15-year maximum. More precisely, the long-term energy node 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 auction processes carried out during 2009, 2008 and 2007 and were awarded 5,419 GWh of energy contracts. We began supplying 3,619 GWh under these contracts in January 2010 and the remaining 1,800 GWh in January 2011. In December 2012, in the public auction held by distribution company CGE, we were awarded a supply contract for 120 GWh in 2013 stepping up to 250 GWh in 2014. 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.

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 every six months during the node price fixing process. The capacity charge is measured in U.S.$/kW per month and is calculated based on the assumed capital cost of a peaking unit.

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.

Going forward, recent and future investments in efficient capacity in the SIC and the SING, including coal and hydroelectric capacity, are expected to reduce the long-term marginal cost of production and, consequently, spot prices. During normal market conditions, if equilibrium between demand and efficient capacity is eventually reached, diesel-fired generation will decrease and diesel-plants will return to operating almost exclusively as peaking plants. We believe that our contract strategy, under which we execute long-term contracts for our efficient capacity and reserve our peaking capacity for tight market supply conditions, results in stable cash flows and results of operations.

Colombia

In Colombia, we sell our electricity under medium-term (one to four year) contracts, principally with distribution companies and on the spot market. Occasionally, we also enter into additional short-term contractual arrangements with trading companies, other generators or unregulated end-users. 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 rainier than normal conditions, 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 rainier than average 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 rainier than normal 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, contract prices with industrial customers are negotiated in direct bilateral negotiations, are denominated in U.S. dollars and include capacity and energy payments. Although prices are set in U.S. dollars, monthly payments are made in Argentine pesos at the exchange rate established in the invoice.

Generation sold in the spot market is sold at the spot price, which has been capped at AR$/120 MWh since 2003. However, as the real variable cost of production is greater than AR$120/MWh, new variables have been included in energy payments in order to better reflect variable costs and guarantee a minimum margin of AR$5/MWh.

PPAs sales are collected 30 days from the supply month while spot sales are collected around 100 days from the supply month.

Hydrology

SIC

In the SIC, where hydroelectric plants represent approximately 42.3% 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. After the Argentine natural gas crisis and the delay in the construction of our Ventanas IV plant that resulted in us having an over-contracted position above our cost-efficient capacity, we supplied our contracts with more expensive thermal generation and/or spot purchases which negatively affected results of operations. At present, given the balance between our cost-efficient generation and our contractual commitments, under normal 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 rainy 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 rainier periods to compensate for spot price reductions and decreasing contracts in drier periods 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 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 the inter-tropical convergence zone and tropical cyclones in the Atlantic Ocean, 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, an acceptable probability of hydrological forecasts can be obtained.

Argentina

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, the spot market price, which is determined based on the last unit dispatched, 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. 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 55.2% and 47.5% of our total costs of sale in 2011 and 2012, respectively. Coal is purchased internationally as the primary fuel for several of our plants and is purchased locally and internationally for our equity-method investee Guacolda's plants. Our back-up plants utilize petroleum-based fuels, with subsidiary Eléctrica Santiago capable of alternating among natural gas, LNG or diesel. 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, including Eléctrica Santiago, 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 and LNG are 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.

During the drought which has been affecting the SIC since mid-2010, we have purchased LNG for our Nueva Renca CCGT under short-term agreements with local suppliers in the SIC. During this period, we have generated electricity using a significant amount of LNG, ultimately selling 100% of our generation on the spot market and providing the system with back-up energy supplies necessary to meet system demand. We have no plans to purchase LNG on a long-term or firm basis, as price and purchase terms offered in Chile are not yet competitive to coal-based generation for base load power nor yet as flexible as diesel supply for back-up power.

The current pricing system for regulated and unregulated contracts, which includes indexation formulae to adjust for selected cost variations, effectively hedges our contract margin. In the past, 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 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 three-year period ended September 30, 2013, the value of the Chilean peso relative to the U.S. dollar has fluctuated between a low of Ch$466.59 to U.S.$1.00 and a high of Ch$516.83 to U.S.$1.00, based on observed exchange rates. During the nine-month period ended September 30, 2013, the value of the Chilean peso relative to the U.S. dollar depreciated approximately 5.0% in nominal terms from Ch$480.0 to U.S.$1.0 as of December 31, 2012, based on observed exchange rates of Ch$504.2 to U.S.$1.0. 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 September 30, 2013, 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 six-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 exchange rate published in the node price report by the CNE. As of September 30, 2013, the impact of a variation of 10.0% in the Chilean peso to the U.S. dollar exchange rate would have resulted in a variation of approximately U.S.$2.5 million in our net income. During the first nine months of 2013, approximately 84.7% of our revenue and 90.3% 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 the nine-month period ended September 30, 2013, approximately 11.5% of our consolidated revenues were 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 Argentine pesos and Energía Plus sales are denominated in U.S. dollars but paid in Argentine pesos. SADI sales represented just 8.1% of our consolidated revenues in the nine-month period ended September 30, 2011. 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 September 30, 2013, 64.2% of AES Gener's short-term investments and bank account balances were denominated in U.S. dollars, 17.8% in Argentine pesos, 13.5% in Chilean pesos and 4.5% 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 September 30, 2013, 97.0% of our consolidated debt was denominated in U.S. dollars, including the local bonds mentioned above.

Results of Operations

Operating Segments

Our operating segments include the SIC, SING, SIN and SADI. Our SIC segment includes the operations of our hydroelectric and thermoelectric plants and the operations of our operating subsidiaries in the SIC, Eléctrica Santiago, Eléctrica Ventanas and Eléctrica Campiche. The SING segment includes the operations of our subsidiaries Norgener and Eléctrica Angamos and the sale of energy and capacity from TermoAndes in the SING

until 2011. The SING & SADI segment also includes the sales of TermoAndes in the SADI, both under contract and on the spot market. As of the reporting period ended June 30, 2013, the SING and SADI operating segments are presented separately. For comparative purposes, segment information for the nine-month period ended September 30, 2012 was reformulated to present the SING and SADI separately. The SADI segment relates to the operations of TermoAndes in Argentina. The SIN segment relates exclusively to the operations of our AES Chivor subsidiary in Colombia.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Operating Revenues

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Operating Revenues - SIC	1,021.5	1,050.9	(29.4)	(2.8%)
Operating Revenues - SING	385.9	383.8	2.1	0.5%
Operating Revenues - SADI	139.8	128.4	11.4	8.9%
Operating Revenues - SIN	391.5	323.4	68.1	21.1%
Consolidation Adjustments	(215.5)	(179.9)	(35.6)	19.8%
Total Operating Revenues	**1,723.2**	**1,706.7**	**16.5**	1.0%

Operating revenues increased by U.S.$16.5 million, or 1.0%, for the period ended September 30, 2013 as compared to the same period in 2012 driven by increases of U.S.$68.1 million and U.S.$11.4 million in the SIN and SADI revenues, driven by higher spot sales and higher contract sales, respectively. Additionally, operating revenues decreased by U.S.$29.4 million in the SIC due to a decrease in spot sales as a result of lower dispatch from our Nueva Renca back-up plant during the first five months of 2013 as compared to the same period of 2012. The consolidation adjustment represents coal sales from us in the SIC to our subsidiaries Norgener and Angamos in the SING.

SIC

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Operating Revenues				
Regulated Customer Sales	415.1	418.5	(3.4)	(0.8%)
Unregulated Customer Sales	200.3	172.7	27.6	15.9%
Spot Sales	106.7	169.7	(63.0)	(37.1%)
Other Operating Revenue	299.5	290.0	9.5	3.3%
Total Operating Revenues	**1,021.5**	**1,050.9**	**(29.5)**	(2.8%)
Physical Data (in GWh)				
Sales of Energy to Regulated Customers	4,334	4,102	232	5.7%
Sales of Energy to Unregulated Customers	1,848	1,365	483	35.4%

Sales of Energy to Spot Market	617	857	(240)	(28.0%)
Total Energy Sales	**6,799**	**6,324**	**475.2**	7.5%
Average Monomic Price SIC (U.S.$/MWh)	**106.2**	**120.3**	**(14.1)**	(11.8%)

In the SIC, operating revenues decreased by U.S.$29.5 million, or 2.8%, for the period ended September 30, 2013 compared to the nine-month period ended September 30, 2012.

Spot sales decreased by U.S.$63.0 million due to a decrease in physical energy sales to the spot market, to 617 GWh for the period ended September 30, 2013 from 857 GWh for the same period in 2012. This decrease was driven by lower dispatch at our Nueva Renca back-up plant in the first five months of 2013 driven by higher availability of efficient generation (hydro and coal) in the system during the period. Additionally, lower spot prices were recorded, decreasing to an average of U.S.$173.3/MWh (at the Quillota 220 kV substation) during the period ended September 30, 2013 from an average of U.S.$193.1/MWh in the same period in 2012.

Unregulated customer sales increased by U.S.$27.6 million due to an increase in physical energy sales to 1,848 GWh for the period ended September 30, 2013 from 1,365 GWh for the period ended September 30, 2012, driven by the initiation of three new unregulated contracts in May and July 2012, and in May 2013.

The 3.3% increase in other operating revenues is mainly driven by the U.S.$9.5 million increase in related party's coal sales in the SING.

Sales to regulated customers decreased by U.S.$3.4 million despite higher physical energy sales to 4,334 GWh for the period ended September 30, 2013 from 4,102 GWh for the period ended September 30, 2012, driven by lower contract prices due to price indexation associated with the reduction in coal prices.

SING

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Operating Revenues				
Unregulated Customer Sales	344.4	320.2	24.2	7.6%
Spot Sales	31.8	55.3	(23.5)	(42.5%)
Other Operating Revenues	9.7	8.3	1.3	16.8%
Total Operating Revenues	**385.9**	**383.8**	**2.1**	0.5%
Physical Data (in GWh)				
Sales of Energy to Unregulated Customers	3,195	2,891	305	10.5%
Sales of Energy to Spot Market	750	782	(33)	(4.2%)
Total Energy Sales	**3,945**	**3,673**	**272**	7.4%
Average Monomic Price SING (U.S.$/MWh)	95.4	102.2	(6.9)	(6.7%)

In the SING, operating revenues increased by U.S.$2.1 million, or 0.5%, for the nine-month period ended September 30, 2013, compared to the same period in 2012. Sales to unregulated customers increased by

U.S.$24.2 million principally as a result of an 10.5% increase in physical energy sales to 3,195 GWh for the nine-month period ended September 30, 2013, from 2,891 GWh in the same period in 2012. This increase was driven by the step-up in long-term contract volumes supplied by Eléctrica Angamos in June 2012 in accordance with the terms of its existing supply contracts.

Spot sales decreased by U.S.$23.5 million, in line with lower physical sales to 750 GWh for the period ended September 30, 2013 from 782 GWh during the same period in 2012, at lower spot prices, decreasing to an average of U.S.$75.3/MWh during the first nine months of 2013 from an average of U.S.$100.0/MWh in the same period in 2012. The decrease in the spot prices is primarily the result of the new calculation methodology established by Ministerial Decree N° 130; which became effective on December 31, 2012. The new decree requires that system marginal costs be determined without regard to the simulation of plants operating at minimum technical load, thereby modifying Ministerial Resolution N° 39.

SADI

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Operating Revenues				
Contract Sales	74.7	63.8	10.9	17.1%
Spot Sales	65.1	64.6	0.5	0.7%
Total Operating Revenues	**139.8**	**128.4**	**11.4**	8.9%
Physical Data (in GWh)				
Contract Sales	1,129	1,017	112	11.0%
Sales of Energy to Spot Market	2,344	2,165	179	8.3%
Total Energy Sales	**3,473**	**3,182**	**291**	9.2%
Average Monomic Price SADI (U.S.$/MWh)	40.3	40.4	(0.1)	0.0%

In the SADI, operating revenues increased by U.S.$11.4 million, or 8.9% for the period ended September 30, 2013 as compared to the period ended September 30, 2012. Contract sales increased by U.S.$10.9 million primarily due to an increase in physical contracted energy sales to 1,129 GWh for the period ended September 30, 2013 from 1,017 GWh in the same period in 2012 driven by higher contracted capacity under the Energía Plus program at higher contract prices.

Spot sales increased slightly by U.S.$0.5 million driven by the increase in physical energy sales to 2,344 GWh for the period ended September 30, 2013 from 2,165 GWh in the same period in 2012, offset by a 15.3% decrease in spot prices, to an average of U.S.$22.7/MWh in the period ended September 30, 2013 from an average of U.S.$26.9/MWh in the period ended September 30, 2012, due to the depreciation of the Argentine peso.

SIN

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

For the nine months ended September 30,

	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Operating Revenues				
Contract Sales	198.5	193.0	5.5	2.9%
Spot Sales	193.0	130.4	62.6	48.0%
Total Operating Revenues	**391.5**	**323.4**	**68.1**	21.1%
Physical Data (in GWh)				
Contract Sales	2,691	2,621	70	2.7%
Spot Sales	2,065	2,793	(728)	(26.1%)
Total Energy Sales	**4,756**	**5,415**	**(658)**	0.0%
Average Monomic Price SIN (U.S.$/MWh)	82.3	59.7	22.6	0.0%

In the SIN, operating revenues increased by U.S.$68.1 million, or 21.1%, for the period ended September 30, 2013 as compared to the period ended September 30, 2012. Spot sales increased by U.S.$62.5 million primarily due to a 77.5% increase in spot prices, to an average of U.S.$91.1/MWh in the period ended September 30, 2013 from an average of U.S.$51.3/MWh in the period ended September 30, 2012, as a result of drier hydrological conditions in Colombia.

Contract sales to distribution companies increased by U.S.$5.6 million due to an increase in physical sales to 2,691 GWh for the period ended September 30, 2013 from 2,621 GWh for the period ended September 30, 2012. Additionally, contract prices slightly increased to an average of U.S.$74.1/MWh in the period ended September 30, 2013 from an average of U.S.$73.9/MWh in the period ended September 30, 2012.

Cost of Sales

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Cost of Sales- SIC	(907.3)	(935.1)	27.9	(3.0%)
Cost of Sales- SING	(310.2)	(305.0)	(5.2)	1.7%
Cost of Sales- SADI	(110.6)	(99.8)	(10.9)	10.9%
Cost of Sales- SIN	(229.2)	(124.5)	(104.7)	84.1%
Consolidation Adjustments	215.5	179.9	35.6	19.8%
Total Cost of Sales	**(1,341.9)**	**(1,284.5)**	**(57.4)**	4.5%

Cost of sales increased by U.S.$57.4 million, or 4.5%, mainly due to increases of U.S.$104.7 million and U.S.$10.9 million in cost of sales in Colombia and SADI, respectively. The increase in cost of sales in the SIN is the result of increased purchases in the spot market at higher prices due to the dry hydrological conditions. These increases were partially offset by a decrease of U.S.$27.9 million in the SIC. The consolidation adjustment represents coal sales from us to our subsidiaries Norgener and Angamos in the SING.

SIC

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Cost of Sales				
Fuel Consumption	(301.8)	(409.3)	107.5	(26.3%)
Energy and Capacity Purchases	(145.6)	(123.8)	(21.8)	17.6%
Transmission Tolls	(73.7)	(66.1)	(7.6)	11.4%
Fuel Cost of Sales	(207.7)	(192.4)	(15.3)	8.0%
Depreciation and Amortization Expense	(76.7)	(64.8)	(11.9)	18.4%
Other Cost of Sales	(101.8)	(78.8)	(23.0)	29.2%
Total Cost of Sales	**(907.3)**	**(935.1)**	**27.9**	(3.0%)
Physical data (in GWh)				
Coal Generation	4,329	3,062	1,267	41.4%
Diesel Generation	189	206	(17)	(8.4%)
Gas Generation	569	1,247	(677)	(54.3%)
Biomass Generation	29	60	(31)	(51.4%)
Hydro Generation	854	856	(2)	(0.2%)
Total Generation	**5,971**	**5,431**	**539.4**	9.9%

In the SIC, cost of sales decreased by U.S.$27.9 million, or 3.0%, for the period ended September 30, 2013 as compared to the period ended September 30, 2012, primarily due to a U.S.$107.5 million decrease in fuel consumption as a result of lower gas generation from our Nueva Renca back-up plant, utilizing LNG, and the initiation of its programmed major maintenance in mid-May 2013 which was extended until the third week of September. This effect was partially offset by higher coal generation principally related to the start-up of commercial operation of Ventanas IV in March 2013.

The fuel cost of sales increased by U.S.$15.3 million as a result of increased coal sales, principally to our related parties in the SING.

Energy and capacity purchases, including spot market purchases, purchases from affiliate Guacolda and purchases from other third parties under contract, principally qualified Non-Conventional Renewable Energy (ERNC) suppliers, increased by U.S.$21.8 million, or 17.6%, principally due to an increase in physical energy purchases to 1,007 GWh in the nine-month period ended September 30, 2013 from 778 GWh in the same period of 2012. This increase was driven by lower availability of our efficient plants, particularly in the third quarter of 2013, as a result of planned maintenance at the Nueva Ventanas plant and outages at Unit 2 of Ventanas Complex, which have since been repaired. Additionally, energy purchases of 138 GWh in the spot market to Eléctrica Campiche were recorded during the plant's commissioning period.

The other cost of sales increased by U.S.$23.0 million, principally driven by a modification in the internal accounting chart of accounts and classification criteria which resulted in the movement of certain expenses previously classified as selling, general and administrative expense to costs of production. Assuming the same expense classification criteria as in the previous year, there is no significant variation in other cost of sales.

Additionally, depreciation and amortization expense increased by U.S.$11.9 million for the period ended September 30, 2013 as compared to the same period in 2012. The increase is mainly due to the start-up of commercial operations at Unit IV of the Ventanas complex in March of this year.

SING

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Cost of Sales				
Fuel Consumption	(143.6)	(165.9)	22.2	0.0%
Energy and Capacity Purchases	(49.1)	(32.7)	(16.5)	0.0%
Transmission tolls	(2.4)	(2.2)	(0.2)	%
Fuel Cost of Sales	(6.0)	(3.1)	(2.9)	0.0%
Depreciation and Amortization Expense	(53.0)	(51.3)	(1.6)	0.0%
Other Cost of Sales	(56.1)	(49.9)	(6.2)	(5.6%)
Total Cost of Sales	**(310.2)**	**(305.0)**	**(5.2)**	1.7%
Physical data (in GWh)				
Coal Generation	3,752	3,525	226	6.4%
Total Generation	**3,752**	**3,525**	**226.4**	6.4%

In the SING, cost of sales increased by U.S.$5.2 million, or 1.7%, for the period ended September 30, 2013 as compared to the period ended September 30, 2012 due to a U.S.$16.5 million increase in energy and capacity purchases, principally driven by higher withdrawal costs associated with Decree N° 130 and maintenance of Norgener Unit 2 in July 2013.

The other cost of sales increased by U.S.$6.2 million, mainly related to higher maintenance costs and higher depreciation of U.S.$1.6 million, principally at Eléctrica Angamos. Additionally, the fuel cost of sales increased by U.S.$2.9 million as of September 30, 2013.

Fuel consumption decreased by U.S.$22.2 million, despite higher coal generation by the Angamos and Norgener plants of 198 GWh and 29 GWh, respectively, as a result of lower coal prices. The increase in generation was largely due to higher availability of the plants during the second quarter of 2013.

SADI

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

For the nine months ended September 30,			
2013	2012	Variation	
Amount	Amount	Amount	%

	(in U.S.$ millions, except for percentages and volumes)			
Cost of Sales				
Fuel Consumption	(73.3)	(64.0)	(9.3)	4.0%
Transmission tolls	(0.4)	(0.5)	0.2	10.1%
Depreciation and Amortization Expense	(27.8)	(28.5)	0.7	0.0%
Other Cost of Sales	(9.2)	(6.8)	(2.4)	7.8%
Total Cost of Sales	**(110.6)**	**(99.8)**	**(10.9)**	10.9%
Physical Data (in GWh)				
Gas Generation	3,465	3,179	286	9.0%
Total Generation	**3,465**	**3,179**	**286**	9.0%

In the SADI, cost of sales increased by U.S.$10.9 million, or 10.9%, for the period ended September 30, 2013 as compared to the period ended September 30, 2012, primarily due to a U.S.$9.3 million increase in fuel consumption as a result of additional natural gas consumption at TermoAndes. Gas generation increased to 3,465 GWh for the period ended September 30, 2013 from 3,179 GWh in the same period in 2012.

SIN

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Cost of Sales				
Energy and Capacity Purchases	(189.8)	(77.6)	(112.2)	144.5%
Depreciation and Amortization Expense	(12.3)	(14.3)	2.0	(14.2%)
Other Cost of Sales	(27.1)	(32.5)	5.4	(16.5%)
Total Cost of Sales	**(229.2)**	**(124.5)**	**(104.7)**	84.1%
Physical data (in GWh)				
Hydro Generation	2,653	3,942	(1,289)	(32.7%)
Total Generation	**2,653**	**3,942**	**(1,289)**	(32.7%)

In the SIN, cost of sales increased by U.S.$104.7 million, or 84.1%, for the period ended September 30, 2013 as compared to the same period in 2012, primarily as a result of higher energy purchases of U.S.$112.2 million due to an increase in spot energy prices to an average of U.S.$ 91.1/MWh in the period ended September 30, 2013 from an average of U.S.$51.3/MWh in the period ended September 30, 2012, driven by drier hydrological conditions. Additionally, physical spot purchases were higher; increasing to 2,085 GWh in the period ended September 30, 2013 from 1,451 GWh in the same period in 2012.

Gross Profit

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

For the nine months ended September 30,		
2013	2012	Variation

	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Gross Profit - SIC	114.2	115.8	(1.6)	(1.4%)
Gross Profit - SING	75.7	78.8	(3.1)	(3.9%)
Gross Profit - SADI	29.2	28.6	0.5	1.8%
Gross Profit - SIN	162.3	198.9	(36.7)	(18.4%)
Total Gross Profit	**381.3**	**422.2**	**(40.9)**	9.7%

Gross profit decreased by U.S.$40.9 million, or 9.7%, for the period ended September 30, 2013 as compared to the same period in 2012 driven by a decrease in gross profit in the SIN and to a lesser extent in the SIC and SING, in Chile, partially offset by an increase in the SADI, as a result of the factors discussed above. Gross profit decreased by U.S.$36.7 million, U.S.$3.1 million and U.S.$1.6 million in the SIN, SIC and SING, respectively, partially offset by a U.S.$0.5 million increase in Argentina.

SIC

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Operating Revenues	1,021.5	1,050.9	(29.5)	(2.8%)
Cost of Sales	(907.3)	(935.1)	27.9	(3.0%)
Total Gross Profit	**114.2**	**115.8**	**(1.6)**	(1.4%)

In the SIC, gross profit decreased by U.S.$1.6 million, or 1.4%, for the period ended September 30, 2013 compared to the period ended September 30, 2012 driven by a U.S.$29.5 million decrease in operating revenues due to lower sales in the spot market as a result of lower dispatch of our Nueva Renca back-up plant during the first five months of 2013. Cost of sales decreased by U.S.$27.9 million due to a decrease in fuel consumption explained by lower gas generation of 677 GWh, as a result of lower dispatch during the same period mentioned above and a planned maintenance from mid-May until the third week of September.

SING

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Operating Revenues	385.9	383.8	2.1	0.5%
Cost of Sales	(310.2)	(305.0)	(5.2)	1.7%
Total Gross Profit	**75.7**	**78.8**	**(3.1)**	(3.9%)

In the SING, gross profit decreased by U.S.$3.1 million, or 3.9%, for the period ended September 30, 2013 compared to the period ended September 30, 2012, driven by an increase of cost of sales of U.S.$5.2 million due to higher generation from the Angamos and Norgener plants, partially offset by lower coal prices. Operating revenues increased by U.S.$2.1 million related to lower spot sales, primarily explained by lower spot prices, partially off-set by higher contract sales.

SADI

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Operating Revenues	139.8	128.4	11.4	8.9%
Cost of Sales	(110.6)	(99.8)	(10.9)	10.9%
Total Gross Profit	**29.2**	**28.6**	**0.5**	1.8%

In the SADI, gross profit increased by U.S.$0.5 million, or 1.8%, for the period ended September 30, 2013 compared to the period ended September 30, 2012, driven by a U.S.$11.4 million increase in revenues as a result of an increase in physical contracted energy sales under the Energía Plus program. This effect was partially offset by a U.S.$10.9 million increase in cost of sales primarily due to an increase in fuel consumption as a result of additional natural gas consumption at TermoAndes.

SIN

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Operating Revenues	391.5	323.4	68.1	21.1%
Cost of Sales	(229.2)	(124.5)	(104.7)	84.1%
Total Gross Profit	**162.3**	**198.9**	**(36.7)**	(18.4%)

In the SIN, gross profit decreased by U.S.$36.7 million, or 18.4%, for the period ended September 30, 2013 compared to the period ended September 30, 2012, driven by a U.S.$104.7 million increase in cost of sales primarily due to an increase in spot purchases at higher spot prices, partially offset by a U.S.$62.6 million increase in spot sales at higher spot prices. The spot prices increase was driven by dry hydrological conditions in the first nine months of 2013 as compared to the same period in 2012.

Adjusted Operating Income[1]

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			

Adjusted Operating Income				
Operating Revenues	1,938.7	1,886.6	52.1	2.8%
Consolidation Adjustments	(215.5)	(179.9)	(35.6)	19.8%
Total Operating Revenues	**1,723.2**	**1,706.7**	**16.5**	1.0%
Cost of Sales	(1,557.4)	(1,464.5)	(92.9)	6.3%
Consolidation Adjustments	215.5	179.9	35.6	19.8%
Total Cost of Sales	**(1,341.9)**	**(1,284.5)**	**(57.4)**	4.5%
Gross Profit	**381.3**	**422.2**	**(40.9)**	(9.7%)
Selling, General, Administrative and Other Expenses and Other Operating Income	(82.6)	(108.1)	25.5	(23.6%)
Total Adjusted Operating Income	**298.7**	**314.1**	**(15.3)**	(4.9%)

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

As a result of the above mentioned factors, consolidated adjusted operating income decreased by 4.9%, or U.S.$15.3 million, for the period ended September 30, 2013 compared to the same period in 2012.

Selling, general and administrative expenses and other expenses decreased by 23.6%, to U.S.$82.6 million for the period ended September 30, 2013 from U.S.$108.1 million for the period ended September 30, 2012. The decrease was primarily driven by a modification in the internal accounting chart of accounts and classification criteria which resulted in the movement of certain expenses previously classified as selling, general and administrative expenses to cost of production. Assuming the same expense classification criteria as in the previous year, there is no significant variation selling, general and administrative expense.

Other Operating Income

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Other Operating Income				
Finance Income	5.7	6.8	(1.1)	(16.5%)
Finance Expense	(91.3)	(87.9)	(3.4)	3.9%
Other Gains / (Losses)	6.8	3.0	3.7	123.7%
Foreign Currency Exchange Differences	(27.2)	4.6	(31.8)	(695.0%)
Equity Participation in Net Income of Associates	26.2	4.3	21.9	514.3%
Total Other Operating Income	**(79.8)**	**(69.2)**	**(10.7)**	15.4%

Net finance expense increased by U.S.$4.5 million, or 5.5%, for the period ended September 30, 2013 as compared to the same period in 2012, primarily associated with lower capitalized interest expenses.

Other gains (losses) increased by U.S.$3.7 million for the period ended September 30, 2013 as compared to the same period in 2012, due to the reversal of an equity tax provision at AES Chivor, made in 2005 and 2006. The

agreement with the tax authority, or DIAN (Dirección de Impuestos y Aduanas Nacionales de Colombia), permitted the Company to pay the disputed taxes without applicable penalties and interest.

In the period ended September 30, 2013, a U.S.$31.8 million negative variation in foreign currency exchange differences was recorded as compared to the same period in 2012, due to the depreciation of the Chilean peso and the increase in the net monetary position in Chilean pesos, mainly driven by receivables in Chilean pesos. Additionally, the depreciation in the Colombian peso and lower US dollar bank account balances held by AES Chivor between the two reporting periods added to the negative variation. Between December 31, 2012 and September 30, 2013, the Chilean dolar observado exchange rate depreciated by 5.1%, while it appreciated by 8.7% between December 31, 2011 and September 30, 2012. The Colombian peso depreciated by 7.9% between December 31, 2012 and September 30, 2013, while it appreciated by 7.1% between December 31, 2011 and September 30, 2012.

The increase in our share of income from associates of U.S.$21.9 million during the period ended September 30, 2013 was principally due to higher net income from our equity-method investee Guacolda, explained by lower energy purchases associated with higher generation of Units 1 and 2.

Income Tax Expense

Income tax expense decreased significantly by U.S.$54.2 million principally explained by lower deferred taxes and income tax expense in Chile. Deferred tax expense decreased by U.S.$44.5 million associated with a reversal of deferred tax liabilities registered during the first nine months of 2013. Additionally, current income tax expense decreased by U.S.$9.7 million principally explained by AES Chivor's lower net income before tax.

Net Income

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

	For the nine months ended September 30,			
	2013	2012	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages and volumes)			
Net Income				
Income before Income Taxes and Non-Controlling Interest	218.9	244.9	(26.0)	(10.6%)
Income Tax Expense	(63.2)	(117.4)	54.2	(46.2%)
Non-Controlling Interest	1.2	(0.0)	1.2	-
Net Income Attributable to Shareholders of the Parent	**156.9**	**127.5**	**29.4**	23.0%

As a result of the factors discussed above, net income increased by U.S.$29.4 million to U.S.$156.9 million in the period ended September 30, 2013 from U.S.$127.5 million in the period ended September 30, 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Operating Revenues

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

	For the year ended December 31,					
	2012		2011		Variation	
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenues SIC	1,396.2	60.0%	1,365.0	64.1%	31.2	2.3%
Operating Revenues - SING & SADI	707.2	30.4%	592.3	27.8%	114.9	19.4%
Operating Revenues - SIN	453.1	19.4%	364.9	17.1%	88.2	24.2%
Consolidation Adjustments	(228.8)	(9.8%)	(191.9)	(9.0%)	(36.9)	19.2%

	For the year ended December 31,					
	2012		2011		Variation	
	(in U.S.$ millions, except for percentages and volumes)					
Total Operating Revenues	**2,327.7**	100.0%	**2,130.3**	100.0%	**197.4**	9.3%

Operating revenues increased by U.S.$197.4 million, or 9.3%, for the year ended December 31, 2012 as compared to 2011, primarily explained by increases of U.S.$114.9 million, U.S.$88.2 million and U.S.$31.2 million in revenues from the SING & SADI, SIN and the SIC, respectively. The consolidation adjustment represents coal sales from us to our subsidiaries Norgener and Angamos in the SING.

SIC

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

	For the year ended December 31,					
	2012		2011		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenues						
Regulated Customer Sales	544.7	39.0%	600.0	44.0%	(55.3)	(9.2%)
Unregulated Customer Sales	254.9	18.3%	230.5	16.9%	24.4	10.6%
Spot Sales	222.6	15.9%	198.4	14.5%	24.2	12.2%
Other Operating Revenue	374.1	26.8%	336.1	24.6%	38.0	11.3%
Total Operating Revenue	**1,396.2**	100.0%	**1,365.0**	100.0%	**31.3**	2.3%
Physical Data (in GWh)						
Sales Of Energy To Regulated Customers	5,406	63.6%	5,004	64.5%	402	8.0%
Sales Of Energy To Unregulated Customers	1,944	22.9%	1,547	20.0%	397	25.6%
Sales Of Energy To Spot Market	1,146	13.5%	1,205	15.5%	(59)	(4.9%)
Total Energy Sales	**8,496**	100.0%	**7,756**	100.0%	**740**	9.5%
Average Monomic Price SIC (U.S.$/MWh)	**120.3**		**132.6**		**(12.3)**	(9.3%)

In the SIC, operating revenues increased by U.S.$31.3 million, or 2.3%, for the year ended December 31, 2012 as compared to 2011, primarily due to increases of U.S.$38.0 million, U.S.$24.4 million and U.S.$24.2 million in other operating revenue, unregulated customers and spot sales, respectively. This increase was partially offset by a U.S.$55.3 million decrease in sales to regulated customers driven by lower sales prices, principally related to the contract with Chilquinta Energía which was indexed to the system marginal cost until the beginning of 2012, despite the increase in sales volumes which rose to 5,406 GWh in 2012 from 5,004 GWh in 2011.

The 11.3% increase in other revenues was mainly due to a U.S.$32.1 million increase in coal sales to related parties in the SING.

Sales to unregulated customers increased by U.S.$24.4 million in 2012, principally as a result of a 25.6% increase in physical energy sales, to 1,944 GWh in 2012 from 1,547 GWh in 2011 due to the initiation of new long-term supply contracts. Some contracts with unregulated customers include sales prices which are indexed to the system marginal cost until the Ventanas IV plant commences operations.

Spot sales increased by U.S.$24.2 million in 2012 due to the increase in average sales prices, despite the decrease in physical energy sales to the spot market, to 1,146 GWh in 2012 from 1,205 GWh in 2011.

SING & SADI

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

	For the year ended December 31,					
	2012		2011		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenues						
Unregulated Customer Sales - SING	421.3	59.6%	241.1	40.7%	180.2	74.7%
Contract Sales - SADI	84.9	12.0%	52.8	8.9%	32.1	60.8%
Spot Sales - SING	107.3	15.2%	236.9	40.0%	(129.6)	(54.7%)
Spot Sales - SADI	82.8	11.7%	51.4	8.7%	31.4	61.2%
Other Operating Revenue	10.9	1.5%	10.1	1.7%	0.8	7.4%
Total Operating Revenue	**707.2**	100.0%	**592.3**	100.0%	**114.9**	19.4%
Physical Data (in GWh)						
Sales of Energy to Unregulated Customers - SING	3,908	42.1%	2,209	33.4%	1,699	76.9%
Sales of Energy to Spot Market - SING	1,242	13.4%	1,856	28.1%	(614)	(33.1%)
Contract Sales - SADI	1,362	14.6%	914	13.8%	448	49.0%
Sales of Energy to Spot Market -SADI	2,776	29.9%	1,629	24.7%	1,147	70.4%
Total Energy Sales	**9,288**	100.0%	**6,608**	100.0%	**2,680**	40.6%
Average Monomic Price SING (U.S.$/MWh)	**102.6**		**117.6**		**(15.0)**	(12.7%)
Average Monomic Price SADI (U.S.$/MWh)	**40.5**		**40.9**		**(0.4)**	(1.0%)

In the SING & SADI, operating revenues increased by U.S.$114.9 million, or 19.4%, in 2012 as compared to 2011. Sales to unregulated customers in the SING increased by U.S.$180.2 million, principally due to the initiation of long-term contracts in 2011, after the commissioning of Angamos. Additionally, there were increases in spot sales and contract sales in the SADI of U.S.$31.4 million and U.S.$32.1 million, respectively. These increases were partially offset by a decrease in spot sales in the SING driven by the suspension in energy exports by TermoAndes to the SING since late 2011.

The increase in sales to unregulated customers in the SING of U.S.$180.2 million is principally due to higher physical sales. Long-term contract volumes grew by 76.9% between 2011 and 2012, rising to 3,908 GWh in 2012 from 2,209 GWh in 2011, driven by the initiation of supply contracts executed by Eléctrica Angamos. Eléctrica Angamos' contracted capacity increased in June 2012, in accordance with the terms of the supply contracts that began in the second half of 2011.

Spot revenue decreased by U.S.$129.6 million, driven by lower physical sales which fell to 1,242 GWh in 2012 from 1,856 GWh in 2011, principally due to the suspension in energy exports by TermoAndes to the SING and re-configuration of the entire plant toward the Argentine market and the decrease of 22% in the average marginal cost to U.S.$103.0/MWh in 2012 from U.S.$131.5/MWh in 2011 (at the 220 kV Crucero substation).

In the SADI, TermoAndes' contract sales increased by U.S.$32.1 million due to higher Energía Plus contracts and as a result of higher physical sales that rose to 1,362 GWh in 2012 from 914 GWh in 2011. Spot sales also increased by U.S.$31.4 million driven by an increase in physical sales to 2,776 GWh in 2012 from 1,629 GWh

in 2011. As a result of the reconfiguration of TermoAndes plant to the SADI, generation to this market increased by 63%, to 4,138 GWh in 2012 from 2,543 GWh in 2011.

SIN

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

	For the year ended December 31,					
	2012		2011		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenues						
Contract Sales	248.9	54.9%	254.6	69.8%	(5.7)	(2.2%)
Spot Sales	204.2	45.1%	110.1	30.2%	94.1	85.4%
Other Operating Revenues	0.0	0.0%	0.1	0.0%	(0.1)	(77.6%)
Total Operating Revenues	**453.1**	100.0%	**364.9**	100.0%	**88.2**	24.2%
Physical Data (in GWh)						
Contract Sales	3,389	49.8%	3,572	50.1%	(182)	(5.1%)
Spot Sales	3,422	50.2%	3,558	49.9%	(136)	(3.8%)
Total Energy Sales	**6,811**	100.0%	**7,130**	100.0%	**(318)**	(4.5%)
Average Monomic Price Colombia (U.S.$/MWh)	**66.5**		**51.2**		**15.4**	30.0%

In the SIN, operating revenues increased by U.S.$88.2 million, or 24.2%, for the year ended December 31, 2012 as compared to 2011. Spot energy sales, including ancillary service sales increased by U.S.$94.1 million in 2012 as compared to 2011 primarily due to an increase in the spot price to an annual average of U.S.$64.3/MWh in 2012 from an average of U.S.$40.3/MWh in the same period in 2011, despite a decrease in physical sales to 3,422 GWh in 2012 from 3,558 GWh in 2011.

Contract sales to distribution companies decreased by U.S.$5.7 million in 2012 as compared to 2011, due to a 5.1% decrease in physical sales to 3,389 GWh in 2012 from 3,572 GWh in 2011. This decrease was partially offset by an increase in average contract prices in U.S. dollars to U.S.$73.6/MWh in 2012 from U.S.$71.0/MWh in 2011.

Cost of Sales

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

	For the year ended December 31,					
	2012		2011		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages)					
Cost of Sales- SIC	(1,211.3)	69.7%	(1,115.7)	77.3%	(95.7)	8.6%
Cost of Sales- SING & SADI	(549.9)	31.6%	(386.6)	26.8%	(163.3)	42.2%
Cost of Sales- SIN	(205.4)	11.8%	(132.8)	9.2%	(72.6)	54.6%
Consolidation Adjustments	228.8	(13.2%)	191.9	(13.3%)	36.9	19.2%

Total Cost of Sales	(1,737.8)	100.0%	(1,443.2)	100.0%	(294.7)	20.4%

In 2012, cost of sales increased by U.S.$294.7 million, or 20.4%, as compared to 2011 mainly explained by increases of U.S.$163.3 million, U.S.$95.7 million and U.S.$72.6 million in the SING & SADI, SIC and SIN cost of sales, respectively. The principal variation included higher fuel consumption in the SING & SADI and higher energy and capacity purchases in the SIC and in the SIN. The consolidation adjustment represents coal sales from us to our subsidiaries Norgener and Angamos in the SING.

SIC

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

	For the year ended December 31,					
	2012		2011		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Fuel Consumption	(539.8)	44.6%	(575.7)	51.6%	35.9	(6.2%)
Energy and Capacity Purchases	(156.5)	12.9%	(58.0)	5.2%	(98.5)	170.1%
Transmission Tolls	(93.7)	7.7%	(74.5)	6.7%	(19.2)	25.7%
Fuel Cost of Sales	(238.6)	19.7%	(243.4)	21.8%	4.8	-2.0%
Depreciation and Amortization Expense	(86.9)	7.2%	(90.0)	8.1%	3.1	(3.4%)
Other Cost Of Sales	(95.9)	7.9%	(74.1)	6.6%	(21.8)	29.5%
Total Cost of Sales	**(1,211.4)**	100.0%	**(1,115.7)**	100.0%	**(95.7)**	8.6%
Physical data (in GWh)						
Coal Generation	4,195	56.8%	4,038	53.8%	157	3.9%
Diesel Generation	427	5.8%	494	6.6%	(67)	(13.6%)
Gas Generation	1,482	20.1%	1,704	22.7%	(222)	(13.0%)
Biomass Generation	71	1.0%	83	1.1%	(12)	(14.2%)
Hydroelectric Generation	1,206	16.3%	1,183	15.8%	23	2.0%
Total Generation	**7,381**	100.0%	**7,502**	100.0%	**(121)**	(1.6%)

In the SIC, cost of sales increased by U.S.$95.7 million, or 8.6%, in 2012 as compared to 2011, primarily due to a U.S.$98.5 million increase in energy and capacity purchases, including spot purchases, purchases from affiliate Guacolda and purchases from other third parties under contracts, primarily due to higher physical purchases, rising to 1,004 GWh in 2012 from 234 GWh in 2011. The power purchase agreement with Guacolda was executed to cover the Company's efficient capacity deficit related to the delay in Ventanas IV, originally scheduled to start commercial operations in 2011. Additionally, the marginal cost or spot price increased by 5%, to an average of U.S.$189.8/MWh in 2012 from an average of U.S.$181.0/MWh in 2011 (at the Quillota 220 kV substation).

Other costs of sales also increased by U.S.$21.8 million, principally driven by an increase in maintenance costs as a result of non-recurring forced outages at certain coal-fired facilities during the second quarter of 2012.

Fuel consumption decreased by U.S.$35.9 million, principally due to lower annual generation with diesel, to 427 GWh in 2012 from 494 GWh in 2011 and lower gas generation, which decreased to 1,483 GWh in 2012 from 1,704 GWh in 2011 driven by lower dispatch from our and our subsidiaries back-up plants.

SING & SADI

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

	For the year ended December 31,					
	2012		2011		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Fuel Consumption	(316.7)	57.6%	(234.8)	60.7%	(81.9)	34.9%
Energy and Capacity Purchases	(38.4)	7.0%	(13.3)	3.4%	(25.1)	189.5%
Transmission Tolls	(3.8)	0.7%	(3.0)	0.8%	(0.8)	24.2%
Fuel Cost of Sales	(3.9)	0.7%	(3.0)	0.8%	(0.9)	27.0%
Depreciation and Amortization Expense	(108.3)	19.7%	(85.4)	22.1%	(22.9)	26.8%
Other Cost of Sales	(78.8)	14.3%	(47.1)	12.2%	(31.7)	67.5%
Total Cost of Sales	**(549.9)**	100.0%	**(386.6)**	100.0%	**(163.3)**	42.2%
Physical Data (in GWh)						
Coal Generation	4,986	54.7%	3,351	50.6%	1,635	48.8%
Gas Generation	4,137	45.3%	3,274	49.4%	863	26.4%
Diesel Generation	0	0.0%	1	0.0%	(1)	-100.0%
Total Generation	**9,123**	100.0%	**6,626**	100.0%	**2,497**	37.7%

In the SING & SADI, cost of sales increased by U.S.$163.3 million, or 42.2%, in 2012 as compared to 2011, primarily as a result of the start-up of both units of the Angamos plant in April and October 2011, respectively, and the consequent higher fuel consumption of U.S.$81.9 million due to higher coal generation, increasing to 4,986 GWh in 2012 from 3,351 GWh in 2011, and higher depreciation of U.S.$22.9 million. Additionally, other costs of sales increased by U.S.$31.7 million, principally related to port services and maintenance and also related to the start of commercial operations of both Angamos units.

Energy and capacity purchases increased by U.S.$25.1 million due to lower availability of coal facilities in the second quarter related to scheduled maintenance and unscheduled outages. However, unplanned outages were non-recurring events. Physical purchases rose to 268 GWh in 2012 from 121 GWh in 2011.

SIN

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

	For the year ended December 31,					
	2012		2011		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Energy and Capacity Purchases	(145.7)	70.9%	(72.3)	54.4%	(73.4)	101.5%
Depreciation and Amortization Expense	(18.8)	9.2%	(20.3)	15.3%	1.5	(7.5%)
Other Cost Of Sales	(40.9)	19.9%	(40.2)	30.3%	(0.7)	1.8%
Total Cost of Sales	**(205.4)**	100.0%	**(132.8)**	100.0%	**(72.6)**	54.6%

	For the year ended December 31,					
	2012		2011		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Physical Data (in GWh)						
Hydro Generation	4,664	100%	5,338	100%	(674)	(12.6%)
Total Generation	**4,664**	100%	**5,338**	100%	**(674)**	(12.6%)

In the SIN, cost of sales increased by U.S.$72.6 million, or 54.6%, in 2012 as compared to 2011. Energy purchases increased by U.S.$73.4 million due to an increase in physical purchases to 2,117 GWh in 2012 from 1,777 GWh in 2011 at higher prices which increased to an average of U.S.$63.4/MWh in 2012 from an average of U.S.$40.3/MWh in 2011 driven by drier hydrological conditions during 2012.

Gross Profit

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

	For the year ended December 31,					
	2012		2011		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages)					
Gross Profit - SIC	184.9	31.3%	249.3	36.3%	(64.4)	25.8%
Gross Profit - SING & SADI	157.3	26.7%	205.7	29.9%	(48.4)	(23.5%)
Gross Profit - SIN	247.7	42.0%	232.0	33.8%	15.7	6.8%
Total Gross Profit	**589.9**	100.0%	**687.0**	100.0%	**(97.1)**	(14.1%)

Gross profit decreased by U.S.$97.1 million, or 14.1%, for the period ended December 31, 2012 as compared to 2011, as a result of the factors discussed above, including decreases in gross profit of U.S.$64.4 million and U.S.$48.4 million in the SIC and the SING & SADI, respectively, which was partially offset by a U.S.$15.7 million increase in the SIN gross profit.

SIC

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

	For the year ended December 31,			
	2012	2011	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Operating Revenues	1,396.3	1,365.0	31.3	2.3%
Cost of Sales	(1,211.4)	(1,115.7)	(95.7)	8.6%
Total Gross Profit	**184.9**	**249.3**	**(64.4)**	(25.8%)

In the SIC, gross profit decreased by U.S.$64.4 million, or 25.8%, for the period ended December 31, 2012 compared to the same period in 2011 driven by an increase in electricity supply contracts relative to the Company's efficient energy generation, specifically coal-fired thermoelectric and run-of-river hydroelectric generation, together

with the higher cost of supplying these contracts due to higher LNG prices. This situation was temporary and terminated with the start-up of the Ventanas IV project in March 2013. Non-recurring forced outages at certain coal-fired facilities during the second quarter of 2012 also contributed to this negative variation, although all affected plants are currently operating normally. Costs of sales increased by U.S.$95.7 million as a result of higher energy and capacity purchases, partially offset by a U.S.$31.3 million increase in operating revenues primarily as a result of the initiation of long-term contracts. Between 2011 and 2012, long-term contract volumes in the SIC increased by 12%.

SING & SADI

The following table presents our gross profit in the SING & SADI for the periods indicated:

	For the year ended December 31,			
	2012	2011	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Operating Revenues	707.2	592.3	114.9	19.4%
Cost of Sales	(549.9)	(386.6)	(163.3)	42.2%
Total Gross Profit	**157.3**	**205.7**	**(48.4)**	(23.5%)

In the SING & SADI, gross profit decreased by U.S.$48.4 million, or 23.5%, for the period ended December 31, 2012 compared to the same period in 2011, primarily driven by the suspension in energy exports by TermoAndes to the SING since late 2011 and the consequent lower spot sales which decreased by U.S.$129.6 million.

The U.S.$163.3 million increase in cost of sales was a result of higher fuel consumption, higher other costs of sales and higher depreciation associated with the start-up of both units of the Angamos plant in April and October 2011. This increase was partially offset by higher operating revenues of U.S.$114.9 million primarily as a result of an increase of U.S.$180.2 million in sales to unregulated customers due to the initiation of supply contracts executed by Eléctrica Angamos.

SIN

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

	For the year ended December 31,			
	2012	2011	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Operating Revenues	453.1	364.8	88.3	24.2%
Cost of Sales	(205.4)	(132.8)	(72.6)	54.7%
Total Gross Profit	**247.7**	**232.0**	**15.7**	6.8%

In the SIN, gross profit increased by U.S.$15.7 million, or 6.8%, for the period ended December 31, 2012 compared to the same period in 2011, driven by higher net spot sales as a result of higher sale prices, slightly offset by lower contract sales to distribution companies. During 2012, AES Chivor's commercial strategy involved storing water in the reservoir during the second and fourth quarter of 2012 because of projected drier hydrological conditions in subsequent periods, in order to optimize spot sales.

Adjusted Operating Income[(1)]

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

	For the year ended December 31,			
	2012	2011	Variation	
	(in U.S.$ millions, except for percentages)			
Adjusted Operating Income				
Operating Revenues	2,556.5	2,322.2		
Consolidation Adjustments	(228.8)	(191.9)		
Total Operating Revenues	**2,327.7**	**2,130.3**	**197.4**	9.3%
Total Cost of Sales	(1,966.6)	(1,635.1)		
Consolidation Adjustments	228.8	191.9		
Total Cost of Sales	**(1,737.8)**	**(1,443.2)**	**(294.6)**	20.4%
Gross Profit	**589.9**	**687.1**	**(97.2)**	(14.1%)
Selling, General, Administrative and Other Expenses and Other Operating Income	(146.1)	(147.3)	1.2	(0.8%)
Total Adjusted Operating Income	**443.8**	**539.8**	**(96.0)**	(17.8%)

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

Consolidated adjusted operating income decreased by U.S.$96.0 million, or 17.8%, in 2012 as compared to 2011 due to a U.S.$97.2 million decrease in gross profit primarily resulting from a higher level of energy supply contracts in the SIC relative to the Company's efficient generation, including, to a minor extent, the contract volumes that the Company was obligated to supply due to the bankruptcy of Campanario Generación S.A. (Campanario), a combined cycle generator, together with the higher cost of supplying these contracts. This situation terminated with the initiation of commercial operations of the coal-fired Ventanas IV plant in March 2013. Additionally, the suspension of exports to the SING by TermoAndes plant located in Argentina since the end of 2011 contributed to this negative variation. These negative effects were partially offset by a U.S.$1.2 million decrease in selling, general and administrative and other expenses.

Selling, general and administrative and other expenses decreased by U.S.$1.2 million, or 0.8% in 2012 as compared to 2011, decreasing to U.S.$146.1 million in 2012 from U.S.$147.3 million in 2011, principally due to lower equity tax expenses of U.S.$9.7 million at AES Chivor in Colombia, partially offset by higher costs of U.S.$7.1 million as a result of insurance costs associated with Angamos' operational insurance and higher other premiums in the AES Gener Group.

Other Operating Income

The following table presents our Other Operating Income for the periods indicated:

	For the year ended December 31,			
	2012	2011	Variation	
	(in U.S.$ millions, except for percentages)			
Other Operating Income				
Finance Income	8.4	9.3	(0.9)	(9.6%)
Finance Expense	(115.5)	(107.1)	(8.4)	7.8%
Other Gains / (Losses)	7.4	(23.8)	31.2	-
Foreign Currency Exchange Differences	(3.6)	(13.3)	9.7	(72.8%)
Equity in Earnings of Associates				
Participation in Net Income of Associates	9.2	31.1	(21.9)	(70.5%)
Total Other Operating Income	**(94.1)**	**(103.8)**	**9.7**	(9.4%)

Net finance expenses increased by U.S.$9.3 million in 2012 as compared to 2011, primarily due to an increase in interest payments by Eléctrica Angamos due to the commissioning of both units of its plant in April and October 2011. Prior to the commissioning of this plant, interest expenses associated to its debt were capitalized.

Other net gains (losses) increased by U.S.$31.2 million in 2012 as compared to 2011 as a result of a non-recurring loss recorded in the third quarter of 2011 of U.S.$41.2 million associated with redemption premiums and expenses from the voluntary bond refinancing process completed in August 2011.

Net foreign currency exchange differences relate to the appreciation of the Chilean peso and our net monetary position denominated in Chilean pesos between December 2011 and December 2012. The principal effects include the effect of exchange rate differences on accounts receivable in Chilean pesos, mainly electricity sales to customers. Between December 31, 2011 and December 31, 2012 the Chilean pesos to U.S. dollar exchange rate appreciated by 8.4%, while it depreciated by 10.9% between December 31, 2010 and December 31, 2011.

The decrease of U.S.$21.9 million in our share of income from associates in the period is due to lower gross profit from equity-method investee Guacolda as a result of a major maintenance of Unit 1 between June and September 2012, and consequently, higher energy purchases. Additionally, income taxes increased as a result of the change in the tax rate in Chile from 17.0% to 20.0%.

Income Tax Expense

Income tax expense increased by U.S.$37.0 million, to a tax expense of U.S.$146.8 million in 2012 from a tax expense of U.S.$109.8 million in 2011. In September 2012, the Tax Reform Act was promulgated in Chile, which resulted in the recording of higher deferred taxes and income tax expense, due to the increase in the first category corporate tax rate from 17.0% to 20.0%. Deferred tax expense increased by U.S.$31.9 million between 2012 and 2011, and current income tax expense increased by U.S.$5.1 million.

Net Income

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

	For the year ended December 31,			
	2012	2011	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Net Income				
Income Before Income Taxes and Non-Controlling	349.7	435.9	(86.2)	(19.8%)

	For the year ended December 31,			
	2012	2011	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Interest				
Income Tax Expense	(146.8)	(109.8)	(37.0)	33.7%
Non-Controlling Interest	0.0	(0.0)	0.0	-
Net Income Attributable to Shareholders of the Parent	**202.9**	**326.1**	**(123.2)**	(37.8%)

As a result of the factors discussed above, net income decreased U.S.$123.2 million, or 37.8%, to U.S.$202.9 million in the period ended December 31, 2012 from U.S.$326.1 million in 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Operating Revenues

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

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages)					
Operating Revenues - SIC	1,365.0	64.1%	1,071.3	59.5%	293.7	27.4%
Operating Revenues - SING & SADI	592.3	27.8%	409.7	22.7%	182.6	44.6%
Operating Revenues - SIN	364.9	17.1%	392.5	21.8%	(27.7)	(7.0%)
Consolidation Adjustments	(191.9)	(9.0%)	(71.4)	(4.0%)	(120.5)	168.6%
Total Operating Revenues	**2,130.3**	100.0%	**1,802.1**	100.0%	**328.1**	18.2%

Operating revenues increased by U.S.$328.1 million, or 18.2%, in 2011 as compared to 2010, mainly due to U.S.$293.7 million and U.S.$182.6 million increases in SIC and SING & SADI revenues, respectively, partially offset by U.S.$27.7 million decrease in revenues from in the SIN. Increases in operating revenues in the SIC and SING & SADI were principally driven by higher sales to unregulated customers, as well as higher spot sales. The consolidation adjustment represents coal sales from us to our subsidiaries Norgener and Angamos in the SING.

SIC

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

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenues						
Regulated Customer Sales	600.0	44.0%	772.5	72.1%	(172.5)	(22.3%)
Unregulated Customer Sales	230.5	16.9%	31.3	2.9%	199.2	634.9%
Spot Sales	198.4	14.5%	77.9	7.3%	120.5	150.9%
Other Operating Revenue	336.1	24.6%	189.6	17.7%	146.5	78.9%

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Total Operating Revenue	**1,365.0**	100.0%	**1,071.3**	100.0%	**293.7**	27.4%
Physical data (in GWh)						
Sales of Energy to Regulated Customers	5,004	64.5%	7,502	88.3%	(2,498)	(33.3%)
Sales Of Energy To Unregulated Customers	1,547	20.0%	244	2.9%	1,303	535.1%
Sales Of Energy To Spot Market	1,205	15.5%	745	8.8%	460	61.8%
Total Energy Sales	**7,756**	100.0%	**8,491**	100.0%	**(735)**	(8.6%)
Average Monomic Price SIC (U.S.$/MWh)	**132.6**		**103.9**		**28.7**	27.4%

In the SIC, operating revenues increased by U.S.$293.7 million, or 27.4%, in 2011 as compared to 2010 primarily driven by a U.S.$199.2 million increase in unregulated customer sales due to higher physical energy sales to 1,547 GWh for the year ended December 31, 2011 from 244 GWh for the same period in 2010. This increase was driven by the initiation of new long-term contracts and short term contracts with other generators in the system.

Spot sales increased by U.S.$120.5 million due to higher physical energy sales to the spot market to 1,205 GWh for the year ended December 31, 2011 from 745 GWh for the same period in 2010, associated with higher dispatch of the Nueva Renca back-up facility due to dry hydrological conditions. Additionally, spot prices increased to an average of U.S.$181.0/MWh for the year ended December 31, 2011 from an average of U.S.$135.2/MWh for the year ended December 31, 2010. The 78.9% increase in other operating revenues is mainly driven by a U.S.$118.0 million increase in related party coal sales.

Sales to regulated customers decreased by U.S.$172.5 million, primarily due to the decrease in physical energy sales to 5,004 GWh for the year ended December 31, 2011 from 7,502 GWh for the same period in 2010, driven by the expiration of the Chilquinta y Chilectra contracts in 2010.

SING & SADI

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

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenues						
Unregulated Customer Sales - SING	241.1	40.7%	169.1	41.3%	72.0	42.6%
Contract Sales - SADI	52.8	8.9%	11.6	2.8%	41.2	355.2%
Spot Sales - SING	236.9	40.0%	147.6	36.0%	89.3	60.5%
Spot Sales - SADI	51.4	8.7%	69.1	16.9%	(17.7)	(25.7%)
Other Operating Revenue	10.1	1.7%	12.3	3.0%	(2.2)	(17.5%)
Total Operating Revenue	**592.3**	100.0%	**409.7**	100.0%	**182.6**	44.6%
Physical Data (in GWh)						
Sales Of Energy To Unregulated Customers - SING	2,209	33.4%	2,033	37.6%	176	8.7%

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Sales Of Energy To Spot Market - SING	1,856	28.1%	970	18.0%	886	91.3%
Contract Sales - SADI	914	13.8%	241	4.5%	673	278.4%
Sales Of Energy To Spot Market -SADI	1,629	24.7%	2,154	39.9%	(525)	-24.4%
Total Energy Sales	**6,608**	100.0%	**5,398**	100.0%	**1,210**	22.4%
Average Monomic Price SING (U.S.$/MWh)	**117.6**		**105.5**		**12.1**	11.5%
Average Monomic Price SADI (U.S.$/MWh)	**40.9**		**33.7**		**7.2**	21.6%

In the SING & SADI, operating revenues increased by U.S.$182.6 million, or 44.6%, in 2011 as compared to 2010 primarily due to a U.S.$89.3 million increase in spot sales in the SING, driven by higher physical energy sales to 1,856 GWh for the period ended December 31, 2011 from 970 GWh for the same period in 2010, as a result of the initiation of commercial operations of Angamos, unit I and unit II, in April and October 2011, respectively. This increase was partially offset by lower dispatch of TermoAndes to the SING as a result of Argentine gas restrictions during the winter and a decrease in the average spot price in the SING to an average of U.S.$95.7/MWh for the period ended December 31, 2011 from an average of U.S.$121.5/MWh in 2010.

Sales to unregulated customers in the SING increased by U.S.$72.0 million driven by higher contract prices and an increase in physical energy sales to 2,209 GWh for the period ended December 31, 2011 from 2,033 GWh in the year ended December 31, 2010, driven by the initiation of new long-term supply contracts associated with Eléctrica Angamos.

In the SADI, contract sales increases by U.S.$41.2 million due to higher physical energy sales under the Energía Plus program, with contract sales increasing to 914 GWh for the year ended December 31, 2011 with 241 GWh for the same period in 2010. This increase was partially offset by a decrease in spot sales due to lower physical energy sales of 1,629 GWh for the year ended December 31, 2011 from 2,154 GWh for the same period in 2010 related to the higher level of energy sold under contract.

SIN

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

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Operating Revenues						
Contract Sales	254.6	69.8%	233.3	59.5%	21.3	9.1%
Spot Sales	110.1	30.2%	159.1	40.5%	(49.0)	(30.8%)
Other Operating Revenues	0.1	0.0%	0.1	0.0%	0.0	132.1%
Total Operating Revenues	**364.8**	100.0%	**392.5**	100.0%	**(27.7)**	(7.0%)
Physical Data (in GWh)						
Contract Sales	3,572	50.1%	2,799	50.5%	773	27.6%
Spot Sales	3,558	49.9%	2,743	49.5%	815	29.7%

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Total Energy Sales	**7,130**	100.0%	**5,542**	100.0%	**1,588**	28.6%
Average Monomic Price Colombia (U.S.$/MWh)	**51.2**		**70.8**		**(19.6)**	(27.8%)

In the SIN, operating revenues decreased by U.S.$27.7 million, or 7.0%, in 2011 as compared to 2010. Spot energy sales, including ancillary service sales decreased by U.S.$49.0 million due to a decrease in the spot price to an average of U.S.$40.3/MWh in 2011 from U.S.$67.6/MWh in 2010 as a result of more humid hydrological conditions in the Colombian system. This decrease was partly offset by an increase in physical energy sales on the spot market to 3,558 GWh for the period ended December 31, 2011 from 2,743 GWh for the same period in 2010.

Contract sales increased by U.S.$21.3 million due to an increase in physical sales under contracts to 3,572 GWh for the period ended December 31, 2011 from 2.799 GWh in the same period in 2010.

Cost of Sales

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

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of costs	Amount	% of costs	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales SIC	1,115.7	77%	987.5	72%	128.2	13.0%
Cost of Sales SING and SADI	386.6	27%	265.5	19%	121.1	46%
Cost of Sales Colombia	132.8	9%	187.3	14%	(54.5)	(29.1%)
Consolidation Adjustments	(191.9)	(13%)	(71.4)	(5%)	(120.4)	168.8%
Total Cost of Sales	**1,443.2**	100%	**1,368.9**	100%	**74.3**	5.4%

Cost of sales increased by U.S.$74.3 million, or 5.4%, in 2011 as compared to 2010, mainly due to the U.S.$128.2 million and U.S.$121.1 million increases in SIC and SING & SADI cost of sales, respectively, partially offset by a U.S.$54.5 million decrease in SIN cost of sales. The principal negative variation is due to a higher fuel consumption in the SIC and the SING & SADI. The consolidation adjustment represents coal sales from us to our subsidiaries Norgener and Angamos in the SING.

SIC

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

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Fuel Consumption	(575.7)	51.6%	(420.9)	42.6%	(154.8)	36.8%
Energy and Capacity Purchases	(58.0)	5.2%	(232.4)	23.5%	174.4	(75.1%)
Transmission Tolls	(74.5)	6.7%	(96.0)	9.7%	21.5	(22.4%)

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Fuel Cost of Sales	(243.4)	21.8%	(92.0)	9.3%	(151.4)	164.4%
Depreciation and Amortization Expense	(90.0)	8.1%	(86.4)	8.8%	(3.6)	4.1%
Other Cost Of Sales	(74.1)	6.6%	(59.8)	6.1%	(14.3)	23.9%
Total Cost of Sales	**(1,115.7)**	100.0%	**(987.5)**	100.0%	**(128.2)**	13.0%
Physical Data (in GWh)						
Coal Generation	4,038	53.8%	3,766	52.1%	272	7.2%
Diesel Generation	494	6.6%	1,388	19.2%	(894)	(64.4%)
Gas Generation	1,704	22.7%	554	7.7%	1,150	207.7%
Biomass Generation	83	1.1%	80	1.1%	3	2.9%
Hydroelectric Generation	1,183	15.8%	1,440	19.9%	(257)	(17.9%)
Total Generation	**7,502**	100.0%	**7,228**	100.0%	**274**	3.8%

In the SIC, cost of sales increased by U.S.$128.2 million, or 13.0%, in 2011 as compared to 2010. Fuel consumption increased by U.S.$154.8 million as a result of higher thermoelectric generation. Thermoelectric generation increased to 6,319 GWh for the year ended December 31, 2011 from 5,788 GWh for the same period in 2010, primarily associated with higher dispatch of Nueva Renca back-up plant utilizing LNG and improved availability of Ventanas II, as a result of less maintenance during 2011. This effect was partially offset by lower diesel generation of 894 GWh, principally from Nueva Renca. Generation from our hydroelectric plants was 257 GWh lower in 2011 when compared to 2010, associated with lower water inflows due to less snow melt.

The fuel cost of sales increased by U.S.$151.4 million as a result of the execution of supply contract with a related company from the AES Group.

Energy and capacity purchases decreased by U.S.$174.4 million due to a 1,093 GWh decrease in physical energy purchases for the year ended December 31, 2011 when compared to the same period in 2010 driven by higher LNG generation, despite the increase in spot prices to an average of U.S.$181.0/MWh for the year ended December 31, 2011 from an average of U.S.$135.2/MWh for the same period in 2010.

SING & SADI

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

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Fuel Consumption	(234.8)	60.7%	(153.0)	57.6%	(81.8)	53.4%
Energy and Capacity Purchases	(13.3)	3.4%	(7.9)	3.0%	(5.4)	67.4%
Transmission Tolls	(3.0)	0.8%	(2.4)	0.9%	(0.6)	30.1%
Fuel Cost of Sales	(3.0)	0.8%	(2.3)	0.9%	(0.7)	34.6%
Depreciation and Amortization Expense	(85.4)	22.1%	(61.0)	23.0%	(24.4)	39.9%
Other Cost Of Sales	(47.1)	12.2%	(38.9)	14.6%	(8.2)	21.0%

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Total Cost of Sales	(386.6)	100.0%	(265.5)	100.0%	(121.1)	45.6%
Physical Data (in GWh)						
Coal Generation	3,351	50.6%	2,110	38.7%	1,241	58.8%
Gas Generation	3,274	49.4%	3,349	61.3%	(75)	(2.2%)
Diesel Generation	1	0.0%	0	0.0%	1	-
Total Generation	6,626	100.0%	5,459	100.0%	1,167	21.4%

In the SING & SADI, cost of sales increased by U.S.$121.1 million, or 45.6%, in 2011 as compared to 2010. Fuel consumption increased by U.S.$81.8 million, due to higher coal generation to 3,351 GWh for the year ended December 31, 2011 from 2,110 GWh in 2010 associated with the initiation of commercial operations of Angamos I and II in April and October 2011, respectively.

The increase in depreciation and amortization expenses and other cost of sales of U.S.$24.4 million and U.S.$8.2 million, respectively, are associated with the initiation of commercial operations of Angamos I and II.

Energy and capacity purchases increased by U.S.$5.4 million due to a 92 GWh increase in physical energy purchases for the period ended December 31, 2011 when compared to the same period in 2010, despite the decrease in spot prices to an average of U.S.$95.7/MWh for the period ended December 31, 2011 from an average of U.S.$121.5/MWh for the same period in 2010.

SIN

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

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages and volumes)					
Cost of Sales						
Energy and Capacity Purchases	(72.3)	54.4%	(140.0)	74.8%	67.7	(48.4%)
Depreciation and Amortization Expense	(20.3)	15.3%	(20.8)	11.1%	0.5	(2.4%)
Other Cost Of Sales	(40.2)	30.3%	(26.5)	14.1%	(13.7)	51.8%
Total Cost of Sales	(132.8)	100.0%	(187.3)	100.0%	54.5	(29.1%)
Physical Data (in GWh)						
Hydro Generation	5,338	100.0%	3,305	100.0%	2,033	61.5%
Total Generation	5,338	100.0%	3,305	100.0%	2,033	61.5%

In the SIN, cost of sales decreased by U.S.$54.5 million, or 29.1%, in 2011 as compared to 2010. Energy and capacity purchases decreased by U.S.$67.7 million, primarily associated with lower spot prices, which decreased to an average of U.S.$40.3/MWh for the period ended December 31, 2013 from an average of U.S.$67.6/MWh for the same period in 2010, as a result of more humid hydrological conditions in the Colombian

system. Additionally, physical energy purchases decreased by 434 GWh to 1,777 GWh for the period ended December 31, 2011 from 2,211 GWh for the same period in 2010.

Gross Profit

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

	For the year ended December 31,					
	2011		2010		Variation	
	Amount	% of total	Amount	% of total	Amount	%
	(in U.S.$ millions, except for percentages)					
Gross Profit - SIC	249.3	36.3%	83.9	19.4%	165.4	197.1%
Gross Profit - SING & SADI	205.8	29.9%	144.2	33.3%	61.5	42.6%
Gross Profit - SIN	232.0	33.8%	205.1	47.3%	26.9	13.1%
Total Gross Profit	**687.1**	100.0%	**433.2**	100.0%	**253.8**	58.6%

Gross profit increased by U.S.$253.8 million, or 58.6%, for the year ended December 31, 2011 as compared to the same period in 2010, as a result of the factors discussed above, including increases of U.S.$165.4 million, U.S.$61.5 million and U.S.$26.9 million in the SIC, SING & SADI and Colombia gross profit, respectively.

SIC

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

	For the year ended December 31,			
	2011	2010	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Operating Revenues	1,365.0	1,071.3	293.7	27.4%
Cost of Sales	(1,115.7)	(987.5)	(128.2)	13.0%
Total Gross Profit	**249.3**	**83.8**	**165.5**	197.5%

In the SIC, gross profit increased by U.S.$165.5 million, or 197.5%, for the year ended December 31, 2011 compared to the same period in 2010, driven by a U.S.$293.7 million increase in operating revenues as a result of higher unregulated customer sales due to new long-term contracts and short term contracts with other generators in the system.

Cost of sales increased by U.S.$128.2 million driven by higher fuel consumption due to higher thermoelectric generation by our and our subsidiaries' plants. Additionally, fuel cost of sales increased by U.S.$151.4 million as a result of the execution of supply contracts with a related company from within AES Group. This was partially offset by lower energy and capacity purchases of U.S.$174.4 million due to a decrease in physical energy purchases.

SING & SADI

The following table presents our gross profit in the SING & SADI for the periods indicated:

	For the year ended December 31,			
	2011	2010	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Operating Revenues	592.3	409.7	182.6	44.6%

	For the year ended December 31,			
	2011	2010	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Cost of Sales	(386.6)	(265.5)	(121.1)	45.6%
Total Gross Profit	**205.7**	**144.2**	**61.5**	42.6%

In the SING & SADI, gross profit increased by U.S.$61.5 million, or 42.6%, for the period ended December 31, 2011 compared to the same period in 2010, primarily driven by a U.S.$182.6 million increase in operating revenues principally due to higher spot sales and unregulated customer sales in the SING associated with the initiation of commercial operations of Angamos and the initiation of new long-term supply contracts.

Cost of sales increased by U.S.$121.1 million driven by higher fuel consumption due to higher coal generation after the initiation of commercial operations of Angamos I and II in April and October 2011, respectively.

SIN

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

	For the year ended December 31,			
	2011	2010	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Operating Revenues	364.8	392.5	(27.7)	(7.1%)
Cost of Sales	(132.8)	(187.3)	54.5	(29.1%)
Total Gross Profit	**232.0**	**205.1**	**26.9**	13.1%

In the SIN, gross profit increased by U.S.$26.8 million, or 13.1%, for the period ended December 31, 2011 compared to the same period in 2010 driven by U.S.$54.5 million decrease in cost of sales associated with lower physical energy purchases at lower spot prices. Operating revenues decreased by U.S.$27.7 million driven by lower spot energy sales associated with lower spot prices, partially offset by an increase in physical energy sales.

Adjusted Operating Income (1)

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

	For the year ended December 31,			
	2011	2010	Variation	
	(in U.S.$ millions, except for percentages)			
Adjusted Operating Income				
Operating Revenues	2,322.2	1,873.5		
Consolidation Adjustments	(191.9)	(71.5)		
Total Operating Revenues	**2,130.3**	**1,802.0**	**328.3**	18.2%
Total Cost of Sales	(1,635.1)	(1,440.3)		
Consolidation Adjustments	191.9	71.5		
Total Cost of Sales	**(1,443.2)**	**(1,368.8)**	**(74.4)**	5.4%
Gross Profit	**687.1**	**433.2**	**253.9**	58.6%

	For the year ended December 31,			
	2011	2010	Variation	
	(in U.S.$ millions, except for percentages)			
Selling, General and other Administrative Expenses and Other Operating Income	(147.3)	(129.3)	(18.0)	13.9%
Total Adjusted Operating Income	**539.8**	**303.9**	**235.9**	77.6%

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

Our consolidated adjusted operating income increased by U.S.$235.9 million, or 77.6%, in 2011 as compared to 2010, mainly due to a U.S.$253.9 million increase in gross profit, which was partially offset by higher selling, general and administrative expenses, which increased by 13.9% to U.S.$147.3 million in 2011 from U.S.$129.3 million in 2010 mainly due to higher compensation and social benefits and higher insurance costs, both related to the expansion projects in progress and the new plants which recently initiated operations.

Other Operating Income

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

	For the year ended December 31,			
	2011	2010	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Other Operating Income				
Finance Income	9.3	22.4	(13.1)	(58.6%)
Finance Expense	(107.1)	(99.3)	(7.8)	7.9%
Other Gains / (Losses)	(23.8)	(88.8)	65.0	(73.2%)
Foreign Current Exchange Differences	(13.3)	16.5	(29.8)	(181.1)
Equity Participation in Net Income of Associates	31.1	42.4	(11.3)	(26.6%)
Total Other Operating Income	**(103.8)**	**(106.8)**	**3.0**	(2.8%)

The increase in net financial costs by U.S.$20.9 million between the years ended December 31, 2011 and December 31, 2010 is primarily due to lower capitalized interest expenses associated with the initiation of the commercial operation of Angamos unit I and II and an adjustment in the market value of the swaps related to our UF bond debt and Angamos project finance debt.

Other losses decreased by U.S.$65.0 million between the years ended December 31, 2011 and December 31, 2010 primarily due to a one-time loss of U.S.$72.2 million recorded in December 2010 related to the contract termination settlements between subsidiary Eléctrica Santiago and three gas transportation companies and additionally, an increase in other losses associated with the removal of fixed assets at Norgener, TermoAndes and Energía Verde, as compared to the lower loss recorded in 2011 of U.S.$41.2 million associated with the exchange and tender premiums and other expenses from the bond refinancing process which was completed in August 2011. In addition, during 2011 other losses were partially offset by gains related to water rights sales and compensation for contract amendments.

Net foreign currency exchange differences decreased by U.S.$29.8 million as a result of our net asset position denominated in Chilean pesos between the periods ended December 31, 2011 and December 31, 2010 and the depreciation of the Chilean peso. The principal effects include the impact of exchange rate differences on accounts receivable in Chilean pesos, mainly electricity sales to customers. Between December 31, 2010 and December 31, 2011 the Chilean U.S. dollar exchange rate depreciated by 10.9%, compared to the appreciation by 7.7% between December 31, 2009 and December 31, 2010.

Our share of income from associates in the period decreased by U.S.$11.3 million due to lower contribution from equity-method investee Guacolda, principally associated with the unrecoverable provision of U.S.$8.1 million recorded for sales to Campanario Generación S.A. in 2011.

Income Tax Expense

Income tax expense increased by U.S.$78.7 million or 252.3% in 2011 to U.S.$109.8 million for the period ended December 31, 2011 from U.S.$31.1 million for the same period in 2010 due to higher before tax earnings in 2011. Additionally, reversal of a tax contingency provision of U.S.$20.1 million during the first half of 2010 also contributed to this variation.

Net Income

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

	For the year ended December 31,			
	2011	2010	Variation	
	Amount	Amount	Amount	%
	(in U.S.$ millions, except for percentages)			
Net Income				
Income Before Income Taxes And Non-Controlling Interest	435.9	197.0	238.9	121.3%
Income Tax Expense	(109.8)	(31.1)	(78.7)	252.3%
Non-Controlling Interest	(0.0)	3.9	(3.9)	-
Net Income Attributable to Shareholder of Parent	**326.1**	**169.8**	**156.3**	92.1%

As a result of the factors discussed above, net income increased by U.S.$156.3 million, or 92.1%, to U.S.$326.1 million for the year ended December 31, 2011 from U.S.$169.8 million for the same period in 2010.

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.[3]

[3] Although IAS 7 permits presentation of the Statement of Cash Flows using either the direct or indirect method, Oficio No 2058 dated February 3, 2012 issued by the SVS requires all Chilean publicly traded companies to present the Statement of Cash Flows using the direct method beginning with the reporting period ending March 31, 2013. For companies that had previously used the indirect method for presenting their Statement of Cash Flows, the SVS permitted a non-comparative presentation of the direct method during previous reporting periods. The Company previously used the indirect method. As such, the Company switched to the direct method for all financial statements filed for the periods ending on and after March 31, 2013. Therefore, in this offering memorandum, the cash flow statements for the years ended December 31, 2010, 2011 and 2012 have been presented using the indirect method while the cash flows for the nine months ended September 30, 2012 and 2013 are presented using the direct method.

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

Cash Flow	For the nine months ended September 30, 2013	For the year ended December 31, 2012	2011
	(in U.S.$ millions)		
Cash Flow Provided by Operating Activities	166.6	283.3	177.5
Cash Flow Used in Investing Activities	(293.8)	(269.1)	(172.0)
Cash Flow Provided by Financing Activities	122.8	(38.7)	117.5
Total Cash Flow	**(4.4)**	**(24.5)**	**123.0**

Cash Flow Provided by Operating Activities

Cash flow provided by operating activities was U.S.$166.6 million for the nine-month period ended September 30, 2013, which represents an increase of U.S.$59.5 million compared to the same period in 2012, primarily the result of lower operational costs of U.S.$164.8 million and lower dividends of U.S.$113.8 million. The latter improvements were partially offset by higher payments to suppliers for goods and services of U.S.$216.7 million.

Cash flow provided by operating activities increased by U.S.$ 105.8 million in the year ended December 31, 2012, compared to the same period in 2011. This increase is principally the result of lower other operating outflows mainly associated with VAT payments in 2011 of U.S.$55.0 million and a reduction in income tax payments of U.S.$16.5 million.

Cash Flow used in Investing Activities

Cash flow used in investing activities was equal to a net outflow of U.S.$293.8 million for the period ended September 30, 2013, which represents an increase of U.S.$137.7 million compared to the same period in 2012. This increase is principally the result of lower inflows from investing activities of U.S.$187.0 million associated with the collection of financial investments at our Company and our affiliate Eléctrica Santiago and the recovery of Value Added Taxes (VAT) for projects, both recorded during the period ended September 30, 2012. This variation was partially compensated by lower purchases of property, plant and equipment of U.S.$48.6 million driven by the completion of the construction of the Ventanas IV plant in March 2013.

Cash flow used in investing activities increased by U.S.$97.1 million in the year ended December 31, 2012, compared to the same period in 2011, principally due to higher purchases of property plant and equipment of U.S.$53.7 million associated with the initiation of the installation of emission reduction equipment at our oldest coal plants and investments in the Ventanas IV project, and lower other cash inflows of U.S.$31.8 million associated with a negative variation in financial investments, partially offset by higher VAT recovery (mainly from the Ventanas IV project).

Cash Flow provided by Financing Activities

Cash flow provided from financing activities was equal to a net inflow of U.S.$122.8 million for the period ended September 30, 2013, which represents an increase of U.S.$137.3 million compared to the same period in 2012. This increase is principally the result of the initial proceeds under the Eléctrica Cochrane project finance credit facility and the incorporation of AMSA as minority partner in Alto Maipo and Mitsubishi Corporation as minority partner in Eléctrica Cochrane, partially offset by other financing outflows of U.S.$43.0 million related to the Cochrane financing.

During the period ended September 30, 2013, our principal financing activities were as follows:

- The incorporation of Mitsubishi Corporation as a shareholder of Electrica Cochrane with 40% participation in the project and the incorporation of Antofagasta Minerals as a shareholder in Alto Maipo with 40% participation resulted in, an aggregate contribution of U.S.$ 43.0 million.

- Additionally, Eléctrica Cochrane received U.S.$119.5 million in proceeds from disbursements under its project finance loan agreement. As a result, the total outstanding amount under this credit agreement equaled U.S.$119.5 million as of September 30, 2013. This loan bears an interest rate equal to LIBOR plus an annual spread. Principal must be repaid in semi-annual installments beginning six months after substantial completion of the facility's second unit and ending 15 years after substantial completion.

During the year ended December 31, 2012, our principal financing activities were as follows:

- Cash flow provided from financing activities decreased by U.S.$156.2 million in the year ended December 31, 2012, compared to the same period in 2011, driven by lower proceeds from long-term debt of U.S.$166.0 million due to lower disbursements under the Angamos project finance credit facility.

- Eléctrica Angamos paid U.S.$21.0 million associated with capital amortization payments under its project finance loan agreement. As a result, the total outstanding amount of capital under this credit agreement equaled U.S.$816.2 million as of December 31, 2012, as compared to the outstanding amount of capital of U.S.$837.2 million as of December 31, 2011.

- Eléctrica Ventanas paid U.S.$21.1 million associated with capital amortization payments under its project finance loan agreement. As a result, the total outstanding amount of capital under this credit agreement equaled U.S.$355.5 million as of December 31, 2012, as compared to the outstanding amount of capital of U.S.$376.6 million as of December 31, 2011.

Cash flow provided by financing activities decreased by U.S.$172.4 million in the year ended December 31, 2011, compared to the previous year, principally due to lower proceeds from long-term debt of U.S.$169.2 million due to lower disbursements under the Angamos project finance credit facility.

During the year ended December 31, 2011, our principal financing activities were as follows:

- In August 2011, we successfully concluded a bond refinancing process as part of a liability management activity, which was conducted in order to extend the maturity of a significant portion of the Company's corporate debt. The process included the acceptance of offers of exchange and tender for approximately 63% of the 7.5% U.S.$400.0 million U.S. Senior notes due 2014, offers of tender for approximately 48% of the 8.0% U.S.$196.0 million Series Q Chilean notes due 2019 and issuance of new 5.25% U.S.$401.7 million U.S. Senior notes due 2021.

- Eléctrica Angamos received U.S.$165.9 million in proceeds from disbursements under its project finance loan agreement, a decrease of disbursements of U.S.$ 169.2 million from those made during the same period in 2010. As a result, the total outstanding amount under this credit agreement equaled U.S.$837.2 million as of December 31, 2011, as compared to the outstanding amount of U.S.$671.2 million as of December 31, 2010. This loan bears an interest rate equal to LIBOR plus an annual spread. Principal must be repaid in semi-annual installments beginning twelve months after substantial completion of the facility's second unit and ending 14 years after substantial completion.

Contractual Obligations

The following table sets forth certain contractual obligations related to interest bearings liabilities, including financial lease obligations as of September 30, 2013:

	Contractual Obligations Amortizations due by year, as of September 30, 2013					
	Total	2013	2014	2015	2016	2017 and beyond
		(in U.S.$ millions)				
Bond Debt	1,085.5	0.5	318.1	48.2	1.3	717.4
Bank Debt	1,289.7	29.8	61.5	65.0	62.6	1,070.9
Total Interest Bearing Liabilities	2,375.2	**30.3**	**379.6**	**113.2**	**63.9**	**1,788.3**
Financial Lease Obligations	**24.9**	**-**	**-**	**-**	**0.9**	**24.0**

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 September 30, 2013, we were in compliance with all restrictions and covenants related to our obligations in our credit agreements and bond indentures. See note 32 to our consolidated financial statements.

In the table above, bank debt principally includes outstanding debt under the project finance credit facilities executed by our subsidiaries Eléctrica Angamos and Eléctrica Ventanas, and drawings under the project finance credit facility executed by our subsidiary Eléctrica Cochrane for the construction of the Cochrane coal-fired facility. 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 September 30, 2013, the outstanding principal due under project finance facilities totaled U.S.$1,258.8 million as detailed below:

- On June 13, 2007, Eléctrica Ventanas executed a project finance facility for the construction of the Nueva Ventanas thermoelectric power plant for up to U.S.$415.0 million in a senior secured construction loan converting to a term loan and a U.S.$25.0 million debt service reserve letter of credit. The loan has a 15-year maturity including a three-year construction period and is secured with the assets, shares and cash flows from the project. As of September 30, 2013, the outstanding debt under this credit agreement was U.S.$344.3 million.

- On October 22, 2008, Eléctrica Angamos executed a project finance facility for the construction of the Angamos thermoelectric power plant for up to U.S.$908.5 million in a senior secured construction loan converting to a term loan and up to U.S.$80.0 million in letters of credit. The loan has a 17-year maturity including a three-year construction period and is secured with the assets, shares and cash flows from the project. As of September 30, 2013, the outstanding debt under this credit agreement was U.S.$795.1 million.

- 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 Asian commercial banks. The loan has an 18-year maturity including a three-year construction period and is secured with the assets, shares and cash flows from the project. As of September 30, 2013, the amount disbursed under this credit agreement was U.S.$119.5 million.

The remaining outstanding debt in the table above relates to the following:

- In 1999, our subsidiary Eléctrica Santiago issued bonds in the Chilean market with outstanding principal, as of September 30, 2013 of UF 988,260.0 (U.S$45.3 million as of September 30, 2013). These bonds are registered with the SVS under number 214. As a result of a deterioration in Eléctrica Santiago's financial results, principally related to its contractual situation and higher cost generation subsequent to the Argentine gas curtailments, as of June 30, 2010, the minimum net worth covenant equal to UF 2 million (U.S.$77.5 million as of June 30, 2010) under Eléctrica Santiago's Chilean bond was breached resulting in a technical default. The technical default was cured within the 90-day cure period as a result of a capital increase of U.S.$55.0 million that was subscribed and paid by AES Gener in Eléctrica Santiago on December 15, 2010. Upon execution of the capital increase, Eléctrica Santiago's net worth was equal to 2.1 million UF (approximately U.S.$91 million as of December 31, 2010). Remediation of the technical default was verified by majority vote, with a 100.0% approval at Eléctrica Santiago's bondholders' meeting held on December 29, 2010. As of December 31, 2012 and September 30, 2013, Eléctrica Santiago was in compliance with all financial covenants.

- In March 2004, we issued U.S.$400.0 million 7.50% Senior notes due 2014 in the U.S. pursuant to a private placement under Rule 144A and Regulation S under the Securities Act. In August 2011, these Senior notes were part of a refinancing process detailed below. As of September 30, 2013, the outstanding debt under the 2014 Senior notes was U.S.$147.1 million.

- In November 2004, our Colombian subsidiary AES Chivor issued U.S.$170.0 million in 9.75% Senior Secured notes due 2014 in the U.S. pursuant to a private placement under Rule 144A and Regulation S under the Securities Act. As of September 30, 2013, the outstanding principal amount was U.S.$170.0 million. The guaranteed senior bonds are guaranteed by an onshore trust agreement whereby AES Chivor' s revenues from the sale of electricity are received and held in trust to guarantee payment of its debt service obligations under the local syndicated loan and a pledge over all of AES Chivor shares. In addition to the guarantees provided above, AES Chivor maintains an interest reserve account which was funded at the closing of the Senior Secured notes. This reserve must be equal to the next scheduled interest payment at all times and may be funded with cash or one or more letters of credit. On July 15, 2013, AES Chivor funded this reserve account with cash, totaling U.S.$8.3 million.

- In October 2006, Eléctrica Santiago executed a U.S.$30.0 million syndicated credit agreement which was guaranteed by Gener under a joint and several liability agreement. As of September 30, 2013, the outstanding amount under this credit agreement was U.S.$6.0 million.

- In December 2007, we issued UF 5,600,000 bonds, divided in two series and registered with the SVS under numbers 516 and 517. This issuance includes Series N for UF 4,400,000 at 4.30% due in 2028 and Series O for UF 1,200,000 at 3.10% due in 2015. As of September 30, 2013, the outstanding principal amount was U.S.$219.3 million based on the amount of debt hedged under a cross currency swap executed on December 19, 2007 and December 20, 2007.

- In April 2009, we issued bonds under Series Q for U.S.$196.0 million at 8.0% due in 2019. Series Q is registered with the SVS under number 517. In August 2011, the Series Q notes were part of a refinancing process detailed below. As of September 30, 2013, the outstanding principal amount was U.S.$102.2 million.

- 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 conclusion 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. As of September 30, 2013, the outstanding debt under the 2021 Senior notes was U.S.$401.7 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 September 30, 2013 the amount disbursed under this financial lease was U.S.$24.9 million.

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 2011 and September 30, 2013, we have added the following power plants: the 545 MW Angamos coal-fired plant, which initiated commercial operations in April 2011, for the first unit, and October 2011, for the second unit; and the 272 MW Ventanas IV coal-fired plant, which initiated commercial operations in March 2013.

Our most significant investing activities in the past three years have been related to the Angamos, Ventanas IV, Tunjita and Cochrane projects. 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 first investment in Colombia, a 20 MW run-of river hydroelectric power plant, Tunjita, and our 532 MW coal fired power plant, Cochrane, with estimated dates of completion during the first half of 2014 and in 2016, respectively. We also initiated investments for emission control equipment for our older coal plants, Ventanas, units 1 and 2 and Norgener, units 1 and 2, during the last quarter of 2012.

Our capital expenditures from January 1, 2011 through September 30, 2013 totaled U.S.$1,138.2 million. Our principal capital expenditures from January 1, 2011 through September 30, 2013 include the following:

- our Angamos coal-fired plant. The first unit initiated commercial operations in April 2011 and the second unit initiated commercial operations in October 2011;
- our Ventanas IV coal-fired plant, which initiated commercial operations in March 2013;
- overhaul or major maintenance of our power plants, including equipment maintenance and refurbishing;
- investment and installation of new emission control equipment ("retrofits") at Ventanas, units 1 and 2 and Norgener, units 1 and 2. Total investment will be completed by 2014;
- our Tunjita hydroelectric power plant, scheduled for completion in June 2014;
- our Cochrane coal-fired plant, scheduled for completion in 2016; and
- our Alto Maipo run-of-river plant, scheduled for completion in 2018.

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

Capital Expenditures	For the nine months ended September 30, 2013	For the year ended December 31, 2012	2011
	(in U.S.$ millions)		
Angamos Coal-Fired Plant	0.7	20.6	115.6
Ventanas IV Coal-Fired Plant	10.4	153.8	141.7
Cochrane Coal-Fired Plant	108.2	20.9	0.0
Angamos BESS	0.0	6.0	16.4
Development Projects Including Alto Maipo Preliminary Work	36.6	32.8	5.2
Environmental Retrofits	69.0	51.4	2.8
Maintenance	26.3	55.0	64.3

Capital Expenditures	For the nine months ended September 30, 2013	For the year ended December 31, 2012	2011
		(in U.S.$ millions)	
AES Chivor	16.7	18.2	5.1
Other	25.7	90.3	44.3
Total Capital Expenditures	**293.6**	**449.2**	**395.4**

To achieve the scheduled completion of our Cochrane project in 2016, we estimate remaining investments to be made into the project (in addition to the project finance debt and capital expenditure reported as of September 30, 2013) to be approximately U.S.$167.1 million.

We have begun construction on the 531 MW run-of-river hydroelectric Alto Maipo power plant in the SIC and executed the principal engineering and construction contracts and PPAs for a portion of its expected generation. The project also incorporated Antofagasta Minerals S.A., a mining company, as a partner with a 40% ownership interest. Capital expenditure related to the project to date equals approximately U.S.$ 111.2 million. The financing of the Alto Maipo project closed on December 10, 2013.

Other development projects that have obtained environmental approvals include the 750 MW coal-fired Los Robles power plant in the SIC and the 220 MW solar project Andes in the SING. The possible future construction of these plants depends on the execution of required project documentation and agreements including, engineering and construction contracts, PPAs and financing arrangements, among others.

We have initiated construction works for the installation of new emission control equipment in our facilities to meet new emissions standards and to undertake remediation efforts in connection with more stringent environmental regulations in Chile. We estimate that between 2012 and 2014 we will invest approximately U.S.$220.0 million in emissions reduction equipment at four of our older coal-fired plants, which were built between 1964 and 1997. As of September 30, 2013, we have invested approximately U.S.$133.4 million.

Similarly, we estimate environmental investments of a total of approximately U.S.$220.0 million will be made by our equity-method investee Guacolda between 2013 and 2015. As of September 30, 2013, Guacolda has invested U.S.$10.0 million for the installation of new emission control equipment. Our new coal-fired plants, including those which recently initiated operations as well as those currently in construction, such as Angamos in the SING and Ventanas IV in the SIC, are not expected to require additional environmental remediation investments.

In addition to the development projects mentioned above, we are also developing additional run-of-river hydroelectric projects with our existing water rights in Chile, as well as monitoring and developing suitable sites for the installation of wind farms and solar energy projects in Chile.

Dividend Policy

Chilean law requires the distribution of at least 30% of our liquid 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 in the case that we have unabsorbed losses from prior years. We do not have an established dividend payment policy, and our dividend payment for each year is 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 2011, our shareholders approved an annual dividend payment equal to 100% of our 2010 net income, which was divided into two payments including the interim dividend payment paid in January 2011, equivalent to 43.0% of 2010 net income, which included the 30% minimum payment required by law, and a second payment in May 2011, equivalent to 57% of 2010 net income. Additionally, our shareholders approved an additional dividend payment equal to 24.8% of the future dividends reserve which was also distributed in May 2011. In

April 2012, our shareholders approved a total annual dividend payment equivalent to 100% of our 2011 net income, which was divided into four payments, including an obligatory minimum payment required by law of 30% net income paid out in September 2011 as interim dividend, equal to 24.2%, and in May 2012, equal to 5.8%. The remaining portion was paid in two additional dividend payments in May and August 2012. In April 2013, our shareholders approved an annual dividend payment equal to 100% of our 2012 net income, which was divided into three payments including the interim dividend payment paid in November 2012 and two additional dividends payments in May and August 2013.

The dividends paid during the eight-month period ended September 30, 2013 and during the years ended December 31, 2012 and 2011 are shown in the following table:

Dividends paid by AES Gener

Payment Date	Dividend Type	Amount U.S.$	U.S.$ per share
January 5, 2011	Interim	73,030,776	0.009050
May 6, 2011	Final	96,739,552	0.011988
May 6, 2011	Additional	71,997,855	0.008922
September 14, 2011	Interim	79,002,354	0.00979
May 8, 2012	Final	18,822,573	0.002333
May 8, 2012	Additional	75,177,316	0.009316
August 8, 2012	Additional	153,081,348	0.01897
November 15, 2012	Interim	70,999,633	0.008798
May 22, 2013	Final	62,829,870	0.0077859
August 27, 2013	Additional	69,101,640	0.0085631
December 17, 2013	Interim	78,000,097	0.0096658

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, diesel, natural gas and LNG, 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 in both 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 internationally as the primary fuel for several of our plants and locally and internationally for our equity-method investee Guacolda’ s plants. 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 annual 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 1 to 3 years. In terms of pricing, we select different mechanisms in order to align sale price indexation formula with our cost of sales.

Our Nueva Renca and TermoAndes CCGTs are fueled alternatively by gas or diesel. Argentine natural gas exports to Chile were essentially suspended in 2007 and at present our Nueva Renca gas-fired facility in the SIC utilizes diesel or LNG which is purchased from local suppliers under bilateral agreements, based on the international price of 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 is also connected to the SING 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 SING in Chile expired on January 31, 2013 and its renewal and

other alternatives are being evaluated by the Company. TermoAndes currently generates at its maximum capacity, delivering its energy to the SADI.

Our back-up plants, including the CCGTs mentioned above and our gas turbines, utilize diesel. In Chile, diesel is purchased from local suppliers under bilateral agreements based on international oil prices derived from the Ultra Low Sulfur Diesel ("ULSD") index of the U.S. Gulf. Since the energy produced by diesel plants is sold in the spot market, diesel is purchased as necessary to meet dispatch requirements. Plants that use diesel as their main fuel are described in "Business— Generation Assets."

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 2011, 2012 or the first half of 2013, we actively analyze the execution of fuel price hedging mechanisms to stabilize our operating margin.

We do not hedge the price of diesel or LNG given the nature of our back-up generation utilizing these fuels. Based on our policy to utilize our efficient generation to supply our contracts during normal market conditions, our back-up facilities, specifically our plants which burn diesel and/or LNG, are expected to operate only in conditions of scarcity, such as drier than normal hydrological conditions in the SIC. During such conditions, our back-up facilities will sell energy on the spot market at the price of the last plant dispatched. As a result, the spot price will fully compensate for the back-up units' cost of fuel. Our only plant in Chile that is capable of alternatively utilizing diesel or LNG is Eléctrica Santiago's Nueva Renca plant. In the SADI, our TermoAndes plant sells in the spot market and under short-term, one-year contracts.

Based on our hedging policy and the fact that our Nueva Renca plant effectively generated with LNG during the second quarter of 2013, we estimate that an increase of 10.0% in the cost of diesel during the period ended September 30, 2013 would have resulted in a negative variation of approximately U.S.$14.4 million in our gross profit.

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 dollars. We hold our short-term cash investments mostly in U.S. dollars. As of September 30, 2013, 64.2% of AES Gener's short-term cash investments were denominated in U.S. dollars, 17.8% in Argentine pesos, 13.5% in Chilean pesos and 4.5% in Colombian pesos. The impact of a variation of 10% in the Chilean peso to U.S. dollar exchange rate would have resulted in a negative variation of approximately U.S.$2.1 million in net income as of September 30, 2013.

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. As of September 30, 2013, sales in Colombian pesos represented 11.5% of consolidated revenue, while as of September 30, 2012 these sales represented 11.3% of consolidated revenue.

In Argentina, spot prices are set in Argentine pesos and these sales represented 3.8% of consolidated revenue as of September 30, 2013 and September 30, 2012. The impact of a variation of 10% in the Argentine peso to U.S. dollar exchange rate would have resulted in a variation of approximately U.S.$2.1 million in net income.

With regard to debt denominated in currencies other than the U.S. dollar, we have executed coverage 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. As of September 30, 2013, 97.0% 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.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of our assets and liabilities 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 its long-term debt obligations with floating interest rates.

We manage our interest rate risk by having a balanced portfolio of fixed and variable rate debt. Additionally, in order to mitigate interest rate risk fluctuations associated with our variable rate long-term obligations, we have executed coverage in the form of interest rate swaps. At present, interest rate swaps have been executed for part of the project finance debt associated with the Nueva Ventanas, Angamos and Cochrane projects. As of September 30, 2013, 88.2% of our total financial debt was at fixed rates, including debt with associated interest rate hedges.

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 CDEC generator participants which have registered energy deficits in accordance with the CDEC's monthly economic dispatch report.

In September 2011, one generator participant of the CDEC was declared bankrupt as a result of the financial losses caused by the low hydrological conditions experienced in the SIC. In the proceeding, AES Gener and Eléctrica Santiago presented evidence of the outstanding debt owed by such generator, equal to U.S.$2.9 million plus applicable interest, of which we have received U.S.$1.2 million. Additional payments are not expected and the respective provision has been recorded as irrecoverable debt.

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 2010, also in low hydrological conditions, AES Chivor experienced collection problems with an energy trader and eventually recorded a loss of U.S.$1.3 million. In this case, the trader was suspended from participating in the Bolsa or spot market and AES Chivor initiated actions to recover the outstanding amount.

In Argentina, TermoAndes' principal counterparties are CAMMESA (Compañía Administradora del Mercado Mayorista Eléctrico S.A.) and large and diversified unregulated consumers with contracts under the Energía Plus program. On March 26, 2013, Resolution 95-2013 was issued. This resolution amended the current regulatory framework and will be applied to electric generation companies with certain exceptions. In accordance with this regulation, a new remuneration system was established which is based on compensating fixed costs, variable non-fuel costs and an additional margin. Based on Note 2053, sent by the Ministry of Energy in March 2013, it is understood that TermoAndes units are not affected by the resolution. As a result, we do not expect this amendment to have an impact on TermoAndes' operations.

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:

- We provided a stand-by letter of credit for the amount of UF43,679 (U.S.$2.0 million) with an expiration date of October 28, 2013, to guarantee its obligations for the amount outstanding under a purchase agreement.

- We provided a stand-by letter of credit for the amount of CLP248,174,563 (U.S.$0.5 million) with an expiration date of April 30, 2014, in favor of Innova Chile Committee to guarantee the proper use of the funds granted for the construction of a solar project.

- Eléctrica Angamos provided a stand-by letter of credit for the amount of U.S.$0.6 million due on October 22, 2013, in favor of Minera Escondida Ltda. to guarantee power purchase agreement associated with Angamos power plant.

- Eléctrica Angamos provided a stand-by letter of credit for the amount of U.S.$1.8 million due on October 22, 2013, in favor of Minera Spence S.A. to guarantee power purchase agreement associated with Angamos power plant.

- Eléctrica Angamos provided two stand-by letters of credit for U.S.$11.2 million and U.S.$6.0 million, respectively, due on October 22, 2013, in favor of Terminal Graneles del Norte S.A. to guarantee port services agreement associated with Angamos power plant.

- Eléctrica Angamos provided a debt service reserve letter of credit for the total amount of U.S.$48.0 million due on October 22, 2013, associated with the project finance loan executed for the project in December 2009 to guarantee debt service for twelve months.

- Eléctrica Angamos provided a stand by letter of credit for the amount of UF25,000 (U.S.$1.0 million) to guarantee development of roadways in favor of Municipalidad de Mejillones with an expiration date of October 10, 2013.

- Eléctrica Ventanas provided a debt service reserve letter of credit for the total amount of U.S.$25.0 million due on November 6, 2014, associated with the project finance loan executed for the project in June 2007.

- Eléctrica Cochrane provided a stand by letter of credit for the amount of U.S.$30.0 million to guarantee the EPC contract with Posco Engineering and Construction Co., Ltd. and Posco Engineering and Construction Co., Ltd., Agencia de Chile for the Campiche power plant which completed construction in March 2013.

- AES Gener provided a standby letter of credit for the amount of U.S.$167.0 million in favor of HSBC Bank as Collateral Agent of the Cochrane Project lenders to guarantee its equity contributions to the project.

- Eléctrica Cochrane provided two letters of credit for U.S.$17.1 million and U.S.$8.0 million, respectively, due on April 5, 2014, in favor of Sierra Gorda to guarantee a power purchase agreement associated with the Cochrane power plant.

- Eléctrica Cochrane provided a letter of credit for U.S.$10.1 million due on April 5, 2014, in favor of Quebrada Blanca to guarantee a power purchase agreement associated with the Cochrane power plant.

- AES Gener provided a stand-by letter of credit for CLP332,273,710 (U.S.$0.7 million) due on August 12, 2013, in favor of Empresa Eléctrica Casablanca S.A. to respond to damages and/or fines pursuant to a legal proceeding in the Civil Court of Santiago currently in process.

- Eléctrica Santiago provided a letter of credit for U.S.$11.0 million due on February 5, 2014, in favor of Servicios Integrales de Generación de Energía S.A. to guarantee the outstanding payment for the purchase of a new rotor.

- Alto Maipo provided a letter of credit to the Water Division (*Dirección General de Aguas)* of the Ministry of Public Works, for an amount of UF180,859 (U.S.$8.3 million) with an expiration date of September 10, 2014, to guarantee hydraulic works related to the Alto Maipo project.

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

- On December 19, 2007, AES Gener 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

US 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 September 30, 2013 no credit support was required.

- On October 4, 2006, AES Gener signed a "Guarantee and Joint and Several Liability Agreement" to secure Eléctrica Santiago S.A.'s ("ESSA") obligations under a local credit agreement entered into between ESSA and a syndicate of banks led by BCI for a total amount of U.S.$30.0 million. As of September 30, 2013, such amount was U.S.$6.0 million.

Please refer to notes 32 and 33 to our consolidated financial statements 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 September 30, 2013, we had an outstanding principal amount of interest-bearing indebtedness of U.S.$2,375.2 million, of which U.S.$2,345.0 million had maturities beyond 2013.

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

	As of September 30, 2013					
		Expected contractual maturity date				
	Average interest rate	2013	2014	2015	2016	2017 and beyond
				(in U.S.$ millions)		
Fixed Rate						
(UF Swapped to U.S.$)	5.50%	-	-	47.0	-	-
(UF Swapped to U.S.$)	7.34%	-	-	-	-	172.3
(U.S.$)	7.50%	-	147.1	-	-	-
(U.S.$)	5.25%	-	-	-	-	401.7
(U.S.$)	8.00%	-	-	-	-	102.2
(UF)	7.50%	0.5	1.1	1.2	1.3	41.3
(U.S.$)	9.75%	-	170.0	-	-	-
(U.S.$)	6.95%	3.0	3.0	-	-	-
Variable Rate						
(U.S.$)	LIBOR + Spread	11.3	25.5	25.9	30.4	251.3
(U.S.$)	LIBOR + Spread	15.5	33.0	39.1	31.3	676.1
(U.S.$)	LIBOR + Spread	-	-	-	-	119.5
(Col$)	DTF[1] + Spread	-	-	-	0.9	24.0
Total		**30.3**	**379.6**	**113.2**	**63.9**	**1,788.3**

(1) Colombia interest rate for fixed term deposits (*depósitos a término fijo*).

A portion of the debt associated with the Eléctrica Ventanas, Eléctrica Angamos and Eléctrica Cochrane project finance debt has been swapped to cover the risk of variations in the LIBOR rate. Accordingly, 79.7% of the total variable rate debt, equal to U.S.$1,258.8 million, has effectively been swapped to fixed rate debt as of

September 30, 2013. As a result of these interest rate swaps, as of September 30, 2013, fixed rate debt, including swapped debt, represents U.S.$2,094.6 million, or 88.2% 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, 2012 and in nine-month period ended September 30, 2013, the majority of our consolidated net sales, revenues, costs and expenses were denominated in or indexed to the U.S. dollar. As of September 30, 2013:

- approximately 84.7% of our sales are denominated in or indexed to U.S. dollars or are associated with currency hedging;

- approximately 90.3% of our costs are denominated in or indexed to U.S. dollars; and

- approximately 97.0% of our indebtedness 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. As of September 30, 2013, sales in Colombian pesos represented 11.5% of our consolidated revenue. Additionally, 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 contract prices are determined in U.S. dollars but paid in Argentine pesos. SADI sales represented 8.1% of our consolidated revenue in the nine month period ended September 30, 2013.

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 our allowance for doubtful accounts, inventory, allowance for recoverable taxes, restructuring of our operations, useful lives of property, plant and equipment, goodwill, contingent liabilities, income tax evaluation allowances, pension plans and the fair value of financial instruments. We base our estimates on historical experience and other assumptions which we believe to be reasonable under the circumstances.

We have identified the following accounting policies that we believe are most critical to our financial statements. For a full description of our accounting policies, see Note 4 to our unaudited consolidated financial statements included in this offering memorandum.

Revenue Recognition

We recognize revenues when the amount can be reliably measured, it is probable that the future economic benefits flow to the entity and specific conditions have been met for each of our activities as described below.

The amount of revenue is not considered to be reliably measured until all contingencies related to the sale have been resolved. We base our estimates on historical data, taking into account the type of customer, type of transaction and the concrete terms of each agreement.

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 our activities. Operating revenue is presented net of VAT, returns, rebates and discounts and after eliminating intra-Company sales.

Sales Revenues

Revenues from energy and capacity sales are recognized once the energy or capacity has been physically delivered at prices established in the respective contracts or at prevailing electricity market prices in accordance with current regulations. Operating income includes un-invoiced income from energy and capacity supplied but not billed at 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 accounts receivable. The related cost of this energy has been included in operating costs. The Company recognizes revenues from sales of inventory such as coal and gas upon delivery and revenues from shipping and engineering services upon performance of such services.

Property, Plant and Equipment

Property, plant and equipment include the following items: construction in progress, land, buildings, plants and equipment, IT equipment, furniture, motor vehicles, and other property, plant and equipment.

Construction in progress includes labor, materials, interest, and allocation of some general and overhead costs. Interest expenses directly attributable to the construction, both specific and generic in nature, are accrued only during the construction period. Also included in the capitalization of construction in progress are expenses directly related to personnel and other expenses of an operating nature attributable to the project. Upon completion, construction in progress is transferred to the appropriate class of property, plant and equipment once the testing period is finalized and the assets are available for use.

Maintenance and repairs, including replacement of minor items, are recorded to earnings as incurred. Costs associated with major inspections or replacements are recognized as part of the carrying amount of the asset or as a separate asset if they meet the recognition criteria of a component as detailed in IAS 16 “Property, Plant and Equipment.”

Depreciation is determined using the straight-line method considering their cost less residual values over their estimated economic useful lives. A change in the estimate of useful lives could impact the level of annual depreciation expense recognized during the period. In estimating the useful lives and expected residual value, we rely primarily on actual experience with similar assets and technical recommendations from engineers and manufacturers. The estimates are reviewed on an annual basis for any changes. When depreciable property components are retired, the original cost and decommissioning charges, less residual value, are charged to accumulated depreciation.

In accordance with IAS 36, “Impairment of Assets,” we assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, we estimate the recoverable amount of the asset. An asset is impaired when its carrying value exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset’s or cash generation unit’s fair value less costs to sell and its value in use. Value in use is the present value of the estimated future cash flows expected to be derived from continuing use of the asset and from its ultimate disposal.

Post-Employment Benefits

Our employees participate in defined benefit pension plans. The value of our pension and post-employment benefits is based on actuarial valuations. Inherent in these valuations are key assumptions provided by us to our actuaries, such as the discount rate, mortality and rotation rates. Material changes in our pension and post-employment benefit costs may occur in the future arising from changes in these assumptions, such as changes in the number of plan participants or amount of benefits provided.

Included in this concept are also staff severance indemnities. Our obligation for staff severance indemnities is measured and recorded at the present value of the total obligation using the projected benefit cost method. This model uses a discount rate based on UF-denominated sovereign bonds from the Chilean Central Bank and average long-term inflation. Assumptions considered in the calculation include the probability of such payments or benefits based on mortality, employment rotation, future costs, level of benefits and the discount rate.

AES Corporation, the majority shareholder of AES Gener, grants share-based compensation, which consists of a combination of options and restricted stock to some employees of its subsidiaries. In general, the rights of these plans vest over a term of three years.

The fair value of employee services received in exchange for a stock option award is expensed in earnings and a corresponding increase in equity is recorded. The cost is measured as of 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.

Derivative Instruments

We have entered into various types of derivative instruments, such as interest rate swaps, cross currency swaps and currency forwards to hedge our risks associated with interest and exchange rate fluctuations. Derivatives are initially recognized at fair value on the date on which the derivative contract is executed and are subsequently premeasured at their fair value. Changes in the fair values of the derivatives are recognized in earnings unless they have been designated and qualify as hedging instruments in a fair value hedge or in a cash flow hedge.

We have not used fair value hedges in the reporting periods covered by our consolidated financial statements included in this offering memorandum.

The changes in fair value in a cash flow hedge are recognized in other comprehensive income to the extent that the instrument is effective. Any gain or loss related to the ineffective portion is recognized immediately into earnings. Once the instrument matures, is sold or no longer meets the heading requirements as per IAS 39 "Financial Instruments: Recognition and Measurement," any cumulative gain or loss in other comprehensive income remains in equity and is recognized when the forecasted transaction affects earnings. When the forecasted transaction is not expected to occur, any accumulated gain or loss in other comprehensive income is immediately recognized in earnings.

Derivatives not designated as hedging instruments are recognized at fair value through profit and loss. Changes in fair value of these derivatives are recognized immediately in earnings.

We perform an evaluation of embedded derivatives in financial and non-financial instrument contracts to determine if their characteristics and risks are closely related to the host contract. If not closely related, they are separated from the host instrument and the variations in their fair values are recognized in earnings.

Estimates of fair values for which an active market, quoted prices or a secondary market do not exist are calculated using forward-pricing models, presenting value of estimated future cash flows and other modeling techniques. The Company uses the Reval Hedge Rx system to calculate the fair value of interest rate, cross currency swaps and foreign currency forwards. The following assumptions are used in the valuation models for derivative instruments: historic and spot prices, price projections, credit risk and observable rates, risk-free discount rates, local and counterparty spreads, price volatility, correlations and regression formulae. Changes in conditions or the occurrence of unforeseen events could affect the timing for the recognition of unrealized gain and losses into earnings.

Accounting for Income Taxes

In accordance with Chilean tax law, income taxes are computed and paid on a per legal entity basis. As part of the process of preparing our financial statements, we are required to calculate our income tax expense based on rates in effect at the time of the calculation (which are subject to change by enactment of a new tax rate).

According to IAS 12 "Income Taxes," deferred tax assets and liabilities represent the difference between financial statement carrying amounts and their corresponding tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

The income tax rate used to calculate deferred taxes is the same as the one used in the calculation of current income tax expense. A change in the income tax rate can affect the book value of deferred taxes, which may result in an impact in earnings.

BUSINESS

General

We are the second largest electricity generation company in Chile with a market share of approximately 21.9% as of June 30, 2013, based on installed capacity and a significant presence in both the SIC and the SING. We also have a presence in the SIN in Colombia and the SADI in Argentina. As of June 30, 2013, our installed capacity in Chile totaled 4,081 MW, comprised of 2,616 MW in the SIC and 1,465 MW in the SING, including TermoAndes (as reported by the CDEC-SING). In Chile, we currently have under construction two coal-fired projects with gross capacity of 684 MW and a 20 MW battery energy storage project. We also have one hydroelectric project of 531 MW under construction as well as other hydroelectric, thermoelectric and solar projects under development. In Colombia, we currently have one hydroelectric project with gross capacity of 20 MW under construction.

In the SIC, which covers over 92.2% of Chile's population, including the densely populated Santiago Metropolitan Region, our market share totaled 18.6% and in the SING, where mining consumption is dominant, our market share totaled 31.8%, including TermoAndes, both as of June 30, 2013. In Colombia, we own the third-largest hydroelectric facility and our market share as of June 30, 2013 was 6.9% based on installed capacity, making us the fifth-largest generation company in the country. We are also currently constructing a 20 MW run-of-river hydroelectric project in Colombia.

In Chile, we have a diversified generation portfolio in terms of geography, technology and fuel source. Our installed capacity is located near the principal electricity consumption centers, including Santiago, Valparaiso and Antofagasta, extending from Tocopilla in the north to Los Angeles in south-central Chile. Our diverse generation portfolio, composed of hydroelectric, coal, gas, 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 spot market energy to the SIC and SING.

In Colombia, our 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.

Our 643 MW combined cycle in Salta, Argentina represents 2.1% of the system's installed capacity. At present, TermoAndes sells energy exclusively in Argentina; a portion of its generation is sold to unregulated customers under short-term contracts and the remainder is sold on the spot market. This plant is also connected to the SING.

Competitive Strengths

We believe our key competitive strengths are:

- *High-quality and diversified generation assets*. We have high-quality generation assets diversified in terms of geographic location, technology and energy source. We operate in four independent markets, the SIC and the SING, both 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 nine-month period ended September 30, 2013, the Adjusted EBITDA contribution from the SIC, SING, SIN, and SADI was 29.8%, 24.7%, 34.5% and 11.0%, respectively. We are the second-largest generation company in Chile with 21.9% of total installed capacity in the country, and have a significant presence in both major electric systems in Chile, with participation of 18.6% in the SIC and 31.8% in the SING. 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, alternative-fueled gas or diesel, diesel and biomass plants. Our diversified plant portfolio in terms of technology 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 plant in Colombia has hydrology which is counter-cyclical to that of most of 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 market with 250.7 MW of contracted energy under this program as of September 30, 2013.

- *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, with the spin-off of the state-owned vertically integrated power company into distinct operating companies, 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 and 2005 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, based on energy sales, has grown at an average compounded rate of 3.9% in the SIC and 4.2% in the SING since 2002. The CNE projects electricity consumption to grow at an annual average compounded rate of 4.5% in the SIC and 6.0% in the SING in the next ten years. Demand for electricity in Colombia, based on energy sales, has grown at an average compounded annual rate of 2.9% since 2002 and the UPME projects annual growth of 3.9% 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 flow generation. Additionally, the majority of our power purchase agreements are payable or 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 and hydroelectric capacity, under long-term, price-indexed contracts with regulated and unregulated customers. As of August 31, 2013, we have long-term contracts with high-quality distribution companies as well as mining and industrial companies for a total of 2,648 MW in Chile. Our principal customers include the distribution companies Chilectra S.A., Chilquinta Energía S.A., Compañía General de Electricidad S.A. and EMEL S.A. and mining companies such as Minera Escondida Ltda., Minera Spence S.A., Codelco, Sociedad Quimica y Minera de Chile S.A. ("SQM"), Sierra Gorda SCM, Quebrada Blanca S.A., Antofagasta Minerals S.A., Compañía Contractual Minera Candelaria, and Anglo American Sur S.A. Long-term contracts with distribution companies and mining companies present stable demand since supply for residential consumption has historically been stable and increasing. In addition, long-term contracts 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 pass-through of full fuel and regulatory costs. Our policy also involves contracting a portion of our projects' capacity before the start of construction. We have signed long-term, price-indexed contracts for substantially all of the installed capacity of the Cochrane project, which is currently under construction, with unregulated customers in the SING (Sierra Gorda SCM, SQM and Quebrada Blanca S.A.). Similarly, for the Alto Maipo project we have executed a long-term contract with an unregulated customer (Antofagasta Minerals S.A.). In Colombia, we maximize cash flow and operating margin by applying integrated business risk management 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, 2012, approximately 72.7% 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, with terms of one to four years, include indexation mechanisms to adjust for movements in the Colombian PPI. In Argentina, 306 MW of our TermoAndes' installed capacity from its gas turbines were authorized to be sold under Energía Plus PPAs with industrial customers. TermoAndes' strategy is to

maximize the electricity sold under Energía Plus contracts. These contracts allow TermoAndes to sell electricity at higher prices compared to spot prices.

- *Strong Financial Position*. We maintain a strong financial position with solid liquidity, stable cash flows and broad access to local and international capital markets. We hold investment grade ratings with the principal international rating agencies, namely Moody's, S&P and Fitch. While we expect to maintain an investment grade rating with Fitch following the offering, we anticipate that our current rating with Fitch will be downgraded due to the financing of the Alto Maipo project, which closed on December 10, 2013 (see "Risk Factors—Our ability to refinance our debt facilities could be adversely affected by variations in our international and local credit ratings and for other reasons", and "Risk Factors—The ratings 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.") As of September 30, 2013, our total consolidated balance of cash and cash equivalents and short term time deposits, was equal to U.S.$382.0 million and we had unused committed credit lines of approximately U.S.$274.8 million that we may draw on in our sole discretion.

- *Successful project development and construction and attractive development portfolio*. Since 2007, we have constructed and initiated commercial operations of 1,696 MW of new capacity, representing a significant portion of the increase in installed capacity and an investment in the SIC and SING during the same period. Our successful project development and demonstrated construction skills, evidenced by our ability to complete these projects on time and on budget, represent an important competitive advantage. Additionally, in Chile, we currently have under construction two coal-fired projects with gross capacity of 684 MW, 152 MW of which is represented by Unit V of Guacolda in the northern part of the SIC, scheduled to begin operations in the second half of 2015, with the remaining 532 MW represented by our Cochrane project in the SING, which is expected to begin operations in 2016. Our Cochrane project includes a 20 MW battery energy storage project which is also scheduled to initiate operations in 2016. For both our Guacolda and Cochrane projects, we have secured long-term non-recourse project financing in the aggregate of $318 million and $1 billion, respectively, representing more than 70% of the required funds to develop these projects. Additionally, in the SIC the 531 MW two unit run-of-river hydroelectric Alto Maipo project issued notice to proceed under the main construction contracts on December 11, 2013. In Colombia, we are currently constructing our 20 MW Tunjita run-of-river hydroelectric project, which is scheduled to start operations in the second half of 2014. Our development strategy focuses on obtaining environmental permits, solid construction contracts, power purchase agreements and structured financing prior to the initiation of new investment. We have several other projects in development with total capacity of approximately 1,100 MW and also possess significant water rights which can be used to develop new hydroelectric projects in Chile.

- *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 1,696 MW since 2007.

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 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 minimize cash flow 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 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 and gas fired 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 an applying integrated business risk management and optimizing 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 flow and operating margin by maximizing the capacity authorized by the Ministry of Planning to be sold under Energy Plus PPAs.

- *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 prevent cash flow 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 September 30, 2013, our total consolidated cash balance of and cash equivalents and short term time deposits, was equal to U.S.$382.0 million, our outstanding indebtedness was equal to U.S.$2,375.2 million and we had unused committed credit facilities of approximately U.S.$274.8 million. We actively manage risks to achieve predictable and stable earnings and cash flows. Our financial risk management activities include hedging strategies to mitigate foreign exchange, interest rate and commodity exposure.

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 ("Chilectra"). Chilectra 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'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), subsidiary Eléctrica Santiago's CCGT (379 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 AES 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, AES Corporation, through its subsidiary Inversiones Cachagua Sociedad por Acciones ("Inversiones Cachagua"), launched a tender offer for a controlling percentage of AES Gener. Additionally, 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 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 approximately U.S.$245.6 million. Inversiones Cachagua took part in the process and increased its participation slightly. As of September 30, 2013, Inversiones Cachagua's stake in AES Gener was 70.7%.

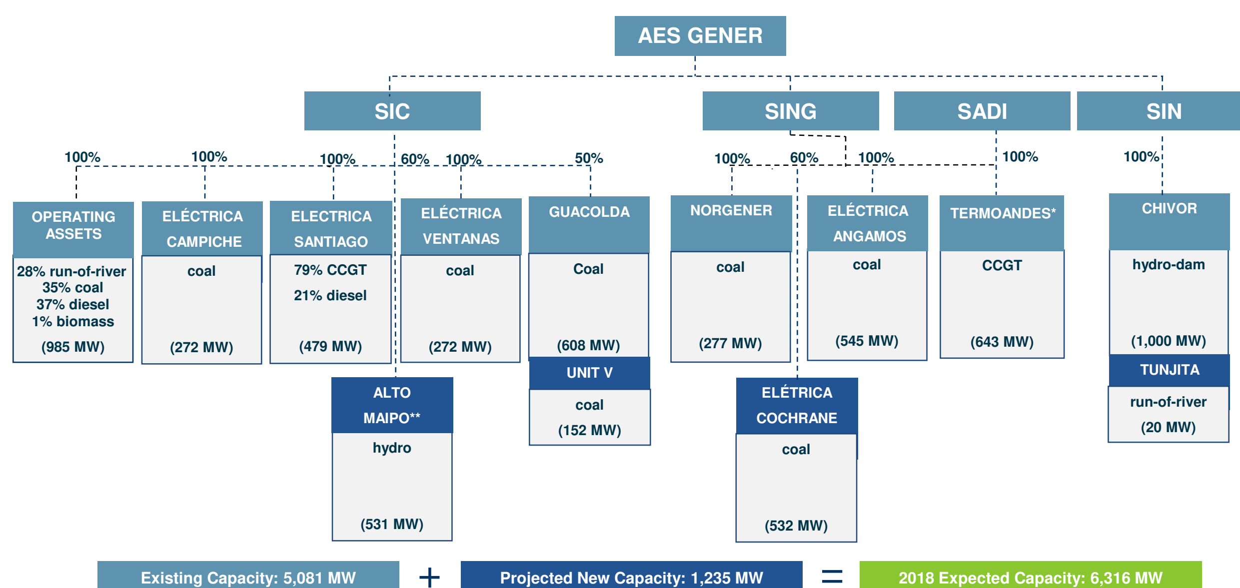
In 2007, we started our first phase of plan of expansion which involved the construction and start-up of 1,696 MW, representing a significant portion of the increase in installed capacity and an investment of approximately U.S.$3.0 billion. Our new cost-efficient generation assets include: subsidiary Eléctrica Ventanas' Nueva Ventanas plant (272 MW), subsidiary Eléctrica Angamos' two Units (545 MW), subsidiary Eléctrica Campiche' Ventanas IV plant (272 MW) and equity-method investee Guacolda's two coal-fired units (304 MW). Our new back-up capacity in operation includes two diesel-fired turbines, Los Vientos (132 MW) and Santa Lidia (139 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 532 MW coal facility in the SING, with Mitsubishi Corporation as a minority partner, with a 40% ownership interest. We also made progress on the Alto Maipo project and added Antofagasta Minerals S.A. as a partner, which now owns a 40% participation in the project. This new phase of expansion involves an investment of approximately U.S.$3.6 billion and will increase installed capacity by 24.3%, or 1,235 MW. Additionally, in the last quarter of 2012, we initiated an investments in emission control equipment for a total investment of U.S.$220 million.

Organizational Structure

We are an operating company and conduct a substantial portion of our business through subsidiaries and one equity-method investee. The following chart presents, as of September 30, 2013, 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.



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 under construction
Empresa Eléctrica Angamos S.A.	Eléctrica Angamos	100.00%	2008	Chile	Owns and operates a 545 MW coal-fired generation facility with two units in the SING

Subsidiaries (in alphabetic order)					
Company Name	**Abbreviated Name**	**Ownership***	**Date of Incorporation or Acquisition**	**Headquarters**	**Principal Business**
Empresa Eléctrica Campiche S.A.	Eléctrica Campiche	100.00%	2008	Chile	Owns and operates a 272 MW coal-fired generation facility in the SIC
Empresa Eléctrica Cochrane SpA	Eléctrica Cochrane	60.00%	2009	Chile	Owns a 532 MW coal-fired generation facility with two units under construction in the SING
Empresa Eléctrica Ventanas S.A.	Eléctrica Ventanas	100.00%	2006	Chile	Owns and operates a 272 MW coal-fired generation plant in the SIC
Alto Maipo SpA	Alto Maipo	60.00%	2009	Chile	Owns a 531 MW hydroelectric plant with two units under construction in the SIC
Gener Argentina S.A.	Gener Argentina	100.00%	1993	Argentina	Owns 86.9% and 66.9% in InterAndes and TermoAndes, respectively
InterAndes S.A.	InterAndes	100.00%	1997	Argentina	Owns a 345 kV, 268 km transmission line connecting TermoAndes to the SING
Inversiones Nueva Ventanas S.A.	Inversiones Nueva Ventanas	100.00%	2007	Chile	Owns 99.99% of Eléctrica Ventanas, Eléctrica Angamos, Eléctrica Campiche and 60% of Eléctrica Cochrane
Norgener S.A	Norgener	100.00%	1993	Chile	Owns and operates a 277 MW coal-fired generation facility in the SING
Sociedad Eléctrica Santiago S.A.	Eléctrica Santiago	100.00%	1994	Chile	Owns and operates a 100 MW diesel-fired plant and a 379 MW combined cycle plant in the SIC
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 SING

Related Companies					
Company Name	**Short Name**	**Ownership***	**Acquisition / Creation**	**Headquarters**	**Description**
Empresa Eléctrica Guacolda S.A.	Guacolda	50.00%	1992	Chile	Owns and operates four coal-fired generating units with total capacity of 608 MW, a 152 MW coal-fired generation facility its under construction and a multipurpose mechanized port in the SIC
Gasoducto GasAndes S.A.	GasAndes	13.00%	1994	Chile	Owns and operates the 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

Subsidiaries (in alphabetic order)					
Company Name	**Abbreviated Name**	**Ownership***	**Date of Incorporation or Acquisition**	**Headquarters**	**Principal Business**

* Direct and indirect ownership

Generation Assets

As of June 30, 2013, our total gross installed capacity was 5,081 MW, of which 2,314 MW (45.6%) is coal-fired, 1,271 MW (25.0%) is hydroelectric, 1,022 MW (20.1%) is dual-fueled, capable of operating alternatively with gas or diesel, 461 MW (9.1%) is diesel-fired and 13 MW (0.2%) is biomass-fired.

In the SIC, our generating portfolio includes 1,492 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 840 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 in southern SIC near Concepción. Currently, our 152 MW coal-fired plant from our equity method investee Guacolda is under construction and scheduled to initiate operations during the second half of 2015.

In the SING, our 1,465 MW generation portfolio is diversified between coal and gas/diesel. We have 822 MW in coal-fired generating capacity, a 643 MW CCGT which can alternatively utilize natural gas or diesel, and 32 MW of BESS facilities. Our CCGT, the TermoAndes plant, is connected to both the SING and SADI. Currently, our 532 MW Cochrane coal fired facility is under construction and is scheduled to start commercial operations during the first half (Cochrane Unit I) and second half (Cochrane Unit II) of 2016.

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 is currently under construction and is expected to start commercial operations in the second half of 2014.

The table below shows our generation assets by market as of June 30, 2013:

SIC GENERATION ASSETS

Plant	Location	Start-up Year	Type	Primary Energy Source	Units	Installed Capacity (MW)
AES Gener						
Ventanas	Ventanas, Region V	1964-1977	Coal-steam	Coal	2	340.0
Laguna Verde	Laguna Verde, Valparaíso, Region V	1939-1949	Diesel Plant	Diesel	2	47.0
Laguna Verde (TG)	Laguna Verde, Valparaíso, Region V	1990	Turbo Gas-diesel	Diesel	1	18.8
Los Vientos (TG)	Las Vegas, Llay-Llay, Region V	2007	Turbo Gas-diesel	Diesel	1	132.0
Santa Lidia (TG)	Cabrero, Region VIII	2009	Turbo Gas-diesel	Diesel	1	139.0
Maitenes	Los Maitenes, Cajón Río Colorado, R.M.	1923-1989[(1)]	Hydroelectric Run-of-River	Snow melt	5	31.0
Queltehues	Los Queltehues, Cajón Río Maipo, R.M	1948	Hydroelectric Run-of-River	Snow melt	3	49.0
Volcán	Cajón Río Maipo, R.M.	1949	Hydroelectric Run-of-River	Snow melt	1	13.0
Alfalfal	Cajón Río Colorado, R.M.	1991	Hydroelectric Run-of-River	Snow melt	2	178.0
Laja	Cabrero, Region VIII	1995	Biomass Cogeneration	Biomass	1	12.7
San Francisco de Mostazal	San Francisco Mostazal, Region VI	2002	Turbo Gas-diesel	Diesel	1	24.0

SIC GENERATION ASSETS

Plant	Location	Start-up Year	Type	Primary Energy Source	Units	Installed Capacity (MW)
Eléctrica Santiago						
Renca	Renca Municipality, Santiago, R.M.	1962	Diesel Plant	Diesel	2	100.0
Nueva Renca[(2)]	Renca Municipality, Santiago, R.M.	1997	Combined Cycle	Natural Gas / Diesel	1	379.0
Eléctrica Ventanas						
Nueva Ventanas	Ventanas, Region V	2010	Coal-steam	Coal	1	272.0
Eléctrica Campiche						
Ventanas IV	Ventanas, Region V	2013	Coal-steam	Coal	1	272.0
Eléctrica Guacolda						
Guacolda	Huasco, Region III	1995-1996 2009-2010	Coal-steam	Coal	4	608.0
Total Installed Capacity - SIC						**2,615.5**

Projects Under Construction – SIC

Plant	Location	Start-up Year	Type	Primary Energy Source	Units	Installed Capacity (MW)
Eléctrica Guacolda						
Guacolda[(3)]	Huasco, Region III	2015	Coal-steam	Coal	1	152.0

SING GENERATION ASSETS

Plant	Location	Start-up Year	Type	Primary Energy Source	Units	Installed Capacity (MW)
Norgener						
Norgener	Tocopilla, Region II	1995–1997	Coal-steam	Coal	2	277.3
TermoAndes						
Salta	Salta, Argentina	1999	Combined Cycle	Natural Gas / Diesel	2 gas turbines, 1 steam turbine	642.8
Eléctrica Angamos						
Angamos	Mejillones, Region II	2011	Coal-steam	Coal	2	545.0
Total Installed Capacity - SING						**1,465.1**

Projects Under Construction – SING

Plant	Location	Start-up Year	Type	Primary Energy Source	Units	Installed Capacity (MW)
Eléctrica Cochrane						
Cochrane [(4)]	Mejillones, Region II	2016	Coal-steam	Coal	2	532.0

SIC GENERATION ASSETS

Plant	Location	Start-up Year	Type	Primary Energy Source	Units	Installed Capacity (MW)

COLOMBIA GENERATION ASSETS

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
Total Installed Capacity - Colombia						**1,000.0**

Projects Under Construction – Colombia

Plant	Location	Start-up Year	Type	Primary Energy Source	Units	Installed Capacity (MW)
AES Chivor						
Tunjita[5]	Boyacá, Colombia	2014	Hydroelectric - Run of River	Water	1	20.0

(1) The Maitenes plant was rebuilt in November 1987 after the flood of the Colorado River; includes auxiliary plant Maitenes.
(2) The Nueva Renca plant has capacity of 355 MW when operating with diesel and 379 MW when operating with natural gas.
(3) Commercial operations are scheduled to commence during the second half of 2015. Gross capacity is based on technical specifications.
(4) Commercial operations are scheduled to commence during the second half of 2016. Gross capacity is based on technical specifications.
(5) Commercial operations are scheduled to commence during the second half of 2014. Gross capacity is based on technical specifications.

Market Structure and Competition

Chile

Chile has four power systems, largely owing to its geographic shape and size. The SIC is the largest of these systems, with an installed capacity of 13,585 MW as of December 31, 2012, which spans 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 serves approximately 92.2% of the Chilean population. Customers serviced by the SIC consume approximately 75.3% of the country's power. The SING is the second-largest power grid in Chile with an installed capacity of 4,613 MW, including TermoAndes as reported by the CDEC-SING, as of December 31, 2012. The SING extends 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 serves approximately 25.3% of Chile's power. The other two systems, Magallanes and Aysen, represent less than 2.0% of the Chilean's installed capacity.

The following table provides a breakdown by type of electric capacity in each system as of December 31, 2012:

Chile Installed Capacity by Energy Source (MW)

	SIC	%	SING	%
Hydroelectric	5,919	43.6%	5	0.1%
Thermoelectric [1]	7,470	55.0%	4,606	99.9%
Wind	196	1.4%	0	0.0%
Solar	1	0.0%	1	0.0%
Total	**13,585**	**100.0%**	**4,613**	**100.0%**

Source: CNE

(1) CDEC-SING includes TermoAndes.

We operate in both of the major electric systems, the SIC and SING. In terms of aggregate installed capacity, we are the second-largest generation operator in Chile with an installed capacity of 4,081 MW and market share of 21.9% as of June 30, 2013 based on installed capacity. In the SIC, we have installed capacity of 2,616 MW representing 18.6% of gross installed capacity in the system. Our main competitors in this system are Empresa Nacional de Electricidad S.A. ("Endesa") with installed capacity of 6,344 MW and Colbún S.A. ("Colbún") with installed capacity of 2,819 MW. In the SING, we have installed capacity of 1,465 MW, including our TermoAndes plant, representing 31.8% of gross installed capacity in the system. Our main competitors in this system are E.CL S.A. ("E.CL"), with installed capacity of 1,796 MW and Endesa with installed capacity of 962 MW.

The following table shows the installed capacity of the principal generation companies in Chile as of December 31, 2012:

Chile Installed Capacity (MW)		
	Installed Capacity	**%**
Endesa	6,344	34.9%
AES Gener[(1)]	3,809	20.9%
Colbún	2,819	15.5%
E-CL	1,796	9.9%
Others	3,431	18.9%
Total	**18,198**	**100.0%**

Source: CNE

(1) Including TermoAndes.

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 encompasses one-third of Colombia's territory, providing coverage to 97.0% of the country's population. The ZNI, which covers the remaining two-thirds of the Colombia, serves only 3.0% of the population. In the SIN, hydrology has a significant impact on supply given that approximately 66% of the system's installed capacity comes from hydroelectric plants which are dependent upon rainfall. The SIN's installed capacity was 14,361 MW as of December 31, 2012, composed of 68.1% hydroelectric generation, 31.8% thermoelectric generation and 0.1% other minor, cogeneration and self-generation plants.

The following table provides a breakdown of the type of electric capacity in the SIN as of December 31, 2012:

SIN Installed Capacity by Energy Source (MW)		
	SIN	**%**
Hydroelectric	9,776	68.1%
Thermoelectric	4,566	31.7%
Other	19	0.1%
Total	**14,361**	**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 San Carlos (1,240 MW), Guavio (1,200 MW) and our Chivor facility (1,000 MW). We are the sixth-largest generation company in the SIN and our installed capacity represents approximately 7.0% of system capacity as of December 31, 2012. Our principal competitors include Endesa with installed capacity of 2,879 MW, Empresas Públicas de Medellín E.S.P ("EPM") with 3,256 MW,

Isagen S.A. E.S.P. ("Isagen") with 2,254 MW, GECELCA S.A. E.S.P. ("Gecelca") with 1,220 MW and Celsia S.A.E.S.P ("Celsia") with 1,737 MW.

The following table shows the market share of the principal generation companies in the SIN as of December 31, 2012:

SIN Installed Capacity by Company (MW)		
	Installed Capacity	**%**
Endesa	2,879	20.1%
EPM	3,256	22.7%
Isagen	2,254	15.7%
Gecelca	1,220	8.5%
AES Chivor	1,000	7.0%
Celsia	1,737	12.1%
Other	2,015	14.0%
Total	**14,361**	**100.0%**

Source: XM

Argentina

The Argentine electric market is concentrated in one main system, the SADI. The SADI's installed capacity was 31,055 MW as of December 31, 2012, composed of 60.5% thermoelectric generation, 35.9% hydroelectric generation and 43.2% nuclear, renewable (include small hydros), 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, 2012:

SADI Installed Capacity by Energy Source		
	SADI	%
Thermoelectric	18,784	60.5%
Hydroelectric	11,148	35.9%
Other	1,123	3.6%
Total Generation	**31,055**	**100.0%**

The following table shows the market share in installed capacity of the principal generation companies in the SADI as of December 31, 2012:

SADI Installed Capacity by Company (MW)		
	Installed Capacity	**%**
Termoandes	643	2.1%
AES Argentina	2,926	9.4%
Endesa	4,553	14.7%
Sadesa	3,899	12.6%
Pampa	2,182	7.0%
Petrobras	1,224	3.9%
Albanesi	706	2.3%

Argentinian Government	9,517	30.6%
Foninvemem	1,697	5.5%
Other	3,708	11.9%
Total	**31,055**	**100.0%**

Source: CAMMESA

TermoAndes is the market leader in Energy Plus sales over its main competitors (Petrobras, Generación Mediterránea and Pampa Energía) reaching a market share of 38% as of September 30, 2013.

System Operation and Production

Chile

The operation of electric generation units is coordinated centrally by each system's CDEC (the CDEC-SIC and the CDEC-SING) with the aim of ensuring that demand is supplied at minimum total operating cost. The minimum cost dispatch, as determined by each CDEC, ensures that generating units only operate when the system's marginal cost exceeds its variable cost of production. In this way, generating units with low per unit variable production cost receive revenues that cover their variable costs and provide additional revenue which, when combined with income for capacity, allow them to recover fixed costs and obtain a return on investment.

The SIC and the SING have 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 5.4%. In the SING, demand growth depends principally on the development of new large mining projects. Between 2011 and 2012, demand growth was explained by improvement in operating conditions and the start-up of new productive mining facilities. The following table compares annual generation growth in the SIC and SING to the annual growth of the Chilean GDP:

Year	SIC Energy Sales Growth	SING Energy Sales Growth	GDP Growth
2007	4.6%	5.4%	5.2%
2008	-1.2%	4.3%	3.1%
2009	-0.2%	3.3%	-0.9%
2010	4.2%	1.0%	5.8%
2011	6.7%	3.4%	5.9%
2012	5.4%	4.0%	5.5%

Source: CNE and IMF

Based on demand projections prepared by the CDEC-SIC and CDEC-SING, energy growth over the next 10 years is expected to increase at a compounded average growth rate of approximately 4.6% per year in the SIC and 6.2% per year in the SING. Below is a summary of projected demand, broken down by regulated and unregulated expected energy consumption:

Chile Energy Sales Projections

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Projected Growth - SIC											

Unregulated Clients GWh	19,445	20,692	22,052	23,707	25,295	26,640	28,184	29,851	31,916	33,740	35,376
Growth Rate	5.4%	6.4%	6.6%	7.5%	6.7%	5.3%	5.8%	5.9%	6.9%	5.7%	4.8%
Regulated Clients GWh	29,245	30,901	32,539	34,161	35,724	37,287	38,850	40,413	41,977	43,540	45,103
Growth Rate	6.1%	5.7%	5.3%	5.0%	4.6%	4.4%	4.2%	4.0%	3.9%	3.7%	3.6%
Total SIC GWh	48,691	51,593	54,591	57,868	61,019	63,927	67,034	70,264	73,893	77,279	80,478
Growth Rate	5.8%	6.0%	5.8%	6.0%	5.4%	4.8%	4.9%	4.8%	5.2%	4.6%	4.1%
										CAGR	4.7%

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Projected Growth - SING											
Unregulated Clients GWh	14,072	15,254	16,326	17,362	18,392	19,706	21,344	22,974	24,661	26,293	27,856
Growth Rate	5.7%	8.4%	7.0%	6.3%	5.9%	7.1%	8.3%	7.6%	7.3%	6.6%	5.9%
Regulated Clients GWh	1,716	1,803	1,890	1,978	2,061	2,145	2,225	2,306	2,389	2,474	2,558
Growth Rate	5.2%	5.0%	4.8%	4.6%	4.2%	4.1%	3.7%	3.6%	3.6%	3.5%	3.4%
Total SING GWh	15,789	17,057	18,215	19,339	20,453	21,852	23,569	25,280	27,050	28,767	30,414
Growth Rate	5.7%	8.0%	6.8%	6.2%	5.8%	6.8%	7.9%	7.3%	7.0%	6.3%	5.7%
										CAGR	6.1%

Source: CNE April 2013 Node Price Report for the SIC and CNE April 2013 Node Price Report for the SING

SIC

Hydrology is a relevant factor for 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 70.0% of total generation. On average, during the last three years, hydroelectric generation has represented 44.8% of total energy production, while the installed hydroelectric capacity of the system is 43.6%. Hydroelectric generation has decreased over the last three years driven by dry hydrological conditions. Thermoelectric generation represents on average 51.9% of the total generation, while its installed capacity represents 55.0% of total capacity. Thermoelectric generation is required to fulfill demand not satisfied by hydroelectric output. Given the hydrological volatility in the SIC, thermoelectric generation is 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, 2012, 2011, and 2010:

SIC Total Generation by Energy Source

	2012		2011		2010	
	(GWh)	%	(GWh)	%	(GWh)	%
Hydroelectric	20,046	41.1%	20,560	44.6%	21,198	49.1%
Coal	12,958	26.6%	10,429	22.6%	8,835	20.5%
Gas	10,172	20.8%	10,050	21.8%	7,313	16.9%
Diesel & Fuel Oil	3,409	7.0%	3,802	8.3%	4,645	10.8%
Other	2,211	4.5%	1,212	2.6%	1,167	2.7%
Total Generation	**48,796**	**100.0%**	**46,052**	**100.0%**	**43,157**	**100.0%**

Source: CNE

During 2012, our coal generation in the SIC grew by approximately 3.9% and our hydroelectric generation increased by 2.0% when compared to 2011. Diesel and gas generation decreased by 13.6% and 13.0%, respectively, due to higher availability of efficient generation in the system after the start-up of new coal-fired facilities in 2011, which also contributed to a higher share of thermoelectric generation.

The following table provides our electricity generation in the SIC by type of facility during the years ended December 31, 2012, 2011, and 2010:

AES Gener Total Generation in the SIC						
	2012		2011		2010	
	(GWh)	%	(GWh)	%	(GWh)	%
Hydroelectric	1,206	16.3%	1,183	15.8%	1,441	19.9%
Coal	4,195	56.8%	4,038	53.8%	3,766	52.1%
Diesel	427	5.8%	494	6.6%	1,388	19.2%
Gas	1,483	20.1%	1,704	22.7%	554	7.7%
Biomass	71	1.0%	82	1.1%	80	1.1%
Total Generation	**7,381**	**100.0%**	**7,502**	**100.0%**	**7,228**	**100.0%**

Source: CNE

SING

The SING, which includes the extensive Atacama desert, is characterized as having very scarce water resources for electricity generation. As a result, 99.5% of the system's total installed capacity comes from thermoelectric generation. As of December 31, 2012, 83.0% of this generation was derived from coal, 13.6% from gas and 2.8% from diesel and fuel oil. In the SING, demand is generally driven by industrial activities, primarily mining. Approximately 88.5% of demand in the SING is derived from unregulated customers and the remaining 11.5% from regulated customers. Coal-fired generation in the SING has increased over the past three years by 59.1% replacing gas and diesel generation. This increase in coal generation is driven by the start-up of commercial operations in 2011 of our Angamos plant. Since mid-December 2011, as a result of electricity supply shortages in Argentina, gas contribution from TermoAndes is redirected exclusively to Argentina.

The following table summarizes the energy produced in the SING by energy source facility during the years ended December 31, 2012, 2011, and 2010:

SING Total Generation by Energy Source						
	2012		2011		2010	
	(GWh)	%	(GWh)	%	(GWh)	%
Coal	13,900	83.0%	11,054	69.6%	8,737	57.9%
Diesel & Fuel Oil	464	2.8%	622	3.9%	2,264	15.0%
Gas	2,284	13.6%	4,104	25.8%	4,042	26.8%
Hydroelectric	77	0.5%	101	0.6%	57	0.4%
Other	25	0.2%	0	0.0%	0	0.0%
Total Generation	**16,751**	**100.0%**	**15,881**	**100.0%**	**15,100**	**100.0%**

Source: CNE

During 2012, our coal generation grew by approximately 48.8% when compared to the same period in 2011, due to the start-up of commercial operations of Angamos Units I and II in April and October 2011, respectively. Gas generation decreased to zero in 2012 as TermoAndes generated exclusively to the SADI from mid-December 2011.

The following table provides our electricity generation in the SING by energy source during the years ended December 2012, 2011, and 2010:

AES Gener Total Generation in the SING by Energy Source

	2012		2011		2010	
	(GWh)	%	(GWh)	%	(GWh)	%
Coal	4,986	100.0%	3,351	82.1%	2,110	68.9%
Diesel and Fuel Oil	0	0.0%	0	0.0%	7	0.2%
Gas	0	0.0%	732	17.9%	946	30.9%
Hydroelectric	0	0.0%	0	0.0%	0	0.0%
Total Generation	**4,986**	**100.0%**	**4,082**	**100.0%**	**3,063**	**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 which, when combined with income from the reliability charge, allow 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
2007	4.0%	6.9%
2008	2.0%	3.6%
2009	1.4%	1.6%
2010	2.7%	4.0%
2011	1.8%	6.6%
2012	3.9%	4.0%

Source: XM and IMF.

Energy growth in the next 10 years is expected to increase at a compounded average growth of approximately 3.2% per year, according to the UPME. Below is a summary of projected demand published by the UPME:

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SIN											
Average Gross Generation (GWh)	61,402	63,958	67,116	70,334	72,452	74,467	77,351	79,663	82,005	84,375	86,849
Growth Rate	3.4%	4.2%	4.9%	4.8%	3.0%	2.8%	3.9%	3.0%	2.9%	2.9%	2.9%
										CAGR	3.2%

Source: UPME

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 most recent "El Niño" occurrence was in 2009-2010, and previous occurrences were in 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 and 2012, although prior to these seasons the most recent "La Niña" seasons occurred in 2000 and 2001.

In 2009 and 2010, Colombia experienced extreme weather patterns. The year 2009 began with the "La Niña" phenomenon but by mid-May weather patterns changed, giving way to the "El Niño" phenomenon, which produced an extreme drought in Colombia and atypical conditions in our reservoir, resulting in the greatest impact on the Colombian climate in recent years. Conditions were such that the CREG established additional directives to preserve the reliability of the power grid and historically high spot prices were reached in the system. During the second half of 2010, "La Niña," or extremely rainy conditions began to develop rapidly and were among the most severe experienced in Colombia in 80 years. 2011 was the wettest year since 1978 for our basin. "La Niña" also affected Colombia until the first half of 2012 but hydrology changed abruptly to dry conditions at the end of 2012 with a weak but not yet completely developed "El Niño" phenomenon in Colombia.

The following is a summary of energy produced by energy source in the SIN during the years ended December 31, 2012, 2011, and 2010:

SIN Total Generation by Energy Source						
	2012		2011		2010	
	(GWh)	%	(GWh)	%	(GWh)	%
Hydroelectric	44,924	74.9%	45,583	77.8%	38,089	67.0%
Coal	3,062	5.1%	1,632	2.8%	3,565	6.3%
Natural Gas	8,117	13.5%	7,642	13.0%	11,445	20.1%
Fuel Oil	326	0.5%	109	0. 2%	581	1.0%
Other	3,559	5.9%	3,654	6.2%	3,208	5.6%
Total Generation	**59,988**	**100.0%**	**58,620**	**100.0%**	**56,888**	**100.0%**

Source: XM

The following table provides our electricity generation in the SIN during the years ended December 31, 2012, 2011 and 2010:

Chivor Total Generation						
	2012		2011		2010	
	(GWh)	%	(GWh)	%	(GWh)	%
Hydroelectric Generation	4,664	7.8%	5,338	9.1%	3,305	5.8%
Total Generation	**59,988**	**100.0%**	**58,620**	**100.0%**	**56,888**	**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
2007	8.7%	8.7%
2008	6.8%	6.8%
2009	0.9%	0.9%
2010	9.2%	9.2%
2011	8.9%	8.9%
2012	1.9%	1.9%

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 N°2 and Oil N°6 with most of these imports occurring during the southern cone winter (May to August).

SADI Total Generation by Energy Source

	2012		2011		2010	
	(GWh)	%	(GWh)	%	(GWh)	%
Thermoelectric	82,495	65.8%	73,573	61.9%	66,466	58.6%
Hydroelectric	36,626	29.2%	39,339	33.1%	40,226	35.5%
Nuclear	5,904	4.7%	5,892	5.0%	6,692	5.9%
Others	356	0.3%	0	0.0%	0	0.0%
Total Generation	**125,381**	**100.0%**	**118,804**	**100.0%**	**113,384**	**100.0%**

Source: CAMMESA

The following table provides TermoAndes´ generation during the years ended December 31, 2012, 2011 and 2010. The table shows how TermoAndes injected less energy to the SING and more to SADI over the period presented below:

TermoAndes Total Generation (GWh)

	SADI			SING		
	2012	2011	2010	2012	2011	2010
Gas Generation	4,125	2,550	2,398	0	732	953

Total	4,125	2,550	2,398	0	732	953

Commercial Strategy and Customers

Chile

Our commercial policy seeks to minimize cash flow 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 which 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 processes 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 shows the energy awarded by the principal distribution companies to generation companies in the SIC during the public bid processes held since 2006:

	Energy Awarded by Distribution Companies (GWh per year)					
Generation Companies	**AES Gener**	**Endesa**	**Colbún**	**Guacolda**	**Others**	**Under Bidding**
CGE	225	3,570	2,200	0	550	900
Chilectra	3,000	6,950	2,500	900	0	0
Chilquinta	1,289	1,629	0	0	300	0
EMEL	1,130	876.5	0	0	0	0
SAESA	0	2,424	2,082	0	0	0
Total	**5,644**	**15,449**	**6,782**	**900**	**850**	**900**
% of Total	18.5%	50.6%	22.2%	2.9%	2.8%	2.9%

Source: CNE

- *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 indexation formulas. 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 CDEC in each system 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 CDEC.

In the 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 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 integral business risk management 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 customers and the rest is sold on the spot market.

- *Energía Plus 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 contracts, while maintaining TermoAndes position as the leader in Energía Plus sales in the SADI.

- Maintaining gas supply availability and economics in order to back-up Energía Plus contracts.
- Obtaining required approvals in order to export energy from Chile to Argentina over the Interandes transmission line.

Contract Level

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 most efficient units 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 SIC and SING in recent years, 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 and gas-fired 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 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 SIC

We have historically sold electricity to regulated customers in the SIC through long-term contracts at regulated prices and, at present, our customer portfolio includes regulated customers only in the SIC. Long-term contracts with distribution companies present stable demand since supply for residential consumption has historically been stable and increasing. Our power supply agreements with generation 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 June 30, 2013:

	Customer Type	Contracted Energy (GWh per year)	Contracted Capacity (MW)	Energy Price Indexation Main Factors	Monomial Price as of May 31, 2013 (U.S.$/MWh)	Expiration Year
Chilectra	Distribution	300	53	44% Coal - 56% CPI	97.2	2020
Chilectra	Distribution	900	160	44% Coal - 56% CPI	96.7	2022
Chilectra	Distribution	1,800	340	100% CPI	88.3	2023
Chilquinta	Distribution	189	36	44% Coal - 56% CPI	96.4	2024
Chilquinta	Distribution	1,210	210	100% CPI	111.8	2023
EMEL	Distribution	360	78	100% Coal	123.1	2024
EMEL	Distribution	770	138	100% Coal	105.7	2024
CGED	Distribution	248	36	30% Coal - 70% CPI	141.1	2014
Total		**5,776**	**1,050**			

Source: CNE

Unregulated Sales in the SIC and the 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 August 31, 2013:

	Customer Type	Contracted Energy (GWh per year)	Contracted Capacity (MW)	Expiration Year
SIC				
Angloamerican	Mining	1,132	154	2020
Candelaria	Mining	944	130	2022
Angloamerican	Mining	313	37	2020
Angloamerican	Mining	213	27	2020
Papeles BioBio	Industrial	250	34	2020
Polpaico	Industrial	240	32	2024
Cristalerías Chile	Industrial	170	28	2021
Proacer	Industrial	120	14	2020
CCU	Industrial	123	25	2022
Fundición Talleres	Industrial	19	18	2021
Chilquinta - Lafarge	Industrial	57	7	2020
Puerto Ventanas	Industrial	7	4	2021
CMPC	Industrial	42	7	2023
Total		**3,630**	**516**	
SING				
Minera Escondida	Mining	462	62	2016
Minera Escondida	Mining	819	110	2016
Minera Escondida	Mining	596	80	2017
Minera Escondida	Mining	2,532	340	2029
Minera Spence	Mining	727	90	2026
SQM	Mining	159	20	2017
SQM	Mining	97	5	2013
Codelco	Mining	781	99	2028
Grace S.A.	Mining	123	10	2015
SQM	Mining	394	50	2030
Sierra Gorda 1	Mining	1,498	171	2034
Quebrada Blanca 1	Mining	335	45	2016
Total		**8,522**	**1,082**	
Total		**12,151**	**1,598**	

Colombia

We seek to enter into electricity supply contracts with creditworthy counterparties for medium-term durations. In general, we execute contracts for up to 70.0% 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 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). Contracts generally 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 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 90.0% of the annual expected output in the main distribution and trade companies in a diversified and low-risk portfolio.

The following table shows the main characteristics of our AES Chivor contracts as of August 31, 2013.

	Customer Type	Contracted Energy (GWh per year)	Energy Price Indexation Main Factors	Monomial Price as of July 31, 2013 (U.S.$/MWh)	Expiration Year
Empresas Públicas de Medellín	Distribution	280	Local PPI	72.9	2013
Empresas Públicas de Medellín	Distribution	220	Local PPI	73.4	2013
Centrales Eléctricas Norte de Santander	Distribution	131	Local PPI	72.9	2013
Centrales Eléctricas Norte de Santander	Distribution	35	Local PPI	73.3	2013
Electrificadora de Santander	Distribution	288	Local PPI	72.9	2013
Centrales Hidroeléctrica de Caldas	Distribution	88	Local PPI	72.9	2013
Empresa de Energía del Quindio	Distribution	44	Local PPI	72.9	2013
Electrificadora del Caribe	Distribution	381	Local PPI	72.7	2013
Electrificadora del Caribe	Distribution	169	Local PPI	73.3	2013
Electrificadora del Caribe	Distribution	281	Local PPI	71.7	2013
Electrificadora del Huila	Distribution	30	Local PPI	69.2	2013
Empresa de Energía de Cundinamarca	Distribution	267	Local PPI	72.9	2013
Codensa	Distribution	232	Local PPI	73.0	2013
Codensa	Distribution	150	Local PPI	69.7	2013
Empresas Públicas de Medellín	Distribution	95	Local PPI	73.8	2013
Empresas Públicas de Medellín	Distribution	59	Local PPI	70.6	2013
Centrales Eléctricas Norte de Santander	Distribution	36	Local PPI	74.1	2013
Empresa de Energía del Quindio	Distribution	28	Local PPI	73.8	2013
Codensa	Distribution	100	Local PPI	73.1	2013
Codensa	Distribution	100	Local PPI	74.0	2013
Empresa de Energía de Cundinamarca	Distribution	50	Local PPI	72.8	2013
Electrificadora del Caribe	Distribution	120	Local PPI	70.7	2013
Energía Empresarial de la Costa	Distribution	216	Local PPI	72.8	2013
Electrificadora del Caribe	Distribution	102	Local PPI	66.8	2013
Emgesa	Generation	14	Local PPI	68.2	2013

	Customer Type	Contracted Energy (GWh per year)	Energy Price Indexation Main Factors	Monomial Price as of July 31, 2013 (U.S.$/MWh)	Expiration Year
Electrificadora del Huila	Distribution	62	Local PPI	71.2	2014
Codensa	Distribution	220	Local PPI	74.1	2014
Codensa	Distribution	331	Local PPI	73.3	2014
Empresas Públicas de Medellín	Distribution	210	Local PPI	74.0	2014
Empresas Públicas de Medellín	Distribution	91	Local PPI	70.7	2014
Centrales Eléctricas Norte de Santander	Distribution	96	Local PPI	74.0	2014
Centrales Eléctricas Norte de Santander	Distribution	64	Local PPI	74.7	2014
Electrificadora de Santander	Distribution	108	Local PPI	74.0	2014
Centrales Eléctricas Norte de Santander	Distribution	42	Local PPI	74.5	2014
Electrificadora del Caribe	Distribution	225	Local PPI	74.4	2014
Codensa	Distribution	404	Local PPI	72.7	2014
Empresas Públicas de Medellín	Distribution	200	Local PPI	72.8	2014
Empresas Públicas de Medellín	Distribution	200	Local PPI	73.1	2014
Electrificadora del Caribe	Distribution	250	Local PPI	72.9	2014
Electrificadora de Santander	Distribution	37	Local PPI	72.5	2014
Codensa	Distribution	160	Local PPI	72.2	2014
Electrificadora del Meta	Distribution	138	Local PPI	71.3	2014
Energía Empresarial de la Costa	Distribution	216	Local PPI	72.8	2014
Codensa	Distribution	174	Local PPI	72.5	2014
Codensa	Distribution	383	Local PPI	71.9	2015
Electrificadora del Meta	Distribution	389	Local PPI	70.7	2015
Energía Empresarial de la Costa	Distribution	216	Local PPI	72.8	2015
Electrificadora del Caribe	Distribution	490	Local PPI	71.1	2015
Energía Empresarial de la Costa	Distribution	100	Local PPI	72.5	2015
Empresas Públicas de Medellín	Distribution	181	Local PPI	72.1	2015
Codensa	Distribution	400	Local PPI	70.7	2015
Electrificadora del Caribe	Distribution	323	Local PPI	70.6	2015
Electrificadora del Meta	Distribution	283	Local PPI	69.1	2016
Total		**9,509**			

Note: Prices calculated with Bloomberg average Colombian exchange rate during July, 2013 equal to Col$1,899.6 = U.S.$1.0.

Transmission

Chile

We currently own 1,146 km of single and double circuit transmission lines and 23 substations to connect our power plants and those of some of our customers to the SIC and SING systems. Our equity method investee Guacolda owns substations Guacolda of 220 kV, Planta Matta of 110 kV and Impulsión of 110 kV; 167 km of 220 kV line and 20 km of 110kV line that connects to the SIC. We also have several contracts with companies that use our transmission systems, including agreements with Chilquinta, CGE and GNL Quintero, among others. In addition, we have contracts with Chilquinta, Chilectra, 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 SIC and SING as of September 30, 2013:

Transmission Lines and Substations in the SIC	
Length of 220 kV Lines	45 km (1) and 30 km (4)
Length of 110 kV Lines	219 km (1)
Length of 66 kV Lines	14 km (1)
Directly-Owned Substations	Alfalfal (1), Maitenes (1), Queltehues (1), La Laja (1), Punta de Peuco (1), Pachacama (1), San Pedro (1), Ventanas 110kV (1), Ventanas 220kV (4), Autotransformer 220/110kV Ventanas (4), Torquemada (1) and Laguna Verde (1)
Connection to Other Companies' Substations	Los Almendros (1), Florida (1), Cerro Navia 110kV (1), Las Vegas (1), La Calera (1), Nogales (4), Quillota (1), Charrúa (1), Renca (5) and Miraflores (1)

Transmission Lines and Substations in the SING	
Length of 345 kV Lines:	140 km (1)
Length of 220 kV Single Circuit Lines:	117 km (2) and 85 km (1)
Length of 220 kV Double Circuit Lines:	141 km (3), 63 km (2) and 72 km (1)
Length of 110 kV Single Circuit Lines:	33 km (2)
Directly Owned Substations:	Norgener (2), Oeste (2), Minsal (2), La Cruz (2), Andes (1), Nueva Zaldívar (1), Laberinto (1), Barriles Paño (2), Angamos (3), Nueva Zaldívar Expansion (3), Laberinto Expansion(3).
Connection to Other Companies' Substations:	Mantos Blancos (1), Lomas Bayas (1), Crucero (2)

Transmission Lines Leased in the SING	
Length of Leased 220 kV Single Circuit Lines:	228 km (2)

(1) Facilities are owned by AES Gener.
(2) Facilities are owned by Norgener.
(3) Facilities are owned by Eléctrica Angamos.
(4) Facilities are owned by Eléctrica Ventanas.
(5) Facilities are owned by ESSA.

Argentina

Our subsidiary InterAndes owns the Salta substation and a 345 kV transmission line of 268 km in length which extends from the TermoAndes plant in Argentina to the Paso Sico on the Chilean border.

Gas Transportation

In addition to our own activities in the electricity sectors in Chile, Colombia and Argentina, as of September 30, 2013, we had a 13.0% 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 providing safe, reliable and sustainable energy 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 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 4,493 MW, is principally fueled with fossil fuels such as coal, diesel and natural gas or LNG. The following table shows the composition of our installed capacity by energy source:

AES Gener Thermoelectric Capacity (MW)		
	Installed Capacity	**%**
Coal[(1)]	2,996	66.7%
Gas/Diesel	1,022	22.7%
Diesel	462	10.3%
Biomass	13	0.3%
Total	**4,493**	**100.0%**

(1) Includes Guacolda complex and 684 MW under construction (Cochrane and Guacolda V projects)

Source: CNE

Coal is purchased internationally as the primary fuel for several of our local and international plants, including the Guacolda facilities which are 50.0% owned by AES Gener. 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 four 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 2013, we have acquired approximately 5 million metric tons of coal. The annual purchases are expected to increase in line with the commercial operations of our existing and under development plants, such as Cochrane with 532 MW. Coal is purchased from several suppliers on a 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., Australia, Canada and Indonesia.

Our Nueva Renca and TermoAndes CCGTs are fueled alternatively by gas or diesel. Currently our Nueva Renca gas fired facility in the SIC utilizes diesel or LNG, purchased from local suppliers, under bilateral agreements and based on the international price of diesel. Our TermoAndes' facility is located in Argentina and is connected to the SING in Chile and SADI in Argentina. Argentine natural gas exports to Chile were essentially suspended in 2007, mainly to serve the increasing demand in the Argentine market.

Our back up plants, including the above mentioned CCGTs and our gas turbines utilize diesel. 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 "Business Generation Assets."

Seasonality

In 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 SIC, approximately 45.5% of the installed capacity is hydroelectric, and spot prices are sensitive to changes in hydrological conditions. However, only 10.4% 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 and eventually sell energy in the spot market with our back-up facilities. In the SING, there are no major effects of seasonality, as almost 100% of the installed capacity is thermoelectric.

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

In recent years, we have undertaken an ambitious expansion program in response to the electricity supply requirements and opportunities found in the Chilean market. Since 2007, we have completed a successful expansion plan in Chile by adding 1,696 MW of new installed capacity and we are continuing with the second phase of the expansion plan with 704 MW under construction, plus another 531 MW under construction. Our new cost-efficient generation plants include subsidiary Eléctrica Ventanas' Nueva Ventanas plant (272 MW), subsidiary Eléctrica Angamos' Unit I and Unit II (545 MW) and equity-method investee Guacolda's two coal-fired units (304 MW). Our new back-up capacity in operation includes two diesel-fired turbines, Los Vientos (132 MW) and Santa Lidia (139 MW). We also completed construction of two battery energy storage facilities in Chile, Norgener BESS (12 MW) and Angamos BESS (20 MW) in 2009 and 2011, respectively. With this first phase of expansion, we reached a total installed capacity of 5,081 MW as of June 30, 2013. With the second phase of expansion, our installed capacity is expected to increase by 1,235 MW, including our run-of-river hydroelectric Alto Maipo project.

The following are our main projects under construction:

Guacolda V thermoelectric project (SIC-Chile): The Guacolda V thermoelectric project is the fifth unit at the Guacolda complex located in Huasco in the northern part of the SIC. The new 152 MW coal-fired unit will be similar to the four units of 152 MW each already in operation. It will use pulverized coal technology and will be fueled by bituminous and sub-bituminous coal. Guacolda V will include reduction systems to control SO_2, NO_x and

particulate emissions. In October 2012, the notice to proceed was given to Mitsubishi Corporation to start with construction of the project under a turnkey arrangement. The start of commercial operations is expected for the second half of 2015. We estimate a total investment of approximately U.S.$450 million will be made for the Guacolda V thermoelectric project, of which an aggregate of $318 million corresponds to secured long-term non-recourse project finance.

Cochrane thermoelectric project (SING-Chile): The Cochrane thermoelectric project involves the construction of two coal-fired thermoelectric plants, each with an expected installed capacity of 266 MW. The plants are located north of Antofagasta in the municipality of Mejillones in Region II. The project will be located next to the Angamos thermoelectric plants, and takes advantage of synergies in port services, coal stock, and other factors. Like Angamos, the project will use pulverized coal technology and will be fueled by bituminous and sub-bituminous coal. The plant will also include reduction systems to control SO_2, NO_x and particulate emissions. Environmental approval for the project was granted in September 2009 and environmental approval for the transmission system was granted in April 2009. The project has a lump sum turnkey contract for the engineering, procurement and construction ("EPC") of the plant with Posco E&C. In March 2013, the notice to proceed was given to Posco to start with construction of the project. It is expected to start commercial operations in the first and second half of 2016 for Unit 1 and Unit 2, respectively. The project also includes a 20 MW battery energy storage unit, the Cochrane BESS. We estimate a total investment of approximately U.S.$1.3 billion will be made for the Cochrane thermoelectric project, of which an aggregate of $1 billion corresponds to secured long-term non-recourse project finance.

Tunjita hydroelectric project (SIN-Colombia): The Tunjita hydroelectric project, which is being built by our subsidiary AES Chivor, involves the construction of a 20 MW run-of-river plant. It will be located next to AES Chivor's Esmeralda Reservoir. This facility will make use of the water capacity generated by diverting the Tunjita River and will take advantage of the tunnel that channels the river's water to the reservoir. Construction on the Tunjita project was approved in 2012, and work began in the second half of 2012. We estimate a total investment of approximately U.S.$68 million will be made for the Tunjita hydroelectric project.

Environmental Upgrades (Retrofits): In the fourth quarter 2012, we started the installation of new emission control equipment (retrofits) in four of our older coal plants (Ventanas I and II and Norgener I and II, constructed between 1964 and 1997) as well as in the plants of our 50% equity-investee Guacolda. This project will allow us to reduce generation emissions and meet new emission standards in Chile for thermoelectric power plants which became effective in 2011. The new regulation on air emission standards provides for stringent limits on emission of particulate matter and gases produced by the combustion of solid and liquid fuels, particularly coal. For existing plants, including those currently under construction, the new limits for particulate matter emission will become effective by the end of 2013 and the new limits for SO2 (sulfur dioxide), NOx (nitrogen dioxide) and mercury emission will become effective in mid-2016, except for those plants operating in zones declared saturated or latent zones (areas at risk of or affected by excessive air pollution), where these emission limits will become effective by June 2015.

Alto Maipo hydroelectric project (SIC-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. The project's design includes underground works of 90.0% of the total project infrastructure. The Alto Maipo project does not have a reservoir or involve relocating residents, and the SIC 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 advanced with preliminary work and the signing of three construction contracts required for the principal project work in 2012 and 2013. The principal construction contracts were awarded to Voith Hydro, which will provide supplies, assembly services, and generation equipment for the project; Strabag, which will execute civil and underground work in the Colorado River Valley; and Hochtief / CMC, which will execute all of the civil and underground work in the Yeso and Volcán River Valleys. In July 2013, Antofagasta Minerals S.A. (AMSA) was incorporated as shareholder of Alto Maipo SpA, the AES Gener subsidiary developing the Alto Maipo project. AES Gener maintains 60.0% ownership while AMSA holds the remaining 40.0%. Alto Maipo will be a key energy source for the SIC in the future. It is expected to produce approximately 2,300 GWh per year, which is equivalent to approximately 49.0% of the energy currently consumed in homes in the Metropolitan Region. The project issued

notice to proceed under the main construction contracts on December 11, 2013. We estimate a total investment of approximately U.S.$2 billion will be made for the Alto Maipo hydroelectric project.

Projects under Development

We plan to continue with the construction of new projects in both the SIC and the SING, taking advantage of our presence in and knowledge of the market. These projects will be key in contributing to the future of the Chilean power system, which based on expected annual growth of over 5.0% in both systems, will continue to require additions in generation capacity. In response to recent regulations in Chile on NCREs, and in line with our corporate strategy, we are also actively working on the research, development and use of innovative and renewable energy technology. Currently, AES Gener is researching and developing renewable energy projects such as run-of-river hydroelectric plants, mini-hydro, wind, solar, and energy storage batteries.

The following are the principal large-scale generation projects that we are currently developing:

Los Robles thermoelectric project (SIC-Chile): The Los Robles thermoelectric project involves the construction of two coal-fired plants with installed capacity of 375 MW each and pulverized coal boilers that can be fueled by bituminous and sub-bituminous coal. The project site is located 290 km southwest of Santiago, approximately 30 km south of the city of Constitución in Region VII. The project also includes the construction, equipping and operation of a port. The plant will include reduction systems to control SO_2, NO_x and particulate emissions. Los Robles obtained environmental approval in October 2008. The project obtained its port concession in 2010, and continues with its application process for the other required permits.

Los Andes solar project (SIC-Chile): The Los Andes Solar project involves the construction of a 220 MW photovoltaic solar farm in several stages. The first stage of the project is expected to be built in the first quarter of 2014. This initial stage consists of the installation of 20 MW of solar panels connected to the same substation. Subsequent stages will increase the solar farm's capacity by 40 MW each until the project's full 220 MW capacity is reached.

Safety

Safety is the top corporate value for us. We focus on work related safety, emphasizing risk prevention for our employees, contractors and the communities where we are located. Periodic activities, which include monthly safety meetings and on-site inspections, are held throughout the Company in order to keep our safety culture active. Those in leadership positions perform these periodic on-site inspections, or "safety walks," in order to involve management in promoting and monitoring safety within each of our business areas. We work continually to meet the exacting international safety standards of the AES Corporation and to comply with Chilean Law 16,744 and the Occupational Safety and Health Administration's safety regulations.

In recent years we have been working to implement a new version of safety standards which are among the most stringent in the electricity industry. This implementation is already in process, with 42 new guidelines already in effect in all facilities. In order to maintain our strict safety standards, we have also implemented a complete internal auditing plan at our generation, transmission and construction businesses, in accordance with the preventive and corrective measures and initiatives recommended by peer health and safety committees. 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.

In 2011, we began implementing an integrated EHS (Environmental, Health and Safety) Management System called "Genera" which is in compliance with the international standards ISO 14.001 and OHSAS 18.001:1. In 2012, the power plants Angamos, Ventanas, Central Los Vientos, Central Santa Lidia and Complejo Cordillera (Alfalfal, Queltehues, Volcan and Maitenes) obtained the external certification of their EHS Management System. Also in 2013, Norgener (Tocopilla and Transmission), TermoAndes (Salta Argentina), Eléctrica Santiago, Transmission SIC and Central Laja obtained the certification of their EHS Management Systems. Currently, all AES Gener facilities are certified. In 2012, we began implementing the EHS Integrated Management System in all construction projects currently underway. This enabled us to manage all safety issues across AES Gener consistently, in line with leading industry standards.

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 adopted an integrated management system for Environmental, Occupational Health and Safety, which is currently certified under ISO14000 and OHSAS18000 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 NCRE 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 NCRE blocks, which we expect the government to organize. Generation companies are able to meet this requirement by developing their own NCRE generation capacity (wind, solar, biomass, geothermal and small hydroelectric technology), or purchasing NCRE 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 NCRE 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 NCRE requirements. At present, we are in the process of negotiating additional NCRE supply contracts to meet our future NCRE requirements.

Employees

We had a total of 1,174 employees as of September 30, 2013. The following table provides a breakdown of the number of individuals employed by us and each of our subsidiaries as of December 2011, December 2012, and for the nine months ended September 30, 2013.

AES Gener employees (Chile)	As of September 30,	As of December 31,

	2013	2012	2012	2011
Executives	54	43	44	49
Professionals	312	335	329	351
Technicians and Administrative	357	345	356	335
Subtotal	723	723	729	735

AES Gener employees (Chile)	**As of September 30,**		**As of December 31,**	
	2013	**2012**	**2012**	**2011**
Subsidiary Employees				
AES Chivor (Colombia)	90	89	91	88
TermoAndes (Argentina)	54	58	58	57
Norgener (Chile)	105	111	108	110
Eléctrica Santiago (Chile)	57	57	58	53
Eléctrica Angamos (Chile)	107	111	105	104
Eléctrica Campiche (Chile)	3	28	27	29
Eléctrica Cochrane (Chile)	26	0	0	0
Subtotal	442	454	447	441
Total, AES Gener and Subsidiaries	**1,174**	**1,186**	**1,176**	**1,176**

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

We have eight union associations, in which approximately 50.4% of our workers were enrolled as of September 30, 2013. All eight of our collective bargaining agreements were negotiated during 2012 and the first nine months of 2013. Historically, we have had good relations with our unions and have been able to agree on terms without exposing the Company to strikes. 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.

Within these educational activities is the implementation of Programs of Outdoor Education, through which the AES Gener Foundation aims to contribute to education and the development of values and integral development of individuals This provides an opportunity for additional training to children, through a methodology based on adventure and an affection for and interaction with the environment.

Our current social programs include:

- **The Friends of Nature Program**

The program "Friends of Nature" is an initiative of AES Gener that has taken place annually since 1996. This program runs for the benefit of sixth graders from schools municipalized in different districts of the country in which AES Gener companies have plants generating electricity, which lie within the town of Mejillones and the AES Gener Angamos electric company.

In the first phase, students participate in a contest in which they develop a research team regarding an environmental issue. In a second phase, company representatives select the best presentations from the sector of Mejillones, and during the second semester the authors -41 children, accompanied by 2 teachers - are rewarded with an invitation to participate in a recreational and educational camp called Mountain Adventure, which is held for three days in downtown Los Maitenes, Cajon del Maipo, near Santiago. For children who live outside of Santiago, the prize will also consist of a one day visit to important places around the capital.

Through the activities in the mountains, the company seeks to stimulate the children through more contact with nature, teamwork, ability to set goals and overcome obstacles, commitment to the environment and strengthening the values of friendship, camaraderie and sense of responsibility.

Between 1996 and 2012, of those who participated in the program and presented projects or research, more than 42.000 young people were from Tocopilla, Mejillones Huasco Puchuncaví, Laguna Verde, Quintero, Llay Llay, Renca, San José de Maipo, San Francisco de Mostazal, Nacimiento, Cabrero, Yumbel, Constitución and Laja. From this total, more than 7.100 children have been rewarded with a Mountain Adventure.

- **MUNK Project**

Since 2011, the AES Gener Foundation has implemented the Munk Project which has been developed in association with Chilean company RSEduca as an English Program for Beginners in Tocopilla and Mejillones. The program has been designed to familiarize participants with the English language and to motivate their interest in learning it. We have worked with students in fifth and sixth grades at the municipal elementary schools in these two cities, involving more than 1,500 children and their English and technology teachers.

The Munk Project introduces a playful learning experience into the school environment, providing students with an array of possibilities that integrate motivation, as well as personalized and informal learning reinforcement by the use of a social network. Conceived as a complementary tool for teacher's in the classroom, Munk is presented to students by means of reinforcing activities in the form of games.

- **The AES Gener Foundation Cup**

The AES Gener Foundation Cup is a program aimed at fostering physical exercise through football, in 12-15 year old girls and boys living and studying in Tocopilla, a commune located in the Antofagasta Region. This program seeks to keep children living in socioeconomically vulnerable conditions—away from drugs, alcohol and other social hardships.

Additionally, the program trains the neighbors of the community participating in the AES Gener Foundation Cup so that they can work as team coaches and as referees as well. These coaches and referees are in turn hired by the organizers so that they can apply the knowledge acquired throughout the training process.

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 proceeding described below and in Note 32 to our unaudited consolidated financial statements included in this offering memorandum.

On May 7, 2008, our subsidiary Eléctrica Santiago formally requested that the ENARGAS review orders issued prior to such date and specifically exclude Eléctrica Santiago from the payment of charges imposed by the Argentine Republic related to gas supply infrastructure. Eléctrica Santiago considers that such charges are illegal and that Eléctrica Santiago is no longer a firm transporter. On July 17, 2008, the ENARGAS rejected Eléctrica Santiago's request and on July 24, 2009, the ENARGAS rejected its motion for reconsideration of its decision. On August 6, 2009, Eléctrica Santiago appealed this last decision to the Argentine Secretariat of Energy. A decision on such appeal is pending.

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.

In Chile, 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 Region X (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 by the respective CDEC 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.

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. The sector has been capable of satisfying the demand for energy, which has grown at a compound annual rate of 3.7% and 3.5% in the SIC and the SING, respectively, since 2003, lower than the 4.3% compound annual growth rate in real GDP over the same period. 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:

- "Chilean Electricity Law," DFL No. 4-2006 (*Ley General de Servicios Eléctricos*) and its recent amendments, including:
    - "Short Law I" (*Ley Corta 1*), Law No. 19940, 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; and (ii) new regulations with respect to reliability and ancillary services.
    - "Short Law II" (*Ley Corta 2*), Law No. 20018, enacted in 2005. This law required that all new long-term contracts between generation and distribution companies for the supply of regulated customers be determined in bids via open, competitive and transparent auction processes. These new long-term contracts can have duration of up to 15 years. Regarding the capacity product (firm capacity or reliability payment), long-term contracts incorporate the capacity price fixed by the CNE and are indexed to U.S. CPI and other relevant indices.
    - Law No. 20220, enacted in 2007. This amendment seeks to secure the electric supply 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 end of operations of electrical facilities that are not the consequence of failures or scheduled maintenance of generating or transmission facilities.
    - Law No. 20257, enacted in 2008. This amendment promotes the use of NCREs and defines the different types of technologies qualified as NCREs. For the period between 2010 and 2014, this law requires 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 NCRE generation capacity (wind, solar, biomass, geothermal and small hydroelectric technology), purchasing from other generators generating NCREs in excess of their legally requirements during the preceding year or paying the applicable fines for non-compliance. A modification of law No 20,257 was enacted by law No 20,698 in October 22, 2013 establishing new goals of NCRE for all supply contracts signed after July 2013. The new goals, which are expressed as percentage of contracted energy supply, will be 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 public auctions of NCRE blocks, which we expect the government to organize, in case such new goals are not otherwise accomplished. Currently, the details are unknown.
- Environmental law: Environmental regulation is mainly governed by Law No. 19300, the General Environmental Law (*Ley de Bases Generales del Medio Ambiente*), enacted in 1994 and amended in 2010 by Law No. 20417. This law sets forth the framework governing environmental impact assessments, permitting and operational standards, as well as enforcement of these and other regulations, in Chile.

The governmental entity which has primary responsibility for the Chilean electricity system is the Ministry of Energy, acting directly or through the CNE and the SDEC. The CNE calculates retail tariffs and short-term energy and capacity node prices. The CNE also prepares a 10-year guide for the expansion of the system that must be consistent with the calculated node prices. 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. The Ministry of Energy is also in charge of processing all easements and concessions related to hydroelectric facilities, transmission lines and distribution networks. The Ministry of Energy grants final approval of tariffs and the node prices set by the CNE and regulates the granting of definitive concessions for power generation, transmission and distribution companies.

Companies that possess generation, transmission, sub-transmission or additional transmission facilities, as well as unregulated customers directly connected to transmission facilities, are coordinated through the CDEC, which minimizes the operating costs of the electricity system and monitors the quality of service provided by the power generation and transmission companies. Power generation companies satisfy their contractual sales requirements with dispatched electricity, whether produced by them or purchased from other generation companies in the spot market. The principal purpose of the CDEC in operating the dispatch system is to ensure that the most efficient electricity generation available to meet demand is dispatched to customers. The CDEC dispatches plants in the order of their respective variable cost of production, starting with the lowest cost plants, so that electricity is supplied at the lowest available cost. Power generation companies balance their contractual obligations with their dispatch by buying or selling electricity at the spot market price, which is set on an hourly basis by the CDEC, based on the marginal cost of production of the last unit to be dispatched.

Sales of Power

All generators can commercialize energy through contracts with distribution companies for their regulated and unregulated customers, or directly with unregulated customers. Generators may also sell energy to other power generation companies on a spot basis. Power generation companies may also engage in contracted sales among themselves at negotiated prices, outside the spot market.

Sales to Distribution Companies and Certain 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 2 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, in 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 open, competitive and transparent auction processes. Under the auction or bid system, all distribution companies were required to have electricity contracts to meet their demand requirements from January 1, 2010 forward.

New supply contracts assigned by distribution companies must be awarded to generation companies offering the lowest supply price in regulated public bid processes. These prices, termed long-term node prices, include indexation formulae and are valid for the entire term of the respective contract, up to a 15-year maximum. More precisely, the long-term energy node 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 auction processes are regulated by the CNE with the bid procedures for each process prepared by the distribution company and approved by the CDEC. The CNE is in charge of setting the terms and conditions of each auction, including the setting of a maximum price and eligible indexation parameters (such as indexation to U.S. CPI, international oil or coal prices). Power generation companies submit their offers, which include their proposed price and components of the associated indexation formula. Distribution companies jointly run an optimization algorithm to assign the contracts in the most economically efficient manner to the bidders.

Sales to Unregulated or "Free" Customers

Unregulated customers are principally and obligatorily customers whose connected capacity is higher than 2 MW, generally industrial or mining customers, and those with connected capacity of between 500 kW and 2 MW who have opted for the unregulated pricing mechanism for a period of at least four years. These customers are not subject to price regulation, therefore, generation and distribution companies are free to negotiate the prices and conditions for supplying electricity to these consumers.

Sales to Generating Companies

Generation companies may purchase or sell energy or capacity in the spot market at any time and such amounts are determined based on the difference between each company's contractual requirements and the level of electricity dispatched from its own plants or purchased from other companies under contract, as well as the firm capacity assigned to its power plants. The CDEC annually determines the "firm capacity" of each power plant in the system. Each generator is allowed to sell capacity up to its firm capacity. Firm capacity is the highest level of capacity that a generator may supply to the system during certain peak hours, taking into consideration statistical information regarding the time a plant is out of service for maintenance and the water inflows in the case of hydroelectric plants.

Concessions

Chilean law allows power generation activities to be developed without a concession, except for the development of hydroelectric or geothermal power plants. Hydroelectric plants are required to be entitled to the water rights destined to their operations, while geothermal plants require concessions of the steam wells they use for operations. To facilitate access to third parties' properties for development hydroelectric plants may apply to such third parties for a concession. Law 20,701, enacted in October 2013, improved the chances of obtaining electric concessions by reducing the time to have a concession granted, requiring more specific comments from third parties during the proceeding to obtain concessions, changing conflict resolution rules and changing the method of valuation of affected properties.

Transmission service does not require a concession, but companies may apply for a concession to facilitate access to third party properties for development of electric transmission facilities by means of "rights of way" (*servidumbres*). Third party property owners are entitled to compensation, which may be agreed by the parties or, in the case no agreement is reached, may be determined by an administrative proceeding that may be appealed in the Chilean courts.

The transmission system is divided into three systems: trunk transmission, sub-transmission and additional transmission. The trunk transmission system is comprised of the transmission lines and electric substations which are economically efficient and necessary to supply the demand of the whole relevant electric system. The sub-transmission system is comprised of the installations that are interconnected to the electricity system and are available only to supply final customers (whether regulated or unregulated) located in concession areas of distribution companies. The additional transmission system is comprised of those facilities dedicated primarily to the supply of electricity to unregulated customers and those whose main objective is to allow generators to inject their production into the electricity system that are not part of the trunk transmission system or a sub-transmission system . The trunk transmission and sub-transmission systems constitute a public service. Companies which are concessionaires of a trunk transmission system cannot participate in the generation or distribution segments.

The installations of the trunk transmission and sub-transmission systems are subject to an "open access" regime, which means that they may be used by third parties under non-discriminatory technical and economic rules, subject to payment for the use of the transmission system. The open access regime is also applicable to lines of additional transmission systems that make use of easements created pursuant to a transmission concession or national property reserved for public use. Transmission companies recover their investment in transmission assets through tariffs, or "wheeling rates," which, depending on the type of transmission installation, are charged to generation companies, final customers or both. Transmission tariffs for the majority of transmission lines are established every four years by a decree of the Ministry of Energy.

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 do not comply with the decree. Power generation companies may also be required to pay fines to the regulatory authorities if a system blackout results from a 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 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 semiannually by the CNE's economic models as the highest cost for end users of having an electricity shortage during periods of electricity deficit. Failure costs correspond to the average users cost incurred by final users in providing one kWh by their own means.

Environmental Regulation

Chile has numerous national and local environmental laws, regulations, decrees and municipal ordinances that govern our operations and the development of new projects. Among others, there are regulations relating to waste disposal (including the discharge of liquid industrial wastes and the disposal of coal ash), air emissions, cleanup of contamination, the establishment of industries in areas in which there are risks to public health and the protection of water for human consumption. Under these laws, 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—Compliance with environmental regulations may require significant expenditures that could adversely affect our ability to expand our business and our results of operations."

The General Environmental Law (Law No. 19,300), enacted in March 1994 and modified in 2010 by Law No. 20,417, establishes a framework for environmental regulation in Chile, which has become increasingly stringent in recent years. Recent amendments include, among other significant modifications, 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 Service; and (iv) the Superintendency of the Environment (*Superintendencia del Medio Ambiente*), all of which are in charge of regulating, evaluating and enforcing activities that could have an environmental impact. These institutions replaced their predecessors, the National Environmental Commission (*Comisión Nacional del Medio Ambiente*) and the Regional Environmental Commissions.

The new institutions and regulatory framework are likely to result in additional restrictions or costs to us relating to environmental litigation and protection of the environment, particularly those related to flora and fauna, wildlife protected areas, water quality standards, air emissions and soil pollution. The General Environmental Law and its regulations permit the Chilean State, through the State Defense Council (*Consejo de Defensa del Estado*) and the municipalities (for acts occurring within their respective jurisdictions) to bring lawsuits for environmental damage before the Environmental Court. In addition, the Superintendency of the Environment (*Superintendencia del Medio Ambiente)* may bring administrative enforcement actions against companies that violate environmental regulations and impose sanctions such as fines, closure of non complying facilities and revocation of environmental approvals. Additionally, citizens affected by environmental pollution may petition for relief to a Chilean Court of Appeals which has the power to order the suspension of the polluting activity and adopt protective measures through a protective action proceeding (recurso de protección).

The General Environmental Law and its regulations contain additional rules relating to Environmental Impact Assessments, which have been required since April 3, 1997, and 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 and evaluations pursuant to the General Environmental Law. The newly created Environmental Assessment Service is in charge of managing, coordinating and consolidating the environmental evaluation process.

To protect and improve environmental air quality in the country, regional and environmental authorities, including the Ministry of Environment, can declare "latent zones" (*zonas latentes*) or "saturated zones" (zonas saturadas). Latent zones are areas in which there exists a high risk of excessive pollution the pollutant concentration is greater than 80.0% of the corresponding quality standard for a pollutant in a certain area — and in which emissions are not permitted to increase. Saturated zones are areas in which an excessive level of pollution already has been reached the ambient concentration of the air pollutant exceeds 100% of the corresponding quality standard for a pollutant in a certain area and in which emissions are required to be reduced and mitigation measures are

required to be implemented. In connection with the declaration of a latent or saturated zone, the Ministry of Environment begins an investigation and public-consultation process to develop a pollution prevention or pollution abatement plan, as the case may be. This process may take more than a year. Upon publication of either type of plan, emission reduction targets and other environmental remediation actions may be required of industries located within the latent or saturated zone. Any new regulations and requirements regarding emissions or use of renewable energy may require us to make substantial financial investments in the coming years in order to comply with these new legal requirements. In December 2009, the CONAMA published a draft regulation on new air emissions standards for power plants (*Anteproyecto de Normas de Emisiones para Centrales Termoeléctricas*) which was approved by the Council of Ministers in November 2010. This new regulation became effective on June 23, 2011, when it was published in the Official Gazette. This regulation provides for stringent limits on emissions of particulate matter and gases produced by the combustion of solid and liquid fuels, particularly coal. For existing plants, including those currently under construction, the new limits for particulate matter emissions will enter into effect in December 2013 and the new limits for SO2, NOx and mercury emissions will begin to apply in mid-2016, except for those plants operating in zones declared saturated zones, where these emission limits will become effective by mid-2015. In order to comply with the new emissions standards, we are investing approximately U.S.$220.0 million between 2012 and 2014 and our equity-method investee Guacolda is also investing approximately U.S.$220.0 million between 2012 and 2015.

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.

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; 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.

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.

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.

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. During 2009, CREG defined a transmission charge methodology.

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.

A new 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. During 2009, after auditing the information reported by the companies, CREG defined the new distribution charges applicable from 2009 until 2013.

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 2011. 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—which are allowed to buy and sell electricity.

In Argentina, the government agency 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 Ministry of Federal Planning, Public Investment and Services 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 Ministry of Federal Planning, Public Investment and Services, through the Secretariat of Energy, 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.

At the end of 2006, the Energía Plus 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 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 the Ministry of Federal Planning, Public Investment and Services and the profit margin must be determined by the Secretariat of Energy.

In March 2013, the Secretariat of Energy 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 Energy Plus scheme or under energy supply contracts with CAMMESA (these generators are out of the scope of Resolution 95).

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 SVS. 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.

In November 2012, Regular Director Edward C. Hall submitted his resignation and Andrew Vesey was designated as his replacement on February 26, 2013. Additionally, Regular Director Victoria Dux Harker submitted her resignation in July 2012, and Tom O'Flynn was designated as her replacement under an agreement adopted by the board of directors in September 2012.

Our directors as of September 30, 2013 are listed below:

Name	Position	Current position held since
Andrés Gluski	Chairman	2005
Juan Andrés Camus	Director	2008
Andrew Vesey	Director	2013
Tom O´Flynn	Director	2012
Arminio Borjas	Director	2009
Iván Díaz-Molina	Director	2009
Radovan Roque Razmilic	Director	2011

Our executive officers as of September 30, 2013 are listed below:

Name	Position	Current position held since
Luis Felipe Cerón	Chief Executive Officer	2001
Javier Giorgio	VP of Operations	2009
Michael Whittle	VP of Development	2011
Daniel Stadelmann	VP of Finance	2009
Iván Jara	VP of Engineering and Construction	2010
Alberto Zavala	General Counsel	2010
Mariana Soto	VP of Corporate Affairs	2010

Set forth below is a brief biographical description of the directors and executive officers of AES Gener:

Directors

Andrés Gluski was born in 1957. He holds a graduate degree from Wake Forest University and holds 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.

Juan Andrés Camus was born in 1953. He holds a B.A. in Business Administration from Pontificia Universidad Católica de Chile. In 2008, he became a member of our board of directors. Currently, Mr. Camus is a member of the Board of BTG Pactual Chile, an investment bank in Chile. He is a member of the board of directors of various other Chilean companies including the Santiago Stock Exchange, Besalco, Coresa and Casa Ideas. He also is a Counselor of the Government School of Universidad Adolfo Ibáñez, Counselor of Red Alta Dirección Universidad del Desarrollo as well as Counselor of the M.B.A. program of the Universidad del Desarrollo. Previously, Mr. Camus served as Director of Finance for Banco BICE, Corporate Lending Manager for Bank O'Higgins and Deputy Corporate Lending Manager of Banco de Chile.

Andrew Vesey was born in 1955. He holds a B.S. in Engineering from Union College in Schenectady, New York and holds a MS from New York University. In 2013, he became a member of our board of directors. Since 2012, Mr. Vesey has been Executive Vice President and COO of The AES Corporation. Previously, Mr. Vesey was the Managing Director of the Utility Finance and Regulatory Advisory Practice at FTI Consulting Inc., a Partner in the Energy, Chemicals and Utilities Practice of Ernst & Young LLP, and CEO and Managing Director of Citipower Pty of Melbourne, Australia.

Tom O'Flynn was born in 1961. He holds a B.A. in Economics from Northwestern University and holds an M.B.A. in Finance from the University of Chicago. In 2012, he became a member of our board of directors. Since 2012, Mr. O'Flynn has been the Executive Vice President and Chief Financial Officer of The AES Corporation. Previously, Mr. O'Flynn served as Senior Advisor to the Private Equity Group of Blackstone, a Chief Operating Officer and Chief Financial Officer of Transmission Developers, Inc. and Chief Financial Officer of PSEG, Energy Holdings.

Arminio Borjas was born in 1952. He is an Attorney-at-Law from Universidad Católica Andrés Bello in Caracas, Venezuela. In 2009, he became a member of our board of directors. Currently, Mr. Borjas is the Regional General Counsel for South America at AES Corporation. Mr. Borjas is also Senior partner of law office Mendoza, Palacios, Acedo, Borjas, Páez, Pumar & Cía. He serves as a director of AES Panama, S.A. and of CA La Electricidad de Caracas. Previously, Mr. Borjas has been a representative for Venezuela of the International Bar Association, Venezuelan correspondent for the International Arbitration Law Review and designated Arbitrator by the International Court of Arbitration of Paris.

Iván Díaz-Molina was born in 1961. He holds a B.S. in Civil Engineering from National University of Cordoba, Argentina, and holds a Master of Science from Carnegie-Mellon University. In 2009, he became a member of our board of directors. Currently, Mr. Díaz-Molina holds the position of Chairman of the Board of Saesa Group. He is a professor at the Universidad de Los Andes in Santiago, Chile. Previously, Mr. Díaz-Molina was Vice President for South America of PPL Global, LLC, with operations in Chile, Bolivia, Peru, Brazil and El Salvador.

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 S.A., a real estate company in Chile, and Molinera Azapa S.A., a wheat flour processing company in Chile. He is also a member of the board of directors of various other Chilean companies, including Inmobiliaria SOFOFA S.A., SOFOFA Servicios S.A., Inmobiliaria Estadio Croata S.A., Molinera del Sur S.A., Molinera Coquimbo S.A., Molinera del Norte S.A. and Molinera e Industrial de Azapa S.A. Previously, Mr. Razmilic served as Chairman of the Audit Committee of Enap S.A., and as director of Enap S.A. and B Bosch S.A.

Executive Officers

Luis Felipe Cerón was born in 1960. He holds a B.S. in Industrial Engineering from Pontificia Universidad Católica de Chile and holds a Master of Science in Accounting and Finance from The London School of Economics. With30 years of professional experience, Mr. Cerón has worked in AES Gener and related companies since 1993.

Mr. Cerón was appointed Chief Executive Officer of AES Gener in 2001. Mr. Cerón also holds the position of director of Guacolda in Chile and AES Chivor in Colombia

Javier Giorgio was born in 1969. He holds a B.S. in Electronic Engineering from Universidad Tecnológica Nacional in Argentina and holds an M.B.A. from Universidad del CEMA (Centro de Estudios Macroeconómicos de Argentina) in Argentina. With more than 24 years of professional experience, Mr. Giorgio was appointed VP of Operations of AES Gener in 2009. Mr. Giorgio also holds the position of director of Guacolda in Chile, Tiete in Brazil and AES Chivor in Colombia.

Michael Whittle was born in 1970. He holds a Masters of Science in Foreign Service from Georgetown University in Washington D.C. and a B.A. in Economics from Claremont McKenna College in California. With more than 17 years of professional experience, Mr. Whittle was appointed VP of Development of AES Gener in 2011.

Daniel Stadelmann was born in 1970. He holds a B.A. & M.A. in Finance and Accounting from University of St. Gallen in St. Gallen, Switzerland and an M.B.A. from the International Institute for Management Development (IMD) in Lausanne, Switzerland. With more than 16 years of professional experience, Mr. Stadelmann was appointed VP of Finance of AES Gener in 2009. Mr. Stadelmann also holds the position of director of Guacolda in Chile and AES Chivor in Colombia.

Iván Jara was born in 1973. He holds a B.S. in Mechanical Engineering from Universidad de Chile and holds an M.B.A. from the Universidad Adolfo Ibáñez in Chile. With more than 12 years of professional experience, Mr. Jara has worked in AES Gener and related companies since 1998. Mr. Jara was appointed VP of Engineering and Construction of AES Gener in 2010.

Alberto Zavala was born in 1962. He is a lawyer from Pontificia Universidad Católica de Chile. With more than 20 years of professional experience, Mr. Zavala has worked in AES Gener since 2010, when he was appointed General Counsel of AES Gener.

Mariana Soto was born in 1972. She is a lawyer from Universidad de Chile. With more than 15 years of professional experience, Mrs. Soto has worked in AES Gener since 2010, when she was appointed VP of Corporate Affairs of AES Gener.

Audit Committee

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 UF 1.5 million or more (equivalent to approximately U.S.$68.7 million as of September 30, 2013), 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"). 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 Iván Díaz-Molina (President of the Audit Committee and independent director), Juan Andrés Camus and Radovan Razmilic.

Compensation of Directors and Officers

In accordance with our by-laws, our board of directors does not receive compensation. During fiscal year 2012, 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 2012.

In accordance with Chilean law, at the ordinary shareholders' meeting held on April 30, 2013, the Audit Committee's fees were fixed at UF 160 per month (equivalent to approximately U.S.$7,326.0 as of September 30, 2013). The total amount of compensation paid to our Audit Committee during fiscal year 2012 was UF 5,760 (equivalent to approximately U.S.$263,736.3 as of September 30, 2013). During fiscal year 2012, the Audit Committee did not make use of the annual expense budget of U.S.$25,000 approved at the ordinary shareholders' meeting.

PRINCIPAL SHAREHOLDERS

We are an open stock corporation with shares traded on three stock exchanges: the Santiago Stock Exchange, the Valparaiso Stock Exchange, and the Chilean Electronic Stock Exchange. As of September 30, 2013, shareholders' equity totaled U.S.$2,626.9 million. Our issued capital is divided into 8,069,699,033 shares distributed among 1,554 shareholders as of September 30, 2013.

At the end of the nine-month period ended September 30, 2013, Inversiones Cachagua SpA held a 70.67% 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 99.9% ownership. The AES Corporation thereby has ultimate control of us.

Principal Shareholders as of September 30, 2013

Name	Shares	Participation
Inversiones Cachagua SpA	5,703,106,137	70.7%
Pension Funds	1,286,704,793	15.9%
Banco de Chile on account of third parties	199,757,566	2.5%
Banco Itaú on account of investors	168,874,811	2.1%
BTG Pactual Chile S.A. Corredores de Bolsa	132,686,645	1.6%
Banco Santander - JP Morgan	97,807,256	1.2%
Bolsa de Comercio de Santiago	46,166,183	0.6%
Banchile Corredores de Bolsa	26,775,307	0.3%
MBI Inversiones	24,049,631	0.3%
Total 10 largest shareholders	7,709,173,244	95.5%
Other shareholders (1.592)	360,525,789	4.5%
Total shareholders	**8,069,699,033**	**100.0%**

RELATED PARTY TRANSACTIONS

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 with the requirements of Title XVI of the Chilean Corporations Act in all transactions with related parties.

For information concerning these transactions, see note 13 to our audited consolidated financial statements included elsewhere in this offering memorandum.

DESCRIPTION OF THE NOTES

The U.S.$450,000,000 junior subordinated capital Notes due 2073 (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") will be issued pursuant to an indenture (the "Indenture"), dated as of December 18, 2013, 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, 14th Floor 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 December 18, 2073 (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 will be subordinated to the Senior Indebtedness (as defined below). In addition, the notes will be 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 September 30, 2013, the Issuer had U.S.$2,375.2 million of outstanding debt, including approximately U.S.$1,116.4 million of senior debt and approximately U.S.$1,258.8 million of secured debt. At the same date, the Issuer's subsidiaries had U.S.$1,654.2 million of outstanding unsecured and unsubordinated 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.

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.

By 12:00 noon (New York time), at least one Business Day prior to each due date of principal or interest on a Note, the Issuer shall deposit with the Trustee or a paying agent, as applicable, a sum sufficient to pay such principal or interest. 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 the period from and after such date. "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 June 1 or December 1 (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 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 Taxes that would not have been so imposed if the Holder had presented the Note for payment (where presentation is required) to another available paying agent of the Issuer;

(vii) 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;

(viii) in respect of any withholding or deduction imposed on a payment required to be made pursuant to European Council Directive 2003/48/EC or any other European Union directive implementing the conclusions of the European Council of Economic and Finance Ministers ("ECOFIN") meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such a directive; or

(ix) in respect of any combination of clauses (i) through (viii) 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"), 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 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 is prior to the First Reset Date; or

(b) 100% of the principal amount of the notes then outstanding if the Early Redemption Date is on or after 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 all of the notes (but not some only) on the First Reset Date and any Interest Payment Date (as both are defined below) thereafter, in each case at the applicable Early Redemption Price, subject to having given not less than 30 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 30 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 30 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 date of the Indenture 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 30 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 30 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.

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 during the 360-day period 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 June 18, 2039.*

Interest Rates and Interest Amount

Unless previously redeemed or repurchased and cancelled 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 December 18, 2013 (the "Issue Date") to but excluding June 18, 2019 (the "First Reset Date"), the notes will bear interest at a rate of 8.375% per annum, payable semi-annually in arrears on each Interest Payment Date (as defined below) commencing on June 18, 2014.

(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: 6.820%; (b) in respect of the Reset Periods commencing on June 18, 2024, June 18, 2029 and June 18, 2034: 7.070%; (c) in respect of any other Reset Period: 7.820%.

all as determined by the Calculation Agent and payable semi-annually in arrears on each Interest Payment Date, commencing on June 18, 2014.

"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).

"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 June 18 and December 18 each year, commencing on June 18, 2014 (each, an "Interest Payment Date") to Holders of record on the applicable Record Date.

If the due date for any payment in respect of any Note is not a Business Day, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

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 five, but not more than 30, 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 10 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 to the Trustee or the paying agent at least five, 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, but not more than 30, 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 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, 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, 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 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 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, 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, 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 the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, reorganization and insolvency events) described under "— Events of Default" will no longer constitute an 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) 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) 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 or 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 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 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 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:

- 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;
- to provide for the assumption by a successor Person of the obligations of the Issuer under the Indenture;
- to add to the covenants of the Issuer for the benefit of the Holders or surrender any right or power conferred upon the Issuer;
- to provide for the issuance of additional notes in accordance with the Indenture;
- to evidence the replacement of the Trustee as provided for under the Indenture; or
- 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:

- change the interest rate with respect to any Note or reduce the principal amount of any Note, or change the time for such payments;
- modify the obligation to pay Additional Amounts;
- change the prices at which the notes may be redeemed by the Issuer, or change the time at which any Note may be redeemed;
- 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;
- impair the right to institute suit for the enforcement of any payment obligation on or with respect to any Note; or

- 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.

Listing

Application has been made 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* if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive or other directives or legislation, the Issuer could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Issuer would otherwise use to prepare its published financial information, 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 will be 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 CT Corporation located at 111 Eighth Avenue, New York, New York 10011 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 the judgment currency (determined in the manner set forth in the preceding paragraph), 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 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, 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.

Form, Denomination and Title

The notes will be 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 will be 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 will be 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.

Transfers of a Note or beneficial interest therein to a person who takes delivery in the form of a Restricted Global Note or beneficial interest therein may be made only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a person that the transferor reasonably believes is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act) in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state, territory or other jurisdiction (including the District of Columbia) of the United States or any other jurisdiction.

Transfers of a Note or beneficial interest therein to a person who takes delivery in the form of a Regulation S Global Note or beneficial interest therein may be made only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rules 903 and 904 of Regulation S.

Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

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 and (iii) transmitting to the Issuer any notices from Holders.

In certain circumstances, the notes may be redeemed at the Issuer's option (see "— Redemption"). The notes are not subject to repayment at the option of the Holders. There is no sinking fund for the notes. 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. Any such Additional notes will have the same terms as to ranking, redemption or otherwise as the notes.

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 will be designated by or on behalf of the Initial Purchasers. Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the Global Notes will be shown on, and the transfer of that ownership will be 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 Regulation S Global Note 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 Regulation S Global Note 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 Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Investors that are qualified institutional buyers may hold their interests in Restricted Global Notes directly through DTC if they are DTC Participants, or indirectly through organizations that are DTC Participants.

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 immediately 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 Regulation S 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 will act as the depositary for the notes (the "Notes Depositary"). The notes will be issued as fully registered senior notes registered in the name of Cede & Co., which is DTC's partnership nominee. Fully registered Global Notes will be issued for the notes, in the aggregate principal amount of the issue, and will be deposited with DTC.

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. Upon the transfer, exchange or replacement of certificated notes bearing the legend, or upon specific request for removal of the legend on a certificated Note, the Issuer will deliver only certificated notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the U.S. Securities Act.

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.

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 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 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 Senate and may apply to income generated in either Chile or the United States by a resident of either country.

This summary is based on the tax laws of Chile and the United States as in effect on the date of this offering 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. federal income 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.

The considerations contained in this offering memorandum in relation to tax issues are made in order support the marketing of notes described herein and cannot be considered as legal or tax advice.

Chilean Taxation

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. It is based on the laws of Chile as in effect on the date of this offering memorandum, as well as regulations, rulings and decisions applicable in Chile and 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. 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 rulings addressing identical situations, but Chilean tax authorities may change their rulings, regulations or interpretations prospectively or retroactively, provided that the retroactive interpretation may not be assessed retroactively against taxpayers who act in good faith relying on such rulings, regulations or interpretations. For the purposes of this summary, the term foreign holder means either (i) in the case of an individual, a person who is not a resident or domiciled in Chile (for purposes of Chilean taxation, (a) an individual 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 or (b) an individual is domiciled in Chile if he or she resides in Chile with the intention of remaining in Chile (such intention to be evidenced by circumstances such as the acceptance of employment within Chile or the relocation of the individual'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.

The notes should be treated as debt for Chilean income tax purposes, and therefore, payments in respect of the notes should be generally treated as payment of interest or principal. To date, Chile does not have a general tax concept of debt and equity that may differ from the concept found in Chile's civil and commercial law. So far, Chile has historically adopted a rather formalistic approach; however, new laws advancing the substance over form principle may be enacted.

Under Chilean Tax Law, payments of interest or premiums (premiums payable on redemption of the notes), if any, made by us in respect of the notes to a foreign holder will be generally subject to a Chilean withholding tax currently assessed at a rate of 4%. However, the same interest and premium that qualify for the referred 4% withholding tax rate is subject to a special additional tax equal to the difference between the withholding tax paid

and a 35% tax rate that will be applied to us separately, to the extent paid to entities related to us, on the portion of our indebtedness considered to be excessive. Our indebtedness will be considered to be excessive ("*Excessive Indebtedness*") when in the commercial year in which the notes are issued we have an indebtedness with entities related to us qualifying for the 4% withholding tax rate that exceeds three times our equity, as calculated for Chilean tax purposes. Consequently, such qualifying interest or premium paid to entities related to us with respect to debt that exceeds the Excessive Indebtedness ratio will be subject to a 35% tax rate (4% withholding tax plus the difference between the withholding tax paid and a 35% 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 lender or creditor is incorporated, domiciled or resident in a tax haven (qualified as such by the Chilean Ministry of Finance, based on the list of harmful preferential tax regimes and tax havens published by the Organization for Economic Co Operation and Development) at the time of granting the loan; or (ii) the lender or debtor, 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; or (iii) the debt is guaranteed directly or indirectly by a third party with cash or with cash equivalents securities (excluding securities evidencing obligations of the borrower with any of its related entities), for the amount effectively guaranteed. 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 foreign holders of the notes Additional Amounts in respect of the Taxes mentioned above so that interest or premiums, 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 Taxes. See "Description of the Notes—Additional Amounts."

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. The Income Tax Law establishes that a foreign holder is subject to income tax on his 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. The capital gain arising from the disposition of debt instruments situated in Chile is generally subject to Chilean taxes.

The Income Tax Law does not specifically refer to the source of income in the case of notes issued abroad by a Chilean company and, as of this date, there are no specific rulings from the Chilean tax authorities under which the capital gain obtained by foreign holders upon the sale or other disposition of securities issued abroad by a Chilean company may be considered as Chilean source income. In line with this, based on the general legal provisions, it may be sustained that any capital gain obtained upon the sale or other disposition of notes issued outside of Chile, when the sale or disposition occurs outside Chile by a non-resident holder of the notes to a non-resident purchaser of the notes should not be considered Chilean source income taxable in Chile. However, Circular Letter No.54 of November 25, 2013 and some recent rulings issued by the Chilean tax authorities (*Servicio de Impuestos Internos* or "SII") with respect to securities that may be considered distinguishable from the notes, contain certain interpretations and tax criteria that would imply that any capital gain arising from the sale or other disposition of the notes by a foreign holder could be considered Chilean source income that is subject to capital gain taxes in Chile, as according to the SII, the source of the capital gain would be driven by the residency of the issuer, without regard to the tax residency of the holder or the place of issuance of the notes. SII's interpretations are not binding on taxpayers.

Any other payment to be made by us (other than interests or principal on the notes and except for some special exceptions granted by Chilean law) will be subject to a 35% withholding tax.

A foreign holder 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 monies obtained from Chilean sources. A foreign holder will not be liable for Chilean stamp, registration or similar taxes.

The issuance of the notes is subject to stamp tax at a rate of 0.4% 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 of stamp taxes 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.

We have agreed to pay any present or future stamp, court or documentary taxes, charges or levies that arise in Chile from the execution, delivery, enforcement or registration of the notes or any other document or instrument in relation thereto and have agreed to indemnify holders of the notes for any such taxes, charges or similar levies paid by holders.

Certain U.S. Federal Income Tax Consequences

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF OR REFERENCE TO U.S. FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY PROSPECTIVE HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS BEING USED BY THE COMPANY IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

This section describes certain U.S. federal income tax consequences of owning, holding and disposing of the notes. This discussion applies to you only if you are a U.S. holder (as defined below) who acquires the notes in this offering at the price indicated on the cover of this offering memorandum, and who holds a note as a capital asset for U.S. federal income tax purposes (generally, property held for investment). This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- a life insurance company,
- a financial institution,
- a person liable for U.S. alternative minimum tax,
- a thrift institution, regulated investment company, real estate investment trust or an entity treated as a conduit or financial intermediary for U.S. federal income tax purposes,
- a person that actually or constructively owns 10% or more of the Company's voting stock,
- a person that holds the notes as part of a straddle, hedging or conversion transaction or
- a U.S. holder (as defined below) whose functional currency is not the U.S. dollar.

This section is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, final, temporary and proposed regulations promulgated thereunder, administrative rulings and court decisions in respect thereof, in each case as of the date hereof and all of which are subject to change, possibly on a retroactive basis. As discussed below, the U.S. federal income tax treatment of a financial instrument like the notes under the Code is not certain, and potential holders should consult their own tax advisors as to the effect of such uncertainty on an investment in the notes in their particular circumstances.

As used herein, the term "**U.S. holder**" means a beneficial owner of the notes that is:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, 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 U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (ii) the trust has made a valid election under applicable U.S. Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership (including any entity or other arrangement that is treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of the notes, the tax treatment of the partnership or a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A beneficial owner of the notes that is a partnership (including any entity or other arrangement that is treated as a partnership for U.S. federal income tax purposes), and partners in such partnership, should consult their own tax advisors regarding the tax consequences of owning, holding and disposing of the notes.

This discussion does not address any U.S. federal tax consequences other than U.S. federal income tax consequences, such as the estate and gift tax, the alternative minimum tax or the Medicare tax on net investment income.

You should consult your own tax advisor regarding the U.S. federal, state and local and other tax consequences of acquiring, owning and disposing of the notes in your particular circumstances.

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 and, as discussed above under "Chilean Taxation", should be treated as indebtedness for Chilean tax purposes. 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. 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 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 the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Interest payments in excess of the Company's 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, the Company does not currently maintain calculations of its earnings and profits for U.S. federal income tax purposes and is 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

Pursuant to Section 305(b)(2) of the Code, a distribution (or a series of distributions of which such a distribution is one) of stock rights constitutes a "disproportionate distribution," and is therefore taxable, if the distribution results in (a) the receipt of property by some stockholders (including holders of any securities, including the Common Shares, that are treated as equity for purposes of these rules, such as convertible debt), and (b) an increase in the proportionate interest of other stockholders in the assets or earnings and profits of the distributing corporation. For this purpose, the term "property" means money, securities and any other property, except that such term does not include stock in the corporation making the distribution or rights to acquire such stock. A "series of distributions" encompasses all distributions of stock made or deemed made by a corporation which have the result of receipt of cash or property by some stockholders and an increase in the proportionate interests of other stockholders. It is not necessary for a distribution of stock to be considered as one of a series of distributions that such distribution be pursuant to a plan to distribute cash and property to some stockholders and to increase the proportionate interests of the other stockholders. Rather, it is sufficient if there is a distribution (or a deemed distribution) having such effect. In addition, there is no requirement that both elements of Section 305(b)(2) of the Code occur in the form of a distribution or series of distributions as long as the result is that some stockholders receive cash and property and other stockholders' proportionate interests increase. Under the applicable U.S. Treasury regulations, where the receipt of cash or property occurs more than 36 months following a distribution or series of distributions of stock, or where a distribution is made more than 36 months following the receipt of cash or property, such distribution or distributions will be presumed not to result in the receipt of cash or property by some stockholders and an increase in the proportionate interest of other stockholders, unless the receipt of cash or property by some stockholders and the distribution or series of distributions are made pursuant to a plan.

Pursuant to the Indenture, as described under "Description of the Notes," under certain limited circumstances, the Company would be permitted to make distributions on Common Shares even though interest

payments are not being made on the notes. Accordingly, if the Company (i) makes such distributions, and such distributions are properly treated as dividends, on any Common Shares treated as equity for U.S. federal income tax purposes and (ii) accrues but does not make interest payments on the notes, the amount of such accrued but unpaid interest payments may constitute a disproportionate distribution within the meaning of the rules described in the preceding paragraph, and would accordingly be treated as a deemed dividend includible in taxable income to a U.S. holder for U.S. federal income tax purposes on the date of such accrual. The application of the Section 305 rules to the notes could result in taxable income being recognized by you in respect of an investment in the notes even though no cash is actually distributed on the notes to you. You should consult your own tax advisor concerning the effect, if any, of the potential application of the Section 305 rules on your investment in the notes in your particular circumstances.

Sale, Redemption or Other Taxable Disposition of Notes

In general, a U.S. holder will recognize gain or loss upon the sale, redemption or other taxable disposition of the notes equal to the difference between the amount realized and the U.S. holder's adjusted tax basis in its notes. A U.S. holder's adjusted tax basis generally will equal the amount paid for its notes, increased by the amount of interest payments previously accrued (but not paid) for U.S. federal income tax purposes, as discussed above under "—Section 305 Rules." Gain or loss recognized by a U.S. holder generally will be treated as U.S. source gain or loss, as the case may be. Because a U.S. holder's gain from the sale, redemption or other taxable disposition of the notes generally will be U.S. source gain, and a U.S. holder may use foreign tax credits to offset only the portion of U.S. federal income tax liability that is attributable to foreign source income, a U.S. holder may be unable to claim a foreign tax credit with respect to the Chilean tax on gains unless such U.S. holder has other income from non-U.S. sources against which it can apply such foreign tax credit. Subject to the PFIC rules discussed below, gain or loss on the disposition of notes will be capital gain or loss and will be long-term capital gain or loss if the U.S. holder held the notes for more than one year at the time of such disposition. Generally, an individual U.S. holder may be entitled to preferential rates of taxation in respect of net long-term capital gains; however, the deductibility of capital losses is limited under the Code.

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.

The Company does not believe that it should be treated as, and does 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. The Company is not a U.S. registrant under applicable U.S. securities laws, and is not required to provide updated U.S. tax information to U.S. holders of the notes on a periodic basis other than as specifically described below under "— Backup Withholding and Information Reporting," which does not generally require the Company to report whether or not it is a PFIC. **U.S. holders should consult with their own advisors as to the possibility of having to make their own determination of the Company's status as a PFIC in future taxable in their individual circumstances.**

If the Company 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 the Company 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 the Company was 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 the Company making certain information about the ordinary income and net gain of the Company as determined for U.S. tax purposes, and which the Company does not currently plan to calculate or provide to holders of the notes. If a U.S. holder holds notes in any year in which the Company is 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.**

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.

Backup Withholding and Information Reporting

Payments of principal and interest, and proceeds from the sale or other disposition of the notes, paid to a U.S. holder generally may be subject to information reporting requirements and may be subject to backup withholding at the appropriate rate unless the U.S. holder provides an accurate taxpayer identification number and complies with applicable certification requirements, or otherwise demonstrates that it is exempt. The amount of any backup withholding collected from a payment to a U.S. holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that certain required information is submitted to the U.S. Internal Revenue Service (the "**IRS**") in a timely manner.

Certain U.S. holders 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), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the notes. U.S. holders are urged to consult their own tax advisors regarding information reporting requirements relating to their ownership of the notes.

European Union Directive on the Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments, each member state of the European Union (each an "*EU Member State*") is required to provide to the tax or other relevant authorities of another EU Member State details of payments of interest or other similar income made by a person within its jurisdiction to an individual or certain other types of person resident in that other EU Member State; however, for a transitional period, Austria and Luxembourg have instead opted to apply a withholding system in relation to such payments, deducting tax at the current rate of 35%, unless during that period they elect otherwise.

The transitional period is to terminate following agreement by certain non EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from January 1, 2015 and will provide details of payments of interest or other similar income as from that date. A number of non EU countries, and certain dependent or associated territories of certain EU Member States, have agreed to adopt similar measures (either provision of information or transitional withholding).

The European Commission has published proposals for amendments to the Directive, which, if implemented, would amend and broaden the scope of the requirements above.

PLAN OF DISTRIBUTION

Citigroup Global Markets Inc. and Goldman, Sachs & Co. are acting as joint bookrunners for the offering and as initial purchasers and Deutsche Bank Securities Inc., Mitsubishi UFJ Securities (USA), Inc. and SMBC Nikko Securities America, 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 offering 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 Purchaser	Principal Amount of notes	
Citigroup Global Markets Inc.	U.S.$	207,237,000
Goldman, Sachs & Co.		207,237,000
Deutsche Bank Securities Inc.		11,842,000
Mitsubishi UFJ Securities (USA), Inc.		11,842,000
SMBC Nikko Securities America, Inc.		11,842,000
Total	U.S.$	450,000,000

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.

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 offering 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. The offering of the notes by the initial purchasers is subject to receipt and acceptance 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 Citigroup Global Markets Inc. and Goldman, Sachs & Co., 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. Citigroup Global Markets Inc. and Goldman, Sachs & Co. in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

The notes will constitute a new class of securities with no established trading market. Application has been made 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 expect to deliver the notes against payment for the notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the 5th Business Day following the date of the pricing of the notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in three Business Days; purchasers who wish to trade notes on the date of pricing or the next succeeding Business Day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement.

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 assets, securities and/or instruments of ours (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with us. 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.

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.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of notes described in this offering memorandum may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the notes that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the relevant member state has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the initial purchasers nominated by the Company for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the Company or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For purposes of this provision, the expression an "offer to the public" in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state), and includes any relevant implementing measure in the relevant member state and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

The sellers of the notes have not authorized and do not authorize the making of any offer of notes through any financial intermediary on their behalf, other than offers made by the initial purchasers with a view to the final placement of the notes as contemplated in this offering memorandum. Accordingly, no purchaser of the notes, other than the initial purchasers, is authorized to make any further offer of the notes on behalf of the sellers or the initial purchasers.

Notice to Prospective Investors in Peru

The notes and the information contained in this offering 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 the 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 offering 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.

We intend to register the notes 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 the United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to(d) of the Order (each such person being referred to as a "relevant person"). This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in France

Neither this offering memorandum nor any other offering material relating to the notes described in this offering 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 offering 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 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 offering 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 offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore.

Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes

be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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, in each case subject to compliance with conditions set forth in the SFA.

- Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- 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

- 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, shares, debentures and units of shares and debentures 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:

    - to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

    - where no consideration is or will be given for the transfer; or

    - where the transfer is by operation of law.

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 offering 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 offering memorandum may not be copied, reproduced, distributed or passed on to others without the initial purchasers' prior written consent. This offering 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 offering 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 Law No. 18,045 of Chile (the securities market law of Chile) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the SVS, the notes may be privately offered in Chile to certain

“qualified investors” identified as such by Rule 336 (which in turn are further described in Rule N°. 216, dated June 12, 2008, of the SVS).

Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: November 25, 2013. The offer of the notes is subject Rule (Norma de Carácter General) No. 336, dated June 27, 2012, issued by the Superintendency of Securities and Insurance of Chile (Superintendencia de Valores y Seguros de Chile or “SVS”);

2. the subject matter of this offer are securities not registered with the Securities Registry (Registro de Valores) of the SVS, nor with the foreign securities registry (Registro de Valores Extranjeros) of the SVS, due to the notes not being subject to the oversight of the SVS;

3. since the notes are not registered in Chile there is no obligation by AES Gener to make publicly available information about the notes in Chile; and

4. the notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry of the SVS.

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 Superintendencia de Valores y Seguros de Chile (la “SVS”), 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, de la SVS.

La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:

1. La oferta de los bonos comienza el 25 de noviembre de 2013, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la SVS;

2. La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, 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; y

4. Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.

TRANSFER RESTRICTIONS

The notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not offer, sell, pledge or otherwise transfer any of such notes except (a) to us or any of our subsidiaries, (b) to a qualified institutional buyer in compliance with Rule 144A under the Securities Act, (c) in an offshore transaction complying with the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to a registration statement that has become effective under the Securities Act and in accordance with all applicable securities laws of the States of the United States and other jurisdictions;

(5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(7) it acknowledges that the trustee, registrar or transfer agent for the notes may not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;

(8) it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers; and

(9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note and which will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with our consent. If we so consent, it will be deemed to be removed.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT; (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) (I) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS; AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

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 Milbank, Tweed, Hadley & McCloy 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 Limitada, Abogados as their Chilean legal counsel.

INDEPENDENT AUDITORS

The audited consolidated financial statements of AES Gener as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, included in this offering memorandum, have been audited by Ernst & Young Servicios Profesionales de Auditoria y Asesoria Limitada ("Ernst & Young Limitada"), a member firm of Ernst & Young Global Limited, AES Gener's 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 November 20, 2013.

2. Except as disclosed in this offering 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 offering 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 September 30, 2013 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 offering 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 Common Code 100814838, ISIN No.US00105DAD75 and CUSIP No.00105D AD7. The Regulation S Global notes have been assigned Common Code 098860134, ISIN No.USP0607LAA19 and CUSIP No.P0607L AA1.

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AES Gener S.A. and Subsidiaries
For the period ended September 30, 2013

This document includes the following sections:

- **Interim Classified Consolidated Statements of Financial Position**
- **Interim Consolidated Statements of Comprehensive Income**
- **Interim Consolidated Statements of Changes in Equity**
- **Interim Consolidated Statements of Cash Flows**
- **Notes to the Interim Consolidated Financial Statements**

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US$	United States dollars
ThUS$	Thousands of United States dollars
Ch$	Chilean pesos
ThCh$	Thousands of Chilean pesos
Col$	Colombian pesos
ThCol$	Thousands of Colombian pesos
Ar$	Argentinean pesos

UF	Unidad de fomento (UF). An inflation-index, 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.

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AES Gener S.A. and Subsidiaries
Interim Classified Consolidated Statements of Financial Position
As of September 30, 2013 and December 31, 2012
(In thousands of United States dollars)

ASSETS	Note	September 30, 2013 "Unaudited"	December 31, 2012 "Audited"
		ThUS$	ThUS$
CURRENT ASSETS			
Cash and Cash Equivalents	8	373,659	397,204
Other Current Financial Assets	9	14,155	10,108
Other Current Non-Financial Assets	11	22,473	7,612
Trade and Other Receivables	12	293,740	312,627
Related Party Receivables	13	1,559	8,754
Inventory	14	113,597	90,703
Taxes Receivable	15	42,134	28,568
Total Current Assets		**861,317**	**855,576**
NON-CURRENT ASSETS			
Other Non-Current Financial Assets	9	53,856	14,140
Other Non-Current Non-Financial Assets	11	36,576	17,988
Trade and Other Receivables	12	1,836	6,083
Investments in Associates	16	306,649	276,153
Intangible Assets	17	41,309	39,818
Goodwill	17	7,309	7,309
Property, Plant and Equipment	18	4,710,479	4,599,363
Deferred Taxes	19	3,144	14,976
Total Non-Current Assets		**5,161,158**	**4,975,830**
TOTAL ASSETS		**6,022,475**	**5,831,406**

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

AES Gener S.A. and Subsidiaries
Interim Classified Consolidated Statements of Financial Position
As of September 30, 2013 and December 31, 2012
(In thousands of United States dollars)

LIABILITIES AND EQUITY	Note	September 30, 2013 "Unaudited"	December 31, 2012 "Audited"
		ThUS$	**ThUS$**
CURRENT LIABILITIES			
Other Current Financial Liabilities	20	271,435	124,281
Trade and Other Payables	21	317,080	254,750
Related Party Payables	13	18,795	17,017
Provisions	22	4,305	4,588
Taxes Payable	15	13,651	49,870
Employee Benefits	23	1,116	2,333
Other Current Non-Financial Liabilities	24	37,240	38,459
Total Current Liabilities		**663,622**	**491,298**
NON-CURRENT LIABILITIES			
Other Non-Current Financial Liabilities	20	2,154,763	2,272,486
Trade and Other Payables	21	43,320	35,441
Provisions	22	72,837	81,125
Deferred Taxes	19	405,311	412,365
Employee Benefits	23	39,783	38,305
Other Non-Current Non-Financial Liabilities	24	15,909	19,365
Total Non-Current Liabilities		**2,731,923**	**2,859,087**
TOTAL LIABILITIES		**3,395,545**	**3,350,385**
EQUITY			
Issued Capital		1,901,720	1,901,720
Retained Earnings	25	571,382	546,430
Share Premium		49,908	49,908
Other Components of Equity	25	256,711	236,957
Accumulated Other Comprehensive Income	25	(224,986)	(257,348)
Equity Attributable to Shareholders of Parent		**2,554,735**	**2,477,667**
Non-Controlling Interests		72,195	3,354
Total Equity		**2,626,930**	**2,481,021**
TOTAL EQUITY AND LIABILITIES		**6,022,475**	**5,831,406**

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

AES Gener S.A. and Subsidiaries
Interim Unaudited Consolidated Statements of Comprehensive Income
For the nine- months and three- months ended September 30, 2013 and 2012
(In thousands of United States dollars, except for Basic Earnings (Losses) per Share, which are presented in United States dollars)

STATEMENT OF COMPREHENSIVE INCOME	Note	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
		ThUS$	ThUS$	ThUS$	ThUS$
Statement of Income					
Net Income					
Operating Revenues	26	1,723,208	1,706,696	540,364	565,178
Cost of Sales	27	(1,341,891)	(1,284,537)	(429,578)	(399,911)
Gross Profit		**381,317**	**422,159**	**110,786**	**165,267**
Other Operating Income		3,806	1,502	749	790
Administrative Expenses	27	(82,227)	(107,049)	(26,411)	(36,087)
Other Operating Expenses	27	(4,177)	(2,557)	(2,130)	(208)
Other Gains (Losses)	28	6,765	3,024	5,510	(1,178)
Finance Income	29	5,705	6,830	2,956	1,643
Finance Expense	29	(91,292)	(87,861)	(32,612)	(29,228)
Equity Participation in Net Income of Associates	16	26,176	4,261	13,241	6,082
Foreign Currency Exchange Differences	29	(27,187)	4,569	(3,976)	1,994
Net Income before Taxes		**218,886**	**244,878**	**68,113**	**109,075**
Income Tax Expense (Income)	30	(63,169)	(117,351)	(18,042)	(71,650)
Net Income		**155,717**	**127,527**	**50,071**	**37,425**
Income Attributable to					
Income Attributable to Shareholders of the Parent		156,884	127,503	50,450	37,419
Income (Loss) Attributable to Non-Controlling Interests		(1,167)	24	(379)	6
Net Income		**155,717**	**127,527**	**50,071**	**37,425**
Earnings per Share					
Basic and Diluted Earnings per Share from Continuing Operations	31	0.02	0.02	0.01	0.00
Basic and Diluted Earnings per Share from Discontinued Operations		-	-	-	-
Net Basic and Diluted Earnings per Share		**0.02**	**0.02**	**0.01**	**0.00**

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

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AES Gener S.A. and Subsidiaries
Interim Unaudited Consolidated Statements of Comprehensive Income
For the nine-months and three-months ended September 30, 2013 and 2012
(In thousands of United States dollars, except for Basic Earnings (Losses) per Share, which are presented in United States dollars)

STATEMENT OF COMPREHENSIVE INCOME	For the nine-month period ended		For the three-month period ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	ThUS$	ThUS$	ThUS$	ThUS$
Net Income	155,717	127,527	50,071	37,425
Other Comprehensive Income that will not be Reclassified to Net Income, before Taxes				
Actuarial Gains (Losses) on Defined-Benefit Pension Plans	-	(554)	-	-
Other Comprehensive Income from Associate	-	106	-	43
Other Comprehensive Income that will not be Reclassified to Net Income, before Taxes	**-**	**(448)**	**-**	**43**
Other Comprehensive Income that will be Reclassified to Net Income, before Taxes				
Foreign Currency Translation Adjustment	(36,190)	39,985	5,295	(5,915)
Unrealized Income (Loss) for Cash Flow Hedge	87,405	(36,541)	4,293	(19,857)
Other Comprehensive Income from Associates	4,321	1,170	(2,511)	341
Other Comprehensive Income that will be Reclassified to Net Income, before Taxes	**55,536**	**4,614**	**7,077**	**(25,431)**
Other Comprehensive Income, before Taxes	**55,536**	**4,166**	**7,077**	**(25,388)**
Income Tax Related to Other Comprehensive Income				
Income Tax Related to Defined-Benefit Plans	-	183	-	-
Income Tax Related to Cash Flow Hedges	(17,859)	7,230	(1,115)	4,399
Income Tax Related to Other Comprehensive Income	**(17,859)**	**7,413**	**(1,115)**	**4,399**
Total Comprehensive Income	**193,394**	**139,106**	**56,033**	**16,436**
Comprehensive Income Attributable to				
Comprehensive Income Attributable to Owners of the Parent	189,246	139,082	56,607	16,430
Comprehensive Income Attributable to Non-Controlling Interest	4,148	24	(574)	6
Total Comprehensive Income	**193,394**	**139,106**	**56,033**	**16,436**

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

AES Gener S.A. and Subsidiaries
Interim Unaudited Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2013 and 2012
(In thousands of United States dollars)

Statement of Changes in Equity	Issued Capital	Share Premium	Other Components of Equity	Accumulated Other Comprehensive Income: Foreign Currency Translation Reserve	Accumulated Other Comprehensive Income: Cash Flow Hedge Reserve	Accumulated Other Comprehensive Income: Defined Benefit Plan Reserve	Accumulated Other Comprehensive Income: Other Miscellaneous Reserves	Accumulated Other Comprehensive Income: Total Other Comprehensive Income	Retained Earnings	At Sh
	ThUS$	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	
Opening Balance, January 1, 2013	1,901,720	49,908	236,957	73,380	(175,699)	(8,141)	(146,888)	(257,348)	546,430	
Changes in Equity:	-	-	-	-	-	-	-	-	-	
Comprehensive Income										
Net Income	-	-	-	-	-	-	-	-	156,884	
Other Comprehensive Income	-	-	-	(36,190)	68,552	-	-	32,362	-	
Accumulated Comprehensive Income	-	-	-	-	-	-	-	-	-	
Dividends	-	-	-	-	-	-	-	-	(131,932)	
Increases (Decreases) for Transfers and Other Changes	-	-	19,754	-	-	-	-	-	-	
Total Changes in Equity	**-**	**-**	**19,754**	**(36,190)**	**68,552**	**-**	**-**	**32,362**	**24,952**	
Ending Balance, September 30, 2013	**1,901,720**	**49,908**	**256,711**	**37,190**	**(107,147)**	**(8,141)**	**(146,888)**	**(224,986)**	**571,382**	

Statement of Changes in Equity	Issued Capital	Share Premium	Other Components of Equity	Accumulated Other Comprehensive Income: Foreign Currency Translation Reserve	Accumulated Other Comprehensive Income: Cash Flow Hedge Reserve	Accumulated Other Comprehensive Income: Defined Benefit Plan Reserve	Accumulated Other Comprehensive Income: Other Miscellaneous Reserves	Accumulated Other Comprehensive Income: Total Other Comprehensive Income	Retained Earnings	At Sh
	ThUS$	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	
Opening Balance, January 1, 2012	1,901,720	49,908	226,039	20,735	(161,995)	(3,515)	(146,888)	(291,663)	642,666	
Changes in Equity:	-	-	-	-	-	-	-	-	-	
Comprehensive Income										
Net Income	-	-	-	-	-	-	-	-	127,503	
Other Comprehensive Income	-	-	-	39,985	28,141	(371)	-	11,473	-	
Accumulated Comprehensive Income	-	-	-	-	-	-	-	-	-	
Dividends	-	-	-	-	-	-	-	-	(228,168)	
Increases (Decreases) for Transfers and Other Changes	-	-	705	-	-	-	-	-	-	
Total Changes in Equity	**-**	**-**	**705**	**39,985**	**28,141**	**(371)**	**-**	**11,473**	**(100,665)**	
Ending Balance, September 30, 2013	**1,901,720**	**49,908**	**226,744**	**60,720**	**(190,136)**	**(3,886)**	**(146,888)**	**(280,190)**	**542,001**	

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AES Gener S.A. and Subsidiaries
Interim Unaudited Consolidated Statements of Cash Flows
For the nine months ended September 30, 2013 and 2012
(In thousands of United States dollars)

	For the nine-month period ended	
STATEMENT OF CASH FLOWS DIRECT METHOD	**September 30, 2013**	**September 30, 2012**
Operating Activities		
Proceeds from Sales of Goods and Services	2,440,755	2,355,339
Other Proceeds from Operating Activities	11,317	41,781
Payments to Suppliers for Goods and Services	(1,903,012)	(1,688,040)
Payment to Employees	(56,779)	(59,919)
Other Payments for Operating Activities	(1,722)	(166,557)
Dividends Paid	(131,932)	(245,707)
Dividends Received	1,997	13,409
Interest Paid	(83,724)	(64,063)
Interest Received	6,402	5,331
Income Taxes Paid	(108,412)	(75,226)
Other Cash Outflows	(8,303)	(8,801)
Net Cash Flows Provided by Operating Activities	**166,587**	**107,547**
Investing Activities		
Proceeds from Sale of Property, Plant and Equipment	344	660
Additions to Property, Plant and Equipment	(293,658)	(342,285)
Acquisitions of Intangible Assets	(471)	(1,485)
Purchase of Financial Assets	-	115,132
VAT Recovery related to Construction Projects	-	61,143
Other Investing Inflows	-	10,747
Net Cash Flows Used in Investing Activities	**(293,785)**	**(156,088)**
Financing Activities		
Proceeds from Share Issuance	83,684	-
Proceeds from Borrowings	119,500	-
Payments of Loans	(36,240)	(13,974)
Payments of Finance Lease Liabilities	(1,151)	(456)
Payments of Financing Related Costs	(41,920)	-
Other Financing Outflows	(1,032)	-
Net Cash Flows Provided by (Used in) Financing Activities	**122,841**	**(14,430)**
Net Cash and Cash Equivalents Increase (Decrease)	(4,357)	(62,971)
Net Foreign Exchange Differences	(19,188)	13,978
Cash and Cash Equivalents at the Beginning of Period	397,204	409,157
Cash and Cash Equivalents at the End of Period	**373,659**	**360,164**

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

AES Gener S.A. (www.aesgener.cl) (hereinafter "the Company", "AES Gener" or "Gener") was formed by public deed on September 19, 1981, signed before Santiago Notary Public 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 Superintendency of Securities and Insurance ("SVS") in resolution No. 410-S on July 17, 1981, published in the 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, one coal-fired thermoelectric power plant, four diesel-fueled turbogas power plants, one cogeneration power plant and one gas turbine, all of which belong directly to Gener; a natural gas and/or diesel combined-cycle power plant and a diesel power plant belonging to its subsidiary Sociedad Eléctrica Santiago S.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").

Gener also provides energy to the Great North Interconnected System ("SING"), through its subsidiaries Norgener S.A. and Empresa Eléctrica Angamos S.A. The former has a coal-fired thermoelectric power plant in the city of Tocopilla; the second has one thermoelectric power plant with two coal-fired units in the city of Mejillones.

To address opportunities offered by the Chilean market, Gener is in the process of building two new coal-fired power plants: the 532 MW Cochrane project in the SING and the 152 MW Guacolda V project in the SIC belonging to its associate Guacolda. Gener has also begun preliminary works for the 532 MW run-of-the-river hydroelectric power plant known as Alto Maipo in the SIC and expects to begin building the power plant's main structures during the last quarter of this year. In Colombia, the Company is in the process of building the 20MW Tunjita run-of-the-river hydroelectric power plant.

Additionally, Gener has other projects under development for which it has received approval of the related environmental impact studies.

In addition to its share 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 investment subsidiary Cachagua Ltda. with a 70.67% interest as of September 30, 2013.

These interim consolidated financial statements were approved by the Board of Directors on November 5, 2013.

NOTE 2 – BASIS OF PRESENTATION

The Group prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These interim consolidated financial statements of AES Gener S.A. and subsidiaries (“the Group”) cover the consolidated Statements of Financial Position as of September 30, 2013 and December 31, 2012, and the corresponding Statements of Comprehensive Income, Changes in Equity and Cash Flows for the periods ended September 30, 2013 and 2012, and their related notes, which have been prepared and presented in accordance with IAS 34 “Interim Financial Reporting” considering certain presentation and disclosure requirements of the SVS, which do not conflict with IFRS.

The preparation of these interim consolidated financial statements in conformity with IFRS 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 a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim 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, is maintained for commercialization or is expected to be realized within 12 months following the reporting date.

The information contained in these interim consolidated financial statements is the responsibility of the management of AES Gener.

As of the date of these interim consolidated financial statements, the following accounting standards have been issued by the IASB whose application was not yet mandatory, and as such they will be applied as of the dates described below.

Revised and Amended Standards	Date of Mandatory Application
New Standards	
IFRS 9: Financial Instruments: Classification and Measurement	January 1, 2015
IFRIC 21: Levies	January 1, 2014
Amendments	
IFRS 10: Consolidated Financial Statements	January 1, 2014
IFRS 12: Disclosure of Participation in Other Entities	January 1, 2014
IAS 27: Separate Financial Statements	January 1, 2014
IAS 32: Financial Instruments: Presentation	January 1, 2014
IAS 36: Impairment of Assets	January 1, 2014
IAS 39: Financial Instruments: Recognition and Measurement	January 1, 2014

NEW STANDARDS

IFRS 9 “Financial Instruments: Classification and Measurement”

This standard introduces new requirements for the classification and measurement of financial assets. The basis of classification depends on the business model of the entity and the characteristics of the contractual cash flows of the financial asset. Financial assets may be measured initially at amortized cost or fair value. Only financial assets designated to be measured at amortized cost should be tested for impairment.

IFRIC 21 “Levies”

IFRIC 21 is an interpretation of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” that was issued in May 2013. IAS 37 establishes criteria for recognizing a liability, one of which is the requirement that the entity

should have a present obligation as a result of a past event. The interpretation clarifies that this past event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by applicable legislation. IFRIC 21 is effective for all annual periods beginning on or after January 1, 2014.

AMENDMENTS

IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements"

The amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" stem from the Exposure Draft on Investment Entities published in August 2011. The amendments define an investment entity and introduce an exception for consolidating certain subsidiaries belonging to investment entities. These amendments require an investment entity to record those subsidiaries at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments" in their consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. Entities are required to apply the amendments to annual periods beginning January 1, 2014. Early adoption is permitted.

IAS 32 "Financial Instruments: Presentation"

The amendments to IAS 32, issued in December 2011, are intended to clarify differences regarding application relating to offsetting financial instruments and to reduce the level of diversity in current practice. The amendments are applicable beginning January 1, 2014 and early adoption is permitted.

IAS 36 "Impairment of Assets"

The amendments to IAS 36, issued in May 2013, address the disclosure of information on the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments are related to the issuance of IFRS 13 "Fair Value Measurement". The amendments should be applied retrospectively for annual periods beginning on or after January 1, 2014. Early adoption is permitted when the entity has already adopted IFRS 13.

IAS 39 "Financial Instruments: Recognition and Measurement"

The amendments to IAS 39, issued in September 2013, provide an exception to the requirement to discontinue hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. Entities are required to apply the amendments to annual periods beginning on or after January 1, 2014. Early adoption is permitted.

The Company is currently in the process of evaluating the initial effects of applying the new standards and amendments.

IMPACT OF APPLYING NEW STANDARDS AND AMENDMENTS

The accounting policies adopted in preparing the interim consolidated financial statements are consistent with those used in preparing the Company's annual consolidated financial statements for the year ended December 31, 2012, except for the adoption of new standards and interpretations in effect beginning January 1, 2013.

The Company is applying, for the first time, certain standards and amendments that—in principle—require restatements of previous financial statements. This includes, for example, IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IAS 19R "Employee Benefits", IFRS 13 "Fair Value Measurement", etc. In the Company's case, the changes did not result in impacts that required restatements of the previous financial statements. Several other new standards and amendments are applied for the first time in 2013. However, they do not affect the Company's previous annual financial statements or these interim consolidated financial statements. The nature and effect of these changes in standards and amendments are described below.

IAS 1 – "Presentation of Items in Other Comprehensive Income" – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in Other Comprehensive Income. Those items that could be reclassified to net income in the future (e.g. net gain on net investment hedges, exchange differences on translation of foreign operations, net movements of cash flow hedges and the net loss or gain on available-for-sale investments) must now be presented separately from items that will not be reclassified (e.g. actuarial gains and losses on defined benefit plans). The amendment affects only the presentation and did not have any impact on the Company's financial position or earnings.

IAS 1 – "Clarification of Requirements for Comparative Information" (Amendment)

The amendment to IAS 1 clarifies the difference between the minimum amount of required comparative information and voluntary disclosures. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period.

An additional statement of financial position (known as the "third balance sheet") must be presented when the entity applies an accounting change retrospectively, makes retroactive adjustments or reclassifies items in its financial statements, provided that any of these changes have a significant effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that related notes to support the third balance sheet are not required. This amendment did not impact the Company's financial statements.

IAS 32 – "Tax Effect of Distributions to Holders of Equity Instruments" (Amendment)

The amendment to IAS 32 "Financial Instruments: Presentation" clarifies that taxes on distributions to holders of equity instruments are accounted for in accordance with IAS 12 "Income Taxes". The amendment eliminates the existing income tax requirements in IAS 32 and requires entities to apply IAS 12 to any income tax on distributions to equity holders. This amendment did not impact the Company's financial statements.

IAS 34 – "Interim Financial Reporting and Segment Information for Total Assets and Liabilities" (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 "Operating Segments". Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the amount disclosed in the entity's previous annual financial statements for that reportable segment. The Company does not periodically present these amounts to senior operating decision makers and, therefore, it did not change the segment information presented in Note 7.

IAS 19 "Employee Benefits" (Revised in 2011) (IAS 19R)

IAS 19 includes a series of amendments to the accounting for defined benefit plans, including: (1) actuarial gains and losses must now be recognized in Other Comprehensive Income and are permanently excluded from the Income Statement; (2) the expected return on plan assets is no longer recognized in the Income Statement, but rather there is a requirement to recognize the interest on net defined benefit liabilities (assets) in the Income Statement, calculated at the discount rate used to measure the defined benefit obligation, etc. Other amendments include new disclosures such as quantitative sensitivity disclosures.

In the Company's case, the changes did not impact the previous financial statements or the current interim financial statements because the Company has no assets in defined benefit plans and in recent years no actuarial gains or losses have been recognized in the Income Statement and the prior cumulative effect of such actuarial gains and losses was reclassified to Retained Earnings (Losses) in accordance with paragraph 122 of IAS 19R. As at January 1, 2013, actuarial gains and losses have been recognized in Other Comprehensive Income.

IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

The amendment requires an entity to disclose information about rights to financial instruments and related arrangements (e.g. collateral agreements). These disclosures are designed to provide users with information that is useful in evaluating the effect of offsetting agreements on the entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or a similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Company provides additional information on set off agreements in Note 10.

IFRS 10 "Consolidated Financial Statements" and IAS 27 "Separate Financial Statements"

IFRS 10 establishes a single oversight model that applies to all entities, including special purpose entities. IFRS 10 replaces the part of IAS 27 related to consolidated financial statements and replaces SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 changes the definition of control so that an investor controls an investee when it has exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. In order to meet the definition of control in IFRS 10, the following three criteria must be met: (a) an investor has power over the investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the returns. IFRS 10 did not impact the consolidation of the Company's investments.

IFRS 11 "Joint Arrangements" and IAS 28 "Investments in Associates and Joint Ventures"

IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC -13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". IAS 28, 'Investments in Associates', has been amended in order to remain consistent with the changes to accounting for joint arrangements in IFRS 11, which removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 did not impact the accounting treatment of the Company's investments.

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 establishes the disclosure requirements for an entity's interests in subsidiaries, joint ventures, associates and structured entities—in principle—in the annual financial statements for periods beginning on or after January 1, 2013. In Note 3, the Company provides certain disclosures related to its subsidiaries in which it holds less than a 100% interest.

IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a sole source of guidance for IFRS regarding all fair value measurement. IFRS does not change when an entity is required to use fair value, but does provide guidance as to how to measure fair value in accordance with IFRS when such valuation is required or permitted. Applying IFRS 13 has not materially affected the Company's fair value measurements.

IFRS 13 also requires specific disclosures on fair values, some of which replace the existing disclosure requirements in other standards, including IFRS 7 "Financial Instruments: Disclosures". The Company presents these disclosures in Notes 4.21 and 10.

In addition to the amendments mentioned above and the new standards, IFRS 1 "First-time Adoption of IFRS" was modified for periods beginning on or after January 1, 2013. The Company is not adopting IFRS for the first time and, therefore, this amendment is not applicable.

The Company has not adopted in advance any other standard, interpretation or modification that has been issued not is not yet in effect.

NOTE 3 – BASIS OF CONSOLIDATION

The interim consolidated financial statements include the financial information of AES Gener S.A. (the "Parent Company") and its subsidiaries as of September 30, 2013 and December 31, 2012.

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 of the facts and circumstances in evaluating whether the voting rights in an investee are sufficient to give it 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 or not 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 transferred, 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:

TAXPAYER ID NUMBER	COMPANY	COUNTRY	FUNCTIONAL CURRENCY	OWNERSHIP INTEREST September 30, 2013 DIRECT	INDIRECT	TOTAL	December 31, 2012 TOTAL
96.678.770-8	NORGENER S.A.	CHILE	US$	99.9999	0.0000	99.9999	99.9999
96.717.620-6	SOCIEDAD ELECTRICA SANTIAGO S.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	CAYMAN ISLANDS	US$	100.0000	0.0000	100.0000	100.0000
76.803.700-0	INVERSIONES NUEVA VENTANAS S.A.	CHILE	US$	0.0001	99.9999	100.0000	100.0000
78.759.060-8	INVERSIONES TERMOENERGIA DE CHILE LTDA.	CHILE	US$	0.0000	99.9900	99.9900	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.	CHILE	US$	0.0000	99.9999	99.9999	99.9999
Foreign	GENERGIA POWER LTD. (ISLAS CAIMAN)	CAYMAN ISLANDS	US$	100.0000	0.0000	100.0000	100.0000
76.004.976-K	EMPRESA ELECTRICA ANGAMOS S.A.	CHILE	US$	0.0001	99.9999	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	50.6200	98.1200	98.1200
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. (2)	CHILE	US$	0.0000	60.0000	60.0000	100.0000

(1) In November 2012, Empresa Electrica Cochrane, until then a wholly-owned subsidiary of Norgener S.A., which is a wholly-owned subsidiary of AES Gener S.A., issued new stock to Diamond Pacific Investment Limitada ("DPI") such that DPI has ownership of 40% of the outstanding stock of Cochrane. However, as of September 30, 2013, the new shareholder of Empresa Eléctrica Cochrane S.p.A. has only subscribed and paid for 45,860,665 shares of a total of 148,378,912. As a result, as of that date it only holds 30.91% while Inversiones Nueva Ventanas S.A. holds 69.09% (as it possesses 102,518,247 fully paid shares).

In October 2013, DPI fully paid the remaining subscribed shares, such that their 40% participation will be prospectively reflected for accounting purposes.

Based on the recent events and circumstances described above, management reevaluated the consolidation of Empresa Eléctrica Cochrane S.p.A. using the definition of control established in IFRS 10 and determined that, as of the date of these interim consolidated financial statements, that its control over the entity was not modified by this transaction.

(2) In July 2013, Alto Maipo SpA, until then a wholly-owned subsidiary of Norgener S.A. which is a wholly owned subsidiary of AES Gener S.A., issued new stock to Antofagasta Minerales S.A. ("AMSA") such that AMSA has ownership of 40% of the outstanding stock of Alto Maipo.

Based on the recent events and circumstances described above, management reevaluated the consolidation of Alto Maipo SpA using the definition of control established in IFRS 10 and determined that, as of the date of these interim consolidated financial statements, that its control over the entity was not modified by this transaction.

For the purposes of these interim consolidated financial statements, intercompany transactions, balances and unrealized gains between consolidating entities are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

(b) Transactions with Non-Controlling Interest

Non-controlling interest represents the share of net income or net losses and net assets of subsidiaries not fully owned by the Group. Non-controlling interests are presented separately in the Statements of Comprehensive Income and Financial Position. AES Gener S.A. considers transactions with non-controlling interests to be

transactions with third parties outside the Group. 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.

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 Group'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 Group's share of an associate's losses is equal to or greater than its share in that entity, including any other unsecured receivables, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of that associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 policies adopted by the Company.

4.2 Operating Segments

Segment information is presented consistently with internal reports provided to the Company's management, who is responsible for assigning resources and evaluating the performance of the operating segments. In making strategic decisions, 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 Group manages debt at a consolidated level.

Segment information is disclosed in Note 7.

4.3 Foreign Currency Transactions

(a) Presentation and Functional Currency

The items included in the financial statements of each of the Group's entities are valued using the currency of the principal economic environment in which the entity operates ("functional currency"). The interim 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 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 are presented using the following respective exchange rates and closing values per US$1:

	September 30, 2013	December 31, 2012	September 30, 2012
Chilean pesos (Ch$)	504.20	479.96	473.77
Argentinean pesos (Ar$)	5.793	4.918	4.697
Colombian pesos (Col$)	1,905.75	1,767.00	1,800.53
Euro	0.7393	0.7565	0.7775
Unidad de Fomento (UF)	0.02184	0.02101	0.02097

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).

All resulting foreign exchange translation differences are recognized as a separate component of Accumulated Other Comprehensive Income, within Foreign Currency Translation Reserve. On disposal of the foreign operation, the component of Foreign Currency Translation Reserve relating to that particular foreign operation is recognized in income.

4.4 Property, Plant and Equipment

Land belonging to the Group 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, withdrawing 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 Group 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.

Projects under construction include 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 18.

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 Income (Losses).

The amounts corresponding to the de-recognized elements of property, plant and equipment include original cost net of accumulated depreciation and accumulated impairment losses.

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 related to acquisitions of subsidiaries is included in Intangible Assets, whereas goodwill relating to acquisitions of associates is included in Investments in Associates. Goodwill is subject to 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 on the basis of 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 17).

Expenses related to software development or maintenance are expensed as incurred. Costs related directly to production of unique and identifiable software controlled by the Group, 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 17).

(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 a yearly 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. Based on the change in 2013 to the income source from transmission lines that previously connected the SING and SADI markets, cash generating units were modified.

An impairment loss is recognized when there is an excess of the carrying amount of the assets or cash-generating unit of cash over 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 is 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 periods.

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 Group's management has the positive intention and ability to hold until their maturity. If the Group 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 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

Initial Recognition

Acquisitions and disposals of financial investments are recognized as of the date of negotiation (i.e. the date on which the Group 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 for determining fair value is discussed in Note 4.21.

Subsequent Valuation

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently recorded at fair value. Loans and other receivables and held-to-maturity financial assets are accounted for at amortized cost using the effective interest rate method.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in Other Income (Losses) in the Income Statement. Dividend income from financial assets at fair value through profit or loss is recognized in the Statement of Comprehensive Income within Other Gains (Losses) when the Group'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 Accumulated Other Comprehensive Income. Variations in the fair value of monetary and non monetary instruments classified as available-for-sale are recognized through Accumulated Other Comprehensive Income in the Available-for-Sale Reserve.

When instruments classified as available for sale are disposed of or impaired, the accumulated fair value adjustments previously recognized in Accumulated Other Comprehensive Income are included in net income.

Interest from available-for-sale instruments calculated using the effective interest rate method is recognized in net income within the Finance Income account. Dividend income from available-for-sale equity instruments is recognized in net income within Other Gains (Losses) when the Group'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 Group establishes the fair value using valuation techniques that include the following:

(i) the use of recent transactions between willing and duly informed interested parties, in reference to 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 written off when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Impairment

As of each reporting date, the Group 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 and other receivables are recognized initially at fair value and subsequently at amortized cost, in accordance with the effective interest rate method less allowance for doubtful accounts.

The allowance for doubtful accounts in Trade and Other Receivables is established when evidence exists that the Group 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 written-off is recognized 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, trade payables, interest bearing loans 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, cancelled 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 derecognized and the new liability recognized with the difference in the respective carrying amounts recorded 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. Subsequent measurement of financial liabilities depends on their classification, as described below:

When the Group has the right to set off obligations with financial rights, they are not presented net in accordance with paragraph 42 of IAS 32 "Financial Instruments: Presentation", because the Company has the intention to pay and collect the items independently. The disclosures in IFRS 7 "Financial Instruments: Disclosures" also apply to recognized financial instruments whose derivative contracts are subject to an enforceable offsetting agreement or similar agreement, irrespective of the net or gross presentation in accordance with IAS 32. See Note 10.2(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)* Trade Payables**

Balances payable to suppliers are subsequently measured at their amortized cost using the effective interest rate method. Accounts payable with generally accepted commercial maturities are not discounted.

***(c)* Interest-Bearing Loans**

Interest bearing loans are subsequently measured at their amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any initial premium or discount on the loan and includes any transaction costs that are an integral part of the effective interest rate.

4.10 Derivative Financial Instruments and Hedging

The Group 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 Group designates particular derivatives as:

(a) fair value hedges;

(b) cash flow hedges;

The Group documents the relationship between hedging 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 Group also documents its assessment, both at the beginning as well as on a continued basis, of whether the derivatives used in hedge transactions are highly effective in 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 Group 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 Income or Finance Expense.

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 equity are reclassified to Financial Expense as the associated debts accrue interest. For cross currency swaps, the amounts recognized in Other Comprehensive Income are reclassified to Foreign Currency Exchange Differences in income.

When a hedging 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 income within Financial Expenses 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 classified in this category are recognized immediately in the Income Statement within Finance Income or Finance Expense.

(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 lower of cost and net realizable value. Cost is determined using the weighted average cost method (WAVCO). The net realizable value is the estimated sales price during the normal course of business, less estimated 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 prevents funds from 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.

The Group has defined the following considerations in the preparation of the Statement of Cash Flows:

i. Operating Activities: These are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

ii. Investing activities: These consist of the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

iii. Financing activities: These are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Payments and receipts of interest and dividends are classified in the Statement of Cash Flow as part of Operating Activities. Cash flows arising from taxes on income are separately disclosed within cash flows from operating activities.

Although IAS 7 permits presentation of the Statement of Cash Flows using either the direct or indirect method, as per Oficio 2058 published February 3, 2012 by the local Securities Commission (SVS), all public companies must present the Statement of Cash Flows using the direct method beginning the reporting period ending on March 31, 2013. For companies that had previously used the indirect method for presenting their Statement of Cash Flows, the SVS permitted a non-comparative presentation of the direct method during previous reporting periods. The Company previously used the indirect method and as such has conformed to practices required by the SVS switching to direct method for all financial statements filed as of 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 Group 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 result from applying taxes to net taxable income for the period, which 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".

With the exception of 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:

(a) Carry forwards of unused tax credits and losses can be utilized; and

(b) 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, whereby in Argentina they expire after five years.

Argentine subsidiaries determine minimum expected income taxes by applying the current rate of 1% to all allowable assets as of each period end. This tax is complementary to income tax. The obligation for each period consists of the greater of minimum expected tax or income tax. However, if the minimum expected tax exceeds income tax in any fiscal year, this excess may be applied as payment for any income tax surplus over the minimum expected tax that may arise in any of the following ten fiscal years.

4.15 Employee Benefits

(a) Short-Term Employee Benefits and Other Post-Employment Obligations

The Company recognizes 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) Pensions: 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 value of these liabilities is calculated using the projected unit credit method. This actuarial calculation includes the projected benefit discounted at an annual nominal rate considering the probability of such payments or benefits based on mortality and rotation. In Chile, the discount rate is based on the performance of UF-denominated sovereign bonds from the Chilean Central Bank and average long-term projected inflation, while the rate in Colombia is determined based on the performance of long-term sovereign bonds issued by the Colombian government. Sovereign bonds are used because neither country has sufficiently active corporate bond markets of high credit quality. Benefits for retired employees, entitled to medical benefits and electricity subsidies, are recognized based on an estimate of the portion of benefits earned as of the reporting date. Liabilities for medical benefits and electricity subsidies have been determined based on trends for future medical and fixed electricity costs.

Actuarial gains and losses include experience adjustments and the effects of changes in actuarial assumptions. As of January 1, 2013, the Company adopted the amendments in IAS 19R which, among other changes, eliminated the "corridor approach" for actuarial gains and losses. Currently, actuarial gains and losses are recognized in equity in the Defined Benefit Plan Reserve in the period in which they are generated.

(c) **Share-Based Compensation**

AES Corporation, 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 (see Note 32 Share-Based Payments).

Currently, the Company uses the Black-Scholes model to estimate the fair value of the stock options granted to employees.

(d) **Staff Severance Indemnities**

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 Group 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.

Provisions are not recognized for future operating losses.

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 Group 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 Group's activities as described below.

The amount of income is not considered to be reliably measured until all contingencies related to the sale have been resolved. The Group bases its estimates on historical results, taking into account the type of customer, type of transaction and the concrete terms of each agreement.

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 Group's activities. Operating revenue is presented net of value added taxes, returns, rebates and discounts and after eliminating inter-group sales.

(a) **Sales Revenues**

Revenues 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. Operating Revenue includes un-invoiced income from energy and capacity supplied but not billed at 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 Receivables. The related cost of this energy has been included in Cost of Sales. The Company recognizes revenues from sales of inventory such as coal and gas upon delivery and revenues from shipping and engineering services upon performance of such services.

(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.

(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 Group analyzes whether the agreement depends on the use of the specific asset or assets and whether the agreement conveys a right to use the asset. Leases in which all 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 of the fair value of the leased asset; and
- the assets leased 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 Group leases certain property, plant and equipment. Leases of property, plant and equipment in which the Group 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 so as the produce a constant interest rate on the outstanding balance of the obligation. The corresponding lease obligations, net of finance charges, are included in Other Financial Liabilities. The interest element of the finance expense is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each 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 payments is recognized as an accounts receivable. The difference between the gross amount receivable and the present value of that amount is recognized as a gain or loss on the sale.

Income from leases is recognized during 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.

4.19 Dividends

Dividend distributions to the Company's shareholders are recognized as a liability with a corresponding decrease in the Group's consolidated equity in the fiscal year in which the dividends are approved by the Company's Board of Directors.

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 Board of Directors decides unanimously against it.

Net income is equal to Income (Loss) Attributable to Shareholders of 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 emphasis 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. As a result, 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 cancelled 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.

NOTE 5 – FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

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 at all times, 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.

The following aspects of financial risk management are most important:

- Providing transparency, establishing and managing risk tolerances and determining guidelines in order 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 Risk Factors

(a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in market prices. Market risks comprise three types of risk: Foreign Exchange Risk, Interest Rate Risk and Commodity Price Risk.

(i) Foreign Exchange Risk

With the exception of operations in Colombia, the Company's functional currency is the US dollar given that its revenue, expenses, investments in equipment and debt are mainly determined using the US dollar. Also, the Company is authorized to file and pay its 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 September 30, 2013, Gener maintained several currency derivative instruments to decrease its foreign exchange risk from energy sales. This risk arises from the fact that although most energy supply contracts are denominated in US dollars, they are paid in Chilean pesos using an exchange rate that is fixed over a certain period of time. As of September 30, 2013, the impact of a 10% variation in the exchange rate of the Chilean peso with respect to the US dollar could have generated an impact of approximately ThUS$ 2,492 in the Group's Income Statement.

During the nine-month period ended September 30, 2013, approximately 84.7% of operating revenue and 90.3% of the Company's expenses were in US dollars in comparison to 84.9% of operating revenue and 91.8% of expenses during the previous nine-month period ended September 30, 2012.

The functional currency of Chivor, the Company's Colombian subsidiary, is the Colombian peso since the majority of its revenue, particularly contract sales and operating costs, are linked to the Colombian peso. For the period ended September 30, 2013, sales in Colombian pesos represented 11.5% of the Company's consolidated operating revenue (11.3% for the nine months ended September 30, 2012). Additionally, Chivor's dividends are determined in Colombian pesos, although financial hedge instruments are used to fix the amount to be distributed in US dollars.

Spot prices in the Argentinean market are denominated in Argentinean pesos. Argentinean-peso denominated sales represented just 3.8% of the Company's consolidated operating revenue for the period ended September 30, 2013 (3.8% for the nine months ended September 30, 2012). As of September 30, 2013, a 10% variation in the exchange rate of the Argentinean peso with respect to the dollar could generate a negative impact of approximately ThUS$ 2,101 on AES Gener's income.

In addition, the majority of investments in new plants and maintenance of equipment are denominated in US dollars. The majority of short term investments for cash management purposes are also in US dollars. As of September 30, 2013, 64.2% of short-term investments were in US dollars, 17.8% in Argentinean pesos, 13.5% in Chilean pesos and 4.5% in Colombian pesos. Cash balances in Argentinean pesos are subject to exchange restrictions and exchange rate volatility particular to the Argentinean market. As of September 30, 2012, 71.1% of investments and balances were in US dollars, 17.0% in Chilean pesos, 11.2% in Argentinean pesos and 0.7% in Colombian pesos.

With respect to debt denominated in currencies other than the US dollar, Gener has entered into currency swaps to reduce the majority of the foreign exchange risk. AES Gener has a cross currency swap for the duration of the UF denominated bonds issued in 2007 for approximately ThUS$ 219,527. As of September 30, 2013, 97.0% of the Group's debt is denominated in US dollars, including the bonds mentioned above and the related swaps. The following table shows the composition of debt by currency as of September 30, 2013 and December 31, 2012:

Currency	September 30, 2013 %	December 31, 2012 %
US$	97.0	97.5
UF	1.9	2.1
Col$	1.1	0.4

(ii) 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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans. Additionally, the Company has entered into interest rate swaps to mitigate interest rate risk for long term obligations. Currently, the Group has interest rate swaps for an important part of the debt associated with subsidiaries Nueva Ventanas, Angamos and Cochrane. A 10% increase in variable interest rates would not have a significant impact on net income as 88.2% of the Group's debt is at fixed rates. The following table shows the composition of debt by type of interest rate as of September 30, 2013 and December 31, 2012:

Rate	September 30, 2013 %	December 31, 2012 %
Fixed rate	88.2	89.8
Variable rate	11.8	10.2

(iii) Commodity Price Risk

The Group is affected by the volatility of certain commodities. 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. Specifically, diesel and LNG are bought based on international oil prices through bilateral local supply agreements. In Argentina, the Company's subsidiary TermoAndes purchases natural gas at a fixed price under a medium-term contract. Fuel price risk is related to fluctuations in these prices.

The price of fuel is a key factor in plant dispatch and spot prices both in Chile and Colombia. Price variations for fuels such as coal, diesel and natural gas can change the composition of the Company's costs through variations in marginal cost. Since AES Gener is a company based mainly on thermal generation, fuel costs represent a significant portion of the cost of sales.

Currently the majority of Gener's energy sales contracts incorporate an indexation factor that adjusts the energy sales price to the variations in coal prices, according to the indexes and schedules contained in each contract. In addition, the Company has created a coal acquisition strategy that consists of maintaining a portion of purchases at both fixed and variable prices in order to align its generation costs with its contracted energy sales.

Currently, diesel and LNG purchases are not hedged. Given that the Company has a policy of physically backing up its contract sales with efficient generation, it is expected that diesel fired or LNG units will only operate in circumstances such as drought conditions in the SIC and sold at market spot price. Given these conditions and the fact that the Nueva Renca backup unit belonging to subsidiary ESSA used mainly LNG for its generation during this period, it is estimated that a 10% increase in diesel cost would have caused a negative impact on the Company's

consolidated gross profit of ThUS$ 14,431 during the nine months ended September 30, 2013, while a 10% decrease would have caused a positive impact of the same magnitude. It is worth noting that ESSA's Nueva Renca power plant can use either diesel or LNG and is able to acquire the necessary LNG volumes using short-term contracts when the LNG price is more competitive than diesel.

(b) **Credit Risk**

Credit risk is related to the credit rating of the parties with whom AES Gener and its subsidiaries do business. The Company is exposed to credit risk primarily from its operating activities related to trade receivables and from its financing activities including deposits with banks and financial institutions and other financial instruments.

With respect to trade receivables, AES Gener's counterparties are mainly distribution companies and other generators with high solvency and over 90% of its counterparties or their parent companies have local and/or international investment grade credit ratings. As per Chilean regulations, the Company's spot sales are required to be with other CDEC participants that have energy deficits according to economic dispatch performed by the CDEC. In September 2011, a generator participant of the CDEC declared bankruptcy that was caused by financial losses due to dry hydrological conditions experienced in the SIC. In the proceedings, Gener and ESSA presented evidence that this generator had outstanding debt equal to ThUS$ 70 and ThUS$ 2,937, respectively, plus legal conventional interest, of which they received a total of ThUS$ 1,169 in 2012. The Company does not expect to receive any additional payments for this concept and, thus, has recorded allowances for doubtful accounts.

In Colombia, Chivor performs risk assessments of its counterparties based on internal credit quality evaluations, which in some cases may include guarantees. In 2010, also in dry hydrological conditions, Chivor suffered collection problems with an energy trader and eventually registered a loss of ThUS$ 1,300. In this case, the trader was suspended from participating in the spot market and Chivor filed actions to recover the outstanding amount.

Management considers that the Argentine 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 unregulated clients denominated "Major Users of the Electric Market", whose contracts operate under Energía Plus legislation. Resolution 95-2013 was issued on March 26, 2013. This new regulation, which modified the current regulatory framework for the electricity industry, is applicable to generation companies with certain exceptions. It defined a new compensation system based on compensating for fixed costs, non-fuel variable costs and an additional margin. According to Note 2053, sent in March 2013 by the Argentinean Energy Secretary, the units of TermoAndes are not affected by this resolution. Therefore, the Company does not expect this modification to have an impact on its subsidiary's operations.

Financial investments carried by AES Gener and its subsidiaries such as mutual funds, time deposits and derivatives, are executed with local and foreign financial institutions that have national and/or international credit ratings greater than or equal to "A" under the S&P and Fitch scale and "A2" in Moody's rating scale. 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.

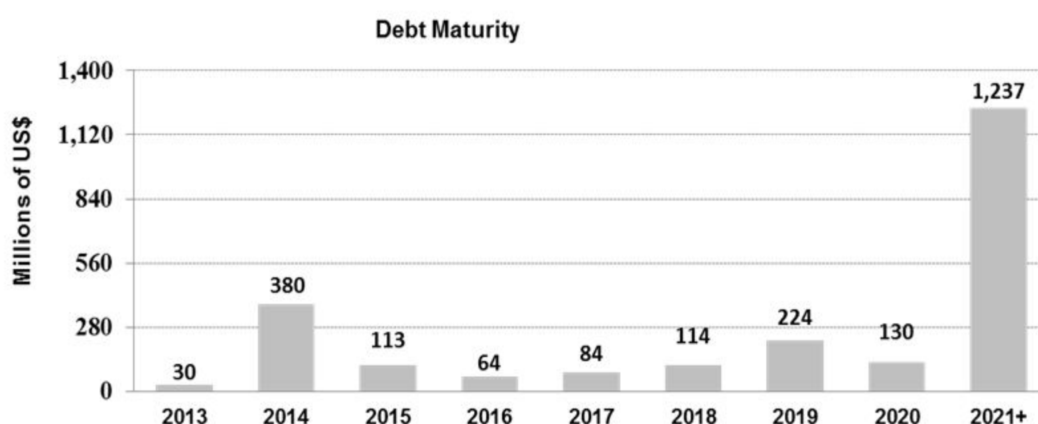
(c) **Liquidity Risk**

Liquidity risk relates to the need for funds to meet payment obligations. The Company's objective is to maintain balance between fund continuity and financial flexibility through normal operating cash flows, bank loans, public bonds, short-term investments and committed and uncommitted credit lines.

As of September 30, 2013, AES Gener had available liquid resources of ThUS$ 381,950, that included cash and cash equivalents of ThUS$ 373,659, time deposits and short term US dollars mutual funds for a total of ThUS$ 8,291, recorded in Other Current Financial Assets. As of December 31, 2012, the total liquid resources balance was ThUS$ 405,504, including cash and cash equivalents of ThUS$ 397,204 and time deposits and short-term mutual funds for a total of ThUS$ 8,300. Cash and cash equivalents includes cash, time deposits with original maturities under three months, marketable securities, short-term, low-risk US dollar mutual funds, rights with repo agreements and fiduciary rights.

As of September 30, 2013, AES Gener holds committed and unused lines of credit for close to ThUS$274,784, in addition to uncommitted and unused lines of credit for close to ThUS$220,262.

In relation to debt maturities, Gener has no significant maturities in 2013. The debt amount originally maturing in 2014 was significantly reduced from ThUS$ 628,344 as of September 30, 2011 to ThUS$ 379,567 as of December 31, 2011 due to the refinancing process carried out in August 2011. Given the cash outflow required to meet the maturities in 2014, the Company and planning on refinancing AES Gener's and AES Chivor's bonds in the amount of ThUS$ 317,000. The chart and table below show the maturity profile, based on actual debt, in millions of US dollars as of September 30, 2013:



	Maturity Profile					
	September 30, 2013					
	Maturity (In millions of US$)					
	Average Interest Rate	2013	2014	2015	2016	2017 +
Fixed Rate						
(UF swapped to US$)	5.50%	-	-	47.0	-	-
(UF swapped to US$)	7.34%	-	-	-	-	172.3
(US$)	7.50%	-	147.1	-	-	-
(US$)	5.25%	-	-	-	-	401.7
(US$)	8.00%	-	-	-	-	102.2
(UF)	7.50%	0.5	1.1	1.2	1.3	41.3
(US$)	9.75%	-	170.0	-	-	-
(US$)	6.95%	3.0	3.0	-	-	-
Variable Rate						
(US$)	Libor + Spread	11.3	25.5	25.9	30.4	251.3
(US$)	Libor + Spread	15.5	33.0	39.1	31.3	676.1
(US$)	Libor + Spread	-	-	-	-	119.5
(Col$)	CPI + Spread	-	-	-	0.9	24.0
Total		**30.3**	**379.6**	**113.2**	**63.9**	**1,788.3**

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 17 and 18)
- The assumptions used to calculate the fair value of financial instruments, including credit risk. (See Note 10)
- The probability of occurrence and the amount of contingent liabilities or liabilities whose amount or timing is uncertain. (See Note 22)
- Future disbursements for asset dismantling or removal obligations. (See Note 22)
- Determination of the existence of capital or operating leases based on the transfer of risks and rewards of the leased assets. (See Note 18)
- Asset and investment valuation and the existence and amount of potential impairment. (See Note 17)

Although these estimates have been made based on the best information available as of the date of issuance of these interim 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 in 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 Earnings by Segment

The Company defines and manages its activities based on certain business segments that meet particular 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, in order 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 and adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"). Adjusted EBITDA is calculated as net income, plus income tax expense, depreciation and amortization, asset retirement obligation accretion expense, finance expense, and less finance income, foreign currency exchange differences, other gains (losses) (as specified in Note 28 Other Gains (Losses)) and the participations in earnings of associates (refer to Note 16 Investments in Associates). Earnings and asset balances in segments are measured in accordance with the same accounting policies that are used in preparation of 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 Customers by Segment

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.

In prior periods, management monitored the SING system together with the Argentinean SADI system. As a result of the new income source from transmission lines between the SING and SADI markets, management began to separately evaluate operating results from these two markets. The transmission lines physically connect the SING and the SADI with one portion in Chile and one in Argentina. For segment reporting purposes, the line was allocated between the two markets based on the line's physical location in each country. The other segments were not modified. In accordance IFRS 8, comparative information was presented for this segment change.

These segments refer to geographic areas.

Throughout all segments, the Company's principal activity consists of electricity generation.

7.3 Assets by Segment

The details of Assets by segment are as follows:

ASSETS BY OPERATING SEGMENT	September 30, 2013						December 31			
	SIC Market	SING Market	SIN Market	SADI Market	Intercompany Eliminations	Total	SIC Market	SING Market	SIN Market	SA Ma
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	Th
Cash and Cash Equivalents	223,357	62,133	19,105	69,064	-	373,659	95,981	96,966	146,232	5
Trade and Other Receivables (1)..................	205,672	456,809	54,902	43,713	(463,961)	297,135	288,563	340,602	186,476	4
Property, Plant and Equipment (2).....................	2,055,626	1,743,897	677,819	234,987	(1,850)	4,710,479	2,014,399	1,618,725	725,800	24
Investment in Empresa Eléctrica Guacolda S.A.......	306,649	-	-	-	-	306,649	276,153	-	-	

(1) Trade and Other Receivables includes both current and non-current portions as well as the account Current Related Party

(2) See Note 18 Property, Plant and Equipment.

7.4 Revenue, Expenses and Capital Expenditures by Segment

The details of Revenues, Expenses and Capital Expenditures by segment for the nine-month periods ended and other selected infor

REVENUE AND COSTS BY OPERATING SEGMENT	For the nine-month period ended									
	September 30, 2013						December			
	SIC Market	SING Market	SIN Market	SADI Market	Intercompany Eliminations	Total	SIC Market	SING Market	SIN Market	S M
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	T
Operating Revenues	1,021,454	385,900	391,533	139,796	(215,475)	1,723,208	1,050,928	383,847	323,445	12
Cost of Sales	907,274	310,208	229,250	110,634	(215,475)	1,341,891	935,139	305,049	124,509	9
Gross Profit...	114,180	75,692	162,283	29,162	-	381,317	115,789	78,798	198,936	2
Net Income before Taxes	257,373	225,611	139,032	22,642	(425,772)	218,886	197,236	136,525	174,306	1
Net Income..	256,404	218,285	95,549	11,251	(425,772)	155,717	170,478	115,925	115,361	
Adjusted EBITDA...............................	140,368	116,594	162,575	52,121	-	471,658	110,558	117,418	196,760	5
Equity Participation in Income from Guacolda Investment.....................................	26,176	-	-	-	-	26,176	4,261	-	-	
Depreciation and Amortization..................................	76,732	52,983	12,301	27,788	-	169,804	64,797	51,336	14,345	2
Capital Expenditures	135,815	177,785	16,656	21,149	-	351,405	188,473	47,516	13,918	(

The details of Revenues, Expenses and Capital Expenditures by segment for the three-month periods ended and other selected info

	For the three-month period ended								
	September 30, 2013						September		
REVENUE AND COSTS BY OPERATING SEGMENT	**SIC Market**	**SING Market**	**SIN Market**	**SADI Market**	**Intercompany Eliminations**	**Total**	**SIC Market**	**SING Market**	**SIN Market**
	ThUS$	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**
Operating Revenues	289,329	123,614	145,441	45,657	(63,677)	540,364	323,192	123,346	142,474
Cost of Sales	275,005	96,168	82,889	39,193	(63,677)	429,578	291,621	89,122	52,297
Gross Profit	14,324	27,446	62,552	6,464	-	110,786	31,571	34,224	90,177
Net Income before Taxes	41,303	67,254	61,851	5,792	(108,087)	68,113	81,793	90,897	81,601
Net Income	46,803	64,394	44,711	2,250	(108,087)	50,071	56,997	74,750	53,922
Adjusted EBITDA	23,082	40,506	62,468	15,159	-	141,215	30,075	46,544	90,056
Equity Participation in Income from Guacolda Investment	13,241	-	-	-	-	13,241	6,082	-	-
Depreciation and Amortization	26,857	17,672	3,981	8,651	-	57,161	21,814	16,772	4,490
Capital Expenditures	62,428	72,795	5,091	271	-	140,585	80,356	17,537	2,039

The following table details the Adjusted EBITDA calculation:

Calculation of Adjusted EBITDA	For the nine-month period ended		For the three-month period ended	
	September 30, 2013 ThUS$	September 30, 2012 ThUS$	September 30, 2013 ThUS$	September 30, 2012 ThUS$
Operating Revenues	1,723,208	1,706,696	540,364	565,178
Cost of Sales	(1,341,891)	(1,284,537)	(429,578)	(399,911)
Gross Profit	**381,317**	**422,159**	**110,786**	**165,267**
Depreciation and Amortization	169,804	158,939	57,161	52,597
Operating EBITDA	**551,121**	**581,098**	**167,947**	**217,864**
Retirement Obligation (ARO)	3,135	2,174	1,060	738
Other Operating Income	3,806	1,502	749	790
Other Expenses	(4,177)	(2,557)	(2,130)	(208)
Administrative Expenses	(82,227)	(107,049)	(26,411)	(36,087)
Total Adjusted EBITDA	**471,658**	**475,168**	**141,215**	**183,097**

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NOTE 8 – CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Cash on Hand	96	4,486
Cash at Banks	115,931	198,682
Short-term Deposits	208,542	184,552
Other Cash and Cash Equivalents	49,090	9,484
Total Cash and Cash Equivalents	**373,659**	**397,204**

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 include mutual funds, which are low risk investments in US dollars that allow for immediate liquidation without restrictions, recorded at their fair value as of the closing date of these interim 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 currency as of September 30, 2013 and December 31, 2012, are detailed as follows:

Cash and Cash Equivalents by Currency	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Ch$	51,656	34,916
Ar$	67,966	51,968
Col$	17,132	13,011
US$	236,905	297,309
Total Cash and Cash Equivalents	**373,659**	**397,204**

As of September 30, 2013 and December 31, 2012, the Company has the following cash amounts with minor restrictions held in bank accounts. These funds are being used by the Company for operational and working capital requirements.

Company	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Empresa Eléctrica Angamos S.A.	55,642	85,571
Empresa Eléctrica Ventanas S.A.	23,495	16,868
Empresa Eléctrica Cochrane S.P.A.	6,476	-
Termoandes S.A.	67,966	-
	153,579	**102,439**

The balance related to Angamos is restricted by the requirements of the credit agreement with Royal Bank of Scotland (formerly ABN AMRO) and BNP Paribas (including the portion belonging to Fortis).

Reserve amounts related to the operating activities of Ventanas are required by the credit agreement with BNP Paribas (formerly Fortis) and Credit Agricole (formerly Calyon Bank).

The balance related to Cochrane S.p.A. 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.

In Argentina, where subsidiaries Termoandes and Interandes operate, exchange rate policy regulates access to foreign currency, which gives rise to certain restrictions on access to dollars.

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NOTE 9 – OTHER FINANCIAL ASSETS

As of September 30, 2013 and December 31, 2012, Other Financial Assets are detailed as follows:

	Current		Non-Current	
Other Financial Assets	**September 30, 2013 ThUS$**	**December 31, 2012 ThUS$**	**September 30, 2013 ThUS$**	**December 31, 2012 ThUS$**
Time Deposits (1)	8,291	8,300	-	-
Foreign Exchange Forwards (2)	2,304	-	-	-
Hedging Instruments (2)	1,969	-	46,037	6,295
Gasoducto Gasandes S.A. (3)	-	-	4,417	4,417
Gasoducto Gasandes (Argentina) (3)	-	-	2,200	2,200
CDEC SIC Ltda.	-	-	137	137
CDEC SING Ltda.	-	-	557	557
Electraficadora del Caribe	997	1,098	-	-
Restricted Cash	-	-	508	534
Other	595	710	-	-
Total	**14,156**	**10,108**	**53,856**	**14,140**

(1) Time deposit investments are considered Other Financial Assets as they have a maturity of more than three months. However, given the short-term nature of these instruments, their carrying values approximate their fair values.

Investments in time deposits include investments of Chivor & Cía. S.C.A E.S.P, which are restricted since they serve as a guarantee for the Company's bond debt. As of September 30, 2013 and December 31, 2012, the amount of such investments was ThUS$8,291 and ThUS$8,300, respectively.

(2) Foreign Exchange Forwards and Hedging Instruments are recorded at their fair value (more detail in Note 10.4 Derivative Instruments).

(3) 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 10.1 Financial Assets and Note 28 Other Income (Losses).

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NOTE 10 – FINANCIAL INSTRUMENTS

10.1 Financial Assets and Liabilities

Financial Assets are classified into the categories described in Note 4.8, detailed as follows:

September 30, 2013	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	373,659	-	-	-	-	373,659
Other Current Financial Assets	-	-	2,304	1,969	9,882	14,155
Trade Receivables	-	230,111	-	-	-	230,111
Other Non-Current Financial Assets	-	508	-	46,037	7,311	53,856
Related Party Receivables	-	1,559	-	-	-	1,559
Total	**373,659**	**232,178**	**2,304**	**48,006**	**17,193**	**673,340**

December 31, 2012	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	397,204	-	-	-	-	397,204
Other Current Financial Assets	-	-	-	-	10,108	10,108
Trade Receivables	-	266,063	-	-	-	266,063
Other Non-Current Financial Assets	-	534	-	6,295	7,311	14,140
Related Party Receivables	-	8,754	-	-	-	8,754
Total	**397,204**	**275,351**	**-**	**6,295**	**17,419**	**696,269**

The carrying amount of financial assets such as Cash and Cash Equivalents, Trade and Other Receivables 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 nonhedging instruments) are presented at their fair value in the Consolidated Statement of Financial Position. See Note 10.2 for the methods used in the calculation of their fair values.

Financial instruments classified as Available-for-Sale Financial Investments that are recorded in Other Current and Non-Current Financial Assets consist of investment funds that are recorded at fair value (coupon value of the funds) and time deposits that, due to the short term nature of their maturities, have carrying amounts that are approximately equivalent to their fair values. Additionally, investments in the CDEC and Gasoducto Gasandes are presented in that category at cost due to the insufficient information available to determine their market value (see Note 9 Other Financial Assets for more information).

The balances of the current portion of Trade and Other Receivables are approximately equivalent to their fair values, due to the short term nature of their maturities.

Financial liabilities are classified into the categories described in Note 4.9, detailed as follows:

September 30, 2013	At Fair Value through Profit or Loss ThUS$	Hedging Instruments ThUS$	Other Financial Liabilities ThUS$	Total ThUS$
Other Current Financial Liabilities	373	33,427	237,635	271,435
Trade Payables	-	-	326,083	326,083
Other Non-Current Financial Liabilities	-	44,172	2,110,591	2,154,763
Related Party Payables	-	-	18,795	18,795
Total	**373**	**77,599**	**2,693,104**	**2,771,076**

December 31, 2012	At Fair Value through Profit or Loss ThUS$	Hedging Instruments ThUS$	Other Financial Liabilities ThUS$	Total ThUS$
Other Current Financial Liabilities	1,476	31,366	91,439	124,281
Trade Payables	-	-	262,987	262,987
Other Non-Current Financial Liabilities	-	85,042	2,187,444	2,272,486
Related Party Payables	-	-	17,017	17,017
Total	**1,476**	**116,408**	**2,558,887**	**2,676,771**

The carrying amounts of the current portion of Related Party Payables and Trade Payables approximate 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 10.2 Fair Values for the methodologies 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 exchange rate of the debt, the credit rating of the instrument and the credit rating of the Company or Group. The assumptions used as of September 30, 2013 and December 31, 2012 are classified as Level 2 within the Fair Value Hierarchy as defined in Note 10.2(d). The following table details the carrying amounts and fair values of interest-bearing loans:

	September 30, 2013		December 31, 2012	
Interest-Bearing Loans	**Carrying Value ThUS$**	**Fair Value ThUS$**	**Carrying Value ThUS$**	**Fair Value ThUS$**
Interest-Bearing Loans	2,348,226	2,506,739	2,278,883	2,471,599

10.2 Fair Values

The Company uses the Reval Hedge Rx system 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 model also incorporates 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 factors used in the model include historic transactions, prices and rates observable in the market, risk free rates, country and/or counterparty risk, as well as the Group's own credit risk.

(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 Group's own credit risk, to calculate the fair value of foreign exchange forwards.

(d) Fair Value Hierarchy for 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 are inputs for the asset or liability that are not based on observable market data.

The following table shows the financial asset and liability by fair value hierarchy:

September 30, 2013	**Note**	**Level 1 ThUS$**	**Level 2 ThUS$**	**Total**
Assets				
At Fair Value through Profit or Loss				**2,304**
Foreign Exchange Forwards	10.4 (a.3)	-	2,304	
Hedging Instruments				**48,006**
Cross Currency Swap	10.4 (a.2)	-	5,903	
Interest Rate Swap	10.4 (a.1)		40,134	
Foreign Exchange Forwards	10.4 (a.3)	-	1,969	
Available-for-Sale				**507**
Mutual Funds		507	-	
Total Assets		**507**	**50,310**	**50,817**
Liabilities				
At Fair Value through Profit or Loss				**373**
Foreign Exchange Forwards		-	373	
Hedging Instruments				77,599
Cross Currency Swap	10.4 (a.2)	-	3,400	
Interest Rate Swap	10.4 (a.1)	-	61,210	
Foreign Exchange Forwards	10.4 (a.3)	-	12,989	
Total Liabilities		**-**	**77,972**	**77,972**

December 31, 2012	**Note**	**Level 1 ThUS$**	**Level 2 ThUS$**	**Total**
Assets				
Hedging Instruments				**6,295**
Cross Currency Swap	10.4 (a.2)	-	6,295	
Available-for-Sale				**534**
Mutual Funds		534	-	

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December 31, 2012	Note	Level 1 ThUS$	Level 2 ThUS$	Total
Total Assets		**534**	**6,295**	**6,829**
Liabilities				
At Fair Value through Profit or Loss				**1,476**
Foreign Exchange Forwards		-	1,476	
Hedging Instruments				**116,408**
Cross Currency Swap	10.4 (a.2)	-	6,457	
Interest Rate Swap	10.4 (a.1)	-	108,098	
Foreign Exchange Forwards	10.4 (a.3)	-	1,853	
Total Liabilities		**-**	**117,884**	**117,884**

As of September 30, 2013 and December 31, 2012, the Group has no financial instruments valued at fair value on a recurring basis that use significant assumptions not based on observable market information (Level 3).

Likewise, during the three months ended September 30, 2013, the Company recorded no movements of financial assets and liabilities between Level 1 and Level 2.

(e) **Master Netting Agreements**

The following table shows the derivative instruments as of September 30, 2013 and December 31, 2012, that are subject to master netting agreements, where there is a contractual right to set off assets and liabilities under these financial instruments.

	September 30, 2013		December 31, 2012	
	Assets ThUS$	Liabilities ThUS$	Assets ThUS$	Liabilities ThUS$
Current	4,273	33,800	-	32,841
Non-Current	46,037	44,172	6,295	85,043
Total Derivatives	**50,310**	**77,972**	**6,295**	**117,884**
Derivative Instruments Subject to Master Netting Arrangements				
Subject to Master Netting Agreements (Gross is Equal to Net)	50,310	77,972	6,295	117,884
Gross Amount of Derivative Instruments Not Offset	(689)	(689)	(794)	(794)
Total Amount	**49,621**	**77,283**	**5,501**	**117,090**

As of September 30, 2013 and December 31, 2012, the Company has not provided any collateral in the form of cash or letters of credit with respect to its financial instruments.

10.3 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, 90% have local and international investment-grade ratings. Credit quality is determined by qualified rating agencies that determine the solvency of the entities from most solvent (rating of "AAA") to the least solvent (rating of "E"). Investment grade is considered "BBB" or higher.

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 according to 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

The 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 according to 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.

10.4 Derivative Instruments

Financial derivatives held by Gener and its subsidiaries correspond primarily to transactions entered into 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 September 30, 2013 and December 31, 2012, is detailed as follows:

(a) Cash Flow Hedges

a.1 Interest Rate Swaps

These swap contracts partially hedge the syndicated loan related to Empresa Eléctrica Angamos S.A., Empresa Eléctrica Ventan
Cochrane S.p.A. The fair values are as follows:

				September 30, 2013				D	
				Asset		Liability		Asset	
				Current	Non-Current	Current	Non-Current	Current	Non-C
Derivative Instrument	**Counterparty**	**Classification**	**Rates Interest**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**ThUS$**	**Th**
Interest Rate Swap	Various	Cash Flow Hedge	2,80% - 5,77%	-	40,134	24,861	36,349	-	
			Total	**-**	**40,134**	**24,861**	**36,349**	**-**	

Empresa Eléctrica Ventanas S.A.

In September 2007, Empresa Eléctrica Ventanas S.A. signed four interest rate swap contracts with the banks Standard Chartere
(formerly Calyon) and BNP Paribas (formerly Fortis), maturing in 15 years for ThUS$315,000, to fix variable interest rates during
periods of its power plant.

These swap contracts partially hedge the loan obtained from a consortium of banks led by BNP Paribas (formerly Fortis) for the
whose construction finalized in December 2009.

Empresa Eléctrica Angamos S.A.

In December 2008, Empresa Eléctrica Angamos executed seven interest rate swap contracts, which are currently held by SMBC
Bank (formerly ABN Amro), BNP Paribas (formerly Fortis), Credit Agricole (formerly Calyon), HSBC and ING, maturing in 17
variable interest rates during the construction and operating periods of its power plant.

These swaps contracts partially hedge the loan from a consortium of banks led by BNP Paribus and ABN Amro for the Angamos P
finalized in October 2011.

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 Mar
Tokyo-Mitsubishi UFJ Ltd., Sumitomo Mitsui Banking Corporation and HSBC Bank NA, maturing in 18 years for ThUS$800,0
during the construction and operating periods of its power plant.

a.2 Cross Currency Swaps

Derivative Instrument	Counterparty	Classification	September 30, 2013				De	
			Asset		Liability		Asset	
			Current	Non-Current	Current	Non-Current	Current	Non-Cu
			ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThU
Cross Currency Swap	Credit Suisse - Deutsche Bank	Cash Flow Hedge	-	5,903	2,810	590	-	(
		Total	**-**	**5,903**	**2,810**	**590**	**-**	**(**

In December 2007, AES Gener signed two cross currency swaps with Credit Suisse International to fix in U.S. Dollars the UF series of locally placed bonds (N and O), equivalent to approximately ThUS$217,000 as of the date of issuance, maturing in 2015 a

In September 2009, AES Gener S.A. signed a modification to the cross currency swap contract associated with the N series bo terminated and replaced by new contracts that were executed with Credit Suisse and Deutsche Bank. Both swap contracts inclu Gener to grant a cash guarantee or line of credit when the swap market value exceeds the limit established in the contracts.

a.3 Foreign Exchange Forwards

In February 2013, AES Gener S.A. executed foreign exchange forwards, related to accounts receivable from regulated custome Corpbanca for ThUS$118,079, with partial maturities and the final settlement on November 25, 2013. The nominal amount o 2013 is ThUS$36,090.

In August 2013, AES Gener S.A. executed foreign exchange forwards, related to accounts receivable from regulated customers, w and Banco Corpbanca for ThUS$140,547, with partial maturities and the final settlement on May 25, 2014. The nominal value a same as the original nominal value.

In May 2013, Empresa Eléctrica Cochrane S.p.A. executed foreign exchange forwards, related to supplier payments in UF with and HSBC for ThUS$272,549, with partial maturities and the final settlement on November 15, 2016. The nominal amount o 2013 is ThUS $245,264.

a.4 Other Information - Cash Flow Hedge

Hedge maturities are included in the following table:

Company	Type of Derivative	Institution	Hedged Item	Period Covered				
				Start	End	2013 ThUS$	2014 ThUS$	20 Th
AES Gener S.A.	Cross Currency Swap	Credit Suisse	Interest Rate	12/1/2007	6/1/2015	-	-	4
AES Gener S.A.	Cross Currency Swap	Deutsche Bank and Credit Suisse	Interest Rate	12/1/2007	12/1/2028	-	-	
Emp Eléctrica Angamos S.A.	Interest Rate Swap	Various	Interest Rate	12/30/2008	9/30/2025	-	27,194	3

Company	Type of Derivative	Institution	Hedged Item	Period Covered Start	End	2013 ThUS$	2014 ThUS$	20 Th
Emp Eléctrica Ventanas S.A.	Interest Rate Swap	Various	Interest Rate	8/31/2007	6/30/2022	8,000	18,000	2
Emp Eléctrica Cochrane S.A.P	Interest Rate Swap	Various	Interest Rate	4/24/2013	11/15/2030	-	-	
Total						**8,000**	**45,194**	**9**

For more details on debt maturity, see Note 20 Other Financial Liabilities.

The Company has not executed cash flow hedge instruments for highly probable transactions that then failed to occur.

The ineffectiveness of cash flow hedges caused losses in the income statement during the nine-month period ended September 3
total of ThUS$ 1,503 and ThUS$ 1,758 effectively.

(b) Derivatives not Designated as Hedging Instruments

In July 2012, subsidiary Chivor executed currency forward contracts related to expenditures in dollars with JP Morgan for a total nominal value of ThUS$ 35,181, with partial maturities, the last of which is in September 2013. There is no nominal amount outstanding as of September 30, 2013.

In May 2013, subsidiary Chivor executed currency forward contracts related to expenditures in dollars with Bancolombia for a total nominal value of ThUS$ 88,304, with partial maturities, the last of which is in March 2014. The nominal amount outstanding as of September 30, 2013 is ThUS$ 51,492.

During July and September of 2013, Chivor executed various currency forward contracts in dollars with JP Morgan and Bancolombia for a total nominal value of ThUS$ 61,285, with partial maturities, the last of which is in September 2014. The nominal amount outstanding as of September 30, 2013 is the same as the original nominal value.

Balances corresponding to outstanding instruments are classified as Current Assets/Liabilities.

(c) Embedded Derivatives (Through Profit or loss)

As of September 30, 2013 and December 31, 2012, there are no balances for this type of instrument.

(d) Movements Related to Accumulated Other Comprehensive Income

Amounts recognized in Accumulated Other Comprehensive Income and amounts reclassified from Accumulated Other Comprehensive Income to Income Statement related financial instruments for the nine-month periods ended September 30, 2013 and 2012, are:

	September 30, 2013 ThUS$	**September 30, 2012 ThUS$**
Valuation of Available-for-Sale Assets	-	(202)
Gains (Losses) related to Derivatives Recognized in Other Comprehensive Income	69,929	(12,217)
Gains (Losses) related to Derivatives Reclassified from Other Comprehensive Income to Net Income	10,742	(24,122)
Gains (Losses) related to Derivatives of Associate Recognized in Other Comprehensive Income	4,320	1,170

NOTE 11 – OTHER NON FINANCIAL ASSETS

As of September 30, 2013 and December 31, 2012, Other Non Financial Assets are as follows:

	Current		Non-Current	
Other Non-Financial Assets	**September 30, 2013 ThUS$**	**December 31, 2012 ThUS$**	**September 30, 2013 ThUS$**	**December 31, 2012 ThUS$**
Prepaid Insurance	14,304	6,230	-	-
Operation and Maintenance Contract	-	-	-	1,009
Taxes Receivable (1)	-	-	21,650	14,693
Other Project Payments	192	-	-	-
Advance to Compañía Papelera del Pacífico	642	642	1,713	2,194
Prepaid Import Duties	1,301	-	-	-
Prepaid Insurance as per Financing Agreement	5,067	-	13,093	-
Other	967	740	120	92
Total	**22,473**	**7,612**	**36,576**	**17,988**

(1) The non-current portion corresponds primarily to the parent company's recoverable taxes related to water rights permits.

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NOTE 12 – 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 recoverable taxes (tax credits) related to Argentinian subsidiaries and prepayments to suppliers, among other items.

1) As of September 30, 2013 and December 31, 2012, this account is detailed as follows:

	Current		Non-Current	
Trade and Other Receivables, Net	**September 30, 2013 ThUS$**	**December 31, 2012 ThUS$**	**September 30, 2013 ThUS$**	**December 31, 2012 ThUS$**
Trade Receivables, Gross	235,465	271,592	1,195	1,652
Allowance for Doubtful Accounts (1)	(6,549)	(7,181)	-	-
Trade Receivables, Net	**228,916**	**264,411**	**1,195**	**1,652**
Sales Tax Credit	34,486	25,471	151	3,943
Other Receivables (2)	30,338	22,745	490	488
Trade and Other Receivables, Net	**293,740**	**312,627**	**1,836**	**6,083**

(1) As of December 31, 2012, the Company includes among its allowance for doubtful accounts an impairment loss in Current Trade Receivables relating to the client Campanario Generación S.A. (declared bankrupt). As of September 30, 2013, these accounts have been written off.

(2) Other Receivables consist of prepayments made to suppliers, receivables relating to employees and guarantees provided.

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:

Trade Receivables Neither Past Due nor Impaired	**September 30, 2013 ThUS$**	**December 31, 2012 ThUS$**
Less than Three Months	9,113	23,615
Between Three and Six Months	492	215
More than Twelve Months	1,195	5,436
Trade Receivables Neither Past Due nor Impaired	**10,800**	**29,266**

3) Impaired Trade and Other Receivables are detailed in the following table:

Allowance for Doubtful Accounts	**ThUS$**
Balance as of December 31, 2011	**6,951**
Increase (Decrease) for the Year	230
Balance as of December 31, 2012	**7,181**
Increase (Decrease) for the Year	736
Amounts Written off to Income	(1,368)
Balance as of September 30, 2013	**6,549**

NOTE 13 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its subsidiaries consist of recurring transactions made at terms equivalent to those t transaction. These intercompany transactions have been eliminated upon consolidation and are not disclosed in this note.

13.1 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

Taxpayer ID Number	Company	Country	Transaction	Relationship	Currency
Foreign	AES Corporation	United States	Miscellaneous Services	Ultimate Parent Company	US$
Foreign	AES Corporation	United States	Insurance Claim Paid	Ultimate Parent Company	US$
Foreign	AES Energy Storage	United States	Project Consulting	Common Parent	US$
Foreign	AES Maritza East Ltd.	Bulgaria	Miscellaneous Services	Common Parent	US$
Foreign	AES Panamá Limitada	Panama	Miscellaneous Services	Common Parent	US$
Foreign	AES Hawaii	United States	Fuel Sales	Common Parent	US$
Foreign	Compañía de Alumbrado Eléctrico	El Salvador	Miscellaneous Services	Common Parent	US$
Foreign	Masinloc Power Partners Co. Ltd	Philippines	Miscellaneous Services	Common Parent	US$
Foreign	AES TEG Operations, S.de R.L. de CV	Mexico	Miscellaneous Services	Common Parent	US$
Foreign	AES Andres BV	Dominican Republic	Miscellaneous Services	Common Parent	US$
Foreign	AES Pacífic	United States	Miscellaneous Services	Common Parent	US$
Foreign	AES Big Sky, LLC	United States	Miscellaneous Services	Common Parent	US$
Foreign	AES Strategic Eqpt HoldingCorp	United States	Miscellaneous Services	Common Parent	US$
Foreign	AES Servicios America	Argentina	Miscellaneous Services	Common Parent	US$
Foreign	AES Sonel S.A.	Cameroon	Miscellaneous Services	Common Parent	US$
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Miscellaneous Services	Associate	Ch$
Total					

The Company has not record any non-current receivables as of September 30, 2013.

(b) The balances of Accounts Payable between the Company and its related companies are detailed as follows:

Related Party Payables

Taxpayer ID Number	Company	Country	Transaction	Relationship	Currency
Foreign	AES Corporation	United States	Remunerations for Foreign Personnel	Ultimate Parent Company	US$
Foreign	AES Corporation	United States	Reimbursed Expenses and Consulting	Ultimate Parent Company	US$
Foreign	AES Corporation	United States	Other Services	Ultimate Parent Company	US$

Related Party Payables

Taxpayer ID Number	Company	Country	Transaction	Relationship	Currency
Foreign	AES Servicios América	Argentina	Information Systems Consulting	Common Parent	US$
Foreign	AES Argentina Generacion S.A.	Argentina	Miscellaneous Services	Common Parent	US$
Foreign	AES Energy Ltd	Argentina	Miscellaneous Services	Common Parent	US$
Foreign	Compañía de Alumbrado Eléctrico	El Salvador	Miscellaneous Services	Common Parent	US$
Foreign	AES Panamá Limitada	Panama	Miscellaneous Services	Common Parent	US$
Foreign	AES Big Sky, LLC	United States	Miscellaneous Services	Common Parent	US$
Foreign	Masinloc Power Partners Co. Ltd	Philippines	Miscellaneous Services	Common Parent	US$
Foreign	AES Energy Storage	United States	Miscellaneous Services	Common Parent	US$
Foreign	AES Alicura	Argentina	Miscellaneous Services	Common Parent	US$
Foreign	AES NA Central, LLC	United States	Miscellaneous Services	Common Parent	US$
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Purchases of Energy and Capacity	Associate	US$
Total					

The Company has not recorded any non-current payables as of September 30, 2013.

(c) The effects on the Income Statement of these transactions with unconsolidated related companies during the peri and 2012, are detailed as follows:

TAXPAYER ID NUMBER	Company	Country	Transaction	Relationship	September 30, 2013 ThUS$	Effect on Income ThUS$
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Sale of Energy and Capacity	3,300	3,300
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Purchase of Energy and Capacity	47,320	(47,320
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Coal Sale	4,184	4,184
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Coal Purchase	4,099	(4,099
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Transmission Charges	-	-
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Transmission Charges	143	143
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Miscellaneous Services	101	101
99.588.230-2	Compañía Transmisora del Norte Chico S.A.	Chile	Subsidiary of Associate	Sale of Energy and Capacity	-	-
99.588.230-2	Compañía Transmisora del Norte Chico S.A.	Chile	Subsidiary of Associate	Purchase of Energy and Capacity	177	(177
99.588.230-2	Compañía Transmisora del Norte Chico S.A.	Chile	Subsidiary of Associate	Transmission Charges	794	(794
99.588.230-2	Compañía Transmisora del Norte Chico S.A.	Chile	Subsidiary of Associate	Transmission Charges	1,666	1,666
Foreign	Gasoducto Gasandes Argentina	Argentina	Investment	Dividends	1,996	1,996
Foreign	AES Corporation	United States	Parent Company	Miscellaneous Services	1,398	(1,398
Foreign	Compañía de Alumbrado Eléctrico	El Salvador	Common Parent	Miscellaneous Services	125	(125

TAXPAYER ID NUMBER	Company	Country	Transaction	Relationship	September 30, 2013 ThUS$	Effect on Income ThUS$
Foreign	AES Big Sky, LLC	United States	Common Parent	Miscellaneous Services	1	(1
Foreign	AES Energy Ltd	Argentina	Common Parent	Miscellaneous Services	-	-
Foreign	AES Energy Storage	United States	Common Parent	Miscellaneous Services	30	30
Foreign	AES Andres BV	Dominican Republic	Common Parent	Miscellaneous Services	-	-
Foreign	AES Fonseca Energía Limit	El Salvador	Common Parent	Miscellaneous Services	-	-
Foreign	AES Panama	Panama	Common Parent	Miscellaneous Services	-	-
Foreign	AES Pacífic	United States	Common Parent	Miscellaneous Services	-	-
Foreign	AES Solutions, LLC	United States	Common Parent	Miscellaneous Services	-	-
Foreign	AES Servicios America S.R.L.	Argentina	Common Parent	Miscellaneous Services	694	(694
Foreign	AES - 3 Maritza East 1 LTD.	Bulgaria	Common Parent	Miscellaneous Services	-	-
Foreign	AES Hawaii	United States	Common Parent	Coal Sale	-	-

Transactions with related companies, in general, consist of recurring transactions made at terms equivalent to those that prevail in a

As of September 30, 2013, 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 interim consolidated financial statements, no transactions 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 interim 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 on April 30, 2013, shareholders agreed to set compensation for Audit Committee members at 160 Unidades de Fomento for the 2013 period. During the periods covered by these interim consolidated financial statements, the amounts detailed in the following chart were paid to Audit Committee members and directors of subsidiaries.

Board Compensation		September 30, 2013		
		Board of Directors AES Gener	Board of Directors Subsidiaries	Audit Committee
Name	Position	ThUS$	ThUS$	ThUS$
Andrés Gluski	Chairman	-	-	-
Andrew Vesey	Director	-	-	-
Tom O'Flynn	Director	-	-	-
Arminio Borjas	Director	-	-	-
Iván Díaz-Molina	Director	-	-	60
Juan Andrés Camus Camus	Director	-	-	60
Radovan Roque Razmilic Tomicic	Director	-	-	60
Total		**-**	**-**	**180**

Board Compensation		September 30, 2012		
		Board of Directors AES Gener	Board of Directors Subsidiaries	Audit Committee
Name	Position	ThUS$	ThUS$	ThUS$
Andrés Gluski	Chairman	-	-	-

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Board Compensation		September 30, 2012		
		Board of Directors AES Gener	Board of Directors Subsidiaries	Audit Committee
Name	**Position**	**ThUS$**	**ThUS$**	**ThUS$**
Edward C Hall III	Former Director	-	-	-
Victoria Dux Harker	Former Director	-	-	-
Arminio Borjas	Director	-	-	-
Iván Díaz-Molina	Director	-	-	66
Juan Andrés Camus	Director	-	-	66
Radovan Roque Razmilic Tomicic	Director	-	-	66
Total		**-**	**-**	**198**

On November 19, 2012, AES Gener was informed of the resignation presented by Mr. Edward C. Hall as Director of AES Gener S.A.

On February 26, 2013 during ordinary board meeting No. 586, the Board was informed of the resignation presented by Mr. Fernando Pujals as Director of AES Gener S.A. (alternate for Mr. Edward C. Hall) and appointed Mr. Andrew Vesey to replace him.

(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 prior period, in addition to long term compensation, such as stock options, employee benefits and severance. 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 nine months ended September 30, 2013 and 2012, of ThUS $4,687 and ThUS$ 3,813, respectively.

NOTE 14 – INVENTORY

Inventory, valued in accordance with Note 4.11, is detailed as follows:

Inventory	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Coal	46,940	34,820
Oil	9,496	11,213
Materials	36,447	26,768
Coal in Transit	13,218	15,347
Materials in Transit	7,382	2,320
Other Inventory	114	235
Total	**113,597**	**90,703**

The amount of inventory recognized as cost of sales in income for the nine-month periods ended September 30, 2013 and 2012, is detailed as follows:

Inventory Recognized as Cost of Sales in Net Income	September 30, 2013 ThUS$	September 30, 2012 ThUS$
Coal	303,730	335,750
Oil	51,895	63,865
Natural Gas	158,954	255,541
Other	16,083	12,814
Total	**530,662**	**667,970**

Other consists principally of materials being used and biomass consumption.

In the periods covered by these interim consolidated financial statements, no adjustments exist that would significantly affect the carrying value of inventory.

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NOTE 15 – CURRENT TAXES

Current Taxes Receivable as of September 30, 2013 and December 31, 2012, are detailed as follows:

Current Taxes Receivable	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Monthly Provisional Tax Payments	15,152	15,568
Employee Training Credit (Sence)	99	319
Donation Credits	14	125
Prepaid Income Taxes in Colombia	41,554	-
Argentinean Tax Credits	2,795	2,323
Credit for Absorbed Profits	6,000	6,000
Refund Receivable	15,047	14,528
Other	8,149	308
Less:		
Monthly Tax Provision	628	921
Rejected Expenses Provision	18	94
First Category Tax Provision	46,030	9,588
Total	**42,134**	**28,568**

Current Taxes Payable are detailed as follows:

Current Taxes Payable	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Monthly Provisional Tax Payments	-	527
First Category Provisional Tax Payments	19,928	95,920
Colombian Equity Provisional Tax Payments	-	4,006
Other	299	376
Less:		
Monthly Provisional Tax Recoverable	6,437	10,347
Employee Training Credit (Sence)	8	18
Donation Credits	-	3
PPE Credit	113	93
Colombia Income Tax Advance Payments	-	40,496
Other	18	2
Total	**13,651**	**49,870**

NOTE 16 – INVESTMENTS IN ASSOCIATES

AES Gener S.A. has a 50% interest in Empresa Eléctrica Guacolda S.A. and the same percentage of voting rights. The Company' comply with the concept and definition in IFRS 11 "Joint Ventures" but since it has significant influence, it is still classified as an IAS 28 "Investments in Associates and Joint Ventures".

The following table includes detailed information on associates as of September 30, 2013 and December 31, 2012:

Investments in Associates	Country	Functional Currency	Ownership Interest	Percentage of Voting Rights	Balance January 1, 2013	Equity Participation in Earnings	O
					ThUS$	ThUS$	
Empresa Eléctrica Guacolda S.A.	Chile	US$	50.00%	50.00%	276,153	26,176	
Total					**276,153**	**26,176**	

Investments in Associates	Country	Functional Currency	Ownership Interest	Percentage of Voting Rights	Balance January 1, 2012	Equity Participation in Earnings	O
					ThUS$	ThUS$	
Empresa Eléctrica Guacolda S.A.	Chile	US$	50.00%	50.00%	273,375	9,187	
Total					**273,375**	**9,187**	

The associate Guacolda can distribute dividends as long as:

(i) it is not in breach of its credit agreements,

(ii) its debt reserve accounts are funded or covered by bank guarantees and,

(iii) it complies with the debt coverage ratio that increases inversely to its hired capacity.

There were no dividends received from Guacolda for the nine-month period ended September 30, 2013. During the same pe amount of ThUS$9,332 were received.

The following tables contain summarized information as of September 30, 2013 and December 31, 2012, on the financial statemen

Investments in Associates	% Ownership Interest	September 30, 2013 Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Operating Revenues
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Empresa Eléctrica Guacolda S.A.	50%	183,942	1,169,601	102,422	616,102	416,722
Total		**183,942**	**1,169,601**	**102,422**	**616,102**	**416,722**

Investments in Associates	% Ownership Interest	December 31, 2012 Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Operating Revenues
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Empresa Eléctrica Guacolda S.A.	50%	165,213	1,129,273	114,389	611,090	612,667
Total		**165,213**	**1,129,273**	**114,389**	**611,090**	**612,667**

NOTE 17 – INTANGIBLE ASSETS

17.1 Intangible Assets

The principal classes of Intangible Assets, valued as described in Note 4.5 and 4.6, are detailed as follows:

	September 30, 2013		
	Gross	Accumulated Amortization	Net
Intangible Assets	ThUS$	ThUS$	ThUS$
Goodwill	7,309	-	7,309
Intangible Assets with Definite Useful Lives	27,514	(11,301)	16,213
Intangible Assets with Infinite Useful Lives	25,096	-	25,096
Intangible Assets	**59,919**	**(11,301)**	**48,618**
Software	12,914	(8,542)	4,372
Easements	9,988	(84)	9,904
Water Rights	17,207	-	17,207
Other Identifiable Intangible Assets	12,501	(2,675)	9,826
Total Identifiable Intangible Assets	**52,610**	**(11,301)**	**41,309**

	December 31, 2012		
	Gross	Accumulated Amortization	Net
Intangible Assets	ThUS$	ThUS$	ThUS$
Goodwill	7,309	-	7,309
Intangible Assets with Definite Useful Lives	24,970	(8,366)	16,604
Intangible Assets with Infinite Useful Lives	23,214	-	23,214
Intangible Assets	**55,493**	**(8,366)**	**47,127**
Software	10,298	(7,329)	2,969
Easements	10,021	(86)	9,935
Water Rights	16,729	-	16,729
Other Identifiable Intangible Assets	11,136	(951)	10,185
Total Identifiable Intangible Assets	**48,184**	**(8,366)**	**39,818**

Easements and water rights do not have defined useful lives, therefore it has been determined that they are indefinite and continuously permanent. These intangibles have not suffered any contractual or legal modification as of September 30, 2013. Accumulated amortization of easements as of September 30, 2013 and December 31, 2012, 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	Software ThUS$	Easements ThUS$	Water Rights ThUS$	Other Identifiable Intangible Assets ThUS$	G… T…
	2013				
Opening Balance, January 1, 2013	2,969	9,935	16,729	10,185	
Additions	2,804	-	1,865	1,387	
Disposals	5	17	(1,387)	(5)	
Amortization	(1,286)	(48)	-	(1,741)	
Increase (Decrease) Due to Foreign Currency Exchange Differences	(120)	-	-	-	
Total Changes	**1,403**	**(31)**	**478**	**(359)**	
Ending Balance of Identifiable Intangible Assets, September 30, 2013	**4,372**	**9,904**	**17,207**	**9,826**	

Movements in Intangible Assets	Software ThUS$	Easements ThUS$	Water Rights ThUS$	Other Identifiable Intangible Assets ThUS$	G… T…
	2012				
Opening Balance, January 1, 2012	1,967	6,787	14,245	10,817	
Additions	1,686	3,176	2,489	303	
Disposals	-	-	(5)	-	
Amortization	(829)	(28)	-	(935)	
Increase (Decrease) Due to Foreign Currency Exchange Differences	145	-	-	-	
Total Changes	**1,002**	**3,148**	**2,484**	**(632)**	
Ending Balance of Identifiable Intangible Assets, December 31, 2012	**2,969**	**9,935**	**16,729**	**10,185**	

Estimated Useful Lives or Amortization Rates Used	Unit	Maximum Life or Rate	Minimum Life or Rate
Software	Years	5	2
Easements	Years	Infinite	30
Water Rights	Years	Infinite	Infinite
Life or Rate for Other Identifiable Intangible Assets	Years	40	2

Individually Significant Identifiable Intangible Assets as of September 30, 2013	Carrying Amount ThUS$	Remaining Amortization Period Years
Water Rights Volcan River, Exchange with RPG	11,908	Indefinite

17.2 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	September 30, 2013 ThUS$	December 31, 2012 ThUS$	September 30, 2013 ThUS$	December 31, 2012 ThUS$	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Goodwill	7,309	7,309	-	-	7,309	7,309
Water Rights	17,207	15,342	-	-	17,207	15,342
Easements	6,457	6,440	1,215	1,215	7,672	7,655
Other Intangible Assets	217	217	-	-	217	217
Total	**31,190**	**29,308**	**1,215**	**1,215**	**32,405**	**30,523**

During the first quarter of 2013, management determined a new income source for the transmission lines between the SING and SADI markets, leading to a change in the CGUs. This change also resulted in an indicator of impairment (See Note 18.3).

The new detail of intangible assets based on the new CGUs does not affect previously disclosed information as the two new CGUs do not have any intangible assets or goodwill associated with them.

The recoverable value that was applied in the impairment test is the value in use. Considering that an active market for these assets does not exist, the value in use was calculated using the discounted cash flow method. The assumptions used are consistent with the information utilized for the projected budget and cash flows, applying a discount rate that includes the time value of money and the specific risks of the CGU. No impairment losses were identified.

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NOTE 18 – PROPERTY, PLANT AND EQUIPMENT

18.1 Property, Plant and Equipment

The balances of the different categories of Property, Plant and Equipment for the nine-month period ended September 30, 2013 and the year ended December 31, 2012, are detailed as follows:

Classes of Property, Plant and Equipment	September 30, 2013		
	Gross ThUS$	Accumulated Amortization ThUS$	Net ThUS$
Construction in Progress	481,327	-	481,327
Land	35,822	-	35,822
Buildings	17,459	(6,563)	10,896
Plant and Equipment	5,386,731	(1,278,722)	4,108,009
IT Equipment	12,404	(6,412)	5,992
Furniture	11,958	(7,588)	4,370
Motor Vehicles	4,660	(2,522)	2,138
Other Property, Plant and Equipment	67,002	(5,077)	61,925
Total	**6,017,363**	**(1,306,884)**	**4,710,479**

Classes of Property, Plant and Equipment	December 31, 2012		
	Gross ThUS$	Accumulated Amortization ThUS$	Net ThUS$
Construction in Progress	755,715	-	755,715
Land	35,772	-	35,772
Buildings	830,974	(114,771)	716,203
Plant and Equipment	4,050,891	(1,034,092)	3,016,799
IT Equipment	11,401	(4,926)	6,475
Furniture	11,679	(7,010)	4,669
Motor Vehicles	3,689	(2,038)	1,651
Other Property, Plant and Equipment	65,737	(3,658)	62,079
Total	**5,765,858**	**(1,166,495)**	**4,599,363**

Construction in Progress corresponds principally to investments associated with the Alto Maipo and Cochrane projects 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 (Life)	Unit	Minimum Life	Maximum 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	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Expenditures on Construction in Progress	293,658	419,182
Commitments for Additions	2,114,531	1,147,643

The following tables present movements in Property, Plant and Equipment during the nine-month period ended September
December 31, 2012, respectively:

Movements during the nine-months ended September 30, 2013	Construction in Progress ThUS$	Land ThUS$	Buildings ThUS$	Plant and Equipment ThUS$	IT Equipment ThUS$	Furniture ThUS$	Motor Vehicl ThUS$
Opening Balance, January 1, 2013	755,715	35,772	716,203	3,016,799	6,475	4,669	1,65
Changes: Reclassification(3)	-	-	(712,021)	712,175	-	(154)	
Changes: Additions	336,226	259	-	11,743	200	113	1,10
Changes: Disposals	-	-	(89)	(15,710)	(6)	4	(
Changes: Depreciation	-	-	(722)	(162,776)	(1,535)	(801)	(51
Changes: Increase(Decrease)due to Foreign Currency Exchange Differences(1)	(1,359)	(209)	(52)	(50,535)	(235)	(127)	(4
Changes: Transfers(2)	(609,255)	-	7,577	596,313	1,093	666	(9
Total Changes	**(274,388)**	**50**	**(705,307)**	**1,091,210**	**(483)**	**(299)**	**48**
Ending Balance, September 30, 2013	**481,327**	**35,822**	**10,896**	**4,108,009**	**5,992**	**4,370**	**2,13**

Movements during the year ended December 31, 2012	Construction in Progress ThUS$	Land ThUS$	Buildings ThUS$	Plant and Equipment ThUS$	IT Equipment ThUS$	Furniture ThUS$	Motor Vehic ThUS$
Opening Balance, January 1, 2012	**469,436**	**35,097**	**714,218**	**3,111,639**	**5,666**	**2,535**	**1,48**
Changes: Additions	339,641	758	4,753	9,602	635	755	52
Changes: Disposals	-	(196)	(969)	(11,007)	-	(6)	(4
Changes: Depreciation	-	-	(20,886)	(187,199)	(1,810)	(906)	(55
Changes: Increase (Decrease) in Foreign Currency Translation (1)	276	186	68	62,918	283	114	
Changes: Transfers	(53,638)	(73)	19,019	30,846	1,701	2,177	23
Total Changes	**286,279**	**675**	**1,985**	**(94,840)**	**809**	**2,134**	**16**
Ending Balance, December 31, 2012	**755,715**	**35,772**	**716,203**	**3,016,799**	**6,475**	**4,669**	**1,65**

(1) This is related to the currency translation of Colombian subsidiary Chivor, which uses the Colombian peso as its functiona

(2) On March 6, 2013, the Ventanas IV Power Plant, which belongs to Empresa Eléctrica Campiche S.A., began operating
270 MWh. This power plant is connected to the Central Interconnected System ("SIC").

(3) On January 1, 2013, based on changes in the policy for classifying property, plant and equipment, all buildings directly
will be presented as plant and equipment starting from that date. The impact of this change in policy as of Decembe
follows:

Reclassification for Comparative Period		Buildings ThUS$	Plant and Equipment ThUS$
Opening Balance, January 1, 2012		714,218	3,111,639
Changes	Reclassification	(714,006)	714,006
	Additions	-	14,355
	Disposals	-	(11,976)
	Depreciation Expense	-	(208,085)
	Increase (Decrease) in Foreign Currency Translation	-	62,986
	Transfers	-	49,865
	Total Changes	**(714,006)**	**621,151**
Ending Balance, December 31, 2012		**212**	**3,732,790**

Capitalized interest costs for the period and the average effective rate of the Company's debt are detailed below:

Capitalized Interest	September 30, 2013 ThUS$	September 30, 2012 ThUS$
Capitalized Interest Expense	25,621	51,663
Capitalization Rate	6.36%	6.36%

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.

18.2 Leased Assets

Finance leases by asset class, the Company as lessee:

Finance Lease	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Buildings	10,467	11,533
Plant and Equipment	3,596	3,710
IT Equipment	16	16
Motor Vehicles	30	-
Total Property, Plant and Equipment under Finance Leases	**14,109**	**15,259**

Minimum lease payments related to finance leases, the Company as lessee:

Minimum Lease Payments on Finance Leases, Lessee	September 30, 2013			December 31, 2012		
	Gross ThUS$	Interest ThUS$	Present Value ThUS$	Gross ThUS$	Interest ThUS$	Present Value ThUS$
Less than a Year	1,463	749	714	1,638	814	824
Between 1 and 5 Years	4,557	1,939	2,616	4,726	2,040	2,686
More than 5 Years	48,680	26,945	21,735	53,589	30,205	23,384
Total	**54,700**	**29,633**	**25,065**	**59,953**	**33,059**	**26,894**

Minimum lease payments related to operating leases, the Company as lessee:

Minimum Lease Payments on Operating Leases, Lessee	December 31, 2012 ThUS$	September 30, 2013 ThUS$
Less than a Year	-	-
Between 1 and 5 Years	8,113	6,592
More than 5 Years	17,578	19,099
Total	**25,691**	**25,691**

Minimum lease payments related to finance leases, the Company as lessor:

Minimum Lease Payments on Finance Leases, Lessor:	September 30, 2013			December 31, 2012		
	Gross ThUS$	Interest ThUS$	Present Value ThUS$	Gross ThUS$	Interest ThUS$	Present Value ThUS$
Less than a Year	-	-	-	24	-	24
Total	**-**	**-**	**-**	**24**	**-**	**24**

Contingent payments are based on variations in the CPI and the energy spot price. The Company made contingent payments during the period of ThUS$622.

18.3 Asset Impairment

As indicated in Note 4.7, the recoverable amounts of property, plant and equipment are evaluated when there is evidence that the asset may be impaired.

During the first quarter of 2013, the export permit of the subsidiary Termoandes (Argentina), which had allowed that company to sell energy on the Chilean energy market, expired. The Company reached the conclusion that the permit's expiration was an indicator of impairment under IAS 36. Consequently, the Company performed an impairment test based on an alternative use plan for this group of assets, which did not produce any significant differences between the value in use and their recoverable value and, as a result, had no effect on net income. The recoverable value is estimated using cash flows discounted at a rate equal to the Company's pre-tax WACC. The Company periodically monitors the progress of this plan as well as the related assumptions used in the impairment analysis.

No impairment losses were identified during the nine-month period ended September 30, 2013 and the year ended December 31, 2012.

18.4 Disposal of Property, Plant and Equipment

There have been no significant disposals of Property, Plant and Equipment during the nine-month period ended September 30, 2013 or during the year ended December 31, 2012.

NOTE 19 – DEFERRED TAXES

Balances of Deferred Tax Assets as of September 30, 2013 and December 31, 2012, are detailed as follows:

Deferred Tax Assets	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Amortization	453	529
Provisions	7,322	8,298
Employee Benefits	3,943	4,003
Fair Value of Financial Instruments	12,630	23,530
Tax Losses	186,752	145,428
Deferred Income	4,049	4,702
Interest-Bearing Loans	1,190	529
Lease Obligations	5,370	5,309
Finance Expenses	3,596	2,840
Other	18,476	17,722
Total	**243,781**	**212,890**

The most significant deferred asset is related to the tax losses of those companies that are under construction or have been operating for a short period. These are: Empresa Eléctrica Ventanas S.A. and Empresa Eléctrica Angamos S.A., as well as operating losses recorded by AES Gener in recent years. The cause of these losses is principally due to the inability to capitalize all of the finance expenses relating to the project.

It is probable that these losses will be used as a result of future taxable income associated with energy supply contracts (PPAs).

As of September 30, 2013, the item "Other" principally includes the difference related to decommissioning liabilities for property, plant and equipment.

Balances of Deferred Tax Liabilities as of September 30, 2013 and December 31, 2012, are detailed in the following table:

Deferred Tax Liabilities	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Depreciation	592,178	568,043
Fair Value of Financial Instruments	9,022	7,825
Interest-Bearing Loans	8,280	8,154
Lease Obligations	74	-
Finance Expenses	21,350	13,608
Other	15,044	12,649
Total	**645,948**	**610,279**

As of September 30, 2013, the item "Other" principally includes the difference related to decommissioning liabilities for Property, Plant and Equipment.

Reconciliation between amounts in the Statement of Financial Position and the deferred tax tables:

Statements of Financial Position	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Deferred Tax Assets	3,144	14,976
Deferred Tax Liabilities	(405,311)	(412,365)
Deferred Taxes Net Position	**(402,167)**	**(397,389)**

Note 19 - Deferred Taxes	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Deferred Tax Assets	243,781	212,890
Deferred Tax Liabilities	(645,948)	(610,279)
Deferred Taxes Net Position	**(402,167)**	**(397,389)**

The following movements occurred in Deferred Tax Assets and Liabilities during the nine-month period ended September 30, 2013 and the year ended December 31, 2012:

Movements in Deferred Taxes	Asset ThUS$	Liability ThUS$
Balance as of January 1, 2012	141,334	480,762
Increase (Decrease) recognized in Income (Losses)	64,297	120,201
Increase (Decrease) recognized in Other Comprehensive Income	6,765	-
Increase (Decrease) due to Foreign Currency Exchange Differences	494	9,316
Balance as of December 31, 2012	**212,890**	**610,279**
Increase (Decrease) recognized in Income (Losses)	49,162	43,285
Increase (Decrease) recognized in Other Comprehensive Income	(17,859)	-
Increase (Decrease) due to Foreign Currency Exchange Differences	(412)	(7,616)
Balance as of September 30, 2013	**243,781**	**645,948**

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NOTE 20 – OTHER FINANCIAL LIABILITIES

As of September 30, 2013 and December 31, 2012, Other Financial Liabilities are detailed as follows:

Other Financial Liabilities	Current		Non-Current	
	September 30, 2013 ThUS$	December 31, 2012 ThUS$	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Interest-Bearing Loans (See Note 20.1)	237,635	91,439	2,110,591	2,187,444
Hedge Liabilities (See Note 10.1)	33,427	31,366	44,172	85,042
Other Financial Liabilities	373	1,476	-	-
Total	**271,435**	**124,281**	**2,154,763**	**2,272,486**

20.1 Interest-Bearing Loans

Interest-Bearing Loans	Current		Non-Current	
	September 30, 2013 ThUS$	December 31, 2012 ThUS$	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Bank Loans	76.157	73.743	1.154.186	1.074.624
Bonds Payable	160.764	16.872	936.418	1.090.133
Lease Obligations	714	824	24.351	26.070
Deferred Financing Costs (1)	-	-	(4.364)	(3.383)
Total	**237.635**	**91.439**	**2.110.591**	**2.187.444**

(1) Corresponds to deferred financing expenses related to the Alto Maipo project and expenses related to the UF 6,000,000 (ThUS$257,635) committed credit line renewal with a syndicate of banks in October 2011. As of September 30, 2013, this line has not been used.

(a) Bank Loans

The following table details Bank Loans by financial institution, including loan currency, rates and a maturity schedule as of Sept
schedule represents expected future cash flows of capital and projected interest payments.

Taxpayer ID	Company Name	Country	Lender Name	Currency	Type of Amortization	Effective Rate	Nominal Rate	Date Matur
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Syndicate of Banks led by BNP PARIBAS	US$	Semi-annual	3.05%	2.30%	2
96.814.370-0	Empresa Eléctrica Ventanas S.A.	Chile	Syndicate of Banks led by BNP PARIBAS	US$	Semi-annual	2.18%	1.56%	2
76.085.254-6	Empresa Eléctrica Cochrane S.p.A	Chile	Syndicate of Banks led by Bank of Tokyo	US$	Semi-annual	2.06%	2.06%	2
96.717.620-6	Sociedad Eléctrica Santiago S.A.	Chile	Syndicate of Banks led by BCI	US$	Semi-annual	7.69%	6.95%	2
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Leasing Bancolombia S.A.	Col$	Monthly	8.54%	8.49%	2

				Current				
Taxpayer ID	Company Name	Country	Lender Name	Maturity Less than 90 days ThUS$	Maturity More than 90 days ThUS$	Total Current as of September 30, 2013 ThUS$	Maturity between 1 and 3 Years ThUS$	Matur between 5 Yea ThUS
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Syndicate of Banks led by BNP PARIBAS	24,149	24,811	**48,960**	101,540	110
96.814.370-0	Empresa Eléctrica Ventanas S.A.	Chile	Syndicate of Banks led by BNP PARIBAS	13,892	15,325	**29,217**	63,103	75
76.085.254-6	Empresa Eléctrica Cochrane S.p.A (1)	Chile	Syndicate of Banks led by Bank of Tokyo	231	2,078	**2,309**	4,985	9
96.717.620-6	Sociedad Eléctrica Santiago S.A.	Chile	Syndicate of Banks led by BCI	3,222	3,095	**6,317**	-	
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Leasing Bancolombia S.A.	-	-	**-**	3,684	10
				41,494	**45,309**	**86,803**	**173,312**	**205**

(1) Principal payments on the obligation of Empresa Eléctrica Cochrane S.p.A will not begin until 2016.

The following table details Bank Loans by financial institution, including loan currency, rates and a maturity schedule a
maturity schedule represents expected future cash flows of capital and projected interest payments.

Taxpayer ID	Company Name	Country	Lender Name	Currency	Type of Amortization	Effective Rate	Nominal Rate	Date c Matur
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Syndicate of Banks led	US$	Semi-annual	2.14%	2.14%	2

Taxpayer ID	Company Name	Country	Lender Name	Currency	Type of Amortization	Effective Rate	Nominal Rate	Date o Matur
			by BNP PARIBAS					
96.814.370-0	Empresa Eléctrica Ventanas S.A.	Chile	Syndicate of Banks led by BNP PARIBAS	US$	Semi-annual	2.08%	1.41%	2
96.717.620-6	Sociedad Eléctrica Santiago S.A.	Chile	Syndicate of Banks led by BCI	US$	Semi-annual	7.69%	6.95%	2
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Leasing Bancolombia S.A.	Col$	Monthly	8.54%	8.49%	2

				Current				
Taxpayer ID	Company Name	Country	Lender Name	Maturity Less than 90 days ThUS$	Maturity More than 90 days ThUS$	Total Current as of December 31, 2012 ThUS$	Maturity between 1 and 3 Years ThUS$	Matur between 3 5 Yea ThUS
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Syndicate of Banks led by BNP PARIBAS	-	56,089	**56,089**	109,373	106
96.814.370-0	Empresa Eléctrica Ventanas S.A.	Chile	Syndicate of Banks led by BNP PARIBAS	-	27,945	**27,945**	61,151	72
96.717.620-6	Sociedad Eléctrica Santiago S.A.	Chile	Syndicate of Banks led by BCI	-	6,507	**6,507**	3,095	
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Leasing Bancolombia S.A.	-	-	**-**	1,191	4
				-	**90,541**	**90,541**	**174,810**	**183**

(b) Bonds Payable

The following table details Bonds Payable by series, including loan currency, rates and a maturity schedule as of September 30, represents expected future cash flows of capital and projected interest payments.

Taxpayer ID	Company Name	Country	Instrument Registration Number	Series	Indexation Unit	Effective Rate	Nominal Rate	Final Maturi
94.272.000-9	AES Gener S.A.	Chile	O-series Bond	O Series	UF	6.35%	5.50%	06-01-
94.272.000-9	AES Gener S.A.	Chile	N-series Bond	N Series	UF	7.92%	7.34%	12-01-
94.272.000-9	AES Gener S.A.	Chile	Rule 144A/REG S Bonds	US$ Bonds	US$	8.26%	7.50%	03-25-
94.272.000-9	AES Gener S.A.	Chile	Senior Notes	US$ Bonds	US$	5.64%	5.25%	08-15-
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	Q Series	US$	8.23%	8.00%	04-01-
96.717.620-6	Sociedad Eléctrica Santiago S.A.	Chile	214	B Series	UF	8.04%	7.50%	10-15-
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Ordinary Bonds	Single	US$	10.76%	9.75%	12-30-

Taxpayer ID	Company Name	Country	Instrument Registration Number	Current				
				Maturity Less than 90 days ThUS$	Maturity More than 90 days ThUS$	Total Current as of September 30, 2013 ThUS$	Maturity between 1 and 3 Years ThUS$	Matur between 5 Yea ThUS
94.272.000-9	AES Gener S.A.	Chile	O-series Bond	1,315	1,308	**2,623**	49,665	
94.272.000-9	AES Gener S.A.	Chile	N-series Bond	6,427	6,393	**12,820**	25,674	33
94.272.000-9	AES Gener S.A.	Chile	Rule 144 A/REG S Bonds	-	152,564	**152,564**	-	
94.272.000-9	AES Gener S.A.	Chile	Senior Notes	-	14,941	**14,941**	42,177	42
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	-	4,009	**4,009**	16,037	16
96.717.620-6	Sociedad Eléctrica Santiago S.A.	Chile	214	1,331	3,465	**4,796**	8,648	8
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Ordinary Bonds	8,287	8,287	**16,574**	178,288	
				17,360	**190,967**	**208,327**	**320,489**	**100**

The following table details Bonds Payable by series, including loan currency, rates and a maturity schedule as of December 31, represents expected future cash flows of capital and projected interest payments:

Taxpayer ID	Company Name	Country	Instrument Registration Number	Series	Indexation Unit	Effective Rate	Nominal Rate	Final Maturi
94.272.000-9	AES Gener S.A.	Chile	O-series Bond	O Series	UF	6.35%	5.50%	06-01-
94.272.000-9	AES Gener S.A.	Chile	N-series Bond	N Series	UF	7.92%	7.34%	12-01-
94.272.000-9	AES Gener S.A.	Chile	Rule 144A/REG S Bonds	US$ Bonds	US$	8.26%	7.50%	03-25-
94.272.000-9	AES Gener S.A.	Chile	Senior Notes	US$ Bonds	US$	5.64%	5.25%	08-15-
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	Q Series	US$	8.23%	8.00%	04-01-
96.717.620-6	Sociedad Eléctrica Santiago S.A.	Chile	214	B Series	UF	8.04%	7.50%	10-15-
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Ordinary Bonds	Single	US$	10.76%	9.75%	12-30-

Taxpayer ID	Company Name	Country	Instrument Registration Number	Current				
				Maturity Less than 90 days ThUS$	Maturity More than 90 days ThUS$	Total Current as of December 31, 2012 ThUS$	Maturity between 1 and 3 Years ThUS$	Matur between 5 Yea ThUS
94.272.000-9	AES Gener S.A.	Chile	O-series Bond	-	2,623	**2,623**	50,973	
94.272.000-9	AES Gener S.A.	Chile	N-series Bond	-	12,819	**12,819**	25,639	25
94.272.000-9	AES Gener S.A.	Chile	Rule 144 A/REG S Bonds	5,514	5,514	**11,028**	152,564	
94.272.000-9	AES Gener S.A.	Chile	Senior Notes	10,544	10,544	**21,088**	42,177	42
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	4,009	4,009	**8,018**	16,037	16
96.717.620-6	Sociedad Eléctrica Santiago S.A.	Chile	214	-	5,215	**5,215**	9,018	9
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Ordinary Bonds	-	16,575	**16,575**	186,575	
				20,067	**57,299**	**77,366**	**482,983**	**92**

NOTE 21 – TRADE AND OTHER PAYABLES

Trade and Other Payables as of September 30, 2013 and December 31, 2012, are detailed as follows:

	Current		Non-Current	
Trade and Other Payables	**September 30, 2013 ThUS$**	**December 31, 2012 ThUS$**	**September 30, 2013 ThUS$**	**December 31, 2012 ThUS$**
Trade Payables (1)	294,844	242,084	31,239	20,903
Other Accounts Payable (2)	22,236	12,666	12,081	14,538
Total Trade and Other Payables	**317,080**	**254,750**	**43,320**	**35,441**

(1) The non-current portion includes the contract between the Argentinean subsidiary TermoAndes and Siemens Power Generation Inc. and Siemens S.A. for spare parts and maintenance services, as well as dividends pending payment by AES Gener S.A.

(2) As of September 30, 2013, the current portion includes mainly sales tax and withholding tax liabilities as well as third-party liabilities related to the employees. The non-current portion principally consists of a liability related to an exchange of Water Rights.

The average payment period for suppliers is 30 days; therefore, book value does not differ significantly from fair value.

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NOTE 22 – PROVISIONS

As of September 30, 2013 and December 31, 2012, Provisions are detailed as follows:

Provisions	Current		Non-Current	
	September 30, 2013 ThUS$	December 31, 2012 ThUS$	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Legal Claims (1)	1,380	1,461	138	11,556
Decommissioning Costs (2)	2,470	2,649	72,065	69,006
Other Provisions (3)	455	478	634	563
Total	**4,305**	**4,588**	**72,837**	**81,125**

(1) Legal Provision

Current balances correspond primarily to contingent fines and penalties from the industry regulator (*Superintendencia de Electricidad y Combustibles*, hereinafter "SDEC"), mentioned in greater detail in Note 32.

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.

(2) 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.

During the period ended September 30, 2013, there have been no changes to the values reported in the prior period.

(3) 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.

Movements in Provisions

Provisions	Legal Provision ThUS$	Decommissioning Costs ThUS$	Other Provisions ThUS$	Total ThUS$
Opening Balance, January 1, 2013	13,017	71,655	1,041	**85,713**
Movements in Provisions				
Unwinding of Discount	-	3,129	-	**3,129**
Additional Provisions Created	-	-	274	**274**
Increase (Decrease) in Existing Provisions	24	-	(152)	**(128)**
Utilized during the Period	(1,854)	(249)	(74)	**(2,177)**
Reversal of Unused Provisions	(9,016)	-	-	**(9,016)**
Increase (Decrease) in Foreign Currency Translation	(888)	-	-	**(888)**
Other Increases (Decreases)	235	-	-	**235**
Changes in Provisions	**(11,499)**	**2,880**	**48**	**(8,571)**
Ending Balance, September 30, 2013	**1,518**	**74,535**	**1,089**	**77,142**

Provisions	Legal Provision ThUS$	Decommissioning Costs ThUS$	Other Provisions ThUS$	Total ThUS$
Opening Balance, January 1, 2012	7,678	41,617	945	**50,240**
Movements in Provisions				
Unwinding of Discount	-	2,811	(2)	**2,809**
Additional Provisions Created	5,379	-	73	**5,452**

Provisions	Legal Provision ThUS$	Decommissioning Costs ThUS$	Other Provisions ThUS$	Total ThUS$
Increase (Decrease) in Existing Provisions	-	27,223	193	**27,416**
Utilized during the Period	(692)	-	(160)	**(852)**
Increase (Decrease) in Foreign Currency Translation	652	-	-	**652**
Other Increases (Decreases)	-	4	(8)	**(4)**
Changes in Provisions	**5,339**	**30,038**	**96**	**35,473**
Ending Balance, December 31, 2012	**13,017**	**71,655**	**1,041**	**85,713**

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 financial statements based on the criteria described in Note 4.15, sections b) and d).

As of September 30, 2013 and December 31, 2012, the Company's Employee Benefit Liability is detailed as follows:

	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Current Portion	1,116	2,333
Non-Current Portion	39,782	38,305
Total	**40,898**	**40,638**

23.1 Present Value of Employee Pension Plans

The following movements took place in post-employment liabilities for services provided in the periods ended September 30, 2013 and December 31, 2012:

Present Value of Defined Benefit Pension Plan	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Opening Balance	**40,638**	**31,991**
Current Service Costs	2,464	2,808
Interest Costs	1,263	1,495
Participant Contributions (Withdrawals)	260	326
Actuarial Gains (Losses)	-	5,912
Increase (Decrease) due to Foreign Currency Exchange Differences	(1,730)	2,443
Contributions Paid	(1,997)	(4,337)
Other	-	-
Ending Balance	**40,898**	**40,638**

23.2 Defined Benefit Plan Expense

The following amounts were recorded in consolidated income within Cost of Sales and Administrative Expenses in the Statement of Comprehensive Income in the periods ended September 30, 2013 and 2012:

Expenses Recognized in Income	September 30, 2013 ThUS$	September 30, 2012 ThUS$
Current Service	2,462	1,455
Interest Costs	1,263	1,111
Expenses Related to Settlement of Obligations	590	473
Total Expense	**4,315**	**3,039**

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	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Nominal Discount Rate	5.83%	5.83%	6.20%	7.60%

Actuarial Assumptions Used in Calculating Liability	Chile		Colombia	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Average Personnel Rotation Rate	3.00%	3.00%	0.01%	0.01%
Expected Salary Increase	UF + 1,5%	UF + 1,5%	4.00%	4.00%
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 September 30, 2013, a variation in the cost of medical benefits and a variation of 100 basis points in the discount rate would have generated the following effects:

Medical Expenses Sensitivity	Increase of 1% ThUS$	Decrease of 1% ThUS$
Effect on Defined Benefit Obligations	(373)	334

Discount Rate Sensitivity	Increase of 1% ThUS$	Decrease of 1% ThUS$
Effect on Defined Benefit Obligations	(574)	607

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NOTE 24 – OTHER NON-FINANCIAL LIABILITIES

As of September 30, 2013 and December 31, 2012, balances of Non-Financial Liabilities are detailed as follows:

Other Non-Financial Liabilities	Current		Non-Current	
	September 30, 2013 ThUS$	December 31, 2012 ThUS$	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Deferred Revenue (24.1)	4,459	4,410	15,894	19,157
Accumulated Liabilities (24.2)	32,781	34,049	-	-
Other Liabilities (24.3)	-	-	15	208
Total	**37,240**	**38,459**	**15,909**	**19,365**

24.1 Deferred Revenue

As of September 30, 2013 and December 31, 2012, Deferred Revenues are detailed as follows:

Deferred Revenue	Current		Non-Current	
	September 30, 2013 ThUS$	December 31, 2012 ThUS$	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Escondida Right of Use – Substation Nueva Zaldivar	3,853	3,778	5,899	7,556
Torquemada	281	281	6,417	6,628
LNG Quintero-Right to Use and Connect to Transmission Line	168	168	2,391	2,517
Other Deferred Revenue	157	183	1,187	2,456
Total	**4,459**	**4,410**	**15,894**	**19,157**

24.2 Accumulated Liabilities

Accumulated Liabilities are primarily accrued vacations and other employee benefits.

24.3 Other Liabilities

Other Liabilities are primarily withholdings from sub-contract amounts paid out and other minor effects of tax payable under Argentinian legislation.

NOTE 25 – EQUITY

25.1 Capital Management

Capital includes issued capital, share premium, retained earnings, accumulated other comprehensive income and other components of equity.

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 makes adjustments 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 lines of business, policies or processes during the nine-month period ended September 30, 2013 and the year ended December 31, 2012.

25.2 Subscribed and Issued Capital

As of September 30, 2013 and December 31, 2012, the Company's share capital consists of 8,069,699,033 subscribed and paid shares.

(a) **The Company's share movements are as follows:**

	Share Movements			
	Authorized	Issued	Subscribed	Paid
Balance as of December 31, 2011	**8,069,699,033**	**8,069,699,033**	**8,069,699,033**	**8,069,699,033**
Subscription and Payment	-	-	-	-
Balance as of September 30, 2012	**8,069,699,033**	**8,069,699,033**	**8,069,699,033**	**8,069,699,033**
Subscription and Payment	-	-	-	-
Balance as of December 31, 2012	**8,069,699,033**	**8,069,699,033**	**8,069,699,033**	**8,069,699,033**
Subscription and Payment				
Balance as of September 30, 2013	**8,069,699,033**	**8,069,699,033**	**8,069,699,033**	**8,069,699,033**

25.3 Capital Increases

There have been no capital increases during the period ended September 30, 2013 or the year ended December 31, 2012.

25.4 Dividend Policy

At an Ordinary General Shareholders' Meeting held on April 30, 2013, it was agreed to distribute up to 100% of 2012 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 will intend to distribute interim dividends during 2013.

Shareholders agreed to distribute the following dividends for the year-ended December 31, 2012:

(a) An amount of US$ 202,931,142.49, corresponding to approximately 100% of 2012 earnings, by distributing a declared dividend of US$ 0.0251473 per share, less an interim dividend distributed in November 2012 of US$ 70,999,633, equivalent to 34.987% of 2012 profit and US$ 0.0087983 per share; and

(b) The balance of US$ 0.016349 per share, for a total of US$ 131,931,509.49, equivalent to 65.013% of 2012 earnings will be paid as follows:

- A first dividend of US$ 0.0077859 per share, paid on May 22, 2013, for a total of US$ 62,829,869.70, equivalent to 30.961% of net income for the year 2012.

- A second dividend of US$ 0.0085631 per share, payable beginning August 27, 2013, for a total of US$ 69,101,639.79, equivalent to 34.052% of net income for the year 2012.

(c) The remaining amount to be paid out in dividends for 2012 earnings, US$ 536.48, shall be recorded under the concept Dividends Reserve Fund.

25.5 Retained Earnings

Retained Earnings for each period are detailed as follows:

	Balances		
Retained Earnings	**September 30, 2013 ThUS$**	**December 31, 2012 ThUS$**	**September 30, 2012 ThUS$**
Opening Balance as of January 1	546,430	642,666	642,666
Net Income Attributable to Owners of the Parent	156,884	202,933	127,503
Declared Dividends	(131,932)	(228,169)	(228,168)
Interim Dividends	-	(71,000)	-
Total Ending Balance	**571,382**	**546,430**	**542,001**

25.6 Other Components of Equity

Other Components of Equity are as follows:

	Share-Based Option Plans ThUS$	**Dividends Reserve Fund ThUS$**	**Transactions with Non-Controlling Interest ThUS$**	**Total ThUS$**
Opening Balances, January 1, 2013	5,614	218,757	12,586	236,957
Share-Based Option Plans	789	-	-	789
Additional Paid-In Capital from Equity Transaction with Subsidiaries (1)	-	-	18,965	18,965
Ending Balances, September 30, 2013	**6,403**	**218,757**	**31,551**	**256,711**

	Share-Based Option Plans ThUS$	**Dividends Reserve Fund ThUS$**	**Transactions with Non-Controlling Interest ThUS$**	**Total ThUS$**
Opening Balances, January 1, 2012	4,635	218,757	2,647	226,039
Share-Based Option Plans	705	-	-	705
Balances as of September 30, 2012	**5,340**	**218,757**	**2,647**	**226,744**
Share-Based Option Plans	274	-	-	274
Additional Paid-In Capital from Equity Transaction with Subsidiaries (2)	-	-	9,939	9,939
Ending Balances, December 31, 2012	**5,614**	**218,757**	**12,586**	**236,957**

(1) In July 2013, Alto Maipo SpA, until then a wholly-owned subsidiary of Norgener S.A. which is a wholly owned subsidiary of AES Gener S.A., issued new stock to Antofagasta Minerales S.A. (“AMSA”) such that AMSA has ownership of 40% of the outstanding stock of Alto Maipo. This transaction did not result in a change of control and as such the resulting gain of approximately US$ 1.8 million was recorded in additional paid-in capital.

(2) In November 2012, Empresa Electrica Cochrane, until then a wholly-owned subsidiary of Norgener S.A., which is a wholly-owned subsidiary of AES Gener S.A., issued new stock to Diamond Pacific Investment Limitada (“DPI”) such that DPI has ownership of 40% of the outstanding stock of Cochrane. However as

of September 31, 2013 the amount of shares that the new shareholder has paid is only equivalent to 30.91% of the total participation. Given that this transaction did not result in a change of control, the resulting accumulated gain of approximately US$26 million was recorded in additional paid-in capital.

In October 2013, DPI fully paid the remaining subscribed shares, such that their 40% participation will be prospectively reflected for accounting purposes.

25.7 Accumulated Other Comprehensive Income

Movements of Accumulated Other Comprehensive Income for each period are detailed as follows:

	Foreign Currency Translation Reserve ThUS$	Cash Flow Hedge Reserve ThUS$	Defined Benefit Plan Reserve ThUS$	Equity Translation Reserves (1) ThUS$
Opening Balances as of January 1, 2013	73,380	(175,699)	(8,141)	(136,741)
Derivative Valuation		69,929		
Derivative Valuation Recognized in Net Income	-	10,742	-	-
Valuation of Associate's Derivatives	-	4,320	-	-
Deferred Taxes	-	(16,439)	-	-
Associate Foreign Currency Exchange	(36,190)	-	-	-
Other Changes	-	-	-	-
Ending Balance as of September 30, 2013	**37,190**	**(107,147)**	**(8,141)**	**(136,741)**

	Foreign Currency Translation Reserve ThUS$	Cash Flow Hedge Reserve ThUS$	Defined Benefit Plan Reserve ThUS$	Equity Translation Reserves (1) ThUS$
Opening Balances as of January 1, 2012	20,735	(161,995)	(3,515)	(136,741)
Valuation of Available-for-Sale Assets		(202)		
Derivative Valuation		(12,217)		
Derivative Valuation Recognized in Net Income	-	(24,122)	-	-
Valuation of Associate's Derivatives	-	1,170	-	-
Deferred Taxes	-	7,230	183	-
Associate Foreign Currency Exchange	39,985	-	-	-
Other Changes	-	-	(554)	-
Balances as of September 30, 2012	**60,720**	**(190,136)**	**(3,886)**	**(136,741)**
Derivative Valuation	-	(532)	-	-
Derivative Valuation Recognized in Net Income	-	15,324	-	-
Valuation of Associate's Derivatives	-	1,753	-	-
Deferred Taxes	-	(2,108)	1,460	-
Associate Foreign Currency Exchange	12,660	-	-	-
Other Changes	-	-	(5,715)	-
Ending Balances as of December 31, 2012	**73,380**	**(175,699)**	**(8,141)**	**(136,741)**

(1) This item corresponds to an adjustment for the difference between paid-in capital at the year-end exchange rate as historical value, in accordance with Official Form Letter 456 dated September 20, 2008 of the SVS.

25.8 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 debt agreements. For more details on compliance with covenants, see Note 32.3.

NOTE 26 – REVENUE

Revenue for the six and three-month periods ended September 30, 2013 and 2012, is presented as follows:

	For the nine-month period ended		For the three-month period ended	
Operating Revenue	**September 30, 2013 ThUS$**	**September 30, 2012 ThUS$**	**September 30, 2013 ThUS$**	**September 30, 2012 ThUS$**
Contracted Energy and Capacity Sales	1,242,583	1,167,957	416,137	417,459
Spot Market Energy and Capacity Sales	393,427	420,559	99,029	106,301
Other Operating Revenue (1)	87,198	118,180	25,198	41,418
Total	**1,723,208**	**1,706,696**	**540,364**	**565,178**

(1) Other Operating Revenue includes transmission revenue and revenue from the sales of coal.

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NOTE 27 – EXPENSES

27.1 Expenses by Nature

The table below details the principal operating and administrative costs and expenses recorded by the Company in the six and three-month periods ended September 30, 2013 and 2012, within the following accounts in the Statement of Comprehensive Income: Cost of Sales, Administrative Expenses and Other Operating Expenses.

	For the nine-month period ended		For the three-month period ended	
Expenses by Nature	**September 30, 2013 ThUS$**	**September 30, 2012 ThUS$**	**September 30, 2013 ThUS$**	**September 30, 2012 ThUS$**
Energy and Capacity Purchases (1)	384,527	234,061	148,830	93,576
Fuel Consumption	515,052	616,387	135,114	156,289
Cost of Fuel Sales	1,878	42,011	3	14,285
Transmission System Use Costs	76,558	69,155	24,329	26,251
Cost of Production and Other Sales	205,321	200,968	68,180	69,884
Personnel Expenses	75,155	72,622	24,502	23,324
Depreciation	168,469	158,363	57,138	52,344
Amortization	1,335	576	23	253
Total	**1,428,295**	**1,394,143**	**458,119**	**436,206**

(1) Expenses for energy and capacity purchases include energy and capacity purchase agreements accounted for as operating leases.

On January 1, 2013, based on changes in cost centers, there was a change in policy for classification between cost of sales and administrative expenses. The impact of this change of policy as of September 30, 2012 would have been as follows:

	For the nine-month period ended		For the three-month period ended	
	September 30, 2013 ThUS$	**September 30, 2012 ThUS$**	**September 30, 2013 ThUS$**	**September 30, 2012 ThUS$**
Cost of Sales	(1,341,891)	(1,284,537)	(429,578)	(399,911)
Administrative Expenses	(82,227)	(107,049)	(26,411)	(36,087)
Adjustments:				
Cost of Sales	-	(20,121)	-	-
Administrative Expenses	-	20,121	-	-
Adjusted Totals				
Adjusted Cost of Sales	(1,341,891)	(1,304,658)	(429,578)	(399,911)
Adjusted Administrative Expenses	(82,227)	(86,928)	(26,411)	(36,087)

27.2 Personnel Expenses

Personnel expenses for the six and three-month periods ended September 30, 2013 and 2012, are presented as follows:

	For the nine-month period ended		For the three-month period ended	
Personnel Expenses	**September 30, 2013 ThUS$**	**September 30, 2012 ThUS$**	**September 30, 2013 ThUS$**	**September 30, 2012 ThUS$**
Salaries and Wages	60,498	58,542	18,698	18,370
Short-term Employee Benefits	7,665	8,065	3,291	3,114
Post Employment Benefit Liability Expense	1,821	1,170	660	718
Employment Termination Benefits	2,494	1,869	996	219
Transactions with Share-Based Payments	1,033	867	320	330

Personnel Expenses	For the nine-month period ended		For the three-month period ended	
	September 30, 2013 ThUS$	September 30, 2012 ThUS$	September 30, 2013 ThUS$	September 30, 2012 ThUS$
Other Personnel Expenses	1,644	2,109	537	573
Total	**75,155**	**72,622**	**24,502**	**23,324**

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NOTE 28 – OTHER GAINS (LOSSES)

Other gains (losses) for the six and three-month periods ended September 30, 2013 and 2012, are presented as follows:

Other Gains (Losses)	For the nine-month period ended September 30, 2013 ThUS$	For the nine-month period ended September 30, 2012 ThUS$	For the three-month period ended September 30, 2013 ThUS$	For the three-month period ended September 30, 2012 ThUS$
Property, Plant and Equipment Disposals	(1,753)	(2,841)	(266)	(1,731)
Property, Plant and Equipment Sales	(2,800)	228	(2,915)	133
Dividends Received from Gasandes	1,996	4,077	-	-
Sale of Scrap Materials	-	1,174	-	309
Gains from a Legal Claim	8,688	-	8,688	-
Other	634	386	3	111
Total	**6,765**	**3,024**	**5,510**	**(1,178)**

NOTE 29 – FINANCE INCOME AND EXPENSE

Finance income and expense for the six and three-month periods ended September 30, 2013 and 2012, are presented as follows:

Financial Income and Expenses	For the nine-month period ended		For the three-month period ended	
	September 30, 2013 ThUS$	September 30, 2012 ThUS$	September 30, 2013 ThUS$	September 30, 2012 ThUS$
Income from Financial Assets	5,375	3,568	2,888	663
Other Finance Income	330	3,262	68	980
Total Finance Income	**5,705**	**6,830**	**2,956**	**1,643**
Interest on Bank Loans	(21,037)	(23,398)	(7,348)	(8,183)
Interest on Bonds	(58,270)	(57,440)	(19,671)	(19,287)
Gain (Loss) for Valuation of Derivative Instruments	(21,471)	(21,768)	(7,519)	(7,680)
Other Costs	(8,659)	(8,540)	(2,973)	(2,653)
Capitalized Finance Costs	18,145	23,285	4,899	8,575
Total Finance Expenses	**(91,292)**	**(87,861)**	**(32,612)**	**(29,228)**
Foreign Currency Exchange Differences	(27,187)	4,569	(3,976)	1,994
Total Net Finance Expense	**(112,774)**	**(76,462)**	**(33,632)**	**(25,591)**

NOTE 30 – INCOME TAX EXPENSE

The income tax expense for the six and three-month periods ended September 30, 2013 and 2012, is composed as follows:

Current and Deferred Income Tax Expense (Income) (Presentation)	For the nine-month period ended		For the three-month period ended	
	September 30, 2013 ThUS$	September 30, 2012 ThUS$	September 30, 2013 ThUS$	September 30, 2012 ThUS$
Current Tax Expense	69,225	83,124	17,835	35,468
Tax Benefit Arising from Previously Unrecognized Tax Assets Used to Reduce Current Tax Expenses	-	(3,995)	-	-
Adjustments to Prior Period Current Tax	(44)	(563)	(1,175)	-
Other Current Tax Expenses	(135)	168	239	6
Total Current Tax Expense	**69,046**	**78,734**	**16,899**	**35,474**
Deferred Tax Expense (Income) Related to Changes in Temporary Differences	(5,877)	38,617	1,143	36,176
Total Deferred Tax Expense	**(5,877)**	**38,617**	**1,143**	**36,176**
Income Tax Expense	**63,169**	**117,351**	**18,042**	**71,650**

Foreign and National Income Tax Expense	For the nine-month period ended		For the three-month period ended	
	September 30, 2013 ThUS$	September 30, 2012 ThUS$	September 30, 2013 ThUS$	September 30, 2012 ThUS$
Foreign Current Tax Expense	51,691	65,873	20,295	29,410
National Currency Tax Expense	17,355	12,860	(3,395)	6,063
Total Current Tax Expense	**69,046**	**78,733**	**16,900**	**35,473**
Foreign Deferred Tax Expense	3,183	4,304	386	1,297
National Deferred Tax Expense	(9,060)	34,314	756	34,880
Total Deferred Tax Expense	**(5,877)**	**38,618**	**1,142**	**36,177**
Income Tax Expense	**63,169**	**117,351**	**18,042**	**71,650**

The following table reconciles the income tax charge resulting from applying the statutory tax rate in Chile to the effective rate for the six and three-month periods ended September 30, 2013 and 2012:

Reconciliation of Tax Expense	For the nine-month period ended		For the three-month period ended	
	September 30, 2013 ThUS$	September 30, 2012 ThUS$	September 30, 2013 ThUS$	September 30, 2013 ThUS$
Tax Expense Using Statutory Rate	43,777	48,976	13,623	23,852
Rates in Other Jurisdictions	23,400	25,215	9,528	9,762
Non-Taxable Operating Revenues	(6,074)	(5,365)	(296)	(3,266)
Non-Deductible Expenses	2,353	3,952	361	281
Utilization of Previously Unrecognized Tax Losses	37	-	405	(144)
Tax Benefit Previously Unrecognized in Income Statement	1,126	(18)	-	(130)
Changes in Income Taxes	151	38,800	151	39,146
Adjustments in respect to current income tax	(44)	(2,973)	(44)	(2,973)
Reversal of Tax Contingency Recorded in previous period	(3,076)	-	(3,076)	-
Foreign Currency Exchange Differences	1,640	8,269	(1,081)	5,398
Other Increase (Decrease) in Charge for Statutory Taxes	(121)	495	(1,529)	(276)
Adjustments to Tax Expense using Statutory Rate	**19,392**	**68,375**	**4,419**	**47,798**
Tax Expense Using Effective Rate	**63,169**	**117,351**	**18,042**	**71,650**

Rates in Other Jurisdictions represents the differences that arise from applying the current rate in Chile (20%) and the other jurisdictions in which foreign subsidiaries are domiciled (Argentina 35% and Colombia 34%).

Changes in Income Taxes represents the increase in the legal tax rate in Chile. The main concepts that explain the effect on income of the change in the tax rate are: temporary differences related to property, plant and equipment and tax loss carry-forwards.

Tax Related to Items Recorded in Net Equity	For the nine-month period ended September 30, 2013 ThUS$	For the nine-month period ended September 30, 2012 ThUS$	For the three-month period ended September 30, 2013 ThUS$	For the three-month period ended September 30, 2012 ThUS$
Deferred Taxes Related to Items Recorded in Net Equity	17,859	(7,413)	16,744	(4,399)
Total Tax Effect Related to Items Recorded in Net Equity	**17,859**	**(7,413)**	**16,744**	**(4,399)**

Deferred taxes arising from movements in cash flow hedges are related to Accumulated Other Comprehensive Income for cash flow hedge derivatives.

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NOTE 31 – EARNINGS PER SHARE

Basic earnings per share are 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, should any exist, common shares acquired by the Company and maintained as treasury shares.

(Amounts in US dollars are expressed in thousands, Weighted Average Number of Shares are expressed in unit and Basic Earnings per Share is expressed in US dollars.)

	For the nine-month period ended		For the three-month period ended	
Basic Earnings per Share	**September 30, 2013 ThUS$**	**September 30, 2012 ThUS$**	**September 30, 2013 US$**	**September 30, 2012 US$**
Net Income Attributable to Owners of the Parent	156,884	127,503	50,450	37,419
Net Income Attributable to Common Shareholders, Basic	**156,884**	**127,503**	**50,450**	**37,419**
Weighted Average Number of Shares, Basic	8,069,699,033	8,069,699,033	8,069,699,033	8,069,699,033
Basic Earnings per Share	**0.02**	**0.02**	**0.01**	**0.00**

There are no transactions or concepts that create a dilutive effect.

The shares do not have nominal value.

NOTE 32 – CONTINGENCIES AND COMMITMENTS

32.1 Litigation

Court Proceedings

(a) Fines imposed by the Superintendence of Electricity and Fuels (hereinafter "SEC")

On September 29, 2011, the SEC filed charges against Gener and other members of the CDEC-SIC, related to the power failure that occurred on March 14, 2010 in the SIC. Gener and ESSA were fined 1,151 Annual Tax Units or UTA (ThUS$1,092) and 436 UTA (ThUS$414), respectively. In May 2012, both companies filed motions with the SEC to vacate, which were denied. The Companies then entered in a claim with Santiago's Court of Appeals, arguing that, according to local standards, this fine should be reduced by 25% of the total. Each entity recorded a provision of 1,190 UTA (ThUS$1,146). On October 26, 2012, the court rejected the plaintiffs' request. The companies appealed that decision before the Supreme Court, which is pending ruling.

(b) Customs charges from Valparaiso

During September and July of 2012, AES Gener S.A. received customs charges totaling ThUS$ 4,659 in duties and VAT from the Valparaiso Regional Customs Administration related to documentation of origin for shipments of coal during 2011 and 2012. The Company appealed the charges. The Valparaiso Customs Administration overturned the charges. The National Customs Administration has confirmed the ruling by the Valparaiso Customs Administration that the charges were overturned and no further action may be taken.

(c) Obligations Arising from Ministry of Energy Decree No. 14 from February 14, 2012

In accordance with Ministry of Energy Decree No. 14 dated February 14, 2012, published April 9, 2013, regarding rate setting for subtransmission and additional transmission systems, the Company has established a provision of ThCh$ 1,549,779 (ThUS$ 3,074) based on the estimated obligations that arise from this decree. It is worth noting that the CDEC methodology that will define certain aspects of this decree is pending publication and may have additional effects.

(d) Legal Arbitration

During August 2013, a contractor filed a claim that is subject to arbitration against AES Gener for damages in the amount of UF 156,091 (US$7,149) and an additional UF50,000 (US$2,290) for emotional distress caused from non-payment from Gener for additional work at the request of Gener. AES Gener rejected the claim and presented a counterclaim of UF 50,000 (US$2,290) against the contractor for defaulting on his contractual obligations, which include fines and penalties. The contractor has rejected Gener's counterclaim. The process of arbitration has been completed and the arbitrator has issued a subpoena to disclose his findings.

(e) Proceeding initiated against Empresa Electrica Casablanca S.A. ("EMELCA")

On August 14, 2013 AES Gener filed a complaint with the 30th Civil Court of Santiago against EMELCA for an amount of ThCh$798,125 (ThUS$1,583) plus adjustments, interest and court associated costs. On October 16, 2013 the court issued a resolution to take the case to trial, the notification of which is still pending. On August 22, 2013 AES Gener filed a complaint before the lower Court presiding over Casablanca to prepare the summary proceeding for collection of invoices amounting to ThCh$60,706 (ThUS$ 3,295) plus adjustments, interest and court associated costs. EMELCA did not enter any pleas and as such the summary proceeding is ready. On July 31, 2013 AES Gener initiated before the local Police Court of Casablanca a misdemeanor claim derived from EMELCA's transgression of Article 4, final paragraph and subsection 5c of Law 19,983 and a civil claim for damages not less than Th$1,661,368 (ThUS$3,295) and more than ThCh$ 4,153,421 (ThUS$8,238) plus adjustments, interest and court associated costs due to the failure to receive 19 invoices and credit notes. In July 2013, a third party requested the bankruptcy of EMELCA which has yet to be determined by the Court. AES has written down ThCh$ 920,520 (ThUS$ 1,826).

32.2 Financial Commitments

Both the loan covenants entered into 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 September 30, 2013, Gener is in compliance with all of the debt commitments and financial restrictions in accordance with the terms and conditions of each covenant and contract.

(a) On August 2011, Gener successfully completed a refinancing process which included the exchange and voluntary tender of approximately 63% on the ThUS$400,000, 7,5% Senior Notes due 2014, and the issuance of new Senior Notes for a total of ThUS$401,682 due 2021 and an interest rate of 5.25%. Upon conclusion of the transaction, the outstanding amount under the 2014 Senior Notes totals ThUS$147,050. It should be noted that as part of the refinancing process, the covenants under the 2014 Senior Notes were modified and the indebtedness and restricted payments conditions were eliminated.

(b) In December 2007, Gener placed UF 5,600,000 (ThUS$ 256,465) 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. On April 8, 2009, Gener issued a second bond under the line of bonds registered in the Securities Registry under number 517 on November 9, 2007. The issuance consisted of Series Q bonds for US$196 million at 8.0% maturing in 2019. As part of the same refinancing process detailed above, on July 28, 2011 Gener accepted voluntary tender offers for approximately 48% of the Series Q bonds, reducing the outstanding principal to ThUS$102,200.

In accordance with the obligations established in its bond agreements, the Company must comply with the following financial ratios on a quarterly basis, calculated using the consolidated financial statements.

- Consolidated indebtedness level no greater than 1.20;
- Financial expense coverage ratio no less than 2.50;
- 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 September 30, 2013, Gener was in compliance with the aforementioned ratios.

(c) The loan agreement entered into by ESSA and a syndicate of local banks led by Banco de Crédito e Inversiones for a total of ThUS$30,000 was amended on May 29, 2009, primarily to replace the financial ratios applicable to ESSA with financial ratios applicable to Gener as joint debtor. In accordance with the obligations undertaken in this amendment, the Company must comply with the following financial ratios on a quarterly basis, calculated using the consolidated financial statements. As of September 30, 2013, this amount reaches ThUS$6,000.

- Consolidated indebtedness level no greater than 1.20;
- Financial expense coverage ratio no less than 2.50; and
- Minimum equity no less than ThUS$1,574,622.

As of September 30, 2013, Gener was in compliance with the aforementioned ratios.

(d) Every nine months, Gener must comply with the following financial ratios based on its consolidated financial statements, as established in the loan agreement signed with a bank syndicate in October 2011 for UF 6,000,000 (ThUS$ 274,784).

- Indebtedness level no greater than 1.20;
- Financial expense coverage ratio no less than 2.50;
- 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 September 30, 2013, this credit line has not been drawn down.

(e) **Bond Issuance by Chivor**

On November 30, 2004, Chivor completed the debt refinancing of ThUS$253,000. As part of this process, Chivor issued guaranteed senior bonds at 9.75% for ThUS$170,000, maturing in 2014.

The guaranteed senior bonds are guaranteed by: (a) an onshore fiduciary agreement by which Chivor's income from generating and retailing electricity are administered and maintained in a trust to guarantee payment of its obligations under the local syndicated loan, (b) a pledge on all of Chivor's shares owned by AES Gener S.A. and Norgener S.A. and (c) a pledge on all shares of AES Chivor S.A., Chivor's managing partner.

In addition to the guarantees detailed in the previous paragraph, Chivor maintains a reserve account that was established at the close of the senior notes. This reserve should be equal, at all times, to the next interest payment; the account can be financed in cash or with one or more letters of credit. For this purpose, on July 15, 2013, Chivor financed the account in cash, depositing ThUS$ 8,287.

Among its principal financial commitments, Chivor must comply with the following financial ratios in order to make restricted payments, including dividends:

- Financial expense coverage ratio no less than 2.25; and
- Total debt-to-EBITDA ratio no greater than 3.80.

As of September 30, 2013, Chivor was in compliance with the aforementioned ratios.

(f) **Commitments Involving ESSA**

On a quarterly basis, ESSA must comply with the following financial ratios established in its bond issuance contract (outstanding balance UF988,260 (ThUS$ 45,260)) 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 minority interest;
- Minimum equity no less than UF 2 million (ThUS$91,595); and
- Prohibition to sell "essential assets", which represent more than 40% of total assets, without prior authorization from the Bondholders' Council.

As of September 30, 2013, ESSA was in compliance with the aforementioned ratios.

32.3 Other Commitments

(a) Commitments Involving Empresa Eléctrica Ventanas S.A. ("EEVSA")

On September 13, 2007, EEVSA secured financing for up to ThUS$415,000 to construct the Ventanas thermoelectric power plant and also provided a letter of credit for up to ThUS$25,000 to guarantee nine months of debt service. The loan is for a 15-year period, including a 3-year construction period, and is guaranteed by assets, shares and project cash flows.

(b) Commitments Involving Empresa Eléctrica Angamos S.A. ("EEASA")

On October 22, 2008, EEASA secured financing for up to ThUS$908.5 to construct the Angamos thermoelectric power plant as well as letters of credit for up to ThUS$80,000 to guarantee EEASA's obligations, including a ThUS$48,000 letter of credit to guarantee nine months of debt service. The loan is for a 17-year period, and is guaranteed by assets, shares and project cash flows.

(c) Other Commitments Involving Inversiones Nueva Ventanas S.A. ("Inversiones Nueva Ventanas")

On September 8, 2007, Inversiones Nueva Ventanas and Gener constituted a commercial pledge on shares issued by EEVSA in favor of its creditors to guarantee its obligations related to the financing for the Nueva Ventanas power plant.

On October 22, 2008, Inversiones Nueva Ventanas and Gener constituted a commercial pledge on shares issued by EEASA in favor of its creditors to guarantee its obligations related to financing for the Angamos power plant.

On March 27, 2013, Inversiones Nueva Ventanas constituted a commercial pledge on shares issued by EECSA in favor of its creditors to guarantee its obligations related to financing for the Cochrane power plant.

(d) Other Commitments Involving Empresa Eléctrica Cochrane S.p.A. ("EECSA")

On March 27, 2013, EECSA secured financing for up to ThUS$ 1,000,000 to construct the Cochrane power plant as well as letters of credit for up to ThUS$ 55,000 to guarantee several obligations. The loan is for a 18-year period, and is guaranteed by assets, shares and project cash flows. As of September 30, 2013, ThUS$81,500 has been drawn from this line.

32.4 Contingent Liabilities

(a) Revindication Process (Chivor)

In December 2005, Chivor initiated a special plan to recover possession of the lands located within the reservoir's eight meter security parameter. As a part of this process, the Company has filed seven lawsuits on illegally occupied properties. Chivor has established a provision of ThCol$263,944 (ThUS$138).

(b) Equity Tax 2005 and 2006

On July 31, 2008 and August 11, 2008, the Colombian National Tax and Customs Service ("DIAN") issued special notifications with respect to the Company's private equity tax returns for 2005 and 2006, respectively, proposing modifications to the returns filed by Chivor. Chivor responded to those requirements but thereafter the DIAN issued official assessments, which were appealed by Chivor in September, 2009. The DIAN rejected Chivor's arguments in September 2010. In October 2010, Chivor began judicial proceedings and restitution of rights, which were rejected in May 2012 by the Cundinamarca Administrative Court, requiring Chivor to pay these taxes and interest. On May 15 and 29, 2012, Chivor appealed these rulings for the 2006 and 2005 cases, respectively.

As of December 31, 2012, Chivor has recognized a provision in the amount of ThCol$ 20,113,899 (ThUS$10,461) for both proceedings. In December 2012, a new law was introduced, allowing the possibility to reconcile interests

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and fines that are under litigations before the DIAN. Consequently, on February 7, 2013, a request for reconciliation was filed with the State Counsel for 100% of interests and fines. This request was accompanied by payments of the taxes being challenged for ThCol$ 3,489,602 (ThUS$ 1,815). Consequently, Chivor reduced the provision to ThCol$ 16,624,297 (ThUS$ 8,646). In August 2013, the DIAN approved the reconciliation presented by Chivor, which allowed Chivor to request a formal termination of the process to the State Counsel. As a result, Chivor no longer has an obligation to pay interest or fines and the provision of MCol 16,624,297 (MU$8,722) has been reversed.

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NOTE 33 – GUARANTEES

Guarantees Granted

Gener has the following commitments and guarantees:

(a) **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 for the UF bonds issued in December 2007. On September 16, 2009, this swap contract was modified and one part was assigned to Deutsche Bank Securities. Both swap contracts require Gener to grant a guarantee when the fair value of the swap exceeds the limit established in the contract. As of September 30, 2013, it was not necessary to grant any guarantee based on the fair value of the swap.

(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. According to 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.

(ii) On October 4, 2006, Gener signed a joint debtor contract to guarantee all the obligations of its subsidiary ESSA under the loan agreement with a syndicate of local banks led by Banco de Crédito e Inversiones for a total of ThUS$30,000. As of September 30, 2013, the amount of loan outstanding was ThUS$6,000. That contract was amended on May 29, 2009 (See Note 32.3 c))

(iii) On August 4, 2011, Gener issued a bank guarantee to Posco Engineering and Construction Co. Ltd and to Posco Engineering Construction Co. Ltd., Chilean agency, for up to ThUS$30,000 to guarantee the obligations assumed by Empresa Eléctrica Campiche S.A. under the EPC Contract. The Ventanas IV Power Plant owned by Empresa Eléctrica Campiche S.A. began commercial operations on March 15, 2013. The guarantee expires upon final payment to Posco, which is planned for December 2013, once final adjustments have been made to the facility.

Beneficiary	Guarantee Description	From	To	ThUS$
HSBC Bank N.A., New York	Property tax for Capital Eléctrica Cochrane	3/27/2013	9/30/2016	167,089
HSBC Bank N.A.	Angamos debt service payments	12/20/2011	10/22/2013	48,000
Deutsche Bank Trust Company Americas	Ventanas debt service payments	10/25/2010	11/6/2014	25,000
Sierra Gorda SCM	Fulfillment of supply	4/5/2013	4/5/2014	17,100
Terminal Graneles del Norte S.A.	Compliance of port contract services	2/11/2011	10/22/2013	10,400
Servicios Integrales de Generación de Energía S.A.	Payment guarantee	9/13/2013	2/5/2014	11,008
Cía. Minera Teck Quebrada Blanca S.A.	Fulfillment of supply	4/5/2013	4/5/2014	10,167
Ministerio de Obras Públicas, Dirección General de Aguas	Construction of hydraulic works for Alto Maipo project	9/7/2012	9/10/2013	8,283
Sierra Gorda SCM	Fulfillment of supply	4/5/2013	4/5/2014	8,000
Minera Escondida Ltda	Fulfillment of supply	11/28/2011	10/22/2013	6,568
Terminal Graneles del Norte S.A.	Compliance of port contract services	2/11/2011	10/22/2013	6,000
Luis Gardeweg Baltra	Performance guarantee	10/25/2011	10/28/2013	2,000
Minera Spence S.A.	Fulfillment of electricity supply contract	11/25/2011	10/22/2013	1,750
Ilustre Municipalidad de Mejillones	Fulfillment of contract	9/21/2012	10/10/2013	1,073
Innova Chile	Correct use of subsidy for solar project	6/19/2013	4/30/2014	492
CGE Distribución S.A	Bid for public tender to supply energy and capacity	11/30/2012	12/1/2013	309
Fisco de Chile - Servicio Nacional de Aduanas	Purchase of despolarization of transformers	8/16/2012	9/30/2013	226
Other	Other minor guarantees			216
TOTAL				**323,681**

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Guarantees Received

Grantor of Guarantee	Guarantee Description	Date From	Date To	ThUS$
Posco Engineering and Construction Co.	Engineering, construction, assembly and commissioning of Cochrane Power Plant	4/9/2013	10/10/2016	245,075
Teck Resources Ltd.	Fulfillment of electricity supply contract	3/27/2013	10/31/2037	216,667
Teck Resources Ltd.	Fulfillment of electricity supply contract	12/7/2012	10/31/2037	216,667
KGHM International Ltd.	Energy sales contract Sierra Gorda	3/19/2013	3/12/2014	137,500
Posco Engineering and Construction Co. Ltd.	Engineering, construction, assembly and commissioning of Campiche Power Plant	7/20/2011	3/13/2014	115,280
Sumitomo Metal Mining Co. Ltd.	Fulfillment of electricity supply contract	3/27/2013	12/31/2034	78,750
Posco Engineering and Construction Co. Ltd.	Engineering, construction, assembly and commissioning of Angamos Power Plant	5/28/2008	11/16/2013	65,777
Sumitomo Corporation	Fulfillment of electricity supply contract	3/27/2013	12/31/2034	33,750
Andritz Energy & Environment GMBH	Engineering, construction, assembly and commissioning of desulphurization system for units 1 & 2 of Norgener Power Plant	3/12/2012	10/14/2016	8,019
Posco Engineering and Construction Co. Ltd.	Engineering, construction, assembly and commissioning of Ventanas Power Plant	2/17/2010	5/15/2014	7,900
Ing. y Consdtrucción Sigdo Koppers S.A.	Construction of transmission system for Cochrane Power Plant	4/2/2013	8/31/2014	7,029
Andritz Chile Ltda.	Engineering, construction, assembly and commissioning of desulphurization system for units 1 & 2 of Norgener Power Plant	3/16/2012	10/14/2016	6,451
Andritz Energy & Environment GMBH	Engineering, construction, assembly and commissioning of desulphurization system for units 1 & 2 of Ventanas Power Plant	3/12/2012	10/14/2016	6,009
Compañíía Portuaria Mejillones S.A.	Fulfillment of contract to transfer and handle bulk products	4/11/2013	4/5/2014	6,000
Ing. y Consdtrucción Sigdo Koppers S.A.	Construction of transmission system for Cochrane Power Plant	4/3/2013	8/31/2014	5,311
Andritz Chile Ltda.	Engineering, construction, assembly and commissioning of desulphurization system for units 1 & 2 of Ventanas Power Plant	3/16/2012	10/14/2016	5,251
Andritz Energy & Environment GMBH	Engineering, construction, assembly and commissioning of desulphurization system for units 1 & 2 of Norgener Power Plant	3/12/2012	10/31/2013	4,009
Andritz Chile Ltda.	Engineering, construction, assembly and commissioning of desulphurization system for units 1 & 2 of Norgener Power Plant	3/16/2012	10/31/2013	3,225
Andritz Energy & Environment GMBH	Engineering, construction, assembly and commissioning of desulphurization system for units 1 & 2 of Ventanas Power Plant	3/12/2012	10/31/2013	3,005
Abengoa Chile	Pumping station connection contract for substation	6/7/2013	12/31/2013	3,000
Andritz Chile Ltda.	Engineering, construction, assembly and commissioning of desulphurization system for units 1 & 2 of Ventanas Power Plant	3/16/2012	10/31/2013	2,625
Constructora Nuevo Maipo S.A.	Fulfillment of construction of tunnels	9/1/2013	9/4/2014	2,003
Voith Hydro Ltda.	Contract fulfillment	9/3/2013	4/26/2017	1,066
SK Industrial S.A.	Contract fulfillment	5/16/2013	5/14/2014	898
Voith Hydro Ltda.	Contract fulfillment	9/3/2013	10/3/2017	878
Constructora Con Pax S.A.	Construction of preliminary works for Alto Maipo project	6/29/2012	4/14/2014	677
Andritz Hydro S.R.L.	Contract fulfillment	2/19/2013	5/15/2014	600
Constructora Con Pax S.A.	Construction of preliminary works for Alto Maipo project	5/15/2013	3/15/2014	597
Korlaet y Jara Const. Obras y Montajes S.A.	Expansion of Angamos Power Plant	10/12/2012	11/30/2013	564
Constructora Con Pax S.A.	Construction of additional works for Alto Maipo project	5/15/2013	4/30/2014	523
Constructora Con Pax S.A.	Construction of preliminary works for Alto Maipo project	5/15/2013	4/30/2014	425
IVENSYS Systems Chile Ltda.	Contract fulfillment	7/8/2013	6/12/2014	356
ELIMCO Soluciones Integrales S.A.	Contract fulfillment	9/11/2013	9/1/2014	290
Hyosung Corporation	Payment guarantee	6/12/2013	9/30/2014	230
	Other minor guarantees	1/0/1900	1/0/1900	2,625
TOTAL				**1,189,032**

NOTE 34 – SHARE-BASED PAYMENTS

(a) Stock Options

AES Corporation grants options to purchase common stock under stock option plans. Under the terms of the plans, AES Corporation may issue options to purchase shares of common stock of AES Corporation at a price equal to 100% of the market price at the date the option is granted. Stock options are generally granted based upon a percentage of an employee's base salary. Stock options issued under these plans in 2013 and 2012 have a three-year vesting schedule and vest in one-third increments over the three-year period. The stock options have a contractual term of ten years.

The weighted average fair value of each option grant has been estimated, as of the grant date, using the Black Scholes option pricing model with the following weighted average assumptions:

	September 30, 2013	December 31, 2012
Expected Volatility	23.08%	26.29%
Expected Annual Dividend Yield	1.44%	1.10%
Expected Option Term (Years)	6	6
Risk-Free Interest Rate	1.13%	1.16%

The Company exclusively relies on implied volatility as the expected volatility to determine the fair value using the Black Scholes option-pricing model. The implied volatility may be exclusively relied on due to the following factors:

- The Company utilizes a valuation model that is based on a constant volatility assumption to value its employee share options;
- The implied volatility is derived from options to purchase common stock of AES Corporation that are actively traded;
- The market prices of both the traded options and the underlying shares are measured at a similar point in time to each other and on a date reasonably close to the grant date of the employee stock options;
- The traded options have exercise prices that are both near-the-money and close to the exercise price of the employee share options; and
- The remaining maturities of the traded options on which the estimate is based are at least one year.

The Company used a simplified method to determine the expected term based on the average of the original contractual term and the pro rata vesting term. This simplified method was used for the nine-month period ended September 30, 2013 and the year ended December 31, 2012. This is appropriate given a lack of relevant stock option exercise data.

This simplified method may be used as the stock options of AES Corporation have the following characteristics:

- The stock options are granted at-the-money;
- Exercisability is conditional only on performing service through the vesting date;
- If an employee terminates service prior to vesting, the employee forfeits the stock options;
- If an employee terminates service after vesting, the employee has a limited time to exercise the stock option; and
- The stock option is non-hedgeable and not transferable.

The Company does not discount the grant date fair values determined to estimate post-vesting restrictions. Post-vesting restrictions include black-out periods when the employee is not able to exercise stock options based on their potential knowledge of information prior to the release of that information to the public. The assumptions that the Company has made in determining the grant date fair value of its stock options and the estimated forfeiture rates represent its best estimate.

Using the above assumptions, the weighted average fair value of each stock option granted was US$2.21 and US$3.26 for the nine-month period ended September 30, 2013 and the year ended December 31, 2012, respectively.

The following table summarizes the components of share-based compensation related to employee stock options recognized in the Company's financial statements:

	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Total Intrinsic Value of Options Exercised	84	18
Total Grant Date Fair Value of Options Vested	95	76
Cash Received from the Exercise of Stock Options	190	38

There were no modifications to stock option awards during the period ended September 30, 2013.

The following table summarizes option activity for the period ended September 30, 2013:

	Options	Weighted Average Exercise Price US$	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value ThUS$
Outstanding as of December 31, 2012	304,436	15.76	-	-
Exercised During the Period	(21,325)	8.93	-	-
Forfeited and Expired During the Period	(7,815)	17.66	-	-
Granted During the Period	47,014	11.17	-	-
Transferred to Gener During the Period	1,225	18.87	-	-
Outstanding as of September 30, 2013	**323,535**	**15.51**	**4.66**	**291**
Vested and Expected to Vest as of September 30, 2013	313,859	15.63	4.52	274
Eligible for Exercise as of September 30, 2013	250,644	16.54	3.42	188

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the closing stock price of AES Corporation on the last trading day of the third quarter of 2013 and the exercise price, multiplied by the number of in-the-money options) that would have been received by options holders had all options holders exercised their options on September 30, 2013. The amount of the aggregate intrinsic value will change based on the fair market value of AES Corporation's stock.

The Company initially recognizes compensation cost on the estimated number of instruments for which the requisite service is expected to be rendered.

(b) Restricted Stock

AES Corporation also issues restricted stock units ("RSUs") under its long-term compensation plan. The RSUs are generally granted based upon a percentage of the participant's base salary. The units have a three-year vesting schedule and vest in one-third increments over the three-year period. The units are then required to be held for an additional two years before they can be redeemed for shares, and thus become transferable.

For the nine-month period ended September 30, 2013 and the year ended December 31, 2012, RSUs issued had a grant date fair value equal to the closing price of AES Corporation's stock on the grant date. The Company does not discount the grant date fair values to reflect any post-vesting restrictions.

The RSUs granted to employees during the nine-month period ended September 30, 2013 and the year ended December 31, 2012, had grant date fair values per RSU of US$ 11.39 and US$ 13.70, respectively.

The following table summarizes the components of share-based compensation related to employee RSUs recognized in the Company's financial statements:

	September 30, 2013 ThUS$	December 31, 2012 ThUS$
Total Intrinsic Value of RSUs Converted (1)	746	528
Total Intrinsic Value of RSUs Vested	744	609

(1) Amount represents the fair value on the conversion date.

There was no cash used to settle RSUs or compensation cost capitalized as part of the cost of an asset for the nine-month period ended September 30, 2013 and the year ended December 31, 2012.

The following table summarizes RSU activity for the nine-month period ended September 30, 2013:

	RSU	Weighted Average Grant Date Fair Value US$	Weighted Average Remaining Vesting Term
Non-Vested as of December 31, 2012	**169,426**	**13.72**	-
Vested During the Period	(57,210)	13.01	-
Forfeited and Expired During the Period	(18,501)	12.40	-
Granted During the Period	105,833	11.39	-
Non-Vested as of September 30, 2013	**199,548**	**12.81**	**1.40**
Vested as of September 30, 2013	108,332	9.14	-
Vested and Expected to Vest as of September 30, 2013	279,927	11.44	-

NOTE 35 – ENVIRONMENTAL EXPENDITURES

The Group 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 Expenses for the nine-month period ended September 30, 2013 and the year ended December 31, 2012, are presented as follows:

Detail	September 30, 2013 ThUS$	September 30, 2012 ThUS$
Air Quality Monitoring Station	803	575
Waste Water System	11	90
Ash Deposit	1,624	1,726
Marine Monitoring (Oceanographic Monitoring and Liquid Industrial Waste Control)	412	132
Smokestack and Noise Monitoring	350	208
Expenses for Law 99 in Colombia	5,525	8,299
Water and Land Transport	444	-
Waste Disposal	484	148
Other	1,597	1,065
Total	**11,250**	**12,243**

NOTE 36 – SUBSEQUENT EVENTS

As of the date of issuance of these interim consolidated financial statements, no subsequent events were registered that have affected or could affect the information presented herein.

****

CONSOLIDATED FINANCIAL STATEMENTS

AES Gener S.A. and Subsidiaries

As of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010

This document includes the following sections:

- **Independent Auditor's Report**
- **Consolidated Statements of Financial Position as of December 31, 2012 and 2011**
- **Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010**
- **Consolidated Statements of Changes in Equity for the years ended December 31, 2012, 2011 and 2010**
- **Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010**
- **Notes to the Consolidated Financial Statements**

Report of Independent Auditors

To the Shareholders and Directors of
AES Gener S.A.:

We have audited the accompanying consolidated financial statements of AES Gener S.A. and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2012, 2011 and 2010, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management of AES Gener S.A. is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with International Financial Reporting Standards. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of 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 of 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.

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 consolidated financial position of AES Gener S.A. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years ended December 31, 2012, 2011and 2010, in conformity with International Financial Reporting Standards.

/s/Ernst & Young Ltda.

Santiago, Chile
February 26, 2013

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AES Gener and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2012 and 2011
(in thousands of United States dollars)

ASSETS	Note	As of December 31 2012	As of December 31 2011
		ThUS$	ThUS$
Cash and Cash Equivalents	8	397,204	409,157
Other Current Financial Assets	9	10,108	140,396
Other Current Non-Financial Assets	11	7,612	6,784
Trade and Other Receivables	12	312,627	391,118
Related Party Receivables	13	8,754	13,885
Inventory	14	90,703	105,946
Taxes Receivable	15	28,568	19,603
Total Current Assets		**855,576**	**1,086,889**
Other Non-Current Financial Assets	9	14,140	12,642
Other Non-Current Non-Financial Assets	11	17,988	11,187
Trade and Other Receivables	12	6,083	9,829
Investments in Associates	16	276,153	273,375
Intangible Assets	17	39,818	33,816
Goodwill	17	7,309	7,309
Property, Plant and Equipment	18	4,599,363	4,375,469
Deferred Taxes	19	14,976	18,757
Total Non-Current Assets		**4,975,830**	**4,742,384**
TOTAL ASSETS		**5,831,406**	**5,829,273**

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AES Gener and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2012 and 2011
(in thousands of United States dollars)

LIABILITIES AND EQUITY	Note	As of December 31 2012	2011
		ThUS$	**ThUS$**
Other Current Financial Liabilities	20	124,281	94,654
Trade and Other Payables	21	254,750	347,840
Related Party Payables	13	17,017	9,526
Provisions	22	4,588	3,037
Taxes Payable	15	49,870	32,815
Employee Benefits	23	2,333	3,241
Other Current Non-Financial Liabilities	24	38,459	23,045
Total Current Liabilities		**491,298**	**514,158**
Other Non-Current Financial Liabilities	20	2,272,486	2,298,096
Trade and Other Payables	21	35,441	31,381
Related Party Payables	13	-	236
Provisions	22	81,125	47,203
Deferred Taxes	19	412,365	358,185
Employee Benefits	23	38,305	28,750
Other Non-Current Non-Financial Liabilities	24	19,365	22,485
Total Non-Current Liabilities		**2,859,087**	**2,786,336**
TOTAL LIABILITIES		**3,350,385**	**3,300,494**
Issued Capital		1,901,720	1,901,720
Retained Earnings	25	546,430	642,666
Share Premium		49,908	49,908
Other Components of Equity	25	236,957	226,039
Accumulated Other Comprehensive Income	25	(257,348)	(291,663)
Equity Attributable to Owners of the Parent		**2,477,667**	**2,528,670**
Non-Controlling Interest		3,354	109
Total Equity		**2,481,021**	**2,528,779**
TOTAL LIABILITIES AND EQUITY		**5,831,406**	**5,829,273**

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AES Gener and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2012, 2011 and 2010
(in thousands of United States dollars, except as noted)

STATEMENT OF COMPREHENSIVE INCOME	Note	December 31 2012	2011	2010
		ThUS$	ThUS$	ThUS$
Operating Revenue	26	2,327,721	2,130,286	1,802,049
Cost of Sales	27	(1,737,828)	(1,443,214)	(1,368,878)
Gross Profit		**589,893**	**687,072**	**433,171**
Other Operating Income		2,057	6,144	5,881
Administrative Expenses	27	(145,120)	(148,220)	(116,067)
Other Operating Expenses	27	(3,066)	(5,215)	(19,125)
Other Gains (Losses)	28	7,433	(23,779)	(88,787)
Finance Income	29	8,407	9,303	22,452
Finance Expense	29	(115,452)	(107,148)	(99,313)
Participation in Earnings of Associates	16	9,187	31,109	42,361
Foreign Currency Exchange Differences	29	(3,633)	(13,348)	16,451
Income before Taxes		**349,706**	**435,918**	**197,024**
Income Tax Expense	30	(146,778)	(109,810)	(31,169)
Net Income		**202,928**	**326,108**	**165,855**
(Loss) Income Attributable to Non-Controlling Interests		(5)	24	(3,917)
Income Attributable to Shareholders of the Parent		202,933	326,084	169,772
Net Income		**202,928**	**326,108**	**165,855**
Earnings per Share (Presented in US$)				
Basic and Diluted Earnings per Share from Continuing Operations	31	0.03	0.04	0.02

OTHER COMPREHENSIVE INCOME	December 31 2012	2011	2010
	ThUS$	ThUS$	ThUS$
Net Income	202,928	326,108	165,855
Other Comprehensive Income before Taxes			
Foreign Currency Translation Adjustments	52,645	(12,908)	34,356
Loss from Cash Flow Hedges	(21,749)	(91,391)	(77,864)
Net Gain (Loss) from Associate's Cash Flow Hedge	2,923	2,924	(3,324)
Actuarial Losses on Defined Benefit Plan	(6,269)	(1,918)	(2,317)
Other Comprehensive Income (Loss) before Taxes	**27,550**	**(103,293)**	**(49,149)**
Income Tax Related to Cash Flow Hedges	5,122	16,611	12,173
Income Tax Related to Defined Benefit Plans	1,643	326	394
OTHER COMPREHENSIVE INCOME (LOSS), NET	**34,315**	**(86,356)**	**(36,582)**
TOTAL COMPREHENSIVE INCOME	**237,243**	**239,752**	**129,273**
Comprehensive Loss Attributable to Non-Controlling Interest	(5)	24	(3,917)
Comprehensive Income Attributable to Owners of the Parent	237,248	239,728	133,190
Total Comprehensive Income	**237,243**	**239,752**	**129,273**

AES Gener and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2012, 2011 and 2010
(in thousands of United States dollars)

				Accumulated 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 Various Reserves	Retained Earnings	I Attr to C the
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	T
Opening Balance (01/01/2012)............	1,901,720	49,908	226,039	20,735	(161,995)	(3,515)	(146,888)	642,666	2,
Changes in Equity:									
Net Income	-	-	-	-	-	-	-	202,933	
Other Comprehensive Income (Loss)...	-	-	-	52,645	(13,704)	(4,626)	-	-	
Dividends	-	-	-	-	-	-	-	(299,169)	(
Increases (Decreases) for Transfers and Other Changes	-	-	10,918	-	-	-	-	-	
Total Changes in Equity....................	**-**	**-**	**10,918**	**52,645**	**(13,704)**	**(4,626)**	**-**	**(96,236)**	
Ending Balance (12/31/2012).............	**1,901,720**	**49,908**	**236,957**	**73,380**	**(175,699)**	**(8,141)**	**(146,888)**	**546,430**	**2,**

				Accumulated 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 Various Reserves	Retained Earnings	I Att to C th
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	T
Opening Balance (01/01/2011)............	1,901,720	49,908	296,930	33,643	(90,139)	(1,923)	(146,888)	511,238	2.
Changes in Equity:									
Net Income	-	-	-	-	-	-	-	326,084	
Other Comprehensive Income	-	-	-	(12,908)	(71,856)	(1,592)	-	-	
Dividends	-	-	-	-	-	-	-	(266,652)	(
Increases (Decreases) for Transfers and Other Changes	-	-	(70,891)	-	-	-	-	71,996	
Total Changes in Equity....................	**-**	**-**	**(70,891)**	**(12,908)**	**(71,856)**	**(1,592)**	**-**	**131,428**	
Ending Balance (12/31/2011).............	**1,901,720**	**49,908**	**226,039**	**20,735**	**(161,995)**	**(3,515)**	**(146,888)**	**642,666**	**2.**

AES Gener and Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2012, 2011 and 2010
(in thousands of United States dollars)

Statement of Changes in Equity	Issued Capital	Share Premium	Other Components of Equity	Accumulated Other Comprehensive Income				Retained Earnings	I Att to C th
				Foreign Currency Translation Reserve	Cash Flow Hedge Reserve	Defined Benefit Plan Reserve	Other Various Reserves		
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	T
Opening Balance (01/01/2010)	1,901,720	49,908	165,082	(713)	(21,124)	-	(146,888)	645,781	2,
Changes in Equity:									
Net Income	-	-	-	-	-	-	-	169,772	
Other Comprehensive Income	-	-	-	34,356	(69,015)	(1,923)	-	-	
Dividends	-	-	-	-	-	-	-	(233,013)	(
Increases (Decreases) for Transfers and Other Changes	-	-	131,848	-	-	-	-	(71,302)	
Total Changes in Equity	**-**	**-**	**131,848**	**34,356**	**(69,015)**	**(1,923)**	**-**	**(134,543)**	
Ending Balance (12/31/2010)	**1,901,720**	**49,908**	**296,930**	**33,643**	**(90,139)**	**(1,923)**	**(146,888)**	**511,238**	**2,**

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AES Gener and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2012, 2011 and 2010
(in thousands of United States dollars)

Statement of Cash Flows	December 31		
	2012	2011	2010
	ThUS$	ThUS$	ThUS$
Operating Activities			
Net Income	202,928	326,108	165,855
Non-Cash Adjustments to Net Income:			
Depreciation and Amortization	214,019	195,648	168,228
Impairment	-	-	3,370
Unrealized Foreign Exchange Losses (Gains)	(5,588)	3,957	(30,305)
Losses on Differences in Fair Value	-	-	9,822
Finance Income	(8,407)	(9,303)	(22,452)
Finance Expense	115,452	107,148	99,313
Refinancing Debt Expenses	-	41,200	-
Loss (Gain) on Contract Settlement	-	(19,448)	45,392
Loss (Gain) on Disposal of Non-Current Assets	(215)	2,373	(7)
Loss (Gain) on Disposal of Property, Plant and Equipment	(5,050)	8,591	14,671
Income Taxes	146,778	109,810	31,169
Other Non-Cash Items	(12,414)	(16,466)	(2,619)
Decrease (Increase) in Inventory	15,243	(63,868)	9,205
Decrease (Increase) in Trade Receivables	26,988	(24,186)	37,546
(Increase) Decrease in Other Receivables	(33,232)	(15,591)	8,022
Decrease in Trade Payables	(15,303)	(94,398)	(110,929)
Increase in Other Payables	99,037	185,760	88,229
Movements in Provisions	24,105	5,030	(4,862)
Earnings from Associates	(9,187)	(31,109)	(42,361)
Dividend Payments	(316,707)	(320,377)	(159,874)
Dividends Received	13,409	23,240	11,219
Interest Payments	(99,027)	(96,890)	(101,015)
Interest Received	7,193	8,496	4,355
Income Taxes Paid	(79,056)	(95,532)	(65,182)
Other Net Operating Inflows (Outflows)	2,369	(52,669)	30,380
Net Cash Flows Provided by Operating Activities	**283,335**	**177,524**	**187,170**
Investing Activities			
Equity Investments in Associates	-	-	(2,005)
Proceeds from Sale of Property, Plant and Equipment	893	822	760
Purchases of Property, Plant and Equipment	(449,192)	(395,439)	(510,886)
Proceeds from Sale of Intangible Assets	3,927	10,000	-
Acquisitions of Intangible Assets	(6,824)	(1,180)	(3,666)
Proceeds from Sale of Financial Assets	61,143	224,603	147,330
Purchase of Financial Assets	-	(55,125)	(120,840)
VAT Recovery Related to Construction Projects	-	36,300	139,019
Other Investing Inflows (Outflows)	120,904	8,031	198
Net Cash Flows Used in Investing Activities	**(269,149)**	**(171,988)**	**(350,090)**
Financing Activities			
Proceeds from Share Issuance	12,361	-	-
Proceeds from Borrowings	-	165,954	335,189
Repayments of Loans	(48,978)	(37,944)	(27,439)
Payments of Finance Lease Liabilities	(2,157)	(2,044)	(2,443)
Other Financing Inflows (Outflows)	80	(8,508)	(15,421)
Net Cash Flows (Used in) Provided by Financing Activities	**(38,694)**	**117,458**	**289,886**

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Statement of Cash Flows	December 31		
	2012	**2011**	**2010**
	ThUS$	**ThUS$**	**ThUS$**
Net Cash and Cash Equivalents Increase (Decrease)	(24,508)	122,994	126,966
Net Foreign Exchange Differences	12,555	(8,098)	4,648
Cash and Cash Equivalents at the Beginning of Period	409,157	294,261	162,647
Cash and Cash Equivalents at the End of Period	**397,204**	**409,157**	**294,261**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOTE 1 – GENERAL INFORMATION

AES Gener S.A. (www.gener.cl) (hereinafter "the Company", "AES Gener" or "Gener") was formed by public deed on June 19, 1981, signed before Santiago Notary Public 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 Superintendency of Securities and Insurance ("SVS") in resolution No. 410-S on July 17, 1981, published in the 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, one coal-fired thermoelectric power plant, four diesel-fueled turbogas power plants, two cogeneration power plants and one gas turbine, all of which belong directly to Gener; a natural gas and/or diesel combined-cycle power plant and a diesel power plant belonging to its subsidiary Sociedad Eléctrica Santiago S.A. ("ESSA"); a coal-fired thermoelectric power plant belonging to its subsidiary Empresa Eléctrica Ventanas S.A. ("EEVSA"); and a coal-fired thermoelectric power plant belonging to its associate Empresa Eléctrica Guacolda S.A. ("Guacolda").

Gener also provides energy to the Great North Interconnected System ("SING"), through its subsidiaries Norgener S.A. ("Norgener"), Empresa Eléctrica Angamos S.A. and TermoAndes S.A. ("TermoAndes"). The first has a coal-fired thermoelectric power plant in the city of Tocopilla; the second plant is also a coal-combined thermoelectric power plant in the city of Mejillones; and the third has one natural gas combined-cycle power plant in Salta, Argentina, connected to the SING by a transmission line owned by its subsidiary Interandes S.A.

To address opportunities offered by the Chilean market, Gener is in the process of building various new power plants. In the SIC, the Company has a unit under construction which belongs to its subsidiary Empresa Eléctrica Campiche S.A. ("EEC"). Additionally, Gener has received approval of environmental impact studies for other projects under development, namely the new project Empresa Eléctrica Cochrane S.A. in the SING grid and the Alto Maipo project in the SIC grid.

In addition to its share 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 N°532, floors 18-20, Las Condes, Santiago, Chile.

The Company is controlled by AES Corporation through its investment subsidiary Cachagua Ltda. with a 70.67% interest as of December 31, 2012.

These consolidated financial statements were approved by the Company's Board of Directors on February 26, 2013.

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NOTE 2 – BASIS OF PREPARATION

The Group prepares its 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 subsidiaries ("the Group") cover the consolidated Statements of Financial Position as of December 31, 2012 and 2011, and the corresponding Statements of Comprehensive Income, Changes in Equity and Cash Flows for the years ended December 31, 2012, 2011 and 2010, and their related notes, which have been prepared and presented in accordance with IFRS considering certain presentation and disclosure requirements of the SVS.

The preparation of these consolidated financial statements in conformity with IFRS 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 a higher degree of 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, is maintained for commercialization or is 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.

As of the date of these consolidated financial statements, the following accounting standards have been issued by the IASB whose application was not yet mandatory, and as such they will be applied as of the dates described below.

Standards and Amendments	Mandatory Application
New Standards	
IFRS 9: Financial Instruments: Classification and Measurement	January 1, 2015
IFRS 10: Consolidated Financial Statements	January 1, 2013
IFRS 11: Joint Arrangements	January 1, 2013
IFRS 12: Disclosures of Interests in Other Entities	January 1, 2013
IFRS 13: Fair Value Measurement	January 1, 2013
Amendments and Improvements	
IAS 1: Presentation of Financial Statements	January 1, 2013
IAS 16: Property, Plant and Equipment	January 1, 2013
IAS 19: Employee Benefits	January 1, 2013
IAS 27: Separate Financial Statements	January 1, 2013
IAS 28: Investments in Associates and Joint Ventures	January 1, 2013
IAS 32: Financial Instruments: Presentation	January 1, 2014
IAS 34: Interim Financial Reporting	January 1, 2013
IFRS 7: Financial Instruments: Presentation & Disclosures	January 1, 2013

NEW STANDARDS

IFRS 9 "Financial Instruments: Classification and Measurement"

This standard introduces new requirements for the classification and measurement of financial assets. The basis of classification depends on the business model of the entity and the characteristics of the contractual cash flows of the financial asset. Financial assets may be measured initially at amortized cost or fair value. For financial assets designated to be measured at amortized cost, the Company must assess at each reporting date if there is evidence of impairment; if there is, then an impairment test should be performed.

IFRS 10 "Consolidated Financial Statements"

This standard establishes control as the basis for consolidation (including the concept of special purpose entities or structured entities).

IFRS 11 "Joint Arrangements"

IFRS 11 outlines the accounting treatment for an entity that is jointly controlled, such as joint operations or a joint venture using the concept of control as defined in IFRS 10. The accounting treatment depends on the type of arrangement and requires the identification of rights and obligations. The proportional consolidation method is no longer permitted.

IFRS 12 "Disclosure of Interests in Other Entities"

The new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other balance sheet vehicles. Although IFRS 12 includes the same disclosures as found in IAS 27, IAS 28, and IAS 31, it also introduces certain new required disclosures.

IFRS 13 "Fair Value Measurement"

IFRS 13 provides a clear definition and introduces a single set of guidance for fair value measurements when required or permitted by IFRS. It also requires new disclosures related to the measurement of assets and liabilities.

AMENDMENTS

IAS 1 "Presentation of Financial Statements"

The amendment effective January 1, 2013, resulted from the annual improvement project and clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 "Property, Plant and Equipment"

This amendment provides clarification when major spare parts and servicing equipment meet the definition of Property, Plant and Equipment and are not classified as inventories.

IAS 19 "Employee Benefits"

The modifications require immediate recognition of changes in defined benefit plans, eliminating the corridor method and accelerated recognition of past service costs. The treatment is retroactive and may be implemented early.

IAS 27 "Separate Financial Statements"

The amendments to this standard are a result of changes originating from IFRS 10.

IAS 28 "Investments in Associates and Joint Ventures"

This standard was amended by changes made to IFRS 10 and IFRS 11, which establish the requirements for the application of the equity method for investments in associates and joint ventures, along with more guidance for the impairment testing for these investments.

IAS 32 "Financial Instruments: Presentation"

The changes made in this standard provide more clarification on offsetting financial instruments in order to reduce the diversity being used in practice.

IAS 34 "Interim Financial Reporting"

This amendment clarifies that only total assets for a segment are disclosed in the case that this information is reported to the chief decision maker on a regular basis and there has been a material change in comparison to the amounts previously reported.

IFRS 7 "Financial Instruments: Presentation & Disclosures"

Modified are the disclosure requirements associated with financial assets and liabilities that have been offset in the statement of financial position or subject to netting agreements.

The Company is currently in the process of evaluating the initial effects of their application.

Management estimates that adoption of the aforementioned standards, amendments and interpretations will not have a significant impact on the Company's consolidated financial statements during the period of initial application.

NOTE 3 – BASIS OF CONSOLIDATION

The consolidated financial statements include the financial information of AES Gener S.A. (the "Parent Company") and its subsidiaries as of December 31, 2012, 2011 and 2010, respectively.

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

Subsidiaries consist of all entities over which AES Gener has the power to direct financial and operating policies and generally over which it holds more than half of the voting rights. Subsidiaries are consolidated from the date control is transferred to AES Gener S.A. and are no longer consolidated from the date control ceases.

The purchase method is used to account for acquisitions of subsidiaries. The purchase cost is the fair value of the assets transferred, the equity instruments issued and the liabilities incurred or assumed on 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 the income statement.

The Company consolidates the following subsidiaries:

			December 31			
			2012			2011
COMPANY NAME	COUNTRY	FUNCTIONAL CURRENCY	DIRECT	INDIRECT	TOTAL	TOTAL
NORGENER S.A.	CHILE	US$	99.9999	0.0000	99.9999	99.9999
SOCIEDAD ELECTRICA SANTIAGO S.A. (1)	CHILE	US$	99.9999	0.0001	100.0000	90.0000
EMPRESA ELECTRICA VENTANAS S.A.	CHILE	US$	0.0001	99.9999	100.0000	100.0000
ENERGY TRADE AND FINANCE CORPORATION (3-4)	CAYMAN ISLANDS	US$	0.0000	0.0000	0.0000	100.0000
AES CHIVOR & CIA S.C.A. E.S.P.	COLOMBIA	COL$	0.0000	99.9800	99.9800	99.9800
GENER BLUE WATER (2)	CAYMAN ISLANDS	US$	100.0000	0.0000	100.0000	100.0000
INVERSIONES NUEVA VENTANAS S.A.	CHILE	US$	0.0001	99.9999	100.0000	100.0000
INVERSIONES TERMOENERGIA DE CHILE LTDA.	CHILE	US$	0.0000	99.9900	99.9900	99.9900
GENER ARGENTINA S.A.	ARGENTINA	US$	92.0400	7.9600	100.0000	100.0000
TERMOANDES S.A.	ARGENTINA	US$	8.82000	91.1800	100.0000	100.0000
INTERANDES S.A.	ARGENTINA	US$	13.0100	86.9900	100.0000	100.0000
GENERGIA S.A.	CHILE	US$	0.0000	99.9999	99.9999	99.9999
GENERGIA POWER LTD. (2)	CAYMAN ISLANDS	US$	100.0000	0.0000	100.0000	100.0000
EMPRESA ELECTRICA ANGAMOS S.A.	CHILE	US$	0.0001	99.9999	100.0000	100.0000
EMPRESA ELECTRICA CAMPICHE S.A.	CHILE	US$	0.0001	99.9999	100.0000	100.0000
ENERGEN S.A.	ARGENTINA	US$	94.0000	6.0000	100.0000	100.0000
AES CHIVOR S.A.	COLOMBIA	COL$	47.5000	50.6200	98.1200	98.1200
EMPRESA ELECTRICA COCHRANE S.P.A.	CHILE	US$	0.0000	60.0000	60.0000	100.0000
ALTO MAIPO S.P.A.	CHILE	US$	0.0000	100.0000	100.0000	100.0000

For the purposes of these consolidated financial statements, intercompany transactions and unrealized gains between consolidating entities are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

(1) On September 15, 2010, C.G.E. Generacion S.A. sold its participation in Sociedad Eléctrica Santiago S.A. to AES Gener and Norgener S.A.

(2) In the written resolution of subsidiary Energy Trade and Finance Corporation ("ETFC") on June 21, 2012, it was agreed upon to reduce capital by transferring 21,389,746 of its shares from AES Gener S.A. As payment for this reduction in capital, ETFC transferred two subsidiaries, Genergía Power Ltd. and Gener Blue Water Limited, to AES Gener S.A. through a transfer of all of the 14,873,107 shares in these

two investments. This resulted in AES Gener S.A. being a direct owner of both Genergía Power Ltd. and Gener Blue Water Limited.

(3) The Board of Directors of Norgener S.A. decided on June 28, 2012, to issue capital through 7,196,787 new single-series shares with no par value, totaling US$2,206,989. These shares were subscribed and paid for by AES Gener S.A. with 2,206,989 shares of Energy Trade and Finance Corporation, resulting in Norgener S.A. owning 99,99999576% of the total capital of Energy Trade and Finance Corporation.

(4) In a written resolution dated December 18, 2012, the Superintendency of Companies in Colombia authorized the merger of Energy Trade and Finance Corporation (“ETFC”) and AES Chivor & Cia S.C.A. The accounting impact of this merger was recorded as of December 31, 2012, effectively legally dissolving ETFC and resulting in Norgener becoming the majority shareholder in AES Chivor & Cia S.C.A.

(5) During the last quarter of 2012, the subsidiary Norgener sold 40% of its interest in its subsidiary Empresa Eléctrica Cochrane to Diamond Pacific Investment Limitada. However, as of December 31, 2012, the new shareholder of Empresa Eléctrica Cochrane has only paid for 12,360,665 shares of the total 114,878,912 shares and holds the corresponding interest of 10.76% while Norgener holds an 89.24% interest (owning 102,518,247 of the total shares). Therefore, the definitive ownership interest of the new shareholder will not be reflected in accounting until the remainder of the shares are subscribed and purchased.

(b) **Transactions with Non-Controlling Interest**

Non-controlling interest represents the share of net income or net losses and net assets of subsidiaries not fully-owned by the Group. Non-controlling interests are presented separately in the Statements of Comprehensive Income and Financial Position. AES Gener S.A. considers transactions with non-controlling interests to be transactions with third parties outside the Group. 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.

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 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 Group's share of post-acquisition losses or gains ("equity in earnings") of its associates is recognized in income 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 Group's share of an associate's losses is equal to or greater than its share in that entity, including any other unsecured receivables, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of that associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. When necessary, the accounting policies of associates are modified to ensure their uniformity with policies adopted by the Company.

4.2. Operating Segments

Segment information is presented consistently with internal reports provided to the Company's management, who is responsible for assigning resources and evaluating the performance of the operating segments. In making strategic decisions, management identifies its operating segments based on the markets in which it participates and for which strategic decisions are taken: the SIC market, the SING and SADI markets in Chile and Argentina, respectively, and the National Interconnected System (SIN) in Colombia.

Segment information is disclosed 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 an effective cash flow hedges.

Non-monetary items 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 are presented using the following respective exchange rates and closing values per US$1:

	December 31, 2012	December 31, 2011
Chilean pesos (Ch$)	479.96	519.20
Argentinean pesos (Ar$)	4.918	4.304
Colombian pesos (Col$)	1,767.00	1,938.50
Unidad de Fomento (UF)	0.02101	0.02329

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 are in a hyperinflationary economy) with a functional currency that differs from the presentation currency are converted 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).

All resulting foreign exchange translation differences are recognized as a separate component of Other Comprehensive Income, within the Foreign Currency Translation Reserve.

On disposal of the foreign operation, the component of the Foreign Currency Translation Reserve relating to that particular foreign operation is recognized in income.

4.4. Property, Plant and Equipment

Land belonging to the Group 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 acquisition cost, 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, the initial estimate of costs for the decommissioning of the asset, as well as costs for restoring the site where it is located, all of which the Company undertakes 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 Group; and
- The cost of the parts can be determined reliably.

When parts are replaced, the respective carrying amount is derecognized. All other repairs and maintenance are charged to income for the period in which they are incurred.

Projects under construction include the following expenses that are capitalized during the construction period:

(i) Interest expenses related to external financing that are directly attributable to construction, both specific and generic in nature. In terms of generic financing, capitalized interest 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.

Balances of construction in progress are transferred to property, plant and equipment once the testing period is finalized and 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 property, plant and equipment are detailed in Note 18.

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 Income (Losses)".

The amounts corresponding to the de-recognized elements of property, plant and equipment include original cost net of accumulated depreciation and accumulated impairment losses.

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 related to acquisitions of subsidiaries is included in Intangible Assets, whereas Goodwill relating to acquisitions of associates is included in Investments in Associates. Goodwill is subject to 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 (see Note 4.7). Impairment losses relating to goodwill cannot be reversed in future periods.

4.6. Intangible Assets

***(a)* Software**

Licenses for purchased software are capitalized on the basis of the costs of each specific program incurred to purchase and prepare it for its intended use. These costs are amortized over their estimated useful lives, using the straight-line method (see Note 17).

Expenses related to software development or maintenance are expensed as incurred. Costs directly related to the production of unique and identifiable software controlled by the Group, 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 historical cost. These rights have no time limits and therefore are considered assets with an indefinite useful life, and consequently are not 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 an annual 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 17).

(c) Water Rights

Water rights are presented at historical cost. These rights have no time limits and therefore they are considered assets with an indefinite useful life and consequently are not 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. An impairment loss is recognized at the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Cash generating units are equivalent to operating segments.

An impairment loss is recognized when there is an excess of the carrying amount of the assets or cash-generating unit over 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 is 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 periods.

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, available-for-sale financial investments and derivatives designated as hedging instruments in an effective hedge. The classification depends on the purpose for 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. This category also includes derivative financial instruments that are not designated as hedging instruments.

(b) **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in 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 Statement of Financial Position.

(c) **Held-to-Maturity Financial Investments**

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold until their maturity. If the Group 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 Investments**

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within the upcoming 12 months.

Initial Recognition and Disposal

Acquisitions and disposals of financial investments are recognized as of the date of negotiation (i.e. the date on which the Group 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 registered in the Income Statement.

Subsequent Valuation

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently recorded at fair value. Loans and other receivables and held-to-maturity financial assets are accounted for at amortized cost using the effective interest rate method.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in Finance Income or Finance Expense in the Income Statement. Dividend income from financial assets at fair value through profit or loss is recognized in the Statement of Comprehensive Income within Other Gains (Losses) when the Group's right to receive payment is established.

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. Foreign currency exchange differences of monetary instruments are recognized in income; foreign currency translation of non-monetary instruments is recognized in Accumulated Other Comprehensive Income. Variations in the fair value of monetary and non-monetary instruments classified as available-for-sale are recognized through Accumulated Other Comprehensive Income in the Available-for-Sale Reserve.

When instruments classified as available for sale are disposed of or impaired, the accumulated fair value adjustments previously recognized in Accumulated Other Comprehensive Income are included in net income.

Interest from available-for-sale instruments calculated using the effective interest rate method is recognized in net income within the Finance Income account. Dividend income from available-for-sale equity instruments is recognized in net income within Other Gains (Losses) when the Group's right to receive payment is established.

The fair values of quoted investments are based on current acquisition costs. If the market for a financial asset is not active, the Group establishes the fair value using valuation techniques that include the following:

(i) the use of recent transactions between willing and duly informed interested parties, in reference to 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 written-off when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

Impairment

As of each reporting date, the Group 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 evidence of this type 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 Other Comprehensive Income and is recognized in income. Impairment losses recognized in the Statement of Comprehensive Income for equity instruments are not reversed. However, increases in their fair value subsequent to impairment are recognized directly in Other Comprehensive Income.

Trade and Other Receivables are recognized initially at fair value and subsequently at amortized cost, in accordance with the effective interest rate method less allowance for doubtful accounts.

The allowance for doubtful accounts in Trade and Other Receivables is established when evidence exists that the Group 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 carrying amount of the asset and the present value of the future estimated cash flows discounted at 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 an amount is determined to be unrecoverable, the amount is written off against the allowance for doubtful accounts. 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 into the following categories: at fair value through profit or loss, trade payables, interest-bearing loans 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, cancelled 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 derecognized 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 directly attributable transaction costs. Subsequent measurement of financial liabilities depends on their classification, as described below:

(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 income. This category includes derivative instruments not designated for hedge accounting.

(b) **Trade and Other Payables**

Balances payable to suppliers are subsequently measured at their amortized cost using the effective interest rate method. Accounts payable with generally accepted commercial maturities are not discounted.

(c) **Interest-Bearing Loans**

Interest-bearing loans are subsequently measured at their amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any initial premium or discount on the loan and includes any transaction costs that are an integral part of the effective interest rate.

4.10. Derivative Financial Instruments and Hedging

The Group 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 executed 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 Group designates particular derivatives as:

- fair value hedges; and
- cash flow hedges;

The Group documents the relationship between hedging instruments and the hedged items at the inception of the transaction, as well as its risk management objectives and strategy for carrying out diverse hedge transactions. The Group also documents its assessment, both at inception as well as on a continued basis, of whether the derivatives used in hedge transactions are highly effective in 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 net income, together with any change in the fair value of the hedged asset or liability that is attributable to the hedged risk.

The Group 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 Finance Income or Finance Expense.

Amounts accumulated in 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 equity are reclassified to Finance Expense as the associated debts accrue interest. For cross currency swaps, the amounts recognized in Other Comprehensive Income are reclassified to Foreign Currency Exchange Differences in income.

When a hedging instrument matures, is sold or when it no longer meets hedge accounting requirements, gains or losses accumulated in 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 income.

***(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 classified in this category are recognized immediately in the Income Statement within Finance Income or Finance Expense.

***(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 not closely related, the embedded derivatives are bifurcated and the variations in fair value of these embedded derivatives are recorded in income.

4.11. Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the average weighted price method. The net realizable value is determined as the estimated sales price during the normal course of business, less estimated costs necessary to make the sale.

4.12. Cash and Cash Equivalents

Cash and cash equivalents include cash, time deposits in credit institutions and other highly-liquid, short-term investments with original maturities not in excess of three months and bank overdrafts. In the Statement of Financial Position, bank overdrafts are classified as external resources within Other Financial Liabilities. The classification of Cash and Cash Equivalents does not differ from that used in the Statement of Cash Flows.

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 prevents funds from 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 Group has defined the following considerations in the preparation of the Statement of Cash Flows:

(i) Operating Activities: These are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

(ii) Investing activities: These consist of the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

(iii) Financing activities: These are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Payments and receipts of interest and dividends are classified in the Statement of Cash Flow as part of Operating Activities. Cash flows arising from taxes on income are separately disclosed within cash flows from operating activities.

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 reduction of the funds obtained by issuing new shares, net of taxes.

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 Group 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 result from applying taxes to net taxable income for the period, which 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".

With the exception of 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:

- the parent company, investor or participant of a business can control the opportunity to reverse the temporary difference; and
- 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:

- Carry forwards of unused tax credits and losses can be utilized; and
- 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 income or equity, based on where the originating gains or losses were recorded.

Deferred tax assets related to tax losses are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized and the tax losses have not expired. In both Chile and Colombia, tax losses do not expire, whereby in Argentina they expire after five years.

Argentinean subsidiaries determine minimum expected income taxes by applying the current rate of 1% to all allowable assets as of each period end. This tax is complementary to income tax. The obligation for each period consists of the greater of minimum expected tax or income tax. However, if the minimum expected tax exceeds income tax in any fiscal year, this excess may be applied as payment for any income tax surplus over the minimum expected tax that may arise in any of the following ten fiscal years.

4.15. Employee Benefits

(a) Short-Term Pension Obligations and Other Post-Employment Obligations

The Company recognizes 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) Defined Benefit Pension 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 value of these liabilities is calculated using the projected unit credit method. This actuarial calculation includes the projected benefit discounted at an annual nominal rate considering the probability of such payments or benefits based on mortality and rotation. In Chile, the discount rate is based on the performance of UF-denominated sovereign bonds from the Chilean Central Bank and average long-term projected inflation, while the rate in Colombia is determined based on the performance of long-term sovereign bonds issued by the Colombian government. Benefits for retired employees, entitled to medical benefits and electricity subsidies, are recognized based on an estimate of the portion of benefits earned as of the reporting date. Liabilities for medical benefits and electricity subsidies have been determined based on trends for future medical and fixed electricity costs.

Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses of an individual plan exceed 10% of the defined benefit obligation. These amounts are recognized in net income over the employees' remaining expected work lives.

Actuarial losses and gains that do not exceed 10% are recognized in equity in the Defined Benefit Plan Reserve in the period in which they are generated.

(c) Share-Based Compensation

AES Corporation, 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 capital contribution, increasing 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 (see Note 34 Share-Based Payments).

The Company uses the Black-Scholes model to estimate the fair value of the stock options granted to employees.

(d) Staff Severance Indemnities

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:

- the Group has a current obligation, whether legal or constructive, as a result of past events; and

- it is probable that an outflow of resources will be needed to settle the obligation; and
- the amount can be reliably estimated.

Provisions are not recognized for future operating losses.

These 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 current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the Income Statement as Finance Expense.

4.17. Revenue Recognition

The Group recognizes revenues when:

- The amount can be reliably measured, and
- It is probable that the future economic benefits flow to the entity; and
- Specific conditions have been met for each of the Group's activities as described below.

The amount of revenue is not considered to be reliably measured until all contingencies related to the sale have been resolved. The Group bases its estimates on historical data, taking into account the type of customer, type of transaction and the concrete terms of each agreement.

Operating revenue includes the fair value of consideration received or to be received for the sale of goods and services in the ordinary course of the Group's activities. Operating revenue is presented net of value added taxes, returns, rebates and discounts and after eliminating inter-group sales.

(a) Sales Revenues

Revenues from energy and capacity sales are recognized once the energy or capacity has been physically delivered at prices established in the respective contracts or at prevailing electricity market prices in accordance with current regulations. Operating Revenue includes un-invoiced income from energy and capacity supplied but not billed at 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 Receivables. The related cost of this energy has been included in Cost of Sales. The Company recognizes revenues from sales of inventory such as coal and gas upon delivery and revenues from shipping and engineering services upon performance of such services.

(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.

(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 Group analyzes whether the agreement depends on the use of the specific asset or assets and whether the agreement conveys a right to use the asset. Leases in which the

Group retains substantially all risks and rewards of ownership are classified as finance leases. Examples of indicators that the agreement is a financial 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 so it can 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 equivalent to at least the fair value of the leased asset; and
- the assets leased are of a nature so specialized that only the lessee can use them without realizing major modifications.

Contracts which not comply with the finance lease indicators are classified as operating leases.

(a) **Group as a Lessee – Finance Lease**

Leases of property, plant and equipment in which the Group retains substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are capitalized at the beginning of the lease at the lower of 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 so as 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 Financial Liabilities. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each 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 recognized as an operating expense on a straight-line basis over the lease term.

(c) **Group 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. The difference between the gross amount receivable and the present value of that amount is recognized as a profit or loss on the sale.

Income from leases is recognized during the lease term using a constant periodic rate of return over the net investment.

(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 net income on a straight-line basis over the lease term.

4.19. Dividends

Dividend distributions to the Company's shareholders are recognized as a liability with a corresponding decrease in the Group's consolidated equity in the fiscal year in which the dividends are approved by the Company's Board of Directors.

As of each year-end, the Company records a liability equivalent to 30% of annual net income as a minimum dividend in accordance with Law 18,046: The law in Chile requires distribution of at least 30% of financial net income for the period, unless the Board of Directors decides unanimously against it.

4.20. Environmental Expenditures

Expenses related to environmental impact prevention 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.

NOTE 5 – FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

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 at all times, 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. The responsible and effective management of these uncertainties is viewed by the Company as strategic from the standpoint of value creation.

The following aspects of financial risk management are most important:

- Providing transparency, establishing and managing risk tolerances and determining guidelines in order 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 the finance and commercial management teams, to constantly assess and manage financial risk.

5.2. Risk Factors

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in market prices. Market risks comprise three types: Foreign Exchange Risk, Interest Rate Risk, and Commodity Price Risk.

(i) Foreign Exchange Risk

With the exception of operations in Colombia, the Company's functional currency is the US dollar, given that its revenue, expenses and investments in equipment are mainly determined using the US dollar. Also, the Company is authorized to declare and pay its taxes in Chile in US dollars. Foreign exchange risk is associated with any revenue, expenses, investments and debt denominated in any currency other than US dollars. The main concepts denominated in Chilean pesos are contract energy sales and tax credits mainly associated with VAT. As of December 31, 2012, Gener maintained several currency derivative instruments to cover its exposure to Chilean peso variations. As of December 31, 2012, the impact of a 10% variation in the exchange rate of the Chilean peso with respect to the US dollar could have generated a negative impact of approximately ThUS$2,266 in the Group's net income, assuming all other variables constant. During the same period, approximately 85.8% of operating revenue and 92.0% of the Company's expenses were in US dollars, while during the year ended December 31, 2011, approximately 85.6% of operating revenue and 91.6% of the Company's expenses were denominated in US dollars. During the year ended December 31, 2010, approximately 83% of the operating revenues and 93% of the Company's expenses were in US dollars.

In relation to foreign subsidiaries, Chivor's functional currency is the Colombian peso, since the majority of the subsidiary's revenue, particularly contract sales and operating costs, are linked to the Colombian peso. For the year ended on December 31, 2012, sales in Colombian pesos represented 10.7% of the Company's consolidated operating revenue. For the year ended December 31, 2011, 12.0% of sales were denominated in Colombian pesos, while during the year ended December 31, 2010, 13% of sales were denominated in Colombian pesos. Additionally, Chivor dividends are determined in Colombian pesos, although financial hedge instruments are used to fix the amount to be distributed in US dollars. Furthermore, spot prices in the Argentinean market are denominated in Argentinean pesos. Argentinean-peso denominated sales represented just 3.6% of the Company's consolidated

operating revenue, for the year ended as of December 31, 2012, while this amount was 2.4% in 2011 and 4% in 2010. A variation of 10% in the foreign exchange rate between the US dollar and the Argentinean peso would have a negative impact on income of ThUS$6,000.

In addition, the majority of investments in new plants and maintenance of equipment are denominated in US dollars. The majority of short-term investments for cash management purposes are also in US dollars. As of December 31, 2012, 75.0% of short-term investments were in US dollars, 8.70% in Chilean pesos, 13.0% in Colombian pesos and 3.30% in Argentinean pesos. Cash balances in Argentinean pesos are subject to exchange restrictions and volatility in the foreign exchange rate. As of December 31, 2012, 82.0% of investments are denominated in US dollars, 15.1% in Chilean pesos, 2.20% in Colombian pesos and 0.70% in Argentinean pesos.

With respect to debt denominated in currencies other than the US dollar, Gener has entered into currency swaps to eliminate the majority of its foreign exchange risk. For the UF-denominated bonds issued in 2007 for approximately ThUS$219,527, AES Gener has a cross currency swap for the duration of the debt. As of December 31, 2012, 97.5% of the Company's debt is denominated in US dollars, including the bonds mentioned above. The following table shows the composition of debt by currency as of December 31, 2012 and 2011:

Currency	December 31, 2012 %	December 31, 2011 %
US$	97.5	98.1
UF	2.1	1.9
Col$	0.4	0.0

(ii) 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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans. Additionally, the Company has entered into interest rate swaps to mitigate interest rate risk for long-term obligations. Currently, the Group has interest rate swaps for an important part of the debt associated with subsidiaries Ventanas and Angamos. The following table shows the composition of debt by type of interest rate as of December 31, 2012 and 2011:

Rate	December 31, 2012 %	December 31, 2011 %
Fixed rate	89.8	90.1
Variable rate	10.2	9.9

(iii) Commodity Price Risk

The Group is affected by the volatility of certain commodities. 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. Specifically, diesel and LNG are bought based on international oil prices through bilateral local supply agreements. Commodity price risk is related to fluctuations in these prices.

The price of fuel is a key factor in plant dispatch and spot prices both in Chile and Colombia. Price variations for fuels such as coal, diesel and natural gas can change the composition of the Company's costs through variations in marginal cost. Since AES Gener is a company based mainly on thermal generation, fuel costs represent a significant portion of the cost of sales.

Currently the majority of Gener's energy sales contracts incorporate an indexation that adjusts the energy sales price to the variations in coal prices, according to the indexes and schedules contained in each contract. In addition, the Company has created a coal acquisition strategy that consists of maintaining a portion of purchases at both fixed and variable prices in order to align its generation costs with its contracted energy sales.

Currently, diesel purchases and LNG are not hedged. Given that the Company has a policy of physically backing up its contract sales with efficient generation, it is expected that diesel or LNG-fired units will operate only for spot sales in rare circumstances such as drought conditions in the SIC. Given those conditions and the fact that the power plant belonging to ESSA used LNG for its generation this period, it is estimated that a 10% increase in diesel cost would have caused a negative impact on the Company's consolidated gross margin of ThUS$18,338 during 2012, while a 10% decrease would have caused a positive impact of the same magnitude. It is worth noting that ESSA's Nueva Renca unit can use either diesel or LNG and is able to acquire the necessary LNG volumes using short-term contracts when the LNG price is more competitive than diesel.

***(b)* Credit Risk**

Credit risk is related to the credit rating of the parties with whom AES Gener and its subsidiaries do business. The Company is exposed to credit risk primarily from its operating activities related to trade receivables and from its financing activities including deposits with banks and financial institutions and other financial instruments.

With regard to accounts receivable, AES Gener's counterparties in Chile are principally distribution companies and industrial customers of elevated solvency and over 90% of these customers have local and/or international investment grade credit ratings. Sales made by the AES Gener group companies in the spot market are obligatorily made to other generators, members of the CDEC, in accordance with the economic dispatch determined by this entity. It should be noted that one generator participant of the CDEC declared bankruptcy in September 2011 as a result of financial losses caused by the dry hydrological conditions experienced in the SIC. In the proceedings, Gener and Eléctrica Santiago presented evidence of the outstanding debt owed by such generator, equal to ThUS$70 and ThUS$2,937, plus applicable interest. To date, of the amount outstanding, ThUS$1,169 has been paid. Management does not expect any further payments to be made and, has thereby written off the outstanding amount.

In Colombia, Chivor performs risk assessments of its counterparties based on an internal credit quality evaluation, which in some cases may include guarantees. In 2010, also in dry hydrological conditions, Chivor suffered collection problems with an energy trader and eventually registered a loss of ThUS$1,300. In this case, the trader was suspended from participating in the spot market and Chivor presented actions to recover the outstanding amount. Meanwhile, it has been determined that Termoandes is not exposed to major credit risks given that its main commercial counterparty is CAMMESA ("Compañía Administradora del Mercado Mayorista Eléctrico S.A.), which is the administrator of the wholesale electricity market in Argentina, and its non-regulated customers operate under the Energy-Plus scheme.

Financial investments carried by AES Gener and its subsidiaries such as mutual funds, time deposits and derivatives, 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, derivative instruments are executed with highly rated international entities. The Company has cash, investment and treasury policies to guide its cash management and minimize credit risk.

The maximum credit exposure at the date of this report is the carrying amount for each kind of financial asset referred to in Note 10 Financial Instruments. The Company does not maintain any guarantees for those financial assets.

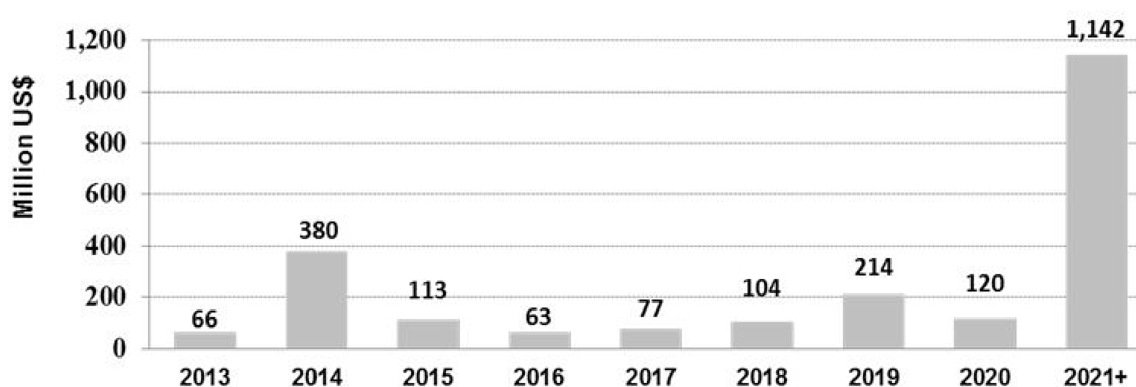
***(c)* Liquidity Risk**

Liquidity risk relates to the ability to meet payment obligations. The Company's objective is to maintain a balance between fund continuity and financial flexibility through normal operating cash flows, bank loans, public bonds, short-term investments and both committed and uncommitted credit lines.

As of December 31, 2012, AES Gener had available liquid resources of ThUS$405,504, that included cash and cash equivalents of ThUS$397,204, time deposits and short-term US dollar mutual funds for a total of ThUS$8,300, recorded in Other Current Financial Assets. As of December 31, 2011, the total liquid resources balance was ThUS$537,778, which included cash and cash equivalents of ThUS$409,157 and time deposits and short-term US dollar mutual funds of ThUS$128,621. Cash and Cash Equivalents include cash, time deposits with original maturities of less than three months, marketable securities, available-for-sale US dollar mutual funds, repurchase agreements and fiduciary rights.

As of December 31, 2012, AES Gener holds committed and unused lines of credit for close to ThUS$285,533, in addition to uncommitted and unused lines of credit for close to ThUS$255,163.

In relation to debt maturities, Gener has no significant maturities during 2013. The debt amount originally maturing in 2014 was significantly reduced from ThUS$628,344 as of June 30, 2011, to ThUS$379,567 as of December 31, 2011, due to the refinancing process held in August 2011. This process, part of the Company's active debt management, was performed in order to extend the maturity term of a significant part of its corporate debt. The refinancing process included the exchange and voluntary tender of approximately 63% on the ThUS$400,000 Senior Notes due in 2014, and the voluntary tender of approximately 48% of the Series Q Chilean bond of ThUS$196,000 due in 2019 and the issuance of new notes for a total of ThUS$401,682 due in 2021 at an interest rate of 5.25%. The graph and table below show the maturity profile, based on actual debt, in millions of US dollars as of December 31, 2011:



	As of December 31, 2012					
		Expected contractual maturity date				
	Average interest rate	2013	2014	2015	2016	2017+
		(in US$ millions)				
Fixed Rate						
(UF Swapped to US$).............	5.50%	-	-	47.0	-	-
(UF Swapped to US$).............	7.34%	-	-	-	-	172.3
(US$)	7.50%	-	147.1	-	-	-
(US$)	5.25%	-	-	-	-	401.7
(US$)	8.00%	-	-	-	-	102.2
(UF)	7.50%	1.0	1.1	1.2	1.3	42.9
(US$)	9.75%	-	170.0	-	-	-
(US$)	6.95%	6.0	3.0	-	-	-
Variable Rate						
(US$)	LIBOR + Spread	22.5	25.5	25.9	30.4	251.3
(US$)	LIBOR + Spread	36.6	33.0	39.1	31.3	676.1
(Col$)...............	DTF(1) + Spread	-	-	-	0.3	9.6
Total................		**66.1**	**379.7**	**113.2**	**63.3**	**1,656.1**

5.3. Risk Measurement

The Company has developed methods to measure the efficiency and effectiveness of risk strategies, both prospectively and retrospectively.

For those analyses, different market methods for risk quantification are used, such as regression methods, risk bearing capacity and maximum risk exposure, which allow the Company to adjust risk strategies and mitigation methods and assess their impact.

NOTE 6 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Management must make judgments and estimates that can 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 life and residual values of property, plant and equipment and intangible assets. (See Note 17 and 18)
- The assumptions used to calculate the fair value of financial instruments, including credit risk. (See Note 10)
- The probability of occurrence and the value of contingent liabilities or liabilities whose amount is uncertain. (See Note 22)
- Future disbursements for asset dismantling or removal obligations. (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 18)
- Asset and investment valuation and the existence and amount of potential impairment. (See Note 17)

Although these estimates have been made based on the best information available as of the date of issuance 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 in 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. Earnings by Segment

The Company defines and manages its activities based on certain business segments that meet 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, in order to make decisions, allocate resources and evaluate performance; and
- for which discrete financial information is available.

Management monitors the results from operations of each business 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 and adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"). Adjusted EBITDA is calculated as net income, plus income tax expense, depreciation and amortization, asset retirement obligation accretion expense, finance expense, and less finance income, foreign currency exchange differences, other gains (losses) (as specified in Note 28 Other Gains (Losses)) and the participations in earnings of associates (refer to Note 16 Investments in Associates).

Earnings and asset balances within each segment are measured in accordance with the same accounting policies that are used in preparation of 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. Customers by Segment

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"), which includes the Argentinean Interconnection System ("SADI")
- the Northern Interconnected System ("SIN"), for its operations in Colombia.

Throughout all segments, the Company's principal activity consists of electricity generation.

7.3. Assets by Segment

The details of Assets by Segment are as follows:

ASSETS BY OPERATING SEGMENT	December 31, 2012					Decemb		
	SIC Market	SING Market	SIN Market	Intercompany Eliminations	Total	SIC Market	SING Market	S M
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	Th
Trade and Other Receivables (1)	288,563	384,010	186,476	(531,585)	327,464	368,795	179,580	
Property, Plant and Equipment, Net (2)..........	2,014,399	1,861,014	725,800	(1,850)	4,599,363	1,856,693	1,859,235	6
Investment in Empresa Eléctrica Guacolda S.A.	276,153	-	-	-	276,153	273,375	-	

(1) Trade and Other Receivables include both current and non-current portions as well as the account Current Related Party R

(2) See Note 18 Property, Plant and Equipment.

7.4. Revenue, Expenses and Capital Expenditures by Segment

The details of Revenues and Costs and other selected information are as follows:

REVENUE, EXPENSES AND CAPITAL EXPENDITURES BY OPERATING SEGMENT	December 31, 2012					Decemb		
	SIC Market	SING Market	SIN Market	Intercompany Eliminations	Total	SIC Market	SING Market	S M
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	Th
Operating Revenue..	1,396,259	707,196	453,076	(228,810)	2,327,721	1,364,988	592,342	3
Cost of Sales...	1,211,350	549,872	205,416	(228,810)	1,737,828	1,115,674	386,603	1
Gross Profit...	184,909	157,324	247,660	-	589,893	249,314	205,739	2
Net Income Before Taxes...............................	306,982	225,038	213,847	(396,161)	349,706	300,371	182,459	1
Net Income Attributable to Shareholders of the Parent..	270,076	185,522	143,496	(396,161)	202,933	279,155	160,296	1
Adjusted EBITDA...	178,042	237,741	244,918	-	660,701	245,697	269,600	2
Participation in Earnings of Associates	9,187	-	-	-	9,187	31,109	-	
Depreciation and Amortization Expense	86,928	69,367	57,724	-	214,019	89,957	85,383	
Capital Expenditures	272,459	93,343	19,215	-	385,017	244,661	186,059	

REVENUE, EXPENSES AND CAPITAL EXPENDITURES BY OPERATING SEGMENT	December 31, 2010				
	SIC Market	SING Market	SIN Market	Intercompany Eliminations	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Operating Revenue	1,071,344	409,694	392,460	(71,449)	1,802,049
Cost of Sales	987,490	265,491	187,346	(71,449)	1,368,878
Gross Profit	83,854	144,203	205,114	-	433,171
Net Income Before Taxes	(1,918)	96,339	169,934	(67,331)	197,024
Net Income Attributable to Shareholders of the Parent	24,892	98,326	113,407	(67,331)	169,772
Adjusted EBITDA	81,826	187,061	203,201	-	473,598
Participation in Earnings of Associates	42,361	-	-	-	42,361
Depreciation and Amortization Expense	86,397	61,032	20,799	-	168,228
Capital Expenditures	84,951	266,097	3,100	-	354,148

	Note	As of and for the years ended December 31,		
		2012	2011	2010
		ThUS$	ThUS$	ThUS$
Adjusted EBITDA Calculation				
Net Income		202,933	326,084	169,772
Non-Controlling Interest		(5)	24	(3,917)
Income Tax Expense	28	146,778	109,810	31,169
Participations in Earnings of Associates	14	(9,187)	(31,109)	(42,361)
Other Gains (Losses)	26	(7,433)	23,779	88,787
Foreign Currency Exchange Differences		3,633	13,348	(16,451)
Finance Expense	27	115,452	107,148	99,313
Finance Income	27	(8,407)	(9,303)	(22,452)
Asset Retirement Obligation Accretion Expense		2,918	1,846	1,510
Depreciation and Amortization	25	214,019	195,648	168,228
Total Adjusted EBITDA		660,701	737,275	473,598

NOTE 8 – CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Cash on Hand	4,486	41
Cash at Banks	198,682	134,727
Short-Term Deposits	184,552	212,144
Other Cash and Cash Equivalents	9,484	62,245
Total Cash and Cash Equivalents	**397,204**	**409,157**

Short-Term Deposits mature in less than three months from their date of acquisition and accrue interest at market rates.

Other Cash and Cash Equivalents primarily include mutual funds, which are low risk investments in US dollars that allow for immediate liquidation without restrictions, recorded at their fair value as of the closing date of these 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 currency as of December 31, 2012 and December 31, 2011, are detailed as follows:

Cash and Cash Equivalents by Currency	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Ch$	34,916	81,326
Ar$	51,968	3,428
Col$	13,011	11,995
US$	297,309	312,408
Total Cash and Cash Equivalents	**397,204**	**409,157**

As of December 31, 2012 and 2011, the Company has the following cash amounts with minor restrictions held in bank accounts. These funds are being used by the Company for operational requirements.

Restricted Cash and Cash Equivalents	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Empresa Eléctrica Angamos S.A.	85,571	68,465
Empresa Eléctrica Ventanas S.A.	16,868	9,754
Total	**102,439**	**78,219**

The balance related to Angamos is restricted by the requirements of the credit agreement with Royal Bank of Scotland (formerly ABN AMRO bank) and BNP Paribas bank (formerly Fortis).

Reserve amounts related to operational activities of Ventanas are required by the credit agreement with BNP Paribas (formerly Fortis) and Credit Agricole (formerly Calyon Bank).

NOTE 9 – OTHER FINANCIAL ASSETS

As of December 31, 2012 and 2011, Other Financial Assets are detailed as follows:

	Current		Non-Current	
Other Financial Assets	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**
Time Deposits (1)	8,300	128,621	-	-
Embedded Derivatives (2)	-	475	-	-
Foreign Exchange Forwards (2)	-	717	-	-
Hedging Instruments (2)	-	7,014	6,295	1,330
Gasoducto GasAndes S.A. (3)	-	-	4,417	7,927
Gasoducto GasAndes S.A. (Argentina) (3)	-	-	2,200	2,200
Receivables from Gasoducto GasAndes S.A.	-	2,215	-	-
CDEC SIC Ltda.	-	-	137	137
CDEC SING Ltda.	-	-	557	557
Restricted Investments	-	-	534	491
Other	1,808	1,354	-	-
Total	**10,108**	**140,396**	**14,140**	**12,642**

(1) Time deposit investments are considered Other Financial Assets as they have a maturity of more than three months. However, given the short-term nature of these instruments, their carrying value approximate their fair value.

Investments in time deposits include investments of Chivor & Cía. S.C.A E.S.P, which are restricted since they serve as a guarantee for the Company's bond debt. As of December 31, 2012 and 2011, the amount of such investments was ThUS$8,300 and ThUS$8,294, respectively.

(2) Embedded derivatives, foreign exchange forwards and hedging instruments are recorded at their fair value (more detail in Note 10.4 Derivative Instruments)

(3) 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 10.1 Financial Assets and Note 28 Other Income (Losses).

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NOTE 10 – FINANCIAL INSTRUMENTS

10.1. Financial Assets and Liabilities

Financial assets are classified into the categories described in Note 4.8, detailed as follows:

December 31, 2012	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	397,204	-	-	-	-	397,204
Other Current Financial Assets	-	-	-	-	10,108	10,108
Trade and Other Receivables	-	266,063	-	-	-	266,063
Other Non-Current Financial Assets	-	534	-	6,295	7,311	14,140
Related Party Receivables	-	8,754	-	-	-	8,754
Total	**397,204**	**275,351**	**-**	**6,295**	**17,419**	**696,269**

December 31, 2011	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	409,157	-	-	-	-	409,157
Other Current Financial Assets	-	-	1,192	7,014	132,190	140,396
Trade and Other Receivables	-	271,973	-	-	-	271,973
Other Non-Current Financial Assets	-	491	-	1,330	10,821	12,642
Related Party Receivables	-	13,885	-	-	-	13,885
Total	**409,157**	**286,349**	**1,192**	**8,344**	**143,011**	**848,053**

The carrying amount of financial assets such as Cash and Cash Equivalents, Trade and Other Receivables 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 Financial Assets, classified as at fair value through profit or loss and derivative instruments (i.e. embedded derivatives, hedging instruments and instruments not designated as hedging instruments) are presented at their fair value in the Consolidated Statement of Financial Position. See Note 10.2 for the method used in the calculation of their fair values.

Financial instruments classified as available-for-sale are recorded in Other Current and Non-Current Financial Assets, and consist of investment funds that are recorded at fair value (coupon value of the funds) and time deposits that, due to the short-term nature of their maturities, have carrying amounts that are approximately equivalent to their fair values. Additionally, investments in CDEC and Gasoducto Gasandes are presented at cost due to the insufficient information available to determine their market value (see Note 9 Other Financial Assets for more information).

The balances of the current portion of Trade and Other Receivables are approximately equivalent to their fair values, due to the short-term nature of their maturities.

Financial liabilities are classified into the categories described in Note 4.9, detailed as follows:

December 31, 2012	At Fair Value, through Profit or Loss ThUS$	Hedging Instruments ThUS$	Other Financial Liabilities ThUS$	Total ThUS$
Other Current Financial Liabilities	1,476	31,366	91,439	124,281
Trade Payables	-	-	262,987	262,987
Other Non-Current Financial Liabilities	-	85,042	2,187,444	2,272,486
Related Party Payables	-	-	17,017	17,017
Total	**1,476**	**116,408**	**2,558,887**	**2,676,771**

December 31, 2011	At Fair Value, through Profit or Loss ThUS$	Hedging Instruments ThUS$	Other Financial Liabilities ThUS$	Total ThUS$
Other Current Financial Liabilities	-	30,032	64,622	94,654
Trade Payables..	-	-	331,348	331,348
Other Non-Current Financial Liabilities	-	94,686	2,203,410	2,298,096
Related Party Payables....................................	236	-	9,526	9,762
Total	**236**	**124,718**	**2,608,906**	**2,733,860**

The carrying amounts of the current portion of Related Party and Trade Payables approximate 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 include derivatives not designated as hedging instruments and embedded derivatives. See Note 10.2 Fair Values for the methodologies used to calculate these fair values.

The carrying value of interest-bearing loans included in Other Current and Other Non-Current Financial Liabilities differ 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 exchange rate of the debt, the credit rating of the instrument and the credit rating of the Company or Group.

The following table details the carrying values and fair values of interest-bearing loans:

	December 31, 2012		December 31, 2011	
Interest-Bearing Loans	**Carrying Value ThUS$**	**Fair Value ThUS$**	**Carrying Value ThUS$**	**Fair Value ThUS$**
Interest-Bearing Loans	2,278,883	2,471,599	2,268,032	2,467,185

10.2. Fair Values

The Company uses the Reval Hedge Rx system to calculate the fair value of interest rate swaps, cross currency swaps and foreign exchange forwards. For the calculation of the fair value of embedded derivatives, the Company has developed internal valuation models.

The following principal assumptions are used in valuation models for derivative instruments:

- Market assumptions such as future spot prices, other price projections, credit risk (own and counterparty).
- Discount rate inputs such as risk-free rates, local and counterparty spreads (based on risk profiles and data available in the market).

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 factors used in the model include historical transactions, prices and rates observable in the market, risk-free rates, country and/or counterparty risk, as well as the Group's own credit risk.

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(b) **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 factors used in the model include historic transactions, prices and rates observable in the market, risk-free rates, country and/or counterparty risk, as well as the Group's own credit risk.

(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 Group's own credit risk, to calculate the fair value of foreign exchange forwards.

(d) **Embedded Derivatives**

The Company uses two methods for calculating the fair value of embedded derivatives:

(i) The fair value of ESSA's embedded derivative is calculated using a probability weighted average of future cash flows that is based on internal information, market indicators and then discounted using a relevant interest rate. The assumptions used in the fair value model include energy and fuel prices, the risk-free interest rate, as well as inherent market, geographical and credit risks.

(ii) The model used in calculating the fair value of Gener's embedded derivative uses future fuel prices based on future spot rates, discounted using the zero-coupon LIBOR rate. The assumptions used in this model include prices and rates observed in the market, risk-free tax rates, market and country risks as well as credit risk.

(e) **Hierarchy of Fair Value of Derivative Instruments**

Derivative and other financial instruments recognized at fair value in the Statement of Financial Position are classified using the following hierarchy:

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).

Level 3: Inputs for the asset or liability are not based on observable market data.

The following table shows the financial asset and liability by fair value hierarchy:

December 31, 2012	Note	Market Prices for Identical Assets and Liabilities (Level 1) ThUS$	Other Observable Assumptions (Level 2) ThUS$	Other Non Observable Assumptions (Level 3) ThUS$	Total ThUS$
Assets					
Hedging Intruments					**6,295**
Cross Currency Swap	10.4 (a.2)	-	6,295	-	
Available for Sale					**533**
Mutual Funds		533	-	-	
Total Assets		**533**	**6,295**	**-**	**6,828**
Liabilities					
Liabilities at Fair Value through Profit and Loss					**1,476**
Foreign Currency Forwards		-	1,476	-	
Hedging Intruments					**116,408**
Cross Currency Swap	10.4 (a.2)	-	6,457	-	

December 31, 2012	Note	Market Prices for Identical Assets and Liabilities (Level 1) ThUS$	Other Observable Assumptions (Level 2) ThUS$	Other Non Observable Assumptions (Level 3) ThUS$	Total ThUS$
Interest Rate Swap	10.4 (a.1)	-	108,098	-	
Foreign Currency Forwards	10.4 (a.3)	-	1,853	-	
Total Liabilities		-	**117,884**	**-**	**117,884**

December 31, 2011	Note	Market Prices for Identical Assets and Liabilities (Level 1) ThUS$	Other Observable Assumptions (Level 2) ThUS$	Other Non Observable Assumptions (Level 3) ThUS$	Total ThUS$
Assets					
Assets at Fair Value through Profit and Loss					**1,192**
Embedded Derivative	10.4 (c)	-	475	-	
Foreign Currency Forwards	10.4 (b)	-	717		
Hedging Instruments					**8,344**
Cross Currency Swap	10.4 (a.2)	-	-	1,330	
Interest Rate Swap	10.4 (a.1)	-	7,014		
Available for Sale					**13,000**
Mutual Funds		13,000	-		
Total Assets		**13,000**	**8,206**	**1,330**	**22,536**
Liabilities					
Liabilities at Fair Value through Profit and Loss					**236**
Embedded Derivative	10.4 (c)	-	-	236	
Hedging Intruments					**124,718**
Cross Currency Swap	10.4 (a.2)	-	-	19,161	
Interest Rate Swap	10.4 (a.1)	-	105,557		
Total Liabilities		**-**	**105,557**	**19,397**	**124,954**

The following information represents movements in assets and liabilities where the determination of their fair values involved using several significant assumptions that are not observable in the market (level 3) during the years ended December 31, 2012 and 2011, (by derivative type):

December 31, 2012	Cross Currency Swap AES Gener ThUS$	Embedded Derivative TermoAndes ThUS$	Embedded Derivative ESSA ThUS$	Embedded Derivative AES Gener ThUS$	Total ThUS$
Balance as of January 1, 2012	(17,831)	-	(236)	-	(18,067)
Income (Losses) - Other Comprehensive Income	17,062	-	-	-	17,062
Income (Losses) - Net Income	585	-	236	-	821
Settlements	(80)	-	-	-	(80)
Transfers to Level 2	264	-	-	-	264
Balance as of December 31, 2012	**-**	**-**	**-**	**-**	**-**
Balance as of January 1, 2011	4,513	158	(5,072)	354	(47)
Income (Losses) - Other Comprehensive Income	(32,559)	-	-	-	(32,559)
Income (Losses) - Net Income	8,168	39	4,836	121	13,164
Settlements	2,047	(197)	-	-	1,850
Transfers to Level 2	-	-	-	(475)	(475)

December 31, 2012	Cross Currency Swap AES Gener ThUS$	Embedded Derivative TermoAndes ThUS$	Embedded Derivative ESSA ThUS$	Embedded Derivative AES Gener ThUS$	Total ThUS$
Balance as of December 31, 2011	**(17,831)**	**-**	**(236)**	**-**	**(18,067)**

During 2012, there were no movements between level 1 and level 2 for instruments classified as at fair value through profit or loss. The transfer between level 3 and level 2 corresponds to a cross currency swap in AES Gener. During the first quarter of 2012, market published prices became available, providing the Company with observable inputs for a fair value measurement.
The ineffectiveness of cash flow hedges caused losses in the income statement during the years ended December 31, 2012 and 2011 amount to a total of ThUS$ 1,760 and ThUS$ 4,370 effectively.

10.3. 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, 90% of them have local and international investment grade ratings. Credit quality is determined by qualified rating agencies that determine the solvency of the entities from most solvent (rating of "AAA") to least solvent (rating of "E"). Investment grade is considered "BBB" or higher.

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 according to Standard & Poor's and Moody's, respectively. All other derivative instruments are also executed with highly rated international entities. To minimize credit risk, the Group has risk management policies for cash and investments.

Credit Quality of Foreign Subsidiaries

The 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 according to Duff & Phelps, Colombia's 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 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 operates under Energía Plus legislation.

10.4. Derivative Instruments

Financial derivatives held by Gener and its subsidiaries correspond primarily to transactions entered into 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 to reduce the anticipated variability of the underlying debt's future cash flows.

The portfolio of derivative instruments as of December 31, 2012 and 2011, is detailed as follows:

(a) Cash Flow Hedges

a.1 Interest Rate Swaps:

				As of December 31, 2012				As o	
				Asset		Liability		Asset	
Derivative Instrument	Counterparty	Classification	Interest Rate	Current ThUS$	Non-Current ThUS$	Current ThUS$	Non-Current ThUS$	Current ThUS$	Non-C Th
Interest Rate Swap	Various	Cash Flow Hedge	2,80% - 5,77%	-	-	24,793	83,305	-	
Total				**-**	**-**	**24,793**	**83,305**	**-**	

Empresa Eléctrica Ventanas S.A.

In June 2007, Empresa Eléctrica Ventanas S.A. signed four interest rate swap contracts with the banks Standard Chartered, S
Branch and BNP Paribas, maturing in 15 years for ThUS$315,000, to fix variable interest rates during the construction and operati

These swap contracts partially hedge the loan obtained from a consortium of banks led by BNP Paribas (formerly Fortis) for th
whose construction finalized in December 2009.

Empresa Eléctrica Angamos S.A.

In December 2008, Empresa Eléctrica Angamos executed seven interest rate swap contracts, which are currently held by SMBC
BNP Paribas (formerly Fortis), Credit Agricole (formerly Calyon), HSBC and ING, maturing in 17 years for ThUS$690,000, to f
the construction and operating periods of its power plant.

a.2 Cross Currency Swaps

			As of December 31, 2012				As of	
			Asset		Liability		Asset	
Derivative Instrument	Counterparty	Classification	Current ThUS$	Non-Current ThUS$	Current ThUS$	Non-Current ThUS$	Current ThUS$	Non-C Th
Cross Currency Swap	Credit Suisse - Deutsche Bank	Cash Flow Hedge	-	6,295	4,720	1,737	-	
Total			**-**	**6,295**	**4,720**	**1,737**	**-**	

In December 2007, AES Gener signed two cross currency swaps with Credit Suisse International to fix in US Dollars the UF 5.6
of locally-placed bonds (N and O), equivalent to approximately ThUS$ 217,000 as of the date of issuance, maturing in 2015 and 2

In September 2009, AES Gener S.A. signed a modification to the cross currency swap contract associated with the N series bon terminated and replaced by new contracts that were executed with Credit Suisse and Deutsche Bank. Both swap contracts inclu Gener to grant a guarantee when the swap market value exceeds the limit established in the contracts.

a.3 Foreign Exchange Forwards

In February 2012, AES Gener S.A. executed foreign exchange forwards, related to accounts receivable from regulated custome Morgan Chile for a total nominal amount of ThUS$124,588, with partial maturities and the final settlement on November 29, 20 there is no nominal amount outstanding.

In April 2012, AES Gener S.A. executed foreign exchange forwards, related to accounts receivable from regulated customers, wit amount of ThUS$21,986, with partial maturities and the final settlement on November 29, 2012. As of December 31, 201 outstanding.

In August 2012, AES Gener S.A. executed foreign exchange forwards, related to accounts receivable from regulated customers, w and Banco Santander for a total nominal amount of ThUS$131,004, with partial maturities and the final settlement on May 2 outstanding as of December 31, 2011, is ThUS$108,133.

The fair value of the outstanding instruments is classified within Current Assets.

a.4 Other Information - Cash Flow Hedges

Hedge maturities are included in the following table:

				Period		Maturity (No		
Company	**Derivative Instrument**	**Counterparty**	**Hedged Item**	**Start**	**End**	**2013 ThUS$**	**2014 ThUS$**	**20 Th**
AES Gener S.A	Cross Currency Swap	Credit Swiss	Cash Flow	12-01-2007	06-01-2015	-	-	4
AES Gener S.A	Cross Currency Swap	Deutsche Bank and Credit Suisse	Cash Flow	12-01-2007	12-01-2028	-	-	
Emp. Eléctrica Angamos S.A.	Interest Rate Swap	Various	Interest Rate	12-30-2010	09-30-2025	30,169	27,194	3
Emp. Eléctrica Ventanas S.A.	Interest Rate Swap	Various	Interest Rate	08-31-2007	06-30-2022	16,000	18,000	2
Total						**46,169**	**45,194**	**9**

For more details on debt maturity, see Note 20 Other Financial Liabilities.

The Company has not executed cash flow hedge instruments for highly probable transactions that then failed to occur.

(b) Derivatives Not Designated as Hedging Instruments

In November 2011 and January 2010, AES Gener S.A executed currency forward contracts with Banco de Chile. In March 2012, Chivor executed currency forward contracts with Bancolombia for a nominal amount of ThUS$76,541, maturing in December 2012. As of December 31, 2012, no nominal amounts were outstanding.

In April 2012, Chivor executed currency forward contracts with Bancolombia for a nominal amount of ThUS$28,606, maturing in March 2013. The nominal amounts as of December 31, 2012, are ThUS$13,367.

In July 2012, Chivor executed currency forward contracts with JP Morgan for a nominal amount of ThUS$35,181, maturing in September 2013. The nominal amounts as of December 31, 2012, are ThUS$35,181.

Balances corresponding to outstanding instruments are classified as Current Assets.

(c) Embedded Derivatives

During 2010, AES Gener S.A. entered into a coal purchase agreement with AES Hawaii containing a fuel index in the purchase price that is not considered to be closely related to the host contract and, therefore, it has been separated and accounted for at fair value.

As of December 31, 2012, no amounts were recognized for this embedded derivative.

(d) Movements Related to Accumulated Other Comprehensive Income

Amounts recognized in Accumulated Other Comprehensive Income and amounts reclassified from Accumulated Other Comprehensive Income to Income Statement related financial instruments for the years ended December 31, 2012, 2011 and 20102, are:

	December 31, 2012 ThUS$	December 31, 2011 ThUS$	December 31, 2010 ThUS$
Valuation of Available-for-Sale Assets	(202)	(833)	958
Gains (Losses) related to Derivatives Recognized in Other Comprehensive Income	1,944	(106,595)	(53,662)
Gains (Losses) related to Derivatives Reclassified from Other Comprehensive Income to Net Income	(23,491)	16,038	(23,109)
Gains (Losses) related to Derivatives of Associate Recognized in Other Comprehensive Income	2,923	2,924	(4,051)

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NOTE 11 – OTHER NON-FINANCIAL ASSETS

As of December 31, 2012 and 2011, Other Non-Financial Assets are detailed as follows:

	December 31			
	Current		Non-Current	
Other Non-Financial Assets	**2012 ThUS$**	**2011 ThUS$**	**2012 ThUS$**	**2011 ThUS$**
Prepaid Insurance	6,230	5,408	-	-
Operation and Maintenance Contract	-	-	1,009	-
Taxes Receivable (a)	-	-	14,693	6,888
Take-or-Pay YPF	-	-	-	345
Other Project Related Services	-	-	-	969
Prepaid Expenses	642	589	2,194	2,890
Prepaid Import Right	278	238	-	-
Other	462	549	92	95
Total	**7,612**	**6,784**	**17,988**	**11,187**

(a) The non-current portion corresponds primarily to the parent company's recoverable taxes related to water rights permits.

NOTE 12 – TRADE AND OTHER RECEIVABLES

Amounts in Trade and Other Receivables relate to transactions within the line of business of the Company and its subsidiaries, which principally consist of sales of energy, capacity and coal.

Amounts in Trade and Other Receivables as of December 31, 2012 and 2011, include ThUS$686 and ThUS$8,286, respectively, related to the electricity rationing decree.

Amounts in Other Receivables consist primarily of tax credits related to Argentinian subsidiaries, and prepayments from suppliers, among other items.

1) As of December 31, 2012 and 2011, this account is detailed as follows:

	December 31			
	Current		Non-Current	
Trade and Other Receivables, Gross	**2012 ThUS$**	**2011 ThUS$**	**2012 ThUS$**	**2011 ThUS$**
Trade Receivables, Gross	271,592	277,727	1,652	1,197
Allowance for Doubtful Accounts (1)	(7,181)	(6,951)	-	-
Trade Receivables, Net	**264,411**	**270,776**	**1,652**	**1,197**
Sales Tax Credits	25,471	105,732	3,943	7,033
Other Accounts Receivable	22,745	14,610	488	1,599
Trade and Other Receivables, Net	**312,627**	**391,118**	**6,083**	**9,829**

(1) As of December 31, 2012 and 2011, the Company included among its Allowance for Doubtful Accounts, an impairment loss in Current Trade Receivables relating to Campanario Generación S.A.

The fair value of Trade and Other Receivables does not differ significantly from their carrying amount.

2) Trade Receivables neither past due nor impaired are detailed as follows:

	December 31	
Trade Receivables Neither Past Due Nor Impaired	**2012 ThUS$**	**2011 ThUS$**
Less than Three Months	23,615	44,567
Between Three and Six Months	215	5,662
Between Six and Twelve Months	-	199
More than Twelve Months	5,436	4
Total Trade Receivables Neither Past Due Nor Impaired	**29,266**	**50,432**

3) The movements in allowance for doubtful accounts related to Trade and Other Receivables are detailed in the following table:

Allowance for Doubtful Accounts	**ThUS$**
Balance as of January 1, 2010	**5,638**
Increase (Decrease) for the Year	(139)
Amounts Written-off t to Income	(589)
Balance as of December 31, 2010	**4,910**
Increase (Decrease) for the Year	2,041
Amounts Written-off to Income	-
Balance as of December 31, 2011	**6,951**
Increase (Decrease) for the Year	230
Amounts Written-off to Income	-
Total as of December 31, 2012	**7,181**

NOTE 13 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its subsidiaries consist of recurring transactions made at terms equivalent to those t transaction. These intercompany transactions have been eliminated upon consolidation and are not disclosed in this note.

13.1. Balances and Transactions with Related Parties

(a) The balances of Receivables between the Company and its unconsolidated related companies are detailed as follows:

Related Party Receivables

Taxpayer ID Number	Company	Country	Transaction	Relationship	Currency	Dece
Foreign	AES Corporation	United States	Miscellaneous Services	Ultimate Parent Company	US$	
Foreign	AES Corporation	United States	Insurance Settlements	Ultimate Parent Company	US$	
Foreign	AES Energy Storage	Argentina	Project Consulting	Common Parent	US$	
Foreign	AES Maritza East LTD.	Bulgaria	Miscellaneous Services	Common Parent	US$	
Foreign	AES Panamá Limitada	Panama	Miscellaneous Services	Common Parent	US$	
Foreign	AES Hawaii	United States	Fuel Sales	Common Parent	US$	
Foreign	Compañía de Alumbrado Eléctrico	El Salvador	Miscellaneous Services	Common Parent	US$	
Foreign	Masinloc Power Partners Co. Ltd	Philippines	Miscellaneous Services	Common Parent	US$	
Foreign	AES TEG Operations, S de RL. De CV	Mexico	Miscellaneous Services	Common Parent	US$	
Foreign	AES Andres BV	Dominican Republic	Miscellaneous Services	Common Parent	US$	
Foreign	AES Pacific	United States	Miscellaneous Services	Common Parent	US$	
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Miscellaneous Services	Associate	US$	
Total						

(b) The balances of Payables between the Company and its related companies are detailed as follows:

Related Party Payables						Current	
Taxpayer ID Number	**Company**	**Country**	**Transaction**	**Relationship**	**Currency**	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**
Foreign	AES Corporation	United States	Miscellaneous Services	Ultimate Parent Company	US$	9,252	7,702
Foreign	AES Corporation	United States	Miscellaneous Services	Ultimate Parent Company	US$	668	578
Foreign	AES Corporation	United States	Other Services	Ultimate Parent Company	US$	442	249
Foreign	AES Servicios América	Argentina	Information System Consulting	Common Parent	US$	651	390
Foreign	AES Argentina Generacion S.A.	Argentina	Miscellaneous Services	Common Parent	US$	24	10
Foreign	AES Energy Ltd	Argentina	Miscellaneous Services	Common Parent	US$	8	11
Foreign	Compañía de Alumbrado Eléctrico	El Salvador	Miscellaneous Services	Common Parent	US$	670	459
Foreign	AES Panamá Limitada	Panama	Miscellaneous Services	Common Parent	US$	38	38
Foreign	AES Big Sky, LLC	United States	Miscellaneous Services	Common Parent	US$	15	2

Related Party Payables						Current	
Taxpayer ID Number	Company	Country	Transaction	Relationship	Currency	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Foreign	AES Solutions	United States	Miscellaneous Services	Common Parent	US$	-	6
Foreign	AES Maritza East LTD.	Bulgaria	Project Consulting	Common Parent	US$	-	2
Foreign	AES Nejapa Gas	El Salvador	Miscellaneous Services	Common Parent	US$	-	79
Foreign	Masinloc Power Partners Co. Ltd	Phillipines	Miscellaneous Services	Common Parent	US$	2	-
Foreign	AES Energy Storage	United States	Miscellaneous Services	Common Parent	US$	21	-
Foreign	AES Alicurá	Argentina	Miscellaneous Services	Related	US$	3	-
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Miscellaneous Services	Associate	US$	5,223	-
96.721.360-8	Gasoducto GasAndes Chile S.A.	Chile	Gas Transportation Contract	Investment	US$	-	-
Total						**17,017**	**9,526**

(c) The effects on net income of these transactions with unconsolidated related companies during the years ended December 3
as follows:

Taxpayer ID Number	Company	Country	Relationship	Transaction	2012 ThUS$	Effect on Income (Charge / Credit) ThUS$	2011 ThUS$
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Sale of Energy and Capacity	39,750	39,750	4,073
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Purchase of Energy and Capacity	69,556	(69,556)	918
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Sale of Coal	-	-	2,073
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Purchase of Coal	-	-	4,034
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Transmission Charges	5	(5)	6
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Transmission Charges	276	276	204
96.635.700-2	Empresa Eléctrica Guacolda S.A.	Chile	Associate	Miscellaneous Services	76	62	94
99.588.230-2	Compañía Transmisora del Norte Chico S.A.	Chile	Subsidiary of Associate	Sale of Energy and Capacity	3	3	4
99.588.230-2	Compañía Transmisora del Norte Chico S.A.	Chile	Subsidiary of Associate	Purchase of Energy and Capacity	359	(359)	596
99.588.230-2	Compañía Transmisora	Chile	Subsidiary of Associate	Transmission Charges	464	(464)	203

Taxpayer ID Number	Company	Country	Relationship	Transaction	2012 ThUS$	Effect on Income (Charge / Credit) ThUS$	2011 ThUS$
	del Norte Chico S.A.						
99.588.230-2	Compañía Transmisora del Norte Chico S.A.	Chile	Subsidiary of Associate	Transmission Charges	335	335	596
Foreign	Gasoducto GasAndes Argentina S.A.	Argentina	Investment	Dividends	4,077	4,077	5,531
Foreign	Gasoducto Gasandes Argentina S.A.	Argentina	Investment	Gas Transportation Contract	-	-	5,836
Foreign	Gasoducto Gasandes Argentina S.A.	Argentina	Investment	Embedded Derivative (*)	-	-	-
96.721.360-8	Gasoducto Gasandes Chile S.A.	Chile	Investment	Gas Transportation Contract	-	-	233
96.721.360-8	Gasoducto Gasandes Chile S.A.	Chile	Investment	Embedded Derivative (*)	-	-	-
Foreign	AES Corporation	USA	Ultimate Parent Company	Insurance Settlement	7,350	7,350	15,083
Foreign	AES Corporation	USA	Ultimate Parent Company	Miscellaneous Services	3,270	(3,250)	1,508
Foreign	Compañía de Alumbrado Eléctrico	El Salvador	Common Parent	Miscellaneous Services	211	(211)	219
Foreign	AES Big Sky, LLC	USA	Common Parent	Miscellaneous Services	52	(52)	-
Foreign	AES Energy Ltd.	Argentina	Common Parent	Consulting Services	38	(38)	105
Foreign	AES Energy Storage	United States	Common Parent	Miscellaneous Services	65	65	-
Foreign	AES Andres BV	Dominican Republic	Common Parent	Miscellaneous Services	8	8	37
Foreign	AES Fonseca Energía LIMIT	Puerto Rico	Common Parent	Miscellaneous Services	35	35	26
Foreign	AES Panama S.A.	Panama	Common Parent	Miscellaneous Services	8	8	57
Foreign	AES Pacific	United States	Common Parent	Miscellaneous Services	6	6	56
Foreign	AES Carbon Exchange	England	Common Parent	Miscellaneous Services	-	-	12
Foreign	AES Solutions	United States	Common Parent	Miscellaneous Services	6	(6)	6
Foreign	AES Servicios America S.R.L.	Argentina	Common Parent	Miscellaneous Services	2,630	(1,501)	-
Foreign	AES -3 Maritza East 1 Ltd.	Bulgaria	Common Parent	Miscellaneous Services	59	59	-
Foreign	AES Hawaii	United States	Common Parent	Sale of Coal	32,558	32,558	36,025

(*) In December 2010, ESSA signed termination agreements for its long-term gas transportation contracts that were previousl

Transactions with related companies, in general, consist of recurring transactions made at terms equivalent to those that prevail in a
To date, there are no allowances for doubtful accounts relating to these balances.

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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 directly 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 compliance with the provisions of Article 50 bis of Law 18,046 on Corporations, AES Gener and its subsidiaries each have 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 financial statements, no transactions took place between the Company and its Directors or Senior Management.

There are no guarantees granted in favor 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 financial statements, the Company's Directors 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 on April 27, 2012, shareholders agreed to set remuneration for the Audit Committee members at 160 Unidades de Fomento for the 2012 period. 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.

Director Remuneration		**2012**		
Name	**Position**	**Board of Directors AES Gener ThUS$**	**Board of Directors Subsidiaries ThUS$**	**Audit Committee ThUS$**
Andres Gluski	Chairman	-	-	-
Tom O'Flynn	Director	-	-	-
Arminio Borjas	Director	-	-	-
Ivan Diaz-Molina	Director	-	-	89
Juan Andres Camus Camus	Director	-	-	89
Radovan Roque Razmilic Tomicic	Director	-	-	89
Total		-	-	**267**

Director Remuneration		**2011**		
Name	**Position**	**Board of Directors AES Gener ThUS$**	**Board of Directors Subsidiaries ThUS$**	**Audit Committee ThUS$**
Andres Gluski	Chairman	-	-	-
Andrew Vesey	Director	-	-	-
Bernerd Da Santos	Director	-	-	-

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Director Remuneration		2011		
Name	Position	Board of Directors AES Gener ThUS$	Board of Directors Subsidiaries ThUS$	Audit Committee ThUS$
Arminio Borjas	Director	-	-	-
Jorge Rodriguez Grossi	Former-Director	-	-	51
Ivan Diaz-Molina	Director	-	-	87
Juan Andres Camus Camus	Director	-	-	87
Radovan Roque Tazmilic Tomicic	Director	-	-	35
Total		-	-	**260**

Director Remuneration		2010		
Name	Position	Board of Directors AES Gener ThUS$	Board of Directors Subsidiaries ThUS$	Audit Committee ThUS$
Andres Gluski	Chairman	-	-	-
Andrew Vesey	Director	-	-	-
Bernerd Da Santos	Director	-	-	-
Arminio Borjas	Director	-	-	-
Jorge Rodriguez Grossi	Director	-	-	80
Ivan Diaz-Molina	Director	-	-	80
Juan Andres Camus Camus	Director	-	-	80
Javier Rodolfo Guevara Moreno	Subsidiary Director	-	22	-
Total		**-**	**22**	**240**

In Ordinary Meeting No. 570 held on October 26, 2011, the Company's Board of Directors accepted the resignations of Mr. Andrew Vesley and Mr. Bernard Da Santos as Directors and by Mr. Britaldo Soares as Alternate Director. The Board of Directors chose Mr. Edward C. Hall III as a new Director and Mr. Fernando Pujal as an Alternate Director to replace Mr. Vesley; Mrs. Victoria Dux Harker as new a Director and Mr. Edgardo Victor Campelo as Alternate Director to replace Mr. Da Santos; and Mr. Joel William Abramson as an Alternate Director for Mr. Radovan Razmilic Tomicic, to replace Mr. Soares.

In Ordinary Meeting No. 579 held on July 25, 2012, the Company's Board of Directors accepted the resignation of Mrs. Victoria Dux Harker as Director. During Ordinary Meeting No. 581 held on September 26, 2012, Mr. Tom O'Flynn was named to replace Mrs. Victoria Dux Harker.

On November 19, 2012, AES Gener accepted the resignation of Mr. Edward C. Hall III as Director.

(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 prior period, in addition to long-term compensation, such as stock options, employee benefits and severance. 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 participates in an annual bonus plan based on goal achievement and individual contribution to the Company's results. These incentives are based on 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 December 31, 2012, 2011 and 2010, of ThUS$5,077, ThUS$6,094, and ThUS$5,166 respectively.

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NOTE 14 – INVENTORY

Inventory, valued in accordance with Note 4.11, is detailed as follows:

Inventory	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Coal	34,820	49,328
Oil	11,213	8,370
Spare Parts and Materials	26,768	11,920
Coal in Transit	15,347	35,410
Materials in Transit	2,320	695
Other Inventory	235	223
Total	**90,703**	**105,946**

The amount of inventory recognized as cost of sales in income for the years ended December 31, 2012, 2011 and 2010, is detailed as follows:

Inventory Recognized as Cost of Sales in Net Income	2012 ThUS$	2011 ThUS$	2010 ThUS$
Coal	447,946	406,934	293,806
Oil	108,268	132,712	218,854
Gas	310,865	302,768	124,796
Other	16,917	14,430	13,675
Total	**883,996**	**856,844**	**651,131**

Other Inventory consists principally of materials being used and biomass consumption.

In the periods covered by these financial statements, no adjustments exist that would significantly affect the carrying value of inventory.

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NOTE 15 – CURRENT TAXES

Current Taxes Receivable as of December 31, 2012 and December 31, 2011, are detailed as follows:

	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Monthly Provisional Tax Payments	15,568	18,916
Employee Training Credit (Sence)	319	218
Donation Credits	125	17
Property, Plant and Equipment Credits	-	103
Argentinean Tax Credits	2,323	17
Used Loss Carryfowards	6,000	-
Taxes Receivable from Income Tax Return	14,528	3,175
Other	308	120
Less:		
Monthly Tax Provision	921	1,686
Rejected Expenses Provision	94	79
First Category Tax Provision	9,588	1,198
Total	**28,568**	**19,603**

Current Taxes Payable are detailed as follows:

	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Monthly Provisional Tax Payments	527	1,053
Rejected Expenses Provisional Tax	-	3
First Category Provisional Tax Payments	95,920	78,757
Colombian Equity Provisional Tax Payments	4,006	4,061
Others	376	-
Less		
Monthly Provisional Tax Recoverable	10,347	18,637
Employee Training Credit (Sence)	18	33
Donation Credits	3	132
Property, Plant and Equipment Credits	93	-
Argentinean Tax Credits	-	958
Colombian Income Tax Advance Payments	40,496	31,007
Other	2	292
Total	**49,870**	**32,815**

NOTE 16 – INVESTMENTS IN ASSOCIATES

The following tables include detailed information on associates as of December 31, 2012 and 2011:

Movements in Investments in Associates	Country	Functional Currency	Ownership Interest	Percentage of Voting Rights	January 1, 2012 ThUS$	Participation in Earnings ThUS$	Other Increase (Decrease) ThUS$	December 31, 2012 ThUS$
Empresa Eléctrica Guacolda S.A.	Chile	US$	50.00%	50.00%	273,375	9,187	(6,409)	276,153
TOTAL					**273,375**	**9,187**	**(6,409)**	**276,153**

Movements in Investments in Associates	Country	Functional Currency	Ownership Interest	Percentage of Voting rights	January 1, 2011 ThUS$	Participation in Earnings ThUS$	Other Increase (Decrease) ThUS$	December 31, 2011 ThUS$
Empresa Eléctrica Guacolda S.A.	Chile	US$	50.00%	50.00%	252,051	31,109	(9,785)	273,375
TOTAL					**252,051**	**31,109**	**(9,875)**	**273,375**

Movements in Investments in Associates	Country	Functional Currency	Ownership Interest	Percentage of Voting Rights	Balance as of January 1, 2010 ThUS$	Participation in Earnings ThUS$	Other Increase (Decrease) ThUS$	Balance as of December 31, 2010 ThUS$
Empresa Eléctrica Guacolda S.A.	Chile	US$	50.00%	50.00%	224,270	42,361	(15,288)	251,343
Goodwill - Guacolda	Chile	US$	-	-	708	-	-	708
TOTAL					**224,978**	**42,361**	**(15,288)**	**252,051**

The associate Guacolda can distribute dividends as long as:

(i) it is not in breach of its credit agreements,

(ii) its debt reserve accounts are funded or covered by bank guarantees, and

(iii) it complies with the debt coverage ratio that increases inversely to its contracted capacity.

The dividends received from Guacolda for the years ended December 31, 2012, 2011 and 2010 were ThUS$13,409, ThUS$23,240, and ThUS$11,219 respectively.

The following tables contain summarized information as of December 31, 2012 and 2011, on the financial statements of our associates:

	December 31, 2012							
Investments in Associates	% Ownership Interest	Current Assets ThUS$	Non-Current Assets ThUS$	Current Liabilities ThUS$	Non-Current Liabilities ThUS$	Operating Revenue ThUS$	Operating Expenses ThUS$	Net Income ThUS$
Empresa Eléctrica Guacolda S.A.	50.00%	165,213	1,129,273	114,389	611,090	612,667	519,228	18,375
TOTAL		**165,213**	**1,129,273**	**114,389**	**611,090**	**612,667**	**519,228**	**18,375**

	December 31, 2011							
Investments in Associates	% Ownership Interest	Current Assets ThUS$	Non-Current Assets ThUS$	Current Liabilities ThUS$	Non-Current Liabilities ThUS$	Operating Revenue ThUS$	Operating Expenses ThUS$	Net Income ThUS$
Empresa Eléctrica Guacolda S.A.	50.00%	217,180	1,071,439	151,279	640,386	537,382	407,821	62,218
TOTAL		**217,180**	**1,071,439**	**151,279**	**640,386**	**537,382**	**407,821**	**62,218**

NOTE 17 – INTANGIBLE ASSETS

17.1. Intangible Assets

The principal classes of Intangible Assets, valued as described in Note 4.5 and 4.6, are detailed as follows:

	December 31, 2012		
Intangible Assets	**Gross ThUS$**	**Accumulated Amortization ThUS$**	**Net ThUS$**
Goodwill	7,309	-	7,309
Intangible Assets with Definite Useful Lives	24,970	(8,366)	16,604
Intangible Assets with Indefinite Useful Lives	23,214	-	23,214
Intangible Assets, Gross	**55,493**	**(8,366)**	**47,127**
Software	10,298	(7,329)	2,969
Easements	10,021	(86)	9,935
Water Rights	16,729	-	16,729
Other Identifiable Intangible Assets	11,136	(951)	10,185
Identifiable Intangible Assets, Gross	**48,184**	**(8,366)**	**39,818**

	December 31, 2011		
Intangible Assets	**Gross ThUS$**	**Accumulated Amortization ThUS$**	**Net ThUS$**
Goodwill	7,309	-	7,309
Intangible Assets with Definite Useful Lives	19,840	(6,811)	13,029
Intangible Assets with Indefinite Useful Lives	20,787	-	20,787
Intangible Assets, Gross	**47,936**	**(6,811)**	**41,125**
Software	8,401	(6,434)	1,967
Easements	6,846	(59)	6,787
Water Rights	14,245	-	14,245
Other Identifiable Intangible Assets	11,135	(318)	10,817
Identifiable Intangible Assets, Gross	**40,627**	**(6,811)**	**33,816**

Easements and water rights do not have defined useful lives, therefore it has been established that they are indefinite and continuously permanent. These intangibles have not suffered any contractual or legal modification as of December 31, 2012. Accumulated amortization of easements as of December 31, 2012 and 2011, correspond exclusively to easements of Mejillones lot A of Empresa Eléctrica Angamos, the land easements of the lines associated with the substation Angamos-Atacama/Angamos-Encuentro of Empresa Eléctrica Cochrane and the easements of the lines Laberinto-Lomas Bayas/Norgener-Crucero of Norgener, which have a defined useful life related to the duration of the underlying contracts.

Estimated Useful Lives or Amortization Rates Used	**Maximum Life or Rate**	**Minimum Life or Rate**
Software	5 Years	2 Years
Easements	Indefinite	Indefinite
Water Rights	Indefinite	Indefinite
Other Identifiable Intangible Assets	40 Years	2 Years

Movements in Intangible Assets	Software ThUS$	Easements ThUS$	Water Rights ThUS$	Other Identifiable Intangible Assets ThUS$	Goodwill ThUS$	Intangible Assets ThUS$
	2012					
Opening Balance as of January 1, 2012	1,967	6,787	14,245	10,817	7,309	41,125
Additions	1,686	3,176	2,489	303	-	7,654
Disposals	-	-	(5)	-	-	(5)
Amortization	(829)	(28)	-	(935)	-	(1,792)
Increase (Decrease) due to Foreign Currency Exchange Differences	145	-	-	-	-	145
Total Changes	**1,002**	**3,148**	**2,484**	**(632)**	**-**	**6,002**
Ending Balance as of December 31, 2012	**2,969**	**9,935**	**16,729**	**10,185**	**7,309**	**47,127**

Movements in Intangible Assets	Software ThUS$	Easements ThUS$	Water Rights ThUS$	Other Identifiable Intangible Assets ThUS$	Goodwill ThUS$	Intangible Assets ThUS$
	2011					
Opening Balance as of January 1, 2011	2,424	7,705	2,346	207	7,309	19,991
Additions	322	899	11,908	10,913	-	24,042
Disposals	-	(1,808)	(9)	-	-	(1,817)
Amortization	(769)	(9)	-	(303)	-	(1,081)
Increase (Decrease) due to Foreign Currency Exchange Differences	(10)	-	-	-	-	(10)
Total Changes	**(457)**	**(918)**	**11,899**	**10,610**	**-**	**21,134**
Ending Balances as of December 31, 2011	**1,967**	**6,787**	**14,245**	**10,817**	**7,309**	**41,125**

Movements in Intangible Assets	Software ThUS$	Easements ThUS$	Water Rights ThUS$	Other Identifiable Intangible Assets ThUS$	Goodwill ThUS$	Intangible Assets ThUS$
	2010					
Opening Balance as of January 1, 2010	1,398	6,183	2,351	207	7,309	17,448
Additions	2,326	1,524	-	-	-	3,850
Disposals	(8)	-	(5)	-	-	(13)
Amortization	(1,291)	(2)	-	-	-	(1,293)
Increase (Decrease) due to Foreign Currency Exchange Differences	(1)	-	-	-	-	(1)
Total Changes	**1,026**	**1,522**	**(5)**	**-**	**-**	**2,543**
Ending Balance as of December 31, 2010	**2,424**	**7,705**	**2,346**	**207**	**7,309**	**19,991**

Individually Significant Identifiable Intangible Assets	Carrying Amount ThUS$	Remaining Amortization Period (Years)
Rights Laja Plant, PPA contract with CMPC Maderas S.A.	9,963	11.5
Water Rights Volcan River, Exchange with RPG	10,658	Indefinite
Water Rights Colorado River, Maipo River	1,800	Indefinite

17.2. Goodwill Impairment 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, which at the same time are operating segments for the purposes of the annual impairment test:

	December 31, 2012		
Concepts	SIC ThUS$	SING ThUS$	Total ThUS$
Goodwill	7,309	-	7,309
Water Rights	15,342	-	15,342
Easements	6,440	1,215	7,655
Other Intangibles	217	-	217
Total	**29,308**	**1,215**	**30,523**

	December 31, 2011		
Concepts	SIC ThUS$	SING ThUS$	Total ThUS$
Goodwill	7,309	-	7,309
Water Rights	14,245	-	14,245
Easements	4,640	1,684	6,324
Other Intangibles	218	-	218
Total	**26,412**	**1,684**	**28,096**

The recoverable value that was applied in the impairment test is the fair value less costs to sell. Considering that an active market for these assets does not exist, the fair value was calculated using the income method. The assumptions used for the income method are consistent with the information used in the projected budget values and adjusted to include the assumptions of a market participant. As of December 31, 2012, impairment losses were not identified, given that the recoverable value was greater than the carrying value.

NOTE 18 – PROPERTY, PLANT AND EQUIPMENT

18.1. Property, Plant and Equipment

The balances of the different categories of property, plant and equipment for the years ended December 31, 2012 and 2011, are detailed as follows:

Classes of Property, Plant and Equipment	December 31, 2012 Gross ThUS$	Accumulated Amortization ThUS$	Net ThUS$
Construction in Progress	755,715	-	755,715
Land	35,772	-	35,772
Buildings	830,974	(114,771)	716,203
Plant and Equipment	4,050,891	(1,034,092)	3,016,799
IT Equipment	11,401	(4,926)	6,475
Furniture	11,679	(7,010)	4,669
Motor Vehicles	3,689	(2,038)	1,651
Other Property, Plant and Equipment	65,737	(3,658)	62,079
Total	**5,765,858**	**(1,166,495)**	**4,599,363**

Classes of Property, Plant and Equipment	December 31, 2011 Gross Value ThUS$	Accumulated Amortization ThUS$	Net Value ThUS$
Construction in Progress	469,436	-	469,436
Land	35,097	-	35,097
Buildings	811,535	(97,317)	714,218
Plant and Equipment	3,952,063	(840,424)	3,111,639
IT Equipment	10,931	(5,265)	5,666
Furniture	6,411	(3,876)	2,535
Motor Vehicles	3,113	(1,626)	1,487
Other Property, Plant and Equipment	37,621	(2,230)	35,391
Total	**5,326,207**	**(950,738)**	**4,375,469**

In April 2011, Unit 1 of Empresa Eléctrica Angamos's thermoelectric power plant started operations with a gross capacity of 260 MW, while Unit 2 started operations in October 2011, also with a gross capacity of 260 MW. This energy is being injected into the SING, which supplies energy to Chile's 1st and 2nd Regions. The plant is located in the 2nd Region of Antofagasta, in the town of Mejillones.

The balance of Construction in Progress consists mostly of amounts related to the Campiche project and, to a lesser extent, to the Alto Maipo and Cochrane projects, as well as other minor projects.

The useful lives of the Company's Property, Plant and Equipment are detailed as follows:

Classes of Property, Plant and Equipment	Minimum Life (Years)	Maximum Life (Years)
Buildings	20	45
Plant and Equipment	5	45
Plant and Equipment (Colombian Dam)	80	80
IT Equipment	2	5
Furniture	2	20
Motor Vehicles	2	5
Other Property, Plant and Equipment	5	25

Additional Disclosures for Property, Plant and Equipment	2012 ThUS$	2011 ThUS$	2010 ThUS$
Expenditures Construction in Progress	419,182	395,439	510,886
Commitments for Additions	1,147,643	494,019	765,810

The following tables present movements in Property, Plant and Equipment during the years ended December 31, 2012, 2011 and 2010, respectively:

	Movements Year 2012	Construction in Progress ThUS$	Land ThUS$	Buildings ThUS$	Plant and Equipment ThUS$	IT Equipment ThUS$	Furniture ThUS$	Motor Vehicles ThUS$	Other Property, Plant and Equipment ThUS$	Total Property, Plant and Equipment ThUS$
	Opening Balance as of January 1, 2012	469,436	35,097	714,218	3,111,639	5,666	2,535	1,487	35,391	4,375,469
Changes	Additions	339,641	758	4,753	9,602	635	755	527	28,346	385,017
	Disposals	-	(196)	(969)	(11,007)	-	(6)	(47)	-	(12,225)
	Depreciation	-	-	(20,886)	(187,199)	(1,810)	(906)	(556)	(1428)	(212,785)
	Increase (Decrease) due to Foreign Currency Exchange Differences(*)	276	186	68	62,918	283	114	8	34	63,887
	Other Increases (Decreases)	(53,638)	(73)	19,019	30,846	1,701	2,177	232	(264)	-
	Total Changes	**286,279**	**675**	**1,985**	**(94,840)**	**809**	**2,134**	**164**	**26,688**	**223,894**
	Ending Balance as of December 31, 2012	**755,715**	**35,772**	**716,203**	**3,016,799**	**6,475**	**4,669**	**1,651**	**62,079**	**4,599,363**

	Movements Year 2011	Construction in Progress ThUS$	Land ThUS$	Buildings ThUS$	Plant and Equipment ThUS$	IT Equipment ThUS$	Furniture ThUS$	Motor Vehicles ThUS$	Other Property, Plant and Equipment ThUS$	Total Property, Plant and Equipment ThUS$
	Opening Balance as of January 1, 2011	1,238,214	40,629	445,883	2,423,268	5,754	2,048	737	22,660	4,179,193
Changes	Additions	418,431	2,045	-	-	147	136	1,038	14,359	436,156
	Disposals	-	(7,548)	(60)	(27,366)	(414)	(2)	(21)	-	(35,411)
	Depreciation	-	-	(19,112)	(170,807)	(1,898)	(645)	(477)	(1,628)	(194,567)
	Increase (Decrease) due to Foreign Currency Exchange Differences (*)	(70)	(29)	(5)	(9,731)	(48)	(18)	(1)	-	(9,902)
	Other Increases (Decreases)	(1,187,139)	-	287,512	896,275	2,125	1,016	211	-	-
	Total Changes	**(768,778)**	**(5,532)**	**268,335**	**688,371**	**(88)**	**487**	**750**	**12,731**	**196,276**
	Ending Balance as of December 31, 2011	**469,436**	**35,097**	**714,218**	**3,111,639**	**5,666**	**2,535**	**1,487**	**35,391**	**4,375,469**

	Movements Year 2010	Construction in Progress ThUS$	Land ThUS$	Buildings ThUS$	Plant and Equipment ThUS$	IT Equipment ThUS$	Furniture ThUS$	Motor Vehicles ThUS$	Other Property, Plant and Equipment ThUS$	Total Property, Plant and Equipment ThUS$
	Opening Balance as of January 1, 2010	1,458,112	40,354	318,294	2,121,648	4,252	2,181	776	16,722	3,962,339
Changes	Additions	343,367	306	-	3,950	348	224	220	6,856	355,271
	Disposals	-	(185)	(949)	(17,421)	(1)	(36)	(10)	(10)	(18,612)
	Depreciation	-	-	(14,528)	(149,084)	(1,527)	(499)	(389)	(908)	(166,935)
	Increase (Decrease) due to Foreign Currency Exchange Differences (*)	208	136	(1,022)	46,286	1,649	(210)	83	-	47,130
	Other Increases (Decreases)	(563,473)	18	144,088	417,889	1,033	388	57	-	-
	Total Changes	**(219,898)**	**275**	**127,589**	**301,620**	**1,502**	**(133)**	**(39)**	**5,938**	**216,854**
	Ending Balance as of December 31, 2010	**1,238,214**	**40,629**	**445,883**	**2,423,268**	**5,754**	**2,048**	**737**	**22,660**	**4,179,193**

(*) It is related with the currency translation of Colombian subsidiary Chivor, which has designated the Colombian Peso as its functional currency.

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Capitalized interest costs and the average effective rate of the Company's debt are detailed as follows:

	2012 ThUS$	2011 ThUS$
Capitalized Interest Expense	33,714	32,280
Capitalization Rate	6.36%	6.88%

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.

18.2. Leased Assets

Finance leases by asset class, the Company as lessee:

Finance Leases	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Buildings	11,533	6,483
Plant and Equipment	3,710	9,020
IT Equipment	6	49
Motor Vehicles	-	65
Total Property, Plant and Equipment under Finance Leases	**15,259**	**15,617**

Minimum lease payments related to finance leases, the Company as lessee:

Minimum Lease Payments on Finance Leases, Lessee	December 31, 2012			December 31, 2011		
	Gross ThUS$	Interest ThUS$	Present Value ThUS$	Gross ThUS$	Interest ThUS$	Present Value ThUS$
Less than a Year	1,638	814	824	1,416	810	606
Between 1 and 5 Years	4,726	2,040	2,686	4,407	2,066	2,341
More than 5 Years	53,589	30,205	23,384	51,766	29,723	22,043
Total	**59,953**	**33,059**	**26,894**	**57,589**	**32,599**	**24,990**

Information about operating leases, the Company as lessee:

Minimum Lease Payments on Operating Leases, Lessee	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Less than a Year	-	4,700
Between 1 and 5 Years	4,564	25,501
More than 5 Years	21,127	58,816
Total	**25,691**	**89,017**

Minimum finance lease payments, the Company as lessor:

Minimum Lease Payments on Finance Leases, Lessor	December 31, 2012			December 31, 2011		
	Gross ThUS$	Interest ThUS$	Present Value ThUS$	Gross ThUS$	Interest ThUS$	Present Value ThUS$
Less than a Year	24	-	24	280	16	264
Between 1 and 5 Years	-	-	-	24	-	24
Total	**24**	**-**	**24**	**304**	**16**	**288**

18.3. Asset Impairment

According to Note 4.7, the recoverable amount of Property, Plant and Equipment is evaluated when there is evidence that the asset may be impaired.

No impairment losses were identified during the years ended December 31, 2012 and 2011.

On May 31, 2010, Energía Verde S.A. (was later merged into Gener) received a notification from a client, Compañía Papelera del Pacífico S.A., notifying their intention to early terminate the energy and steam contract supplied by a plant located in San Francisco de Mostazal, signed on August 23, 1998. The Company considered this to be evidence that the plant may be impaired and recorded an impairment loss of ThUS$3,370 on December 31.

18.4. Disposal of Property, Plant and Equipment

In 2012, there have been no significant disposals of Property, Plant and Equipment.

In June 2011, the Energy and Steam Supply Contract between Compañía Papelera del Pacífico S.A. and Norgener S.A. was terminated, resulting in the following:

- ThUS$3,500 was recognized as compensation for early terminating the contract between Energía Verde and Compañía Papelera del Pacífico S.A.
- Energía Verde S.A. sold its two steam boilers, generating a loss of ThUS$581
- A contract of usufruct is celebrated between Energía Verde S.A. and Compañía Papelera del Pacífico S.A. for a total amount of ThUS$3,854, that allows Energía Verde S.A. continued to use the land located in San Francisco of Mostazal where the Generation Plant is located and shall remain until 2017. This contract allows San Francisco de Mostazal Plant to continue injecting energy to the Central Interconnected Grid (SIC).
- The decommissioning provision related to the San Francisco of Mostazal Plant has been modified to include the assets that are still property of the Company. The change in the provision resulted in a gain of ThUS$977.

During the last quarter of 2011, Gener transferred the Laja plant to CMPC Maderas S.A., as a financial lease.

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NOTE 19 – DEFERRED TAXES

Balances of Deferred Tax Assets as of December 31, 2012 and 2011, are detailed as follow:

Deferred Tax Assets	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Provisions	8,343	6,867
Employee Benefits	4,003	2,008
Fair Value of Financial Instruments	23,043	21,638
Tax Losses	145,428	86,057
Deferred Revenue	4,702	4,867
Interest-Bearing Loans	529	3,075
Lease Obligations	5,309	4,812
Finance Expenses	2,840	1,489
Other	20,031	10,521
Total	**214,228**	**141,334**

The most significant deferred tax asset is related to the tax losses of those companies that are under construction or have been operating for a short period. These are: Empresa Electrica Ventanas S.A., Empresa Electrica Angamos S.A., and Empresa Electrica Campiche S.A. The cause of these losses is principally due to the inability to capitalize all of the finance expenses relating to the project.

It is probable that these losses will be used as a result of future taxable income associated with energy supply contracts (PPAs).

As of December 31, 2012, 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, 2012 and 2011, are detailed in the following table:

Deferred Tax Liabilities	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Depreciation	568,043	441,727
Provisions	960	1,882
Employee Benefits	379	-
Fair Value of Financial Instruments	7,825	3,509
Interest-Bearing Loans	8,154	10,443
Finance Expenses	13,608	14,973
Other	12,648	8,228
Total	**611,617**	**480,762**
Net Balance of Deferred Tax Assets and Liabilities	**(397,389)**	**(339,428)**

As of December 31, 2012, the item "Other" principally includes the difference related to decommissioning liabilities for property, plant and equipment.

Reconciliation between amounts in the Statement of Financial Position and the deferred tax tables:

Statement of Financial Position	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Deferred Tax Assets	14,976	18,757
Deferred Tax Liabilities	(412,365)	(358,185)
Net Deferred Tax Position	**(397,389)**	**(339,428)**

Net Deferred Tax Position	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Deferred Tax Assets	214,228	141,334
Deferred Tax Liabilities	(611,617)	(480,762)
Net Deferred Tax Position	**(397,389)**	**(339,428)**

The following movements occurred in deferred tax assets and liabilities during the years ended December 31, 2012 and 2011:

Movements in Deferred Tax Assets	Assets ThUS$	Liabilities ThUS$
Balance as of January 1, 2011	**116,444**	**450,255**
Increase (Decrease) recognized in Income (Losses)	7,934	31,890
Increase (Decrease) recognized in Other Comprehensive Income	16,937	-
Increase (Decrease) due to Foreign Currency Exchange Differences	19	(1,383)
Balance as of December 31, 2011	**141,334**	**480,762**
Increase (Decrease) recognized in Income (Losses)	65,635	121,539
Increase (Decrease) recognized in Other Comprehensive Income	6,765	-
Increase (Decrease) due to Foreign Currency Exchange Differences	494	9,316
Balance as of December 31, 2012	**214,228**	**611,617**

NOTE 20 – OTHER FINANCIAL LIABILITIES

As of December 31, 2012 and December 31, 2011, Other Financial Liabilities are detailed as follows:

	Current		Non-Current	
Other Financial Liabilities	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**
Interest-Bearing Loans (see Note 20.1)	91,439	64,622	2,187,444	2,203,410
Hedge Liabilities (see Note 10.1)	31,366	30,032	85,042	94,686
Other Financial Liabilities	1,476	-	-	-
Total	**124,281**	**94,654**	**2,272,486**	**2,298,096**

20.1. Interest-Bearing Loans

	Current		Non-Current	
Interest-Bearing Loans	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**
Bank Loans	73,743	46,522	1,074,624	1,122,484
Bonds Payable (1)	16,872	17,494	1,090,133	1,057,367
Lease Obligations	824	606	26,070	24,384
Deferred Financing Costs (2)	-	-	(3,383)	(825)
Total	**91,439**	**64,622**	**2,187,444**	**2,203,410**

(1) In August 2011, the Company successfully completed the refinancing process for its 7.5% ThUS$400,000 U.S. Senior Notes due in 2014 and 8.0% ThUS$196,000 Series Q Chilean Notes due in 2019. During the process, the Company accepted offers of exchange and tender for approximately 63% of the U.S. Senior Notes and tender for approximately 48% of Series Q Chilean Notes. Additionally, the Company issued new U.S. Senior Notes for ThUS$401,682, due in 2021 with an interest rate of 5.25%.The final amounts of the U.S. Senior Notes due in 2014 and Series Q Chilean Notes due in 2019 are ThUS$147,050 and ThUS$102,200, respectively. (See Note 28).

(2) Corresponds to the deferred financing expenses related to the UF 6,000,000 (ThUS$257,635) committed credit line renewed with a bank syndicate in October 2011. As of December 31, 2012, this line has not been used.

(a) Bank Loans

The following tables detail bank loans by financial institution, including loan currency, rate and a maturity schedule as of Dece
schedule represents expected future cash flows of capital and projected interest payments.

Taxpayer ID Number	Company Name	Country	Lender Name	Currency	Amortization	Effective Rate	Nom Ra
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Syndicate of Banks led by BNP PARIBAS	US$	Semi-Annual	3.20%	2
96.814.370-0	Empresa Eléctrica Ventanas S.A.	Chile	Syndicate of Banks led by BNP PARIBAS	US$	Semi-Annual	2.19%	1
96.717.620-6	Eléctrica Santiago S.A.	Chile	Syndicate of Banks led by BCI	US$	Semi-Annual	7.69%	6
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Bancolombia	Col$	Monthly	8.54%	8
Total............							

				Current			N	
Taxpayer ID Number	**Company Name**	**Country**	**Lender Name**	**Maturity Less than 90 days ThUS$**	**Maturity More than 90 days ThUS$**	**Total Current December 31, 2012 ThUS$**	**Maturity between 1 and 3 Years ThUS$**	**Maturi betwee 3 and 5 Year ThUS**
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Syndicated Banks - BNP PARIBAS	-	56,089	**56,089**	109,373	106,3
96.814.370-0	Empresa Eléctrica Ventanas S.A.	Chile	Syndicated Banks - BNP PARIBAS	-	27,945	**27,945**	61,151	72,6
96.717.620-6	Eléctrica Santiago S.A.	Chile	Syndicated Banks - BCI	-	6,507	**6,507**	3,095	
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Bancolombia	-	-	**-**	1,191	4,0
Total............				-	**90,541**	**90,541**	**174,810**	**183,0**

The following tables detail bank loans by financial institution, including loan currency, rate and a maturity schedule as of Dece
schedule represents expected future cash flows of capital and projected interest payments.

Taxpayer ID Number	Company Name	Country	Lender Name	Currency	Effective Rate	Nom Ra
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Syndicate of Banks - BNP PARIBAS	US$	2.14%	
96.814.370-0	Empresa Eléctrica Ventanas S.A.	Chile	Syndicate of Banks - BNP PARIBAS	US$	2.08%	
96.717.620-6	Eléctrica Santiago S.A.	Chile	Syndicate of Banks - BCI	US$	7.69%	
Total............						

Taxpayer ID Number	Company Name	Country	Lender Name	Maturity Less than 90 days ThUS$	Maturity More than 90 days ThUS$	Total Current December 31, 2011 ThUS$	Maturity between 1 and 3 Years ThUS$	Maturi betwee 3 and 5 Year ThUS
76.004.976-K	Empresa Eléctrica Angamos S.A.	Chile	Syndicate of Banks led by BNP PARIBAS	4,566	31,523	**36,089**	109,605	106,9
96.814.370-0	Empresa Eléctrica Ventanas S.A.	Chile	Syndicate of Banks led by BNP PARIBAS	-	26,421	**26,421**	58,516	65,5
96.717.620-6	Eléctrica Santiago S.A.	Chile	Syndicate of Banks led by BCI	-	7,409	**7,409**	9,602	
Total				**4,566**	**65,353**	**69,919**	**177,723**	**172,5**

(b) Bonds Payable

The following table details bonds payable including loan currency, rate, and a maturity schedule as of December 31, 2012. Th expected future cash flows of capital and projected interest payments.

Taxpayer ID Number	Company Name	Country	Lender Name	Series	Currency	Effective Rate	Nomina Rate
94.272.000-9	AES Gener S.A.	Chile	Series O Bond	O SERIES	U.F.	6.35%	5.50
94.272.000-9	AES Gener S.A.	Chile	Series N Bond	N SERIES	U.F.	7.92%	7.34
94.272.000-9	AES Gener S.A.	Chile	Rule 144A/REG S Bonds	US$ Bonds	US$	8.26%	7.50
94.272.000-9	AES Gener S.A.	Chile	Senior Bonds	US$ Bonds	US$	5.64%	5.25
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	Q SERIES	US$	8.23%	8.00
96.717.620-6	Eléctrica Santiago S.A.	Chile	214	B SERIES	U.F.	8.04%	7.50
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Ordinary Bonds	Single	US$	10.76%	9.75
Total							

Taxpayer ID Number	Company Name	Country	Lender Name	Series	Current				
					Maturity Less than 90 days ThUS$	Maturity More than 90 days ThUS$	Total Current as of December 31, 2012 ThUS$	Maturity between 1 and 3 Years ThUS$	Mat bet 3 5 Y Th
94.272.000-9	AES Gener S.A.	Chile	O-Series Bond	O SERIES	-	2,623	**2,623**	50,973	
94.272.000-9	AES Gener S.A.	Chile	N-Series Bond	N SERIES	-	12,819	**12,819**	25,639	2
94.272.000-9	AES Gener S.A.	Chile	Rule 144A/REG S Bonds	US$ Bonds	5,514	5,514	**11,028**	152,564	
94.272.000-9	AES Gener S.A.	Chile	Senior Bonds	US$ Bonds	10,544	10,544	**21,088**	42,177	4
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	Q SERIES	4,009	4,009	**8,018**	16,037	1
96.717.620-6	Eléctrica Santiago S.A.	Chile	214	B SERIES	-	4,346	**4,346**	8,760	
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Ordinary Bonds	Single	-	16,575	**16,575**	186,575	
Total					**20,067**	56,430	**76,497**	**482,725**	**9**

The following table details bonds payable including loan currency, rate, and a maturity schedule as of December 31, 2011. Th
expected future cash flows of capital and projected interest payments.

Taxpayer ID Number	Company Name	Country	Instrument Registration Number	Series	Currency	Effective Rate	Nomina Rate
94.272.000-9	AES Gener S.A.	Chile	O-Series Bond	O SERIES	U.F.	6.35%	5.50
94.272.000-9	AES Gener S.A.	Chile	N-Series Bond	N SERIES	U.F.	7.92%	7.34
94.272.000-9	AES Gener S.A.	Chile	Rule 144A/REG S Bonds	US$ Bonds	US$	8.26%	7.50
94.272.000-9	AES Gener S.A.	Chile	Senior Bonds	US$ Bonds	US$	5.64%	5.25
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	Q SERIES	US$	8.23%	8.00
96.717.620-6	Eléctrica Santiago S.A.	Chile	214	B SERIES	U.F.	8.04%	7.50
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Ordinary Bonds	Single	US$	10.76%	9.75
Total							

Taxpayer ID Number	Company Name	Country	Instrument Registration Number	Series	Current: Maturity Less than 90 days ThUS$	Current: Maturity More than 90 days ThUS$	Current: Total Current as of December 31, 2011 ThUS$	Maturity between 1 and 3 Years ThUS$	Matur betwe 3 an 5 Yea ThU
94.272.000-9	AES Gener S.A.	Chile	O-Series Bond	O SERIES	-	2,630	**2,630**	5,246	48,
94.272.000-9	AES Gener S.A.	Chile	N-Series Bond	N SERIES	-	12,855	**12,855**	25,639	25,
94.272.000-9	AES Gener S.A.	Chile	Rule 144A/ REG S Bonds	US$ Bonds	5,514	5,514	**11,028**	163,593	
94.272.000-9	AES Gener S.A.	Chile	Senior Bonds	US$ Bonds	11,306	10,544	**21,850**	42,177	42,
94.272.000-9	AES Gener S.A.	Chile	Ordinary Bonds	Q SERIES	4,009	4,009	**8,018**	16,037	16,
96.717.620-6	Eléctrica Santiago S.A.	Chile	214	B SERIES	-	4,687	**4,687**	8,096	8,
Foreign	AES Chivor & Cía. S.C.A. E.S.P.	Colombia	Ordinary Bonds	Single	-	16,575	**16,575**	203,150	
Total					**20,829**	**56,814**	**77,643**	**463,938**	**140,**

NOTE 21 – TRADE AND OTHER PAYABLES

Trade and Other Payables as of December 31, 2012 and 2011 are detailed as follows:

	Current		Non-Current	
Trade and Other Payables	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**
Trade Payables (a)	242,084	316,879	20,903	14,469
Other Accounts Payable (b)	12,666	30,961	14,538	16,912
Total Trade and Other Payables	**254,750**	**347,840**	**35,441**	**31,381**

(a) Includes amounts related to the effect of terminating the gas transportation contract between Sociedad Eléctrica Santiago S.A. and TGN that has been recognized at fair value. The current portion is ThUS$385 and ThUS$29,745 as of December 31, 2012 and 2011, respectively and the non-current portion is ThUS$2,264 as of December 31, 2011.

The non-current portion also includes the contract between the subsidiary TermoAndes and Siemens Power Generation Inc. and Siemens S.A. for spare parts and maintenance services.

(b) As of December 31, 2012, the current portion primarily consists of taxes payable and obligations to a third party associated with employees. The non-current portion consists of a tax liability associated with Chivor and an obligation related to an exchange of water rights.

The average payment period for suppliers is 30 days; therefore, carrying amounts do not differ significantly from their fair values.

NOTE 22 – PROVISIONS

As of December 31, 2012 and 2011, provisions are detailed as follows:

Provisions	Current		Non-Current	
	December 31, 2012 ThUS$	December 31, 2011 ThUS$	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Legal Claims (a)	1,461	1,887	11,556	5,791
Decommissioning Costs (b)	2,649	871	69,006	40,746
Other Provisions (c)	478	279	563	666
Total	**4,588**	**3,037**	**81,125**	**47,203**

(a) Legal Provision

Current balances correspond primarily to contingent fines and penalties with the regulatory body (*Superintendencia de Electricidad y Combustibles*, hereinafter "SDEC"), mentioned in greater detail in Note 32. Given the facts specific to this type of provision, it is difficult to estimate when the amounts will be paid. The non-current portion includes a provision of ThUS$10,811 as estimated by the subsidiary Chivor, related to an equity tax review process that is being conducted by the tax authorities in Colombia.

(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 terms of the estimated disbursements vary between 30 and 45 years, depending on the contract or law that gives rise to the obligation.

In December 2011, subsidiary Empresa Eléctrica Ventanas S.A., Empresa Eléctrica Angamos S.A. and Empresa Eléctrica Campiche S.A. adjusted its decommissioning provision to account for changes in the discount rate. The adjustment resulted in an increase of ThUS$13,208 in the provision.

During 2012, the decommissioning provisions associated with power plants Laja, Los Vientos, Eléctrica Angamos, Eléctrica Campiche and Eléctrica Ventanas were adjusted to account for changes in the estimated future expenses and the discount rate. The impact was an increase of ThUS$27,233 in the provision.

(c) Other Provisions

This item primarily includes provisions for employee profit sharing and bonuses, which are generally paid within the first few months of the year.

Provisions	Legal Claims ThUS$	Decommissioning and Restructuring Costs ThUS$	Other Provisions ThUS$	Total ThUS$
Opening Balance as of January 1, 2012	7,678	41,617	945	50,240
Movements in Provisions				
Unwinding of Discount	-	2,811	(2)	2,809
Additional Provisions	5,379	-	73	5,452
Increase (Decrease) in Existing Provisions	-	27,223	193	27,416
Utilized during Period	(692)	-	(160)	(852)
Increase (Decrease) due to Foreign Currency Exchange Differences	652	-	-	652
Other Increases (Decreases)	-	4	(8)	(4)
Changes in Provisions	**5,339**	**30,038**	**96**	**35,473**
Ending Balance as of December 31, 2012	**13,017**	**71,655**	**1,041**	**85,713**

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Provisions	Legal Claims ThUS$	Decommissioning and Restructuring Costs ThUS$	Other Provisions ThUS$	Total ThUS$
Opening Balance as of January 1, 2011	6,558	27,201	1,520	35,279
Movements in Provisions				
Unwinding of Discount	-	1,852	-	1,852
Additional Provisions	1,626	-	109	1,735
Increase (Decrease) in Existing Provisions	1,190	14,177	382	15,749
Adjustment to decommission costs due to disposal of assets	-	(1,363)	-	(1,363)
Utilized during Period	(1,620)	(144)	(1,057)	(2,821)
Reversal of Unpaid Provisions (*)	-	(106)	-	(106)
Increase (Decrease) due to Foreign Currency Exchange Differences	(76)	-	(9)	(85)
Changes in Provisions	**1,120**	**14,416**	**(575)**	**14,961**
Ending Balance as of December 31, 2011	**7,678**	**41,617**	**945**	**50,240**

Provisions	Legal Claims ThUS$	Decommissioning and Restructuring Costs ThUS$	Other Provisions ThUS$	Total ThUS$
Opening Balance as of January 1, 2010	29,198	18,601	2,102	49,901
Movements in Provisions				
Unwinding of Discount	-	1,726	-	8,450
Additional Provisions	-	4,849	-	250
Increase (Decrease) in Existing Provisions	1,357	2,025	5	1,262
Utilized during Period	(3,887)	-	(620)	(4,507)
Reversal of Unpaid Provisions	(20,096)	-	-	(20,096)
Increase (Decrease) due to Foreign Currency Exchange Differences)	(14)	-	33	19
Changes in Provisions	**(22,640)**	**8,600**	**(582)**	**(14,622)**
Ending Balance as of December 31, 2010	**6,558**	**27,201**	**1,520**	**35,279**

(*) This primarily consists of the reversal of the unpaid provision related to the sale of the two steam boilers sold by Energía Verde S.A. to Compañía Papelera del Pacifíco S.A. See Note 18 for more information.

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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 financial statements based on the criteria described in Note 4.15, sections b) and d).

As of December 31, 2012 and 2011, the Company's Employee Benefit Liability is detailed as follows:

	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Current Portion	2,333	3,241
Non-Current Portion	38,305	28,750
Total	**40,638**	**31,991**

23.1. Present Value of Employee Pension Plans

The following movements took place in employee benefit liabilities for services provided in the years ended December 31, 2012, 2011 and 2010:

Present Value of Defined Benefit Plan	2012 ThUS$	2011 ThUS$	2010 ThUS$
Opening Balance as of January 1	**31,991**	**32,733**	**28,401**
Current Service Costs	2,808	2,688	2,776
Interest Costs	1,495	1,356	1,328
Participant Contributions	326	-	97
Actuarial Losses	5,912	1,901	2,758
Increase (Decrease) due to Foreign Currency Exchange Differences	2,443	(2,532)	858
Contributions Paid	(4,337)	(4,149)	(4,030)
Other Adjustments	-	(6)	545
Ending Balance as of December 31	**40,638**	**31,991**	**32,733**

23.2. Defined Benefit Plan Expense

The following amounts were recorded in consolidated income within Cost of Sales and Administrative Expenses in the Statement of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010:

Expenses Recognized in Income	2012 ThUS$	2011 ThUS$	2010 ThUS$
Current Service	2,744	2,665	2,776
Interest Costs	1,481	1,507	1,328
Net Actuarial Losses	427	2,793	2,758
Expenses Related to Settlement of Obligations	651	-	-
Total Expense	**5,303**	**6,965**	**6,862**

23.3. Other Disclosures:

(a) **The following hypotheses were used in actuarial calculations of employee benefits:**

Actuarial Assumptions Used in Calculating the Liability	Chile December 31, 2012	Chile December 31, 2011	Colombia December 31, 2012	Colombia December 31, 2011
Nominal Discount Rate	5.83%	6.45%	7.60%	8.00%
Average Personnel Rotation Rate	3.00%	2.50%	0.010000%	0.005682%
Expected Salary Increase	UF + 1.5%	UF + 1.5%	4.00%	5.00%

Actuarial Assumptions Used in Calculating the Liability	Chile		Colombia	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
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 Analysis:

As of December 31, 2012, a variation in the cost of medical benefits and the discount rate would have generated the following effects:

Medical Expenses Sensitivity	Increase of 1% ThUS$	Decrease of 1% ThUS$
Effect in the Defined Benefit Obligations	(373)	334

Discount Rate Sensitivity	Increase of 1% ThUS$	Decrease of 1% ThUS$
Effect in the Defined Benefit Obligations	(574)	607

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NOTE 24 – OTHER NON-FINANCIAL LIABILITIES

As of December 31, 2012 and 2011, balances of Non-Financial Liabilities are detailed as follows:

	Current		Non-Current	
Other Non-Financial Liabilities	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**
Deferred Revenue (see 24.1)	4,410	4,663	19,157	22,262
Accumulated Liabilities (see 24.2)	34,049	18,382	-	-
Other Liabilities (see 24.3)	-	-	208	223
Total	**38,459**	**23,045**	**19,365**	**22,485**

24.1. Deferred Revenue:

As of December 31, 2012 and 2011, Deferred Revenue balances are detailed as follows:

	Current		Non-Current	
Deferred Revenue	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**	**December 31, 2012 ThUS$**	**December 31, 2011 ThUS$**
Escondida - Right of Use Substation Nueva Zaldívar	3,778	3,778	7,556	11,333
Torquemada - Right to Use Ventanas - Miraflores Line	281	281	6,628	6,909
LNG Quintero - Right to Use and Connect to Transmission Line	168	479	2,517	1,438
Other Deferred Revenue	183	125	2,456	2,582
Total	**4,410**	**4,663**	**19,157**	**22,262**

24.2. Accumulated Liabilities

Accumulated liabilities are primarily accrued vacations and other employee benefits.

24.3. Other Liabilities

Other liabilities are primarily withholdings from sub-contract amounts paid out and other minor effects of taxes payable under Argentinian legislation.

NOTE 25 – EQUITY

25.1. Capital Management

Capital includes issued capital, share premium, retained earnings, accumulated other comprehensive income and other components of equity.

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 makes adjustments 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 lines of business, policies or processes during the years ended December 31, 2012 and 2011.

25.2. Subscribed and Issued Capital

As of December 31, 2012 and 2011, the Company's share capital consists of 8,069,699,033 subscribed and paid shares.

***(a)* The Company's movement in shares is as follows:**

	Issued Capital			
	Authorized	**Issued**	**Subscribed**	**Paid**
Balance as of December 31, 2010	**8,227,890,863**	**8,227,890,863**	**8,069,699,033**	**8,069,699,033**
Reduction due to Expiration of Subscription	(158,191,830)	(158,191,830)	-	-
Balance as of December 31, 2011	**8,069,699,033**	**8,069,699,033**	**8,069,699,033**	**8,069,699,033**
Subscription and Payment	-	-	-	-
Balance as of December 31, 2012	**8,069,699,033**	**8,069,699,033**	**8,069,699,033**	**8,069,699,033**

25.3. Capital Increases

In an Extraordinary Shareholders' Meeting held on March 4, 2008, shareholders of AES Gener S.A. agreed to increase capital by issuing 896,053,843 new single-series shares with no par value, totaling Ch$165,420,500,000. These shares must be issued, subscribed and paid in full within 3 years beginning on the date of the meeting. As of March 4, 2011, 744,740,760 shares were subscribed and paid as part of this capital increase. According to a public deed dated March 28, 2011, the Company's share capital was reduced by 151,313,083 shares without nominal value, for a total of US$47,401,400.

In an Extraordinary Shareholders' Meeting held on November 19, 2008, shareholders of AES Gener S.A. agreed to increase capital by issuing 945,000,000 new single-series shares with no par value, totaling $153,562,500,000. These shares must be issued, subscribed and paid in full within 3 years beginning on the date of the meeting. As of November 19, 2011, Ch$152,444,703,824 (US$ 239,523,456) has been paid for 938,121,253 shares as part of this capital increase. According to a public deed dated November 21, 2011, the Company's share capital was reduced by 6,878,747 shares without nominal value, for a total of US$1,754,543, as the term for issuing, subscribing and paying for the shares had expired.

25.4. Dividend Policy

At an Ordinary General Shareholders' Meeting held on April 27, 2012, it was agreed to distribute up to 100% of 2012 profits 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 will intend to distribute interim dividends during 2012.

Shareholders agreed to distribute the following dividends for the year-ended December 31, 2011:

(a) An amount of US$97,824,926.52, corresponding to 30% of 2011 profit, by distributing a minimum mandatory dividend of US$ 0.0121225 per share, plus an interim dividend distributed in September 2011 for US$79,002,353.53, equivalent to 24.228% of 2011 profit, equivalent to US$0.0023325 per share and totaling US$18,822,572.99.

(b) A first additional dividend of US$0.0093160 per share, totaling US$75,177,316.19, equivalent to 23.055% of net income for the year 2011.

(c) A second additional dividend of US$0.0189699 per share, totaling US$153,081,383.69, equivalent to 46.945% of net income for the year 2011.

(d) Amount of US$262.80 of the remaining net income was placed in the Proposed Dividend Reserve.

At Ordinary Meeting No. 582 held on October 24, 2012, the Board agreed to distribute ThUS$71,000 from 2012 earnings through an interim dividend of US$0.0087983 per share. Payment was made on November 15, 2012.

25.5. Retained Earnings

Retained Earnings	2012 ThUS$	2011 ThUS$	2010 ThUS$
Opening Balance as of January 1	642,666	511,238	645,781
Net Income Attributable to Owners of the Parent	202,933	326,084	169,772
Declared Dividends	(228,169)	(168,737)	(159,982)
Interim Dividends	(71,000)	(79,002)	(73,031)
Dividends Reserve Fund (1)	-	71,996	(127,930)
Minimum Dividend Accrual	-	(18,913)	-
Reversal of Prior Period Minimum Dividend	-	-	56,628
Total Ending Balance as of December 31	**546,430**	**642,666**	**511,238**

(1) The dividend reserve fund contains accumulated earnings from past years that were not distributed but were earmarked for future dividends. A negative movement shows earnings that have been transferred into the fund while a positive movement shows the amount of the reserve that was used during the period to distribute dividends.

25.6. Other Components of Equity

	Share-Based Option Plans ThUS$	Proposed Dividends Reserve ThUS$	Transactions with Non-Controlling Interests ThUS	Total ThUS$
Opening Balance as of January 1, 2012	4,635	218,757	2,647	226,039
Share-Based Option Plans	979	-		979
Additional Paid-in Capital from Equity Transaction with Subsidiaries (1)	-	-	9,939	9,939
Ending Balance as of December 31, 2012	**5,614**	**218,757**	**12,586**	**236,957**

	Share-Based Option Plans ThUS$	Proposed Dividends Reserve ThUS$	Transactions with Non-Controlling Interests ThUS$	Total ThUS$
Opening Balance as of January 1, 2011	3,530	290,753	2,647	296,930
Share-Based Option Plans	1,105	-		1,105
2010 Dividend Reserve	-	(71,996)		(71,996)

	Share-Based Option Plans ThUS$	Proposed Dividends Reserve ThUS$	Transactions with Non-Controlling Interests ThUS$	Total ThUS$
Ending Balance as of December 31, 2011	**4,635**	**218,757**	**2,647**	**226,039**

	Share-Based Option Plans ThUS$	Proposed Dividends Reserve ThUS$	Transactions with Non-Controlling Interests ThUS$	Total ThUS$
Opening Balance as of January 1, 2010	2,259	162,823	-	165,082
Share-Based Option Plans	1,271	-	-	1,271
2009 Dividend Reserve	-	127,930	-	127,930
Additional Paid-in Capital from Equity Transaction with Subsidiaries (2)	-	-	2,647	2,647
Ending Balance as of December 31, 2010	**3,530**	**290,753**	**2,647**	**296,930**

(1) During the last quarter of 2012, the subsidiary Norgener S.A. sold 40% of its interest in its subsidiary Empresa Eléctrica Cochrane to Diamond Pacific Investment Limitada. However, as of December 31, 2012, the amount that the new shareholder has paid is equivalent to 10.76% of the total participation. Given that this transaction did not result in a change in control, the difference between the price paid and the corresponding share of the carrying amount of the subsidiary's net assets resulted in an impact in equity of $9 million.

(2) On September 15, 2010, C.G.E. Generación S.A. sold its participation in Sociedad Eléctrica Santiago S.A. to AES Gener S.A. and Norgener S.A. The transaction with non-controlling interest resulted in a difference of $2.6 million that represents the difference between the price paid and the corresponding share of the carrying amount of the subsidiary's net assets.

25.7. Accumulated Other Comprehensive Income

Movements of Accumulated Other Comprehensive Income for each period were as follows:

	Foreign Currency Translation Reserve ThUS$	Cash Flow Hedge Reserve ThUS$	Defined Benefit Plan Reserve ThUS$	Equity Translation Reserves (1) ThUS$	Other Various Reserves ThUS$	Total ThUS$
Opening Balance as of January 1, 2012	20,735	(161,995)	(3,515)	(136,741)	(10,147)	(291,663)
Valuation of Available-for-Sale Assets	-	(202)	-	-	-	(202)
Derivative Valuation	-	1,944	-	-	-	1,944
Derivative Reclassifications into Net Income	-	(23,491)	-	-	-	(23,491)
Valuation of Associate's Derivatives	-	2,923	-	-	-	2,923
Deferred Taxes	-	5,122	1,643	-	-	6,765
Foreign Currency Translation	52,645	-	-	-	-	52,645
Other Changes	-	-	(6,269)	-	-	(6,269)
Ending Balance as of December 31, 2012	**73,380**	**(175,699)**	**(8,141)**	**(136,741)**	**(10,147)**	**(257,348)**

	Foreign Currency Translation Reserve ThUS$	Cash Flow Hedge Reserve ThUS$	Defined Benefit Plan Reserve ThUS$	Equity Translation Reserves (1) ThUS$	Other Various Reserves ThUS$	Total ThUS$
Opening Balance as of January 1, 2011	33,643	(90,139)	(1,923)	(136,741)	(10,147)	(205,307)
Valuation of Available-for-Sale Assets	-	(833)	-	-	-	(833)
Derivative Valuation	-	(106,595)	-	-	-	(106,595)
Derivative Reclassifications into Net Income	-	16,038	-	-	-	16,038
Valuation of Associate's Derivatives	-	2,924	-	-	-	2,924
Deferred Taxes	-	16,611	326	-	-	16,937
Foreign Currency Translation	(12,908)	-	-	-	-	(12,908)

	Foreign Currency Translation Reserve ThUS$	Cash Flow Hedge Reserve ThUS$	Defined Benefit Plan Reserve ThUS$	Equity Translation Reserves (1) ThUS$	Other Various Reserves ThUS$	Total ThUS$
Other Changes	-	-	(1,918)	-	-	(1,918)
Ending Balance as of December 31, 2011	**20,735**	**(161,995)**	**(3,515)**	**(136,741)**	**(10,147)**	**(291,663)**

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	Foreign Currency Translation Reserve ThUS$	Cash Flow Hedge Reserve ThUS$	Defined Benefit Plan Reserve ThUS$	Equity Translation Reserves (1) ThUS$	Other Various Reserves ThUS$	Total ThUS$
Opening Balance as of January 1, 2010	(713)	(21,124)	-	(136,741)	(10,147)	(168,725)
Valuation of Available-for-Sale Assets	-	958	-	-	-	-
Derivative Valuation	-	(53,662)	-	-	-	(54,028)
Derivative Reclassifications into Net Income	-	(23,109)	-	-	-	(23,109)
Valuation of Associate's Derivatives	-	(4,051)	-	-	-	(4,051)
Deferred Taxes	-	12,173	394	-	-	12,567
Foreign Currency Translation	34,356	-	-	-	-	34,356
Other Changes	-	(1.324)	(2,317)	-	-	(2,317)
Ending Balance as of December 31, 2010	**33,643**	**(90,139)**	**(1,923)**	**(136,741)**	**(10,147)**	**(205,307)**

(1) This item corresponds to an adjustment for the difference between issued capital at the period-end exchange rate as of December 31, 2008, and its historical value, in accordance with Official Form Letter 456 dated June 20, 2008, issued by the SVS.

25.8. 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 debt agreements.

NOTE 26 – REVENUE

26.1. Operating Revenue

Operating Revenue for the years ended December 31, 2012, 2011 and 2010, is detailed as follows:

Operating Revenues	2012 ThUS$	2011 ThUS$	2010 ThUS$
Contract Energy and Capacity Sales	1,554,632	1,381,449	1,217,247
Spot Market Energy and Capacity Sales	616,854	591,561	455,370
Other Operating Revenue (*)	156,235	157,276	129,432
Total	**2,327,721**	**2,130,286**	**1,802,049**

(*) Other Operating Revenue includes transmission revenues and revenues from the sales of coal.

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NOTE 27 – EXPENSES

27.1. Expenses by Nature

The table below details the principal operating and administrative costs and expenses recorded by the Company in the years ended December 31, 2012, 2011 and 2010, within the following accounts in the Statement of Comprehensive Income: Cost of Sales, Administrative Expenses and Other Operating Expenses:

Expenses by Nature	2012 ThUS$	2011 ThUS$	2010 ThUS$
Energy and Capacity Purchases	340,593	143,527	380,356
Fuel Consumption	824,855	797,372	573,904
Cost of Fuel Sales	51,058	70,438	23,156
Transmission System Use Costs	97,694	77,863	98,216
Cost of Production and Other Sales	258,750	219,050	183,690
Personnel Expenses	99,045	92,751	76,520
Depreciation	212,227	194,567	166,935
Amortization	1,792	1,081	1,293
Total Expenses by Nature	**1,886,014**	**1,596,649**	**1,504,070**

27.2. Personnel Expenses

Personnel Expenses for the years ended December 31, 2012, 2011 and 2010, are presented as follows:

Personnel Expenses	2012 ThUS$	2011 ThUS$	2010 ThUS$
Salaries and Wages	78,402	70,976	56,956
Short-Term Employee Benefits	11,311	10,991	8,475
Post-Employment Benefit Liability Expenses	1,894	2,270	2,637
Employment Termination Benefits	3,409	4,695	4,591
Share-Based Payments	1,149	1,154	918
Other Long-Term Benefits	-	-	40
Other Personnel Expenses	2,880	2,665	2,903
Total	**99,045**	**92,751**	**76,520**

NOTE 28 – OTHER GAINS (LOSSES)

Other Gains (Losses)	2012 ThUS$	2011 ThUS$	2010 ThUS$
Property, Plant and Equipment Disposals (1)	(3,544)	(18,358)	(14,515)
Property, Plant and Equipment Impairment	-	-	(3,370)
Sale of Property, Plant and Equipment and Intangible Assets	5,484	9,600	685
Adjustment of Asset Retirement Obligation related to Sale of Assets (2)	-	977	-
Gas Transportation Companies Agreement (3)	-	(3,247)	(72,215)
Bond Refinancing Costs (4)	-	(41,200)	-
Dividends Received from Gasandes	4,077	5,531	-
Insurance Proceeds (1)	-	15,083	-
Compensation related to San Francisco de Mostazal Plant (2)	-	3,500	-
Compensation HydroChile Contract Termination	-	4,000	-
Sales of Scrap Materials	1,212	-	-
Other	204	335	628
Total	**7,433**	**(23,779)**	**(88,787)**

(1) In 2012, this amount corresponds primarily to assets that were written-off during major overhauls in Norgener S.A. and AES Gener's plant Ventanas. In 2011, this amount includes ThUS$13,782 that relates to a loss that occurred in TG11 of subsidiary TermoAndes. Insurance Proceeds includes proceeds received from the insurance company for this loss event.

(2) Corresponds to the effect on income for the termination of the energy and steam contract between the subsidiary Energía Verde S.A. and Compañía Papelera del Pacífico S.A., related to compensation received for early termination of the contract and the decommissioning provision for the sale of part of the assets of the San Francisco de Mostazal Plant.

(3) On December 29, 2010, Sociedad Eléctrica Santiago S.A. reached an agreement with GasAndes (Argentina) S.A., GasAndes Chile S.A. and Transportadora de Gas del Norte S.A. to terminate their respective gas transportation agreements and to solve the pending and potential litigations as of that date. In 2011, the amount recognized represents updated estimate of costs related to the settlement.

(4) Corresponds to the expenses and premiums incurred during the refinancing process for the ThUS$400,000 U.S Senior Notes due in 2014 and ThUS$196,000 Series Q Chilean Bond due in 2019.

NOTE 29 – FINANCE INCOME AND EXPENSE

Finance Income and Expense for the years ended December 31, 2012, 2011 and 2010, are detailed as follows:

Other Gains (Losses)	2012 ThUS$	2011 ThUS$	2010 ThUS$
Income from Financial Assets	4,055	1,917	17,274
Other Finance Income	4,352	7,386	5,178
Total Finance Income	**8,407**	**9,303**	**22,452**
Interest on Bank Loans (1)	(30,929)	(31,461)	(21,053)
Interest on Bonds	(76,514)	(78,384)	(81,818)
Loss from Valuation of Derivatives	(29,405)	(23,209)	(29,798)
Other Expenses	(12,318)	(6,374)	(3,665)
Capitalized Finance Expenses	33,714	32,280	37,021
Total Finance Expense	**(115,452)**	**(107,148)**	**(99,313)**
Foreign Currency Exchange Differences	(3,633)	(13,348)	16,451
Total Net Finance Expense	**(110,678)**	**(111,193)**	**(60,410)**

(1) Interest on Bank Loans in 2012 and 2011, include ThUS$2,376 and ThUS$6,292, respectively, that are associated with an agreement with Transportadora de Gas del Norte S.A that was entered into on December 29, 2010.

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NOTE 30 – INCOME TAX EXPENSE

The income tax expense for the years ended December 31, 2012, 2011 and 2010, is composed as follows:

Current and Deferred Income Tax Expense	2012 ThUS$	2011 ThUS$	2010 ThUS$
Current Tax Expense	101,294	85,891	79,567
Tax Credits not recognized in Prior Periods	(9,995)	-	-
Adjustments to Prior Period Current Tax	(567)	(195)	(19,422)
Other Current Tax Expenses	142	74	23
Total Current Tax Expense	**90,874**	**85,770**	**60,168**
Deferred Tax Expenses (Income) Related to Changes in Temporary Differences	55,904	23,956	(24,873)
Other Deferred Expenses (Income)	-	84	(4,126)
Total Deferred Tax Expense (Income)	**55,904**	**24,040**	**(28,999)**
Income Tax Expense	**146,778**	**109,810**	**31,169**

Foreign and National Income Tax Expense	2012 ThUS$	2011 ThUS$	2010 ThUS$
Current Tax Expense, Foreign	79,029	72,783	54,795
Current Tax Expense, National	11,845	12,987	5,373
Total Current Tax Expense	**90,874**	**85,770**	**60,168**
Deferred Tax Expense, Foreign	3,571	(976)	(6,193)
Deferred Tax Expense, National	52,333	25,016	(22,806)
Total Deferred Tax Expense	**55,904**	**24,040**	**(28,999)**
Income Tax Expense	**146,778**	**109,810**	**31,169**

The following table reconciles the income tax charge resulting from applying the statutory tax rate in Chile to the effective rate for the years 2012, 2011 and 2010:

Reconciliation of Tax Expense	2012 ThUS$	2011 ThUS$	2010 ThUS$
Tax Expense Using Statutory Rate	69,941	87,184	33,494
Rates in Other Jurisdictions	29,408	24,919	21,752
Non-Taxable Operating Income	(8,068)	(10,273)	(13,224)
Non-Deductible Expenses	8,402	(581)	1,573
Reversal of Tax Benefit from Prior Year	51	385	(20,037)
New Asset Valuation for Non-Recognized Deferred Taxes	-	-	827
Changes in Income Tax Rate	38,300	(2,693)	(1,535)
Adjustment for Over-Payment of Taxes in Prior Years	(441)	-	-
Reversal of Contingencies	-	-	(532)
Foreign Currency Exchange Differences	9,418	9,103	6,851
Other Increase (Decrease) in Charge for Legal Taxes	(233)	1,766	2,000
Adjustments to Tax Expense Using Legal Rate	**76,837**	**22,626**	**(2,325)**
Tax Expense Using Effective Rate	**146,778**	**109,810**	**31,169**

Rates in Other Jurisdictions present the differences that arise between the current rate in Chile (20% for the years 2012 and 2011, and 17% for the year 2010) and the other jurisdictions in which foreign subsidiaries are domiciled (Argentina 35% and Colombia 33%).

Changes in Income Tax Rate represent the increase in the tax rate in Chile. The amount recognized in income is primarily due to the impact of applying the increase in the tax rate to deferred taxes related to property, plant and equipment and tax loss carryforwards.

Deferred Taxes in Other Comprehensive Income	2012 ThUS$	2011 ThUS$	2010 ThUS$
Net Movements in Cash Flow Hedges	5,122	16,611	12,173
Actuarial Gains (Losses) on Defined Benefit Plan	1,643	326	394
Total Tax Effect on Other Comprehensive Income	**6,765**	**16,937**	**12,567**

Deferred taxes arising from movements in cash flow hedges are related to interest rate and currency derivatives.

NOTE 31 – EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to the Company's shareholders by the weighted average number of shares in circulation in a year, excluding, should any exist, common shares acquired by the Company and maintained as treasury shares.

(Amounts in thousands of US dollars are expressed in thousands, except for unit values.)

Basic and Diluted Earnings per Share	2012 ThUS$	2011 ThUS$	2010 ThUS$
Net Income Attributable to Owners of the Parent.................	202,933	326,084	169,772
Net Income Attributable to Common Shareholders, Basic	202,933	326,084	169,772
Weighted Average Number of Shares, Basic........................	8,069,699,033	8,069,699,033	8,069,699,033
Basic Earnings per Share (Presented in US$)	**0.03**	**0.04**	**0.02**

There are no transactions or concepts that create a dilutive effect on earnings per share. Shares do not have nominal values.

NOTE 32 – CONTINGENCIES, LAWSUITS AND OTHER

32.1. Guarantees Granted

Gener has the following commitments, guarantees and contingent liabilities:

(a) Commitments with Financial and Other Institutions

Both the loan covenants entered into 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, 2012, Gener is in compliance with all of its debt commitments and financial restrictions in accordance with the terms and conditions of each covenant and contract.

(b) 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 dollar for the UF bonds issued in December 2007. On September 16, 2009, this swap contract was modified and one part was assigned to Deutsche Bank Securities. Both swap contracts, including its modifications, require Gener to grant a guarantee when the fair value of the swap exceeds the limit established in the contract. As of December 31, 2012, no guarantee was necessary based on the fair value of the swap.

(c) Guarantees on Behalf of Subsidiaries

(i) The transport gas agreement between TermoAndes S.A. ("TermoAndes") and Transportadora de Gas del Norte S.A. ("TGN") does not require a guarantee from Gener. According to 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 a minimum investment grade rating of BBB- and one of its direct or indirect controlling shareholders held such investment grade, such shareholder must provide a corporate guarantee to TGN. In the event neither TermoAndes nor any of its shareholders maintains investment grade ratings, a bank guarantee must be provided for an amount equivalent to one year of transport service payments. Currently, TermoAndes has an investment grade rating of A (in Argentina) with a stable outlook according to Fitch Ratings.

(ii) On October 4, 2006, Gener signed a joint debtor contract to guarantee all the obligations of its subsidiary ESSA under the loan agreement with a syndicate of local banks led by Banco de Crédito e Inversiones for a total of ThUS$30,000. As of December 31, 2012, the amount of loan outstanding was ThUS$9,000. That contract was amended on May 29, 2009 (See Note 32.3 c).

(iii) On August 4, 2011, Gener issued a bank guarantee to Posco Engineering and Construction Co. Ltd. and to Posco Engineering Construction Co. Ltd., Chilean agency, for up to ThUS$30,000 to guarantee the obligations assumed by Empresa Eléctrica Campiche S.A. under the EPC Contract.

(iv) On December 29, 2010, ESSA reached a settlement agreement with transport companies TGN, Gasoducto GasAndes S.A. and Gasoducto GasAndes (Argentina) S.A., terminating all pending litigations. Gener acts as joint debtor to guarantee future payments by ESSA. As of December 31, 2012, ESSA had paid in full all pending payments to Gasoducto GasAndes (Argentina), Gasoducto GasAndes S.A. and 99% of amounts owed to TGN.

For additional information, see Note 33.

32.2. Litigation and Disputes

***(a)* Judicial Proceedings**

Fines imposed by the Superintendency of Electricity and Fuels (hereinafter “SEC”)

On September 29, 2011, the SDEC filed charges against Gener and other members of the CDEC-SIC, related to the power failure that occurred on March 14, 2010 in the SIC. Gener and ESSA were fined 1,151 Annual Tax Units or UTA (ThUS$1,157) and 436 UTA (ThUS$438), respectively. In May 2012, both companies filed motions to vacate with the SDEC, which were denied. The companies then filed a claim with the Santiago Court of Appeals, arguing that, according to local standards, this fine should be reduced by 25%. Each entity recorded a provision of 1,190 UTA (ThUS$1,196). On October 26, 2012, the Court of Appeals rejected the motions brought by the companies. The companies have appealed the decision made by the Court of Appeals and are awaiting the outcome.

***(b)* Customs Charges from Valparaiso**

During June and July 2012, AES Gener S.A. received customs charges totaling ThUS$4,659 in duties and VAT from the Valparaiso Regional Customs Administration related to documentation of origin for shipments of coal during 2011 and 2012. The Company plans on appealing these charges within the legally permitted timeframe.

32.3. Financial Commitments

(a) In August 2011, Gener successfully completed a refinancing process, which included the exchange and voluntary tender of approximately 63% on the ThUS$400,000, 7.5% Senior Notes due in 2014, and the issuance of new Senior Notes for a total of ThUS$401,682 due in 2021 at an interest rate of 5.25%. Upon conclusion of the transaction, the outstanding amount under the 2014 Senior Notes totals ThUS$147,050. It should be noted that as part of the refinancing process, the covenants under the 2014 Senior Notes were modified and the indebtedness and restricted payment conditions were eliminated.

(b) In December 2007, Gener placed UF 5,600,000 (ThUS$240,459) 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. On April 8, 2009, Gener issued a second bond under the line of bonds registered in the Securities Registry under number 517 on November 9, 2007. The issuance consisted of Series Q bonds for US$196 million at 8.0% maturing in 2019. As part of the same refinancing process detailed above, on July 28, 2011, Gener accepted voluntary tender offers for approximately 48% of the Series Q bonds, reducing the outstanding principal to ThUS$102,200.

In accordance with the obligations established in the bond agreements, the Company must comply with the following financial ratios on a quarterly basis, calculated using the consolidated financial statements.

- Consolidated indebtedness level no greater than 1.20;
- Financial expense coverage ratio no less than 2.50;
- Minimum equity no less than ThUS$1,575; 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, 2012, Gener was in compliance with the aforementioned ratios.

(c) The loan agreement entered into by ESSA and a syndicate of local banks led by Banco de Crédito e Inversiones for a total of ThUS$30,000 was amended on May 29, 2009, primarily to replace the financial ratios applicable to ESSA with financial ratios applicable to Gener as joint debtor. In

accordance with the obligations undertaken in this amendment, the Company must comply with the following financial ratios on a quarterly basis, calculated using the consolidated financial statements. As of December 31, 2012, the outstanding principal amount of the loan was ThUS$9,000.

- Consolidated indebtedness level no greater than 1.20;
- Interest expense coverage ratio no less than 2.50; and
- Minimum equity no less than ThUS$1,575.

As of December 31, 2012, Gener was in compliance with the aforementioned ratios.

(d) Every six months, Gener must comply with the following financial ratios, calculated based on its consolidated financial statements, that are established in the line of credit agreement signed with a syndicate of banks in October 2011 for UF 6,000,000 (ThUS$285,533). On a quarterly basis, Gener must comply with the following ratios:

- Indebtedness level no greater than 1.20;
- Financial expense coverage ratio no less than 2.50;
- Minimum equity no less than ThUS$1,575; 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, 2012, this line of credit has not been drawn down and Gener was in compliance with the aforementioned ratios.

32.4. Other Contingent Liabilities

(a) Contingent Liabilities Associated with Chivor

(i) Bond Issuance and Colombian Loan Agreement

On November 30, 2004, Chivor completed the debt refinancing of ThUS$253,000. As part of this process, Chivor issued guaranteed senior bonds at 9.75% for ThUS$170,000, maturing in 2014.

The guaranteed senior bonds are guaranteed by: (a) an onshore fiduciary agreement by which Chivor's income from generating and retailing electricity are administered and maintained in a trust to guarantee payment of its obligations under the local syndicated loan, (b) a pledge on all of Chivor's shares owned by Energy Trade and Finance Corporation and (c) a pledge on all shares of AES Chivor S.A., Chivor's managing partner.

In addition to the guarantees detailed in the previous paragraph, Chivor maintains a reserve account that was established at the close of the senior notes.

This reserve should be equal, at all times, to the next interest payment. The account can be financed in cash or with one or more letters of credit. For this purpose, on July 16, 2012, Chivor financed the account in cash, depositing ThUS$ 8,287.

Among its principal financial commitments, Chivor must comply with the following financial ratios in order to make restricted payments, including dividends:

- Interest expense coverage ratio no less than 2.25; and
- Total debt-to-EBITDA ratio no greater than 3.80.

As of December 31, 2012, all restrictions and covenants related to obligations with financial institutions and bonds have been met.

(b) **Judicial and Administrative Proceedings**

(i) Revindication Processes

In December 2005, Chivor initiated a special plan to recover possession of the lands located within its reservoir's 8 meter security parameter. As a part of this process, Chivor has filed 22 revindication lawsuits on illegally occupied properties. Chivor has established a provision of ThCol$306,182 (ThUS$173).

(ii) Equity Tax 2005 and 2006

On July 31, 2008 and August 11, 2008, the Colombian National Tax and Customs Service ("DIAN") issued special notifications with respect to the Chivor's private equity tax returns for 2005 and 2006, respectively, proposing modifications to the returns filed by Chivor. Chivor responded to those requirements but thereafter the DIAN issued official liquidations, which were appealed by Chivor in June 2009. The DIAN rejected Chivor's arguments in June 2010. In October 2010 Chivor began judicial proceedings and restitution of rights, which were rejected in May 2012 by the Cundinamarca Administrative Court, requiring Chivor to pay these taxes and interest. On May 15 and 29, 2012, Chivor appealed this resolution. As of December 31, 2012, Chivor has recognized a provision of ThCol$ 20,113,899 (ThUS$11,383) for both proceedings. On February 7, 2013, a request for reconciliation was filed with the State Counsel for 100% of interests and fines.

(c) **Contingent Liabilities and Commitments Involving ESSA**

(i) Financial Commitments

On a quarterly basis, ESSA must comply with the following financial ratios established in its bond issuance contract (outstanding balance UF998,577 (ThUS$47,521)) 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;
- Minimum equity no less than UF 2 million (ThUS$95,178); 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, 2012, ESSA was in compliance with the aforementioned obligations.

(ii) Fines imposed by SDEC

On April 12, 2004, the SDEC brought charges against ESSA and the remaining members of the CDEC-SIC as a result of the power failure that occurred in the SIC on November 7, 2003, alleging they were responsible based on the fact that they are members of the CDEC-SIC. ESSA responded to the charges on May 3, 2004.

On June 30, 2005, the SDEC fined all members of the CDEC-SIC as a result of the power failure for not acting in a coordinated manner to preserve the service reliability of the electricity system, alleging they were justifiably responsible solely because they were members of the CDEC-SIC. ESSA was fined 350 UTA (equivalent to approximately ThUS$352). On July 11, 2005, ESSA filed a motion to vacate before the SDEC.

On September 4, 2009, the motion to vacate filed by ESSA was rejected by the SEC. On November 18, 2005, ESSA filed a motion to overturn before the Santiago Court of Appeals, depositing 25% of the fine with the court, in accordance with applicable standards. This motion is pending ruling. ESSA has established a provision for this contingent liability of 350 UTA (ThUS$351).

(d) **Contingent Liabilities and Commitments Involving Empresa Eléctrica Ventanas S.A. (“EEVSA”)**

On June 13, 2007, EEVSA secured financing for up to ThUS$415,000 to construct the Ventanas thermoelectric power plant and also provided a letter of credit for up to ThUS$25,000 to guarantee six months of debt service. The loan is for a 15-year period, including a 3-year construction period, and is guaranteed by assets, shares and project cash flows.

(e) **Contingent Liabilities and Commitments Involving Empresa Eléctrica Angamos S.A. (“EEA”)**

On October 22, 2008, EEA secured financing for up to ThUS$908,500 to construct the Angamos thermoelectric power plant as well as letters of credit for up to ThUS$80,000 to guarantee EEA’s obligations, including a ThUS$48,000 letter of credit to guarantee six months of debt service. The loan is for a 17-year period, including a 3-year construction period, and is guaranteed by assets, shares and project cash flows.

(f) **Contingent Liabilities and Commitments Involving Inversiones Nueva Ventanas S.A. (“Inversiones Nueva Ventanas”)**

On June 8, 2007, Inversiones Nueva Ventanas and Gener constituted a commercial pledge on shares issued by EEVSA in favor of its creditors to guarantee its obligations related to the financing for the Nueva Ventanas power plant.

On October 22, 2008, Inversiones Nueva Ventanas and Gener constituted a commercial pledge on shares issued by EEA in favor of its creditors to guarantee its obligations related to financing for the EEA’s power plant.

NOTE 33 – GUARANTEES

Guarantees Granted

Beneficiary	Guarantee Description	Date From	Date To	ThUS$
HSBC Bank N.A.	Angamos debt service payment guarantee	12-20-2011	10-22-2013	48,000
Posco Engineering & Construction Co. Ltd.	Performance guarantee for Campiche Project	7-29-2011	8-31-2013	30,000
Deutsche Bank Trust Company Americas	Ventanas debt service payment guarantee	10-25-2010	11-06-2014	25,000
Terminal Graneles del Norte S.A.	Port contract services guarantee	02-11-2011	02-11-2013	12,000
Sierra Gorda SCM	Performance guarantee for PPA	02-05-2013	04-30-2013	10,000
Ministerio de Obras Públicas, Dirección General de Aguas	Performance guarantee for hydraulic works for Alto Maipo	09-07-2012	09-10-2013	8,607
Minera La Escondida	PPA	11-28-2011	10-22-2013	6,568
Terminal Graneles del Norte S.A.	Port contract services guarantee	02-11-2011	02-11-2013	6,000
Luis Gardeweg Baltra	Contract extension	10-25-2011	10-28-2011	2,079
Minera Spence S.A.	Performance guarantee for PPA	11-25-2011	10-22-2013	1,750
Ilustre Municipalidad de Mejillones	Performance guarantee for Campiche Project	09-21-2012	10-10-2013	1,073
Innova Chile	Performance guarantee for solar project	10-22-2012	06-30-2013	517
Crompton Greaves Limited	Purchase guarantee for property, plant and equipment	07-25-2012	01-30-2013	471
CGE Distribucion S.A.	Guarantee of tender for energy and capacity supply	11-30-2012	12-01-2013	321
Fisco de Chile – Servicio Nacional de Aduanas	Purchase guarantee for property, plant and equipment	08-16-2012	09-30-2013	226
Other	Minor guarantees			292
TOTAL				**152,904**

Guarantees Received

Grantor of Guarantee	Guarantee Description	Date From	Date To	ThUS$
Posco Engineering & Construction Co. Ltd.	Engineering, construction, assembly and commissioning of Campiche Thermoelectric Power Plant	07-20-2011	03-13-2013	115,280
Posco Engineering & Construction Co. Ltd.	Engineering, construction, assembly and commissioning of Angamos Thermoelectric Power Plant	05-28-2008	11-16-2013	65,777
Posco Engineering & Construction Co. Ltd.	Engineering, construction, assembly and commissioning of Ventanas Thermoelectric Power Plant	02-17-2010	09-30-2013	10,412
Posco Engineering & Construction Co. Ltd.	Engineering, construction, assembly and commissioning of Cochrane Thermoelectric Power Plant	04-20-2012	03-31-2013	15,000
Andritz Energy & Environment GMBH	Engineering, construction and assembly of desulphurization system for units 1 & 2 of Norgener Plant	12-03-2012	14-10-2016	8,019
Andritz Chile Ltda.	Engineering, construction and assembly of desulphurization system for units 1 & 2 of Norgener Plant	16-03-2012	14-10-2016	6,703
Andritz Energy & Environment GMBH	Engineering, construction and assembly of desulphurization system for units 1 & 2 of Ventanas Plant	12-03-2012	14-10-2016	6,009
Compañía Portuaria de Mejillones S.A.	Bulk contract transfer of coal	09-03-2012	06-03-2013	6,000
Andritz Chile Ltda.	Engineering, construction and assembly of desulphurization system for units 1 & 2 of Ventanas Plant	16-03-2012	14-10-2016	5,456
Andritz Energy & Environment GMBH	Engineering, construction and assembly of desulphurization system for units 1 & 2 of Norgener Plant	12-03-2012	31-10-2013	4,009
Andritz Chile Ltda.	Engineering, construction and assembly of desulphurization system for units 1 & 2 of Norgener Plant	16-03-2012	31-10-2013	3,352
Andritz Energy & Environment GMBH	Engineering, construction and assembly of desulphurization system for units 1 & 2 of Ventanas Plant	12-03-2012	31-10-2013	3,005

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Grantor of Guarantee	Guarantee Description	Date		ThUS$
		From	To	
Andritz Chile Ltda.	Engineering, construction and assembly of desulphurization system for units 1 & 2 of Ventanas Plant	16-03-2012	31-10-2013	2,728
SK Industrial S.A.	Contract compliance	26-11-2012	23-04-2013	933
Constructora Con Pax S.A.	Phase I preliminary works contract compliance	29-06-2012	01-10-2013	704
Constructora Con Pax S.A.	Phase I preliminary works contract compliance	29-06-2012	30-11-2013	621
Sigen S.A.	Purchase order for spare parts	12-12-2012	01-03-2013	507
SK Industrial S.A.	Prepayment of Unit 1 of the Ventanas Plant	18-12-2012	15-09-2013	495
IDE Technologies Ltd.	Contract compliance desalination of plants	13-12-2011	06-05-2013	451
Constructora Con Pax S.A.	Phase II Alto Maipo preliminary works contract compliance	29-06-2012	31-12-2013	441
Alusa Ingeniería Ltda.	Change in conductor in transmission line	14-11-2012	30-06-2013	399
Pitágora S.A.	Contract compliance	09-04-2012	28-02-2013	312
Padilla y Benavides Ltda.	Contract compliance	21-09-2012	20-05-2013	311
Hiroeléctrica El Paso Limitada	PPA contract	18-04-2011	30-04-2013	300
Padilla y Benavides Ltda.	Guarantee BESS contract	27-04-2012	31-01-2013	296
Elimco Soluciones Integrales	Energy compliance	09-08-2012	06-05-2013	290
Elimco Soluciones Integrales (Agencia)	Project compliance	30-09-2012	13-05-2013	290
GE Energy Control Solutions	Purchase order	07-12-2012	11-06-2013	274
Atlas Copco Chilena S.A.C.	Purchase order	28-11-2012	22-04-2013	259
Constructora Con Pax S.A.	Alto Maipo preliminary works contract compliance	11-10-2012	05-03-2013	239
Sinto S.A.	Contract compliance	25-08-2011	25-08-2013	238
Constructora Con Pax S.A.	Alto Maipo preliminary works contract compliance	11-10-2012	05-03-2013	222
Constructora Con Pax S.A.	Alto Maipo preliminary works contract compliance	28-09-2012	31-01-2013	217
Empresa Constructora Agua Santa S.A.	Contract compliance for Angamos	05-03-2012	01-03-2013	206
Various	Other minor guarantees			3,444
TOTAL				**263,199**

NOTE 34 – SHARE BASED PAYMENTS

(a) **Stock Options**

AES Corporation ("AES Corp"), the parent company, grants options to purchase common stock under stock option plans for certain employees of AES Gener S.A. Under the terms of the plans, AES Corporation may issue options to purchase shares of common stock of AES Corporation at a price equal to 100% of the market price at the date the option is granted. Stock options are generally granted based upon a percentage of an employee's base salary. Stock options issued under these plans in 2012 and 2011 have a three-year vesting schedule and vest in one-third increments over the three-year period. The stock options have a contractual term of ten years.

The weighted average fair value of each option grant has been estimated, as of the grant date, using the Black Scholes option pricing model with the following weighted average assumptions:

	December 31, 2012	December 31, 2011
Expected Volatility	26.29%	30.97%
Expected Annual Dividend Yield	1.10%	0.00%
Expected Option Term (Years)	6	6
Risk-Free Interest Rate	1.16%	2.65%

The Company exclusively relies on implied volatility as the expected volatility to determine the fair value using the Black Scholes option-pricing model. The implied volatility may be exclusively relied on due to the following factors:

- The Company utilizes a valuation model that is based on a constant volatility assumption to value its employee share options;
- The implied volatility is derived from options to purchase common stock of AES Corporation that are actively traded;
- The market prices of both the traded options and the underlying shares are measured at a similar point in time to each other and on a date reasonably close to the grant date of the employee share options;
- The traded options have exercise prices that are both near the money and close to the exercise price of the employee share options; and
- The remaining maturities of the traded options on which the estimate is based are at least one year.

The Company used a simplified method to determine the expected term based on the average of the original contractual term and the pro rata vesting term. This simplified method was used for the years ended December 31, 2012 and 2011. This is appropriate given a lack of relevant stock option exercise data.

This simplified method may be used, as the stock options of AES Corporation have the following characteristics:

- The stock options are granted at-the-money;
- Exercisability is conditional only on performing service through the vesting date;
- If an employee terminates service prior to vesting, the employee forfeits the stock options;
- If an employee terminates service after vesting, the employee has a limited time to exercise the stock option; and
- The stock option is non hedgeable and not transferable.

The Company does not discount the grant date fair values determined to estimate post-vesting restrictions. Post vesting restrictions include blackout periods when the employee is not able to exercise stock options based on their

potential knowledge of information prior to the release of that information to the public. The assumptions that the Company has made in determining the grant date fair value of its stock options and the estimated forfeiture rates represent its best estimate.

Using the above assumptions, the weighted average fair value of each stock option granted was US$3.26 and US$4.54 for the years ended December 31, 2012 and 2011, respectively.

The following table summarizes the components of stock-based compensation related to employee stock options recognized in the Company's financial statements:

	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Total Intrinsic Value of Options Exercised	18	90
Total Grant Date Fair Value of Options Vested	76	173
Cash Received from the Exercise of Stock Options	38	95

There were no modifications to stock option awards during the year ended December 31, 2012.

The following table summarizes option activity for the years ended December 31, 2012 and 2011:

	Options	Weighted Average Exercise Price US$	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value ThUS$
Outstanding as of December 31, 2010	**366,713**	**15.52**	**-**	**-**
Exercised During the Period	(14,446)	6.51	-	-
Forfeited and Expired During the Period	(116,532)	14.95	-	-
Granted During the Period	25,069	12.88	-	-
Transferred to Gener During the Period	12,916	14.08	-	-
Outstanding as of December 31, 2011	**273,720**	**15.80**	**4.96**	**189**
Exercised During the Period	(4,403)	8.70	-	-
Forfeited and Expired During the Period	(16,129)	17.23	-	-
Granted During the Period	26,279	13.70	-	-
Transferred to Gener During the Period	24,969	17.21	-	-
Outstanding as of December 31, 2012	**304,436**	**15.76**	**4.43**	**115**
Vested and Expected to Vest as of December 31, 2012	301,601	15.78	4.39	115
Eligible for Exercise as of December 31, 2012	255,912	16.24	3.65	115

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the closing stock price of AES Corporation on the last trading day of the 4th quarter 2012 and the exercise price, multiplied by the number of in the money options) that would have been received by options holders had all options holders exercised their options on December 31, 2012. The amount of the aggregate intrinsic value will change based on the fair market value of AES Corporation's stock.

The Company initially recognizes compensation cost based on the estimated number of instruments for which the requisite service is expected to be rendered.

(b) **Restricted Stock**

AES Corporation also issues restricted stock units ("RSUs") under its long-term compensation plan. The RSUs are generally granted based upon a percentage of the participant's base salary. The units have a three-year vesting schedule and vest in one-third increments over the three-year period. The units are then required to be held for an additional two years before they can be redeemed for shares, and thus become transferable.

For the years ended December 31, 2012 and 2011, RSUs issued had a grant date fair value equal to the closing price of AES Corporation's stock on the grant date. The Company does not discount the grant date fair values to reflect any post vesting restrictions.

The RSUs granted to employees during the years ended December 31, 2012 and 2011, had grant date fair values per RSU of US$ 13.70 and US$ 12.88, respectively.

The following table summarizes the components of stock based compensation related to employee RSUs recognized in the Company's financial statements:

	December 31, 2012 ThUS$	**December 31, 2011 ThUS$**
Total Intrinsic Value of RSUs Converted (1)	528	282
Total Intrinsic Value of RSUs Vested	609	536

(1) Amount represents the fair value on the conversion date

There was no cash used to settle RSUs or compensation cost capitalized as part of the cost of an asset for the years ended December 31, 2012 and 2011.

The following table summarizes RSU activity for the years ended December 31, 2012 and 2011:

	RSU	**Weighted Average Grant Date Fair Value ThUS$**	**Weighted Average Remaining Vesting Term**
Non-Vested as of December 31, 2010	**95,802**	**10.51**	**-**
Vested During the Year	(49,045)	10.92	-
Forfeited and Expired During the Year	(2,213)	11.62	-
Granted During the Year	77,964	13.45	-
Transferred to Gener During the Period	11,912	9.37	-
Non-Vested as of December 31, 2011	**134,420**	**12.10**	**1.60**
Vested During the Year	(57,722)	10.56	-
Forfeited and Expired During the Year	(5,395)	10.49	-
Granted During the Year	84,615	14.29	-
Stock Transfer	13,508	11.50	-
Non-Vested as of December 31, 2012	**169,426**	**13.72**	**1.53**
Vested as of December 31, 2012	127,504	11.40	-
Vested and Expected to Vest as of December 31, 2012	282,440	12.65	-

NOTE 35 – ENVIRONMENTAL EXPENDITURES

The Group has a long-term sustainable development policy that governs its activities. Therefore, investments are made in facilities, equipment and industrial plants to include state-of-the-art technology with the latest advances available.

The principal environmental expenses for the years ended December 31, 2012, 2011 and 2010 are presented as follows:

Detail	2012 ThUS$	2011 ThUS$	2010 ThUS$
Air Quality Monitoring Station	745	478	307
Waste Water System	75	42	30
Ash Deposit	2,044	1,082	1,301
Marine Monitoring (Oceanographic Monitoring and Liquid Industrial Waste Control)	202	234	253
Smokestack and Noise Monitoring	114	177	189
Expenses for Law 99 in Colombia	9,806	10,630	6,305
ISO 14001-2004 Consultancy	341	293	-
Waste Disposal	223	-	-
Other	973	895	946
Total	**14,523**	**13,831**	**9,331**

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 herein presented.

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Sole Structuring Agent

Citigroup

Joint Bookrunners

Citigroup **Goldman, Sachs & Co.**

Co-Managers

Deutsche Bank Securities **Mitsubishi UFJ Securities** **SMBC Nikko**

OFFERING MEMORANDUM

December 11, 2013