January 31, 2018

ENGIE ENERGÍA CHILE REPORTED EBITDA OF US$276 MILLION AND NET INCOME OF US$101 MILLION IN 2017.

EBITDA REACHED US$75.6 MILLION IN THE FOURTH QUARTER OF 2017, AND NET INCOME REACHED US$32.1 MILLION OVER THE SAME PERIOD.

- **Operating revenues** amounted to US$1,054.1 million in 2017, a 9% increase compared to the same period of 2016, mainly due to higher fuel prices, which resulted in higher average realized monomic prices in the unregulated client segment.
- **EBITDA** amounted to US$276.1 million in 2017; that is, a 3%, or US$8.7 million, decrease compared to 2016, mainly due to lower physical sales, new green taxes and higher costs in emission reduction processes, partially offset by cost-saving initiatives.
- **Net income** amounted to US$101.4 million in 2017. The decrease is explained by significant non-recurring income reported in 2016, largely owed to the sale of a 50% interest in the TEN project. Excluding non-recurring effects from asset sales, insurance recoveries, and one-time deferred tax effects, net income amounted to US$87 million in 2017, a 4% increase compared to 2016.

Financial Highlights (in US$ millions)

US$ millions	4Q16	4Q17	Var %	12M16	12M17	Var %
Total operating revenues	**249.6**	**271.9**	***9%***	**967.4**	**1,054.1**	***9%***
Operating income	30.5	40.8	*34%*	145.2	138.9	*-4%*
EBITDA	**66.4**	**75.6**	***14%***	**284.8**	**276.1**	***-3%***
EBITDA margin	26.6%	27.8%	*+1.2 pp*	29.4%	26.2%	*-3.2 pp*
Total non-operating results	(23.2)	1.5		192.8	4.6	
Net income after tax	(3.8)	34.6		258.6	109.6	*-58%*
Net income attributed to controlling shareholders	**(5.7)**	**32.1**		**254.8**	**101.4**	***-60%***
Net income attributed to controlling shareholders without non recurring effects	20.6	26.1		83.4	87.0	*4%*
Net income attributed to minority shareholders	1.9	2.5		3.7	8.1	
Earnings per share (US$/share)	(0.005)	0.030		0.242	0.096	
Total energy sales (GWh)	2,255	2,035	*-10%*	9,166	8,528	*-7%*
Total net generation (GWh)	1,694	1,526	*-10%*	7,796	5,797	*-26%*
Energy purchases on the spot market (GWh)	637	570	*-10%*	1,697	3,028	*78%*
Average marginal cost (US$/MWh)	62.8	58.1	*-7%*	61.8	55.3	*-11%*

ENGIE ENERGÍA CHILE S.A. ("EECL") is engaged in the generation, transmission and supply of electricity and the transportation of natural gas in Chile. EECL is the fourth largest electricity generation company in Chile and one of the largest electricity generation companies in the northern segment of the SEN national grid (formerly known as SING). As of December 31, 2017, EECL accounted for 8.3% of the SEN's installed capacity. EECL primarily supplies electricity to large mining and industrial customers, and it also supplies the entire electricity needs of EMEL, the sole electricity distribution group in the northern segment of the SEN. On January 1, 2018, EECL began supplying electricity to distribution companies in the center-south segment of the SEN. EECL is currently 52.76% indirectly owned by ENGIE (formerly known as GDF SUEZ). The remaining 47.24% of EECL's shares are publicly traded on the Santiago stock exchange. For more information, please refer to www.engie-energia.cl

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HIGHLIGHTS:

RECENT EVENTS

- **Power supply contract with distribution companies:** On January 1, 2018, EECL began supplying electricity to distribution companies under the power supply contract awarded in a public auction conducted in December 2014. The contract considers annual supply of up to 5,040 GWh for 15 years, on the basis of a diversified generation portfolio, including existing and new capacity. The latter includes the IEM power project in Mejillones, to be commissioned in the third quarter of 2018, and additional gas supply arrangements for use in existing CCGTs. Since the national transmission interconnection between the SING and SIC grids is not yet operating at full capacity due to delays in the southernmost segment of the line, EECL has signed bridge power supply agreements with other generation companies to cover approximately 60% of the power demand under the contract with distribution companies.

- **TEN transmission project in operations:** On January 11, 2018, the national grid coordinator, CEN *("Coordinador Eléctrico Nacional"),* officially confirmed that the transmission project interconnecting the national grid from Mejillones to Cardones, known as *"Sistema de Transmisión 2x500 kV Mejillones – Cardones"*, belonging to Transmisora Eléctrica del Norte S.A. (TEN), began operations on November 24, 2017. Consequently, a single national power grid known as SEN or *"Sistema Eléctrico Nacional"*, began operations on the same date.

- **Transmission system expansion:** On January 26, 2018, the national grid coordinator, CEN, disclosed its 2018 annual expansion proposal for the country's transmission system according to Law 20,936/2016. The CEN's annual expansion proposal comprises 48 projects which entail an overall investment of US$1,678 million. Ten of these projects correspond to national transmission assets (US$1,465 million), while the remaining 38 projects (US$213 million) correspond to zonal transmission initiatives.

4Q2017

- **Puerto Andino,** the company's new port project being built in Mejillones, conducted performance tests by handling a coal shipment arrived on December 22. The test proved the successful performance of the port's equipment, and tests could be completed within 9 days, one day less than planned. The Ministry of Finance issued a decree authorizing the company to expand the port's activity scope so as to include other types of load in order to optimize the use of this infrastructure situated in a strategic location.

- **TEN:** On November 24, the TEN project began operations by successfully interconnecting Chile's main power grids and giving birth to the SEN, a national interconnected system. The construction of the TEN project was completed on time and within budget, allowing the Company to meet its commitment with the Chilean authority over one month ahead of schedule. The TEN project is jointly controlled by EECL and Red Eléctrica Chile, an indirect subsidiary of the Spanish company, Red Eléctrica Corporación.

- **Credit rating:** In December, 2017, Feller Rate ratified EECL's national-scale credit rating at A+, and raised the Outlook from Stable to Positive.

- **CTM2 overhaul:** During the CTM2 plant's turbine and generator overhaul began on October 20, damages in high-pressure parts, turbine blades and casing seals as well as steam leakages and corrosion were detected. As a result, this unit is expected to remain out of service through mid-March 2018.

- **Public power supply auction:** On October 11, 2017, the National Energy Commission ("CNE") received offers from 24 generation companies to supply electricity to distribution companies for up to 2,200 GWh/y during 20 years beginning January 1, 2024. The bid included hourly supply blocks for up to 1,700 GWh/y, as well as quarterly supply blocks for up to 500 GWh/y.

- **Average node prices supreme decrees:** On October 10, 2017, the Average Node Price decrees corresponding to the tariff setting processes dated January 2017 and July 2017 were published, triggering the application of new tariffs to regulated clients with retroactive effect to January 1 and July 1 of 2017, respectively.

3Q2017

- **Regulations:** The CNE has invited different players and stakeholders of the electricity sector to discuss the drafts and implementation of the regulations associated to the new Transmission Law. Draft regulations on the following topics have already been issued for discussion: a) Auxiliary services, b) Coordination, and c) Power capacity sufficiency level (formerly known as firm capacity).

- **CNE resolutions:** The CNE issued *"Resolución Exenta #512"* confirming, among other matters, that the installations of the TEN project form part of the interconnection between the SING and SIC power grids. It also issued *"Resolución Exenta #544"* determining the 2018 applicable transmission charges or tariffs for the National and Zonal transmission systems.

- **Credit ratings:** In July 2017, Fitch Ratings affirmed EECL's BBB long-term international credit rating and A+(cl) local credit rating, both with stable outlook. Standard and Poor's also affirmed EECL's BBB rating with stable outlook based on EECL's EBITDA generation expectations and long-term power supply agreements.

2Q2017

- **Distribution law:** In April 2017, the National Energy Commission ("CNE") sponsored working sessions to discuss proposed amendments to the Distribution Law.

- **Energy sector plan:** The Ministry of Energy presented a preliminary version of Energy Sector Plan, which provides the government's view on the development of the country's energy sector over the following 30 years.

- **Regulations related to the Transmission Law:** During the second quarter, the CNE and the Ministry of Energy have continued the discussions surrounding the specific regulations for the implementation of the recently enacted Transmission Law. The authority has not yet published these regulations, although it has issued certain "*Resoluciones Exentas"* to resolve some of the matters that should be covered by the regulations.

- **Final report for distribution companies' supply auction:** In May, the CNE approved the final report related to distribution company auctions referred to in article 131 of the Electric Services General Law. Based on the study's results, the CNE launched a bidding process in 2017 for supply beginning in 2024.

1Q 2017

- **New power grid coordinator**: On January 1, 2017, a new coordination body, the "CEN" or "*Coordinador Eléctrico Nacional*" took office to manage the "SEN" or "*Sistema Eléctrico Nacional*", a single power grid that will result from the interconnection of the SIC and the SING grids. The CEN replaced the CDEC-SIC and CDEC-SING coordination and dispatch centers, which had been functioning since the nineties following the enacting of the Electricity Law.

- **Low power demand in the SING:** During the first quarter, electricity generation in the SING decreased by 12.6% compared to the first quarter of 2016, largely due to the 43-day strike at the Escondida mine.

- **Annual Ordinary Shareholders' Meeting**: On April 25, 2017, the Company's shareholders agreed the following:

a) **Definitive Dividends:** To pay a final dividend of US$12,849,087.20 (or US$0.012198773 per share) on account of 2016's net income, payable on May 18, 2017, to be converted to Chilean pesos at the observed exchange rate published by the Central Bank of Chile on May 15.

b) **Auditors:** To confirm Deloitte Auditores Consultores Limitada as the Company's external auditors.

c) **Local Rating Agencies:** To confirm "Feller Rate Clasificadora de Riesgo" and "Fitch Chile Clasificadora de Riesgo Ltda." as the agencies that will rate the company's shares according to the national rating scale.

PROJECT STATUS AS OF DECEMBER 31, 2017:

i. **Infraestructura Energética Mejillones Project ("IEM"):** This 375MW coal-fired project is progressing within schedule and budget. The EPC contractor is S.K. Engineering and Construction (Korea) ("SKEC"). The main SKEC subcontractors are Salfa for civil works and Belfi for marine works. The project's overall progress rate was approximately 93% as of the end of December. The commissioning phase already began, and the project team is currently working towards the first fire in February 2018. The IEM project, excluding the new port, will cost approximately US$896 million, of which US$745.3 million had already been paid as of December 31, 2017, including capitalized interest. IEM is scheduled to begin operations in the third quarter of 2018.

ii. **New Port in Mejillones ("Puerto Andino"):** This new port is being built by the EPC contractor, Belfi, and it will cost approximately US$122 million, US$114.5 million of which had been paid as of December 2017. As of that date, the project presented a 94% overall progress rate. On December 22, the first vessel arrived at Puerto Andino, and 70,000 tons of coal were unloaded and placed on the new IEM coal yard as well as in the CTA/CTH coal yard using the newly installed conveyor belts and stacker.

iii. **The TEN project:** This transmission project is jointly controlled with Red Eléctrica Chile, an indirect subsidiary of Red Eléctrica Corporación (Spain). On November 21, the project was energized and connected to the national grid. The system's coordinator officially recognized the interconnection commencement date as November 24, 2017, more than one month ahead of the date committed with the authority. The TEN project considered capital expenditures of approximately US$770 million, and construction was within budget. On December 6, 2016, TEN successfully closed a long-term project financing with ten national and international financial institutions.

In its south end, the TEN project was connected to the national power grid at the Nueva Cardones substation belonging to the Nueva Cardones-Polpaico 500kV transmission project sponsored by Interchile, an affiliate of the Colombian group ISA. Interchile has communicated delays in the construction of the southernmost segment of its project, although this did not affect the interconnection of the SING and SIC power grids. To complete the interconnection and begin receiving regulated revenues, TEN was required to connect to the northern national grid through the new 3-kilometer transmission line connecting the Los Changos substation (TEN) to the Kapatur (MEL/Saesa) substation. The construction of the Changos-Kapatur and 140-km. Changos-Kimal connections, were awarded to Transelec by the Chilean authorities. Transelec signed an EPC contract with EECL for the construction of the 3-kilometer long Changos-Kapatur transmission system, which was also completed on time to perfect the interconnection. TEN will also be connected through dedicated systems to EECL's IEM and CTM power plants in Mejillones.

INDUSTRY OVERVIEW

The SING and SIC power grids operated independently until November 24, 2017, when the interconnection of both grids was perfected, giving birth to the SEN (*"Sistema Eléctrico Nacional"*). Currently, the company's generation assets are located in the northern segment of the SEN, in the area that used to be covered by the so-called

SING Grid (*"Sistema Interconectado del Norte Grande"*), which serves and major portion of the country's mining industry. Given local conditions, the northern segment of the SEN is predominantly a thermoelectric system, with generation based on coal, LNG, and diesel and fuel oil, with growing penetration of renewable sources, including wind, solar, and geothermal.

Marginal Costs

Marginal Costs Crucero 220 kV

(In US$ per MWh)

Period	2016	2017	% Variation YoY
Q1	48.8	59.5	*22%*
Q2	70.3	55.5	*-21%*
Q3	65.2	48.1	*-26%*
Q4	**62.8**	**58.1**	*-7%*
October	47.5	58.0	*22%*
November	60.3	59.9	*-1%*
December	80.6	56.5	*-30%*
Year	**61.8**	**55.3**	***-11%***

Average Operating Cost (SING)

(In US$ per MWh)

Period	2016	2017	% Variation YoY
Q1	34.3	42.3	*23%*
Q2	37.0	41.1	*11%*
Q3	35.9	39.0	*9%*
Q4	**37.8**	**42.2**	***12%***
October	37.7	42.1	*12%*
November	40.6	44.5	*10%*
December	41.5	40.0	*-4%*
Year	**36.3**	**41.2**	***14%***

Source: Coordinador Eléctrico Nacional

In the first quarter of 2017, marginal costs, or spot energy prices, averaged US$59.5/MWh, a 22% increase compared to the first quarter of 2016. Similarly, the average system cost, which represents the power plants' weighted average variable cost per MWh, increased by 23% as a result of higher international fuel prices.

In the second quarter, marginal energy costs decreased as compared to the first quarter, although the reduction compared to last year was more evident due to the commissioning of new base-load power plants in the SING in 2016 (first Cochrane unit in July 2016 and second unit in October 2016).

In the third quarter, marginal costs remained quite stable, with monthly averages below US$50/MWh, supported by a wider spinning reserve and a new LNG technical norm defined by the Coordinator. The system's average operating cost remained below US$40/MWh, as most of the power was generated by cost-efficient sources (coal, gas and renewables).

In the fourth quarter, marginal energy costs increased when compared to the third quarter due to increases in fuel prices, although, when compared to the fourth quarter of 2016, they decreased by 7% due to greater penetration of renewable sources.

All in all, marginal energy costs averaged US$55.3/MWh in 2017, an 11% reduction compared to 2016's US$61.8/MWh average.

The marginal cost volatility observed in the first quarter due to the intermittence of renewable power sources, changes in demand and sudden base-load plant outages, was subsequently reduced thanks to measures adopted by the system coordinator beginning April 2017. The coordinator increased the spinning reserve, which led to a more stable dispatch of coal-fired plants (more units at lower load dispatched at any time). Moreover, the new Technical Norm changed the maximum capacity dispatch levels of combined-cycle gas turbines (CCGTs), which resulted in higher dispatch priority to CCGTs. It also extended the planning horizon for natural gas availability from one day to one week. All this has allowed the coordinator to better regulate the dispatch of coal plants and CCGTs, avoiding the dispatch of higher-cost diesel engines during hours lacking sun and wind generation or in case of base-load plant failures.

Overcosts

Overcosts

(In US$ millions)

Period	2016		2017		% Variation (YoY)	
	Total	EECL Prorata	Total	EECL Prorrata	Total	EECL Prorata
Q1	9.4	4.8	6.7	3.7	*-29%*	*-23%*
Q2	13.6	4.5	11.6	5.9	*-15%*	*31%*
Q3	**8.9**	**3.9**	**10.5**	**4.9**	***17%***	***25%***
Q4	10.1	4.9	14.8	2.1	***46%***	***-58%***
October	2.9	1.4	5.6	2.4	*94%*	*77%*
November	2.9	1.5	2.7	1.2	*-7%*	*-21%*
December	4.3	2.1	6.5	-1.5	*50%*	*-172%*
Year	**42.1**	**18.2**	**43.6**	**16.6**	***3%***	***-8%***

Source: Coordinador Eléctrico Nacional

In the first quarter, the system's global over-costs decreased to US$6.7 million, a 29% year-on-year decrease, whereas in the second, third and fourth quarters, over-costs rose to the quarterly levels ranging between US$10 million and US$15 million due to the greater number of units operating at their technical minimal level. Although over-costs have been showing a more erratic behaviour, their relevance has substantially decreased compared to previous years, and EECL's pro-rata share has also decreased. Cumulative over-costs during 2017 amounted to US$43.6 million, quite similar to 2016's US$42.1 million.

Fuel prices

International Fuel Prices Index

	WTI (US$/Barrel)			Brent (US$/Barrel)			Henry Hub (US$/MMBtu)			European coal (API 2) (US$/Ton)		
	2016	2017	% Variation YoY	2016	2017	% Variation YoY	2016	2017	% Variation YoY	2016	2017	% Variation YoY
Q1	33.4	51.7	*55%*	34.5	54.0	*57%*	1.99	3.02	*51%*	39.3	66.0	*68%*
Q2	45.5	48.1	*6%*	46.0	50.1	*9%*	2.15	3.08	*43%*	48.3	66.9	*38%*
Q3	44.9	48.2	*7%*	45.8	51.7	*13%*	2.88	2.95	*2%*	58.8	77.6	*32%*
Q4	49.2	55.3	*12%*	50.1	61.4	*23%*	3.04	2.91	*-4%*	67.9	84.9	*25%*
Year	**43.3**	**50.8**	***17%***	**44.1**	**54.3**	***23%***	**2.52**	**2.99**	***19%***	**53.6**	**73.7**	***37%***

Source: Bloomberg, IEA

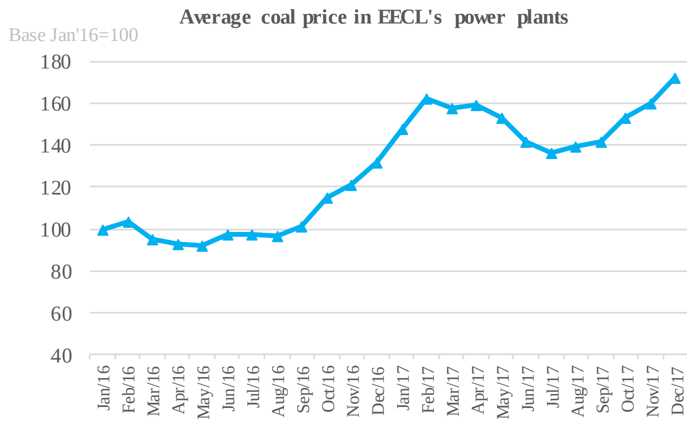
Following the trend already observed in the last months of 2016, international fuel prices increased by about 60% in the first quarter of 2017 when compared to the first quarter of 2016, with coal showing the steepest increase. However, when compared to the last quarter of 2016, fuel prices increased by only 1 digit, with an increase in oil prices and a slight decrease in coal and gas prices.

During the second quarter, international fuel prices remained at similar levels as those reported in the first quarter. When compared to the second quarter of 2016, oil prices reported a one-digit increase, while gas and coal prices reported two-digit increases.

In the third quarter, fuel prices reported an uneven performance. While oil and natural gas experienced minimal variations from the second quarter, international coal prices increased significantly by 16%.

Coal and oil prices continued rising in the fourth quarter, while natural gas prices have started to decrease slightly.

In sum, in 2017, international fuel prices reported a rising trend. While oil and natural gas prices rose by about 20%, coal prices increased even further by 37%.



Source: Coordinador Eléctrico Nacional

The average coal prices in PPA tariffs increased by approximately 72% compared to 2016, in line with the international coal-price trend. The chart above shows the price trend of the coal mix used in our power plants.

Generation

The following table provides a breakdown of generation in the SING by fuel type:

Total SING Generation by Fuel Type (in GWh)

2016

	1Q 2016		2Q 2016		3Q 2016		4Q 2016		12M 2016	
Fuel Type	**GWh**	*% of total*	**GWh**	*% of total*	**GWh**	*% of total*	**GWh**	*% of total*	**GWh**	*% of total*
Coal	3,802	78%	3,737	76%	3,807	78%	3,933	81%	15,278	78%
LNG	502	10%	402	8%	524	11%	336	7%	1,763	9%
Diesel / Fuel oil	305	6%	468	10%	197	4%	143	3%	1,113	6%
Renewable	278	6%	281	6%	337	7%	416	9%	1,313	7%
Total gross generation SING	**4,887**	100%	**4,888**	100%	**4,864**	100%	**4,828**	100%	**19,467**	100%

2017

	1Q 2017		2Q 2017		3Q 2017		4Q 2017		12M 2017	
Fuel Type	**GWh**	*% of total*	**GWh**	*% of total*	**GWh**	*% of total*	**GWh**	*% of total*	**GWh**	*% of total*
Coal	3,344	78%	3,776	80%	3,826	77%	3,807	73%	14,754	77%
LNG	413	10%	476	10%	524	10%	497	9%	1,911	10%
Diesel / Fuel oil	35	1%	28	1%	32	1%	203	4%	297	2%
Renewable	477	11%	466	10%	611	12%	736	14%	2,290	12%
Total gross generation SING	**4,269**	100%	**4,747**	100%	**4,992**	100%	**5,243**	100%	**19,251**	100%

Source: Coordinador Eléctrico Nacional

During the first quarter of 2017, gross power generation dropped 12.6% compared to the first quarter of 2016, largely as a result of the 43-day strike at the Escondida mine. The maximum system demand reached 2,429 MW in the first quarter, 5% below the peak demand observed in 1Q16. The coal/gas generation mix remained relatively stable, while the contribution from renewable power reported an increase, displacing diesel generation, which accounted for just 1%.

In the second quarter, gross power generation decreased 2.9% year-on-year, with an increase in energy generated by renewable sources and a moderate increase in gas and coal, all of which displaced diesel generation.

In the third quarter, gross power generation advanced 2.8% year-on-year, with a relevant increase from renewable sources (+151 GWh as compared to 2Q17 and +280 GWh as compared to 3Q16), leading to a slight decrease in the share of coal in the generation mix.

In the fourth quarter, gross generation increased by 8.5% year-on-year. Renewable sources increased by 320 GWh, leading to a slight decrease in the share of coal generation, whereas gas generation, which is better suited to cope with the intermittence of renewable sources, increased its share.

The SING's electricity production broken down by company was as follows:

Generation by Company (in GWh)

	2016									
	1Q 2016		2Q 2016		3Q 2016		4Q 2016		12M 2016	
Company	GWh	% of total	GWh	% of total	GWh	% of total	GWh	% of total	GWh	% of total
AES Gener	1,661	34%	1,968	40%	2,158	44%	2,203	46%	7,990	41%
EECL (with 100% of CTH)	2,411	49%	2,114	43%	2,082	43%	1,854	38%	8,460	43%
Enel Generación	550	11%	490	10%	161	3%	172	4%	1,373	7%
Other	265	5%	316	6%	464	10%	599	12%	1,643	8%
Total gross generation SING	**4,887**	**100%**	**4,888**	**100%**	**4,864**	**100%**	**4,828**	**100%**	**19,467**	**100%**

	2017									
	1Q 2017		2Q 2017		3Q 2017		4Q 2017		12M2017	
Company	GWh	% of total	GWh	% of total	GWh	% of total	GWh	% of total	GWh	% of total
AES Gener	1,990	47%	2,362	50%	2,364	47%	2,422	46%	9,137	47%
EECL (with 100% of CTH)	1,550	36%	1,553	33%	1,542	31%	1,656	32%	6,301	33%
Enel Generación	128	3%	145	3%	210	4%	157	3%	640	3%
Other	601	14%	687	14%	877	18%	1,008	19%	3,173	16%
Total gross generation SING	**4,269**	100%	**4,747**	100%	**4,992**	100%	**5,243**	100%	**19,251**	100%

Source: Coordinador Eléctrico Nacional

During the first quarter of 2017, EECL reported a 35.7% year-on-year decrease in electricity generation, accounting for 36% of the system's power production. EECL's gas generation decreased 45%, and coal generation at the Tocopilla complex fell 41%, mainly due to economic dispatch decisions by the coordinator. Regarding EECL's plant maintenance schedule in the first quarter, the CTA 177MW coal-fired plant was out of service for 27 days beginning March 10, 2017.

During the second quarter, EECL's generation levels remained at levels similar to those reported in the first quarter. During the 2Q17, the following plants underwent planned maintenance: U13 (86 MW-coal) during 33 days, CTA (177 MW-coal) for 4 days, U12 (87 MW-coal) for 27 days and CTM1 (160 MW-coal) for 10 days.

In the third quarter, EECL's generation remained at similar levels, in the surroundings of 1,540 GWh. Major maintenance works during the quarter included U14 (136 MW-coal) for 13 days, U15 (130 MW-coal) for 14 days, and CTM3 (226 MW-natural gas) for 33 days.

In the fourth quarter, EECL increased its share in the system's generation, despite the CTM2 overhaul, which will result in this unit being out of service through most of the quarter.

EECL's lower participation in the SING's generation was largely owed to the commissioning of new cost-efficient power plants in the system during 2016. EECL's lower gas generation was also explained by the company's greater gas availability during the first quarter of last year, when AES Gener's Cochrane and Tamakaya Energía's Kelar plants had not yet begun commercial operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

The following discussion is based on our audited consolidated financial statements for the fiscal years ended December 31, 2017 and December 31, 2016. These financial statements have been prepared in U.S. dollars in accordance with IFRS, and should be read in conjunction with the financial statements and the notes thereto published by the Superintendencia de Valores y Seguros (www.svs.cl).

4Q 2017 compared to 3Q 2017 and 4Q 2016

Operating Revenues

Quarterly Information (In US$ millions)

	4Q 2016		3Q 2017		4Q 2017		% Variation	
Operating Revenues	Amount	% of total	Amount	% of total	Amount	% of total	QoQ	YoY
Unregulated customers sales…………………..	167.9	*74%*	171.4	*76%*	186.4	*77%*	*9%*	*11%*
Regulated customers sales…………………….	43.3	*19%*	48.9	*22%*	50.2	*21%*	*3%*	*16%*
Spot market sales………………………………..	14.4	*6%*	6.1	*3%*	5.1	*2%*	*-16%*	*-64%*
Total revenues from energy and capacity sales	**225.7**	*90%*	**226.4**	*90%*	**241.7**	*89%*	***7%***	***7%***
Gas sales…………………………..	4.2	*2%*	2.2	*1%*	2.9	*1%*	*32%*	*-31%*
Other operating revenue……………………….	19.7	*8%*	23.1	*9%*	27.2	*10%*	*18%*	*38%*
Total operating revenues………………….	**249.6**	*100%*	**251.7**	*100%*	**271.9**	*100%*	***8%***	***9%***
Physical Data (in GWh)								
Sales of energy to unregulated customers (1)……	1,682	*75%*	1,585	*74%*	1,529	*75%*	*-4%*	*-9%*
Sales of energy regulated customers……	471	*21%*	475	*22%*	478	*23%*	*1%*	*1%*
Sales of energy to the spot market……………	102	*5%*	76	*4%*	28	*1%*	*-63%*	*-73%*
Total energy sales………………………….	**2,255**	*100%*	**2,136**	*100%*	**2,035**	*100%*	***-5%***	***-10%***
Average monomic price unregulated customers(U.S.$/MWh)(2)	**102.2**		**106.9**		**123.0**		***15%***	***20%***
Average monomic price regulated customers (U.S.$/MWh)(3)	**92.0**		**103.0**		**105.2**		***2%***	***14%***

(1) Includes 100% of CTH sales.

(2) Calculated as the quotient between unregulated and spot revenues from energy and capacity sales and unregulated and spot physical energy sales.

(3) Calculated as the quotient between regulated revenues from energy and capacity sales and regulated physical energy sales.

Energy and capacity sales reached US$241.7 million in the fourth quarter, representing a US$15.3 million or 7% increase from the third quarter, due mainly to higher prices in the unregulated segment explained by higher fuel prices as well as green tax and emission-reduction costs passed through to prices. In physical terms, demand from the Radomiro Tomic mine decreased by 115 GWh due to the end of the contract in August, and this effect was partly offset by greater demand from Esperanza and El Tesoro (+37 GWh), among others.

Unregulated clients' power demand decreased year-on-year due to the end of the Radomiro Tomic PPA in August 2017 (-186 GWh). Greater demand from certain clients including Esperanza/El Tesoro (+20 GWh), Codelco (+16 GWh) and other smaller clients (+13 GWh) partially offset this decrease.

In the fourth quarter, sales to distribution companies, or regulated clients, amounted to US$50.2 million, a 16% increase compared to 4Q16 due to both higher prices and volumes. The average Henry Hub index used in the calculation of the Emel tariff increased from US$2.05/MMBtu used in the April 2016 tariff setting process to US$3.08/MMBtu used in the April 2017 tariff setting process. Furthermore, the Henry Hub index rose by more than 10%, triggering a tariff increase effective December 2016. The 3% sales increase when compared to the third quarter of 2017, was mainly explained by a higher realized tariff and a foreign-exchange effect, which in the third quarter had negatively impacted a provision in Chilean pesos recognizing the delay in the publication of the tariff decree. This differential had its origin in the delay of the publication of the Average Node Price decrees for the six-month periods starting January 1, 2017, and July 1, 2017, which did not occur until October, 2017.

Physical sales to the spot market reached 46 GWh in the fourth quarter, a decrease compared to both the 76 GWh sold in the third quarter of 2017 and the 102 GWh sold in the fourth quarter of 2016. The spot market sales and purchase items also include the retroactive annual sufficiency capacity tariffs and monthly energy adjustment payments per the reliquidations made by the system's coordinator.

Gas sales during the fourth quarter have remained at low levels, similar to the third quarter and below those of the fourth quarter of 2016. The most relevant items in the 'Other operating revenue' account are sub-transmission tolls and regulatory transmission revenues. In addition, this account includes port and maintenance services, among others. This item reported a US$4.1 million increase compared to the third quarter due to transmission toll reliquidations.

Operating Costs

Quarterly Information (In US$ millions)

	4Q 2016		3Q 2017		4Q 2017		% Variation	
Operating Costs	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Fuel and lubricants………………………………	(79.6)	*36%*	(85.7)	*38%*	(94.1)	*41%*	*10%*	*18%*
Energy and capacity purchases on the spot market……………………………	(38.4)	*18%*	(50.4)	*22%*	(35.9)	*16%*	*-29%*	*-7%*
Depreciation and amortization attributable to cost of goods sold……………………………	(34.3)	*16%*	(34.0)	*15%*	(33.6)	*15%*	*-1%*	*-2%*
Other costs of goods sold……………………	(57.4)	*26%*	(46.5)	*21%*	(58.1)	*25%*	*25%*	*1%*
Total cost of goods sold………………..	**(209.8)**	*96%*	**(216.7)**	*96%*	**(221.7)**	*96%*	***2%***	***6%***
Selling, general and administrative expenses…	(10.5)	*5%*	(10.7)	*5%*	(9.4)	*4%*	*-12%*	*-10%*
Depreciation and amortization in selling, general and administrative expenses…………	(1.6)	*1%*	(1.0)	*0%*	(1.2)	*1%*	*19%*	*-26%*
Other operating revenue/costs……………………….	2.7	*-1%*	1.7	*-1%*	1.2	*-1%*		
Total operating costs….……………….	**(219.1)**	*100%*	**(226.7)**	*100%*	**(231.1)**	*100%*	***2%***	***5%***
Physical Data (in GWh)								
Gross electricity generation								
Coal………………………………………….	1,651	*89%*	1,286	*83%*	1,334	*81%*	*4%*	*-19%*
Gas…………………………………………..	183	*10%*	236	*15%*	301	*18%*	*28%*	*65%*
Diesel Oil and Fuel Oil…………………….	4	*0%*	7	*0%*	5	*0%*	*-25%*	*24%*
Hydro/Solar……………………………………….	16	*1%*	13	*1%*	16	*1%*	*26%*	*0%*
Total gross generation………………….	**1,854**	*100%*	**1,542**	*100%*	**1,656**	*100%*	***7%***	***-11%***
Minus Own consumption……………..	(160)	*-9%*	(121)	*-8%*	(130)	*-8%*	*7%*	*-19%*
Total net generation…………………….	**1,694**	***73%***	**1,421**	***64%***	**1,526**	***73%***	*7%*	*-10%*
Energy purchases on the spot market………..	637	***27%***	795	***36%***	570	***27%***	*-28%*	*-10%*
Total energy available for sale before transmission losses………………………	**2,331**	***100%***	**2,215**	***100%***	**2,097**	***100%***	***-5%***	***-10%***

Gross electricity generation decreased 11% year-on-year, although it recovered from the levels reported in the third quarter of 2017. The sharp year-on-year decrease in total gross generation was largely explained by the commissioning of base-load coal and gas-fired plants in the system as well as renewable capacity, which displaced older, higher-cost plants in terms of dispatch priority. Gas generation increased its proportion in the generation mix due to its greater flexibility to cope with the intermittence of renewable generation.

The fuel cost item increased 18% year-on-year and 10% compared to the third quarter of 2017. When compared to the fourth quarter of last year, the fuel-cost item increased by US$14.5 million mainly due to higher coal prices and the accrual of the new CO_2 taxes beginning January 1, 2017. Starting the third quarter, hydrated lime costs have stabilized since the new emission norm had already become effective in all of EECL's production complexes in July 2016.

The spot electricity purchase cost item decreased by US$14.5 (-29%) million compared to 3Q17 mainly because of a 27% decrease in physical purchases. As compared to the fourth quarter of 2016, the spot electricity purchase cost item decreased by US$2.5 million (-7%) due to lower physical energy purchases and a decrease in average marginal costs.

Depreciation costs in the costs-of-goods-sold item remained at similar levels as compared to both the 3Q17 and 4Q16.

Other direct operating costs included, among others, operating and maintenance costs, transmission tolls, insurance premiums and cost of fuels sold. The increase in this item as compared to the third quarter was related to reliquidations of transmission tolls and higher maintenance costs. However, this item reported no significant change when compared to 4Q16.

SG&A expenses, excluding depreciation, decreased when compared to both 3Q17 and 4Q16, although G&A cost saving initiatives were partially offset by a premium paid to the Ministry of National Goods for the early termination of land leases, and provision reversals reported in the 4Q16, which affected the comparison base in that quarter.

The Other operating revenue/cost item includes water sales and miscellaneous income as well as recoveries and provisions, and its value is relatively low.

Electricity Margin

Quarterly Information (In US$ millions)

	2016					2017				
	1Q16	2Q16	3Q16	4Q16	12M16	1Q17	2Q17	3Q17	4Q17	12M17
Electricity Margin										
Total revenues from energy and capacity sales………	**212.6**	**222.5**	**217.3**	**225.7**	**878.1**	**238.3**	**246.7**	**226.4**	**241.7**	**953.1**
Fuel and lubricants…………………..	(85.9)	(74.4)	(75.4)	(79.6)	(315.3)	(88.2)	(87.5)	(85.7)	(94.1)	(355.5)
Energy and capacity purchases on the spot market……	(21.0)	(41.0)	(32.4)	(38.4)	(132.9)	(54.7)	(60.3)	(50.4)	(35.9)	(201.3)
Gross Electricity Profit	**105.7**	**107.1**	**109.4**	**107.6**	**429.9**	**95.3**	**99.0**	**90.3**	**111.7**	**396.3**
Electricity Margin	*50%*	*48%*	*50%*	*48%*	*49%*	*40%*	*40%*	*40%*	*46%*	*42%*

In the fourth quarter, the electricity margin, or the gross profit from the electricity generation business, increased by US$21.4 million when compared to the immediately preceding quarter, reaching 46% in percentage terms. This was mainly due to higher prices in both the regulated and unregulated segments, which caused a US$15.3 million increase in revenues, which was partly offset by an US$8.4 million increase in fuel costs. The margin improvement was also achieved thanks to lower spot purchase costs owing to lower volumes and prices.

The year-on-year comparison shows a US$4.1 million increase in the electricity margin (US$16 million revenue increase and US$12 million cost increase). The increase in fuel prices, particularly coal, was the main reason behind the 18% average realized price increase (US$118/MWh in 4Q17 vs. US$100/MWh in 4Q16), which combined with a 9% decrease in physical sales, resulted in a 7% increase in energy and capacity revenues. On the costs side, fuel costs increased by US$14.5 million despite the lower generation (-197 GWh). Electricity purchases dropped by US$2.5 million as physical spot purchases decreased by 8% or 54 GWh, while realized purchase prices remained stable at levels of US$60/MWh.

Operating Results

Quarterly Information (in US$ millions)

EBITDA	**4Q 2016**		**3Q 2017**		**4Q 2017**		**% Variation**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Total operating revenues………………………	249.6	*100%*	251.7	*100%*	271.9	*100%*	*8%*	*9%*
Total cost of goods sold……………………	(209.8)	*-84%*	(216.7)	*-86%*	(221.7)	*-82%*	*2%*	*6%*
Gross income…………………………	**39.8**	*16%*	**35.1**	*14%*	**50.2**	*18%*	***43%***	***26%***
Total selling, general and administrative expenses and other operating income/(costs).	(9.3)	*-4%*	(10.0)	*-4%*	(9.3)	*-3%*	*-6%*	*0%*
Operating income…………………	**30.5**	*12%*	**25.1**	*10%*	**40.8**	*15%*	***63%***	***34%***
Depreciation and amortization……..…………	35.9	*14%*	35.0	*14%*	34.8	*13%*	*-1%*	*-3%*
EBITDA……………….…………………	**66.4**	*26.6%*	**60.1**	*23.9%*	**75.6**	*27.8%*	***26%***	***14%***

4Q17 EBITDA reached US$75.6 million, a US$15.5 million increase compared to the immediately preceding quarter. This was due to the above-explained US$21.4 million electricity margin increase, offset by an increase in operating costs mainly explained by reliquidations of tolls and maintenance costs. Other operating income and SG&A cost savings contributed to the EBITDA improvement.

EBITDA increased by US$9.2 million year-on-year due to the US$4.1 million electricity margin improvement, a decrease in SG&A expenses, and higher other operating revenues. The above was partially offset by lower gas sales.

Financial Results

Quarterly Information (In US$ millions)

	4Q 2016		**3Q 2017**		**4Q 2017**		**% Variation**	
Non-operating results	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Financial income………..………………………	0.4	*0%*	0.0	*0%*	0.6	*0%*		*51%*
Financial expense……………….……………	(4.1)	*-2%*	(2.3)	*-1%*	(1.6)	*-1%*	*-30%*	*-61%*
Foreign exchange translation, net…………..	(0.2)	*0%*	1.5	*1%*	2.1	*1%*		
Share of profit (loss) of associates accounted for using the equity method	0.3	*0%*	0.2	*0%*	0.5	*0%*	*153%*	*92%*
Other non-operating income/(expense) net…	(19.5)	*-8%*	0.5	*0%*	(0.1)	*0%*		
Total non-operating results…………….	**(23.2)**	*-9%*	**(0.1)**	*0%*	**1.5**	*1%*		
Income before tax……………………. ………	7.3	*3%*	25.0	*10%*	42.4	*16%*	***69%***	***480%***
Income tax……………………………………	(11.2)	*-4%*	(6.2)	*-2%*	(7.8)	*-3%*	*26%*	*-30%*
Net income from continuing operations after taxes …	(3.8)	*-2%*	18.8	*7%*	34.6	*13%*	*84%*	*-1001%*
Net income attributed to controlling shareholders…….	**(5.7)**	*-2%*	**18.1**	*7%*	**32.1**	*12%*	***77%***	***-658%***
Net income attributed to minority shareholders……….	1.9	*1%*	0.7	*0%*	2.5	*1%*	*264%*	
Net income to EECL's shareholders	**(5.7)**	*-2%*	**18.1**	*7%*	**32.1**	*12%*	***77%***	***-658%***
Earnings per share……………………..	**(0.005)**		**0.017**		**0.030**			

Interest income recovered to US$0.6 million, from the low level reported in the third quarter when interest income was offset by the mark-to-market valuation of fuel hedges.

Interest expense decreased by US$0.7 million, when compared to 3Q17, and decreased by US$2.5 million when compared to the fourth quarter of 2016. These changes depend on the pace of interest capitalization of the company's existing debt, which is made in proportion to the IEM and Port capital expenditures made in each quarter.

Foreign-exchange income reached US$2.1 million in the quarter, which compares positively with the 3Q17's foreign-exchange gain and the foreign-exchange loss reported in the 4Q17. This is explained by the effect of exchange-rate variations on the valuation of certain assets and liabilities denominated in currencies other than the US dollar --the company's functional currency--, such as accounts receivable and payable, advances to suppliers, and value-added tax credit. During 2016, the company had accounts receivable from TEN in Chilean pesos, which reported a foreign-exchange gain. This receivable was fully repaid in December 2016.

The account labelled 'Share of profit (loss) of associates accounted for using the equity method' showed a profit due to the proportional result in the jointly-controlled TEN company. TEN reported small profits due to foreign-exchange results, which offset SG&A expenses that cannot be accounted for as capital expenditures, and accrued operating revenues after the company began operations on November 24.

The 'Other net non-operating income' account was a small loss, which compares favorably to the US$19.5 million loss reported in 4Q16, mainly resulting from asset write-downs: (i) US$8.8 million related to the U16 turbine failure; (ii) US$6 million in spare parts of the Tamaya fuel-oil plant; (iii) a US$2.5 million related to projects and (iv) US$1.8 million in intangible assets.

Net Earnings

The applicable income tax rate for 2017 is 25.5%, up from 24% in 2016.

In the fourth quarter of 2017, the company reported after-tax net income of US$32.1 million, an increase from the 3Q17's US$18.1 million, due to better operating results, lower interest expense, and a one-off positive US$5.7 million effect on Gasoducto Norandino's deferred taxes as a result of a tax reform enacted in Argentina. The 4Q17 result represented a turnaround from the 4Q16's US$5.7 million net loss as a result of the US$10.3 million operating improvement, US$2.5 million interest-expense reduction, the absence of asset write-downs reported in 4Q16, and the one-off effect on deferred taxes.

12M 2017 compared to 12M 2016

Operating Revenues

For the 12-month period ended December 31 (in US$ millions)

	12M 2016		12M 2017		Variation	
Operating Revenues	Amount	% of total	Amount	% of total	Amount	%
Unregulated customers sales…………………..	653.4	*74%*	726.4	*76%*	*73.1*	*11%*
Regulated customers sales…………………….	176.4	*20%*	197.2	*21%*	*20.7*	*12%*
Spot market sales……………………………..	48.3	*5%*	29.6	*3%*	*-18.7*	*-39%*
Total revenues from energy and capacity sales……	**878.1**	*91%*	**953.1**	*90%*	***75.1***	*9%*
Gas sales…………………………..	10.3	*1%*	8.3	*1%*	*-1.9*	*-19%*
Other operating revenue……………………….	79.1	*8%*	92.6	*9%*	*13.5*	*17%*
Total operating revenues………………….	**967.4**	*100%*	**1,054.1**	*100%*	***86.6***	*9%*
Physical Data (in GWh)						
Sales of energy to unregulated customers (1)……	6,795	*74%*	6,346	*74%*	*-449*	*-7%*
Sales of energy regulated customers……	1,901	*21%*	1,908	*22%*	*7*	*0%*
Sales of energy to the spot market……………	470	*5%*	274	*3%*	*-196*	*-42%*
Total energy sales………………………….	**9,166**	*100%*	**8,528**	*100%*	***-638***	*-7%*
Average monomic price unregulated customers(U.S.$/MWh)(2)	**96.6**		**114.2**		***17.6***	*18%*
Average monomic price regulated customers (U.S.$/MWh)(3)	**92.8**		**103.3**		***10.5***	*11%*

(1) Includes 100% of CTH sales.

(2) Calculated as the quotient between unregulated and spot revenues from energy and capacity sales and unregulated and spot physical energy sales.

(3) Calculated as the quotient between regulated revenues from energy and capacity sales and regulated physical energy sales.

Energy and capacity sales reached US$953.1 million in 2017, representing a 9% increase compared to 2016, due to the price indexation to increasing fuel prices. As a reference, average international European coal prices climbed 37%, while the Henry Hub gas index reported a 19% increase. Sales to both regulated and unregulated clients increased, as opposed to spot sales, which exhibited a decrease.

Physical energy sales decreased 7% basically due to decreases in the unregulated segment and spot sales. The decrease in physical sales to unregulated clients was primarily explained by the end of the Cerro Colorado and the Radomiro Tomic PPAs in September 2016 and August 2017, respectively, and decreased demand from El Abra and Codelco. This was partly offset by increased demand from Antucoya, Altonorte, Esperanza and El Tesoro, among others.

Sales to distribution companies, or regulated clients, amounted to US$197.2 million, representing a 12% increase compared to 2016, as a result of higher prices and greater volumes. The average Henry Hub index used in the calculation of the EMEL tariff increased from US$2.80/MMBtu and US$2.05/MMBtu in 2016 to US$3.08/MMBtu and US$2.86/MMBtu in 2017.

Physical sales to the spot market decreased 38% due to the CTA maintenance. The spot market sales and purchase items also include the retroactive annual sufficiency capacity price and monthly energy adjustment payments per the re-liquidations made by the SING dispatch center.

Small gas sales volumes were reported in both periods. The most relevant item in the Other operating revenue account is composed of sub-transmission tolls and regulatory transmission revenues, which accounted for nearly 66% of this item. In addition, this item includes port and maintenance services and connection rights, among others.

Operating Costs

For the 12-month period ended December 31 (in US$ millions)

	12M 2016		12M 2017		Variation	
Operating Costs	Amount	% of total	Amount	% of total	Amount	%
Fuel and lubricants……………………………	(315.3)	38%	(355.5)	39%	40.2	13%
Energy and capacity purchases on the spot market…	(132.9)	16%	(201.3)	22%	68.5	52%
Depreciation and amortization attributable to cost of goods sold…	(135.0)	16%	(133.0)	15%	-2.0	-1%
Other costs of goods sold……………………	(207.5)	25%	(190.7)	21%	-16.8	-8%
Total cost of goods sold………………..	**(790.7)**	96%	**(880.5)**	96%	**89.9**	**11%**
Selling, general and administrative expenses…	(30.8)	4%	(35.5)	4%	4.6	15%
Depreciation and amortization in selling, general and administrative expenses…	(4.5)	1%	(4.2)	0%	-0.3	-7%
Other operating revenue/costs……………………….	3.8	0%	5.1	-1%	-1.2	32%
Total operating costs…………………..	**(822.2)**	100%	**(915.2)**	100%	**93.0**	**11%**
Physical Data (in GWh)						
Gross electricity generation						
Coal…………………………………………	6,953	82%	5,168	82%	-1,785	-26%
Gas…………………………………………..	1,426	17%	1,047	17%	-379	-27%
Diesel Oil and Fuel Oil…………………….	30	0%	27	0%	-3	-9%
Hydro/Solar…………………………………….	52	1%	59	1%	7	13%
Total gross generation………………….	**8,460**	100%	**6,301**	100%	**-2,160**	**-26%**
Minus Own consumption……………..	(665)	-8%	(504)	-8%	161	-24%
Total net generation…………………….	**7,796**	82%	**5,797**	66%	**-1,999**	**-26%**
Energy purchases on the spot market………..	1,697	18%	3,028	34%	1,331	78%
Total energy available for sale before transmission losses……………………..	**9,492**	100%	**8,825**	100%	**-667**	**-7%**

The commissioning of new base-load plants in the system during 2016 (Cochrane and Kelar) and new renewable capacity led to an important decrease in our own electricity generation and an increase in our energy purchases on the spot market in 2017.

The increase in international fuel prices resulted in a 13% increase (US$40.2 million) in the fuel cost item in 2017, despite the decrease in generation. The fuel cost increase is explained mainly by higher coal costs, the enactment of CO_2 taxes, and hydrated lime costs in the Mejillones complex, effective since July 2016. This was partially offset by lower LNG costs.

The spot electricity purchase costs item increased 52% since physical purchases increased by 79%, while average realized spot prices dropped by 11%. Greater sufficiency capacity provisions also contributed to increased spot electricity purchase costs.

Depreciation costs decreased by US$0.3 million as a result of asset write-offs related to the failure of the U16 in late 2016 and Central Tamaya, which ceased to be depreciated in March 2016.

Other direct operating costs included, among others, operating and maintenance costs, cost of fuel sold and sub-transmission tolls related to the EMEL contract, with the latter covered by revenues from sub-transmission tolls. This item, as a whole, decreased by US$16.8 million, when compared to 2016, mainly due to cost-saving initiatives involving renegotiations of procurement contracts and insurance policies, among others, as well as lower demurrage and fuel handling costs and transmission toll reliquidations.

SG&A expenses increased by US$4.6 million, in part due to a low comparison base explained by the reversal of a legal cost provision in 2016, and also due to the reorganization of working teams, the appreciation of the Chilean peso, and the payment of land rental fees. Lower IT, travel and consulting expenses achieved in the context of a cost-saving plan partially offset these effects.

The Other operating revenue/cost item includes water sales, services and office rentals as well as the proportional result in TEN. The latter improved mainly due to foreign-exchange results, which offset TEN's pre-operating expenses, and the accrual of operating revenues since November 24, 2017.

Operating Results

For the 12-month period ended December 31 (in US$ millions)

EBITDA	**12M 2016**		**12M 2017**		**Variation**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**%**
Total operating revenues………………………	967.4	*100%*	1,054.1	*100%*	*86.6*	*9%*
Total cost of goods sold……………………	(790.7)	*82%*	(880.5)	*84%*	*89.9*	*11%*
Gross income…………………………	**176.8**	*18%*	**173.5**	*16%*	***-3.2***	***-2%***
Total selling, general and administrative expenses and other operating income/(costs).	(31.5)	*3%*	(34.6)	*3%*	*3.1*	*10%*
Operating income…………………	**145.2**	*15%*	**138.9**	*13%*	***-6.3***	***-4%***
Depreciation and amortization……...…………	139.5	*14%*	137.2	*13%*	*-2.3*	*-2%*
EBITDA………………………………	**284.8**	*29.4%*	**276.1**	*26.2%*	***-8.7***	***-3%***

EBITDA reached US$276.1 million in 2017, 3% below the 2016's EBITDA. As explained earlier, the US$33.6 million decrease in gross electricity profits explained by lower physical sales, the effect of green taxes, higher hydrated lime costs, and sufficiency capacity reliquidations, was partially offset by a US$16.8 million decrease in operating costs and higher toll revenues.

SG&A expenses increased during 2017 because of greater project development costs, which are currently expensed as incurred, and the low comparison base explained by provision reversals reported in 2016. This contributed to the EBITDA decrease.

Financial Results

For the 12-month period ended December 31 (in US$ millions)

	12M 2016		12M 2017		Variation	
Non-operating results	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**%**
Financial income………..………………………	2.1	*0%*	2.5	*0%*	*0.4*	*19%*
Financial expense…………….…………………	(26.7)	*-3%*	(11.6)	*-1%*	*15.1*	*-57%*
Foreign exchange translation, net……………	2.1	*0%*	2.5	*0%*	*0.4*	*17%*
Share of profit (loss) of associates accounted for using the equity method	54.1	*6%*	1.1	*0%*	*-53.0*	
Other non-operating income/(expense) net…	161.1	*17%*	10.0	*1%*	*-151.1*	
Total non-operating results…………….	**192.8**	*20%*	**4.6**	*0%*		
Income before tax……………………. ………	338.0	*35%*	143.5	*14%*	***-194.5***	***-58%***
Income tax………………………………………	(79.4)	*-8%*	(33.9)	*-3%*	*45.5*	
Net income from continuing operations after taxes …	258.6	*27%*	109.6	*10%*	*-149.0*	*-58%*
Net income attributed to controlling shareholders…….	**254.8**	*26%*	**101.4**	*10%*	***-153.4***	***-60%***
Net income attributed to minority shareholders……….	3.7	*0%*	8.1	*1%*	*4.4*	*118%*
Net income to EECL's shareholders	**254.8**	*26%*	**101.4**	*10%*	***-153.4***	***-60%***
Earnings per share……………………..	**0.242**		**0.096**			

Financial income increased slightly due to higher interest rates and discounts made on advanced payments to certain suppliers.

Interest expense decreased by US$15.1 million given the capitalization of interest in the IEM and port projects.

Foreign-exchange profits reached US$2.5 million in 2017, which compares favorably with the US$2.1 million foreign-exchange gain reported in 2016, which at that time resulted from advances in local currency to TEN.

The 'Share of profit (loss) of associates accounted for using the equity method' account reported a small profit, which compares negatively to exceptional income reported in 2016 related to the fair valuation of EECL's remaining 50% shareholding in TEN.

Other net non-operating income reached US$10 million due to insurance recoveries associated to the U16 loss reported in the last quarter of 2016. In 2016, this item included non-recurring income of US$180 million, explained almost entirely by the following non-recurring ítems: (i) Income from the sale of 50% of TEN's shares (US$187 million); (ii) sale of a converting substation to SQM (US$13 million); (iii) Tamaya fuel-oil plant impairment and other asset write-downs (US$24 million); (iv) expensing of project development costs (US$3 million); and, an almost US$9 million asset write-down related to the U16 failure.

Net Earnings

The applicable income tax rate for 2017 is 25.5%, up from 24% in 2016. The heavier income tax provision in 2016 was mainly attributed to the income on the sale of 50% of TEN.

In 2017, net income after taxes reached US$101.4 million, down from 2016's exceptional US$254.8 million. For comparison purposes, we have isolated the non-recurring effects. The main non-recurring items in 2016 included earnings on asset sales (TEN and SQM substation) and higher fair valuation of the remaining shareholding in TEN. These non-recurring items, net of asset write-downs and impairments, represented after-tax earnings of approximately US$172 million in 2016. In 2017, after-tax non-recurring earnings reached US$15 million and included insurance recoveries and a positive one-off effect on Gasoducto Norandino's deferred taxes explained by the recently enacted tax reform in Argentina. Therefore, net recurring income would have been US$87 million in 2017, a 4% increase compared to 2016's US83.4 million recurring income, mainly due to lower EBITDA offset by lower interest expenses.

Liquidity and Capital Resources

As of December 31, 2017, EECL reported cash balances of US$78 million. This amount compares with a total nominal financial debt[1] of US$850 million, with US$117 million of debt maturing within one year. The company has a US$270 million committed revolving credit facility to support its liquidity in times of active investment in capital expenditures. This facility has been provided by five international banks: Mizuho, BBVA, Citibank, Caixabank, and HSBC and matures on June 30, 2020. It remained undrawn as of December 31, 2017.

For the 12-month period ended December 31 (in US$ millions)

Cash Flow	**2016**	**2017**
Net cash flows provided by operating activities…	231,9	254,6
Net cash flows used in investing activities………	(4,0)	(522,3)
Net cash flows provided by financing activities..	(91,2)	65,4
Change in cash……………….………….	**136,7**	**(202,3)**

Cash Flow from Operating Activities

In the first nine months of 2017, cash flow generated from operating activities reached approximately US$300 million; however, the cash flow statement shows US$254.6 million since it includes insurance reimbursements (+US$15.4 million) and it is presented after income tax payments of US$64.5 million. It should be noted that cash interest payments amounted to US$40.6 million, US$22.6 million of which were capitalized and accounted for as investments in fixed assets.

Cash Flow Used in Investing Activities

In 2017, cash flows from investing activities resulted in a net cash expenditure of US$522.3 million, mainly due to the cash expenditures related to investments in fixed assets (US$471.2 million), capitalized interest for US$22.6 million, and contributions into TEN (US$29.8 million). By contrast, in 2016, net investment flows reached only US$4 million since capital expenditures were almost entirely offset by cash flows from asset sales (50% of TEN and the SQM substation).

Capital Expenditures

Our capital expenditures in 2017 and 2016 amounted to US$493.9 million and US$369.9 million, respectively, as shown in the following table. These amounts include capitalized interest.

(1) Nominal amounts differ from the debt amounts recorded under the IFRS methodology in the Financial Statements, which considers deferred financial expenses and mark-to-market valuations on derivative transactions.

For the 12-month period ended December 31 (in US$ millions)

CAPEX	**2016**	**2017**
CTA ……………………………………………….	1.5	1.2
CTA (New Port) …………………………………..	62.1	38.1
CTH ………………………………………………	0.2	0.7
IEM …………………………………………………	252.1	398.3
Overhaul power plants & equipment maintenance and refurbishing…………………	11.4	21.1
Environmental improvement works………………	2.4	0.1
Solar plant……………………………………………..	10.0	0.1
Overhaul equipment & transmission lines …………………	12.7	23.8
Others…………………………………………	17.5	10.6
Total capital expenditures……………………….	**369.9**	**493.9**

Capital expenditures in the above table include VAT payments and capitalized interest. In 2017, capitalized interest amounted to US$18.7 million in the IEM Project and US$3.8 million in the Puerto Andino project belonging to our CTA subsidiary.

Cash Flow from Financing Activities

Financing cash flows include two items in 2017: (i) dividend payments totaling US$34.6 million, which included US$21.8 million paid to the minority shareholder in Inversiones Hornitos (CTH), and (ii) new one-year bank loans taken by EECL for an aggregate amount of US$100 million.

Contractual Obligations

The following table sets forth the maturity profile of our debt obligations as of December 31, 2017.

Contractual Obligations as of 12/31/17
Payments Due by Period (in US$ millions)

	Total	**< 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Bank debt……………………………	100.0	100.0	-	-	-
Bonds (144 A/Reg S Notes)………	750.0	-	-	400.0	350.0
Deferred financing cost…………..	(19.1)	(0.5)		(8.5)	(10.1)
Accrued interest…………………	17.5	17.5	-	-	-
Mark-to-market swaps	0.2	0.2	-	-	
Total	**848.7**	**117.3**	**-**	**391.5**	**339.9**

On July 20, 2017, EECL took one-year loans with BCI for US$60 million and Banco de Crédito del Perú (BCP) for US$15 million. On October 25, 2017, EECL borrowed an additional US$25 million from Scotiabank. The three one-year loans are in US dollars, accrue a fixed interest rate and are documented by simple promissory notes (*"pagarés"*) reflecting the payment obligation on the due date, with no operational or financial restrictions and permitted prepayment at any time with no penalties for the company.

The bonds include our US$400 million, 10-year, 5.625% 144-A/Reg.S notes maturing January 15, 2021 and our 144 A/Reg S issue for a total amount of US$350 million with a single principal payment in January 2025 and a 4.5% p.a. coupon rate.

On June 30, 2015, EECL signed a long-term senior unsecured revolving credit facility agreement with five international banks (Mizuho, BBVA, Citibank, Caixabank and HSBC), that will allow the company to draw loans in a flexible manner in an aggregate amount of up to US$270 million with maximum maturity date of June 30, 2020. The execution of this revolving credit facility represented the fulfillment of the first milestone of the company's announced financing plan, and will provide EECL with financial flexibility to finance its expansion in the transmission and generation businesses. The facility draws a commitment fee on the unused portion of the line and a floating interest rate equal to 90-day LIBOR plus a margin on any drawn amounts. As of December 31, 2017, the committed amount remained fully available as EECL had not made any disbursements under this facility.

Dividend Policy

Our dividend policy consists of paying the minimum legal required amounts (30% of net income), although higher amounts may be approved if the company's conditions so allow. Our dividend payment for each year is proposed by our Board of Directors based on the year's financial performance, the size of our available cash balance and anticipated financing requirements for capital expenditures and investments in the following years. The dividend payment proposed by our Board is subsequently approved at a Shareholders' Meeting as established by law.

On April 25, 2017, at the Annual Ordinary Shareholders Meeting, our shareholders approved the Board's proposal to pay a final dividend of US$12,849,087.20 (US$0.012198773 per share) that was paid on May 18, 2017, in Chilean pesos using the peso-dollar observed rate published by the Official Gazette on May 15.

The record of dividends paid since 2010 is shown in the following table:

Cash Dividends paid by Engie Energía Chile S.A.

Payment Date	Dividend Type	Amount (in US$ millions)	US$ per share
May 4, 2010	Final (on account of 2009 net income)	77.7	0.07370
May 4, 2010	Additional (on account of 2009 net income)	1.9	0.00180
May 5, 2011	Final (on account of 2010 net income)	100.1	0.09505
Aug 25 2011	Provisional (on account of 2011 net income)	25.0	0.02373
May 16 2012	Final (on account of 2011 net income)	64.3	0.06104
May 16 2013	Final (on account of 2013 net income)	56.2	0.05333
May 23 2014	Final (on account of 2013 net income)	39.6	0.03758
Sept 30,2014	Provisional (on account of 2014 net income)	7.0	0.00665
May 27 ,2015	Final (on account of 2014 net income)	19.7	0.01869
Oct 23 ,2015	Provisional (on account of 2015 net income)	13.5	0.01280
Jan 22, 2016	Provisional (on account of 2015 net income)	8.0	0.00760
May 26, 2016	Final (on account of 2015 net income)	6.8	0.00641
May 26, 2016	Provisional (on account of 2016 net income)	63.6	0.06038
May 18, 2017	Final (on account of 2016 net income)	12.8	0.01220

Risk management policy

In the normal course of business, EECL is exposed to several risk factors that may impact its operating and financial performance.

EECL has established risk management procedures, which include a description of the risk assessment methodology and a risk matrix. Additionally, a Risk and Insurance Committee, responsible for the risk matrix review, analysis and approval as well as the proposal of risk mitigation measures, has been established. The risk matrix is updated and reviewed quarterly, while the monitoring of action plans is effected on a permanent basis. The company's risk management performance is presented to the company's board on an annual basis.

The company's financial risk management strategy is geared at safeguarding EECL's operating stability and sustainability in a context of risk and uncertainty.

Hedging Policy

Our hedging policy intends to protect the company from certain risks to which we are exposed, as follows:

Business Risk and Commodity Hedging

Our business is subject to the risk of variations in the availability of fuels and their prices. Our policy is to hedge as much as possible against these risks through the indexation of the energy tariffs incorporated in our PPAs, and the fuel mix taken into consideration in the tariffs. However, given (i) the volume fluctuations that our PPAs may have; (ii) the variability that our plant dispatch may experience; (iii) our inability to perfectly match at all times our fuel cost mix with the tariff indexation in our PPAs, and (iv) the recent trend to dissociate PPA price indexation from fossil fuel price fluctuations, we maintain residual exposure to certain international commodity prices. For example, the tariff of the EMEL contract, which became effective at the beginning of 2012, is readjusted semiannually according to the Henry Hub and the U.S. CPI indices. However, there is a mismatch between the Henry Hub index used to define the EMEL tariff (4-month average prior to the tariff fixing, which takes place every six months) and the Henry Hub index prevailing at the time each LNG shipment is made. In the specific case of this contract, this risk is somewhat naturally hedged by a contractual indexation triggered any time the price formula reports a fluctuation of 10% or more. In late 2016, we defined and executed a financial hedging strategy to cover our residual exposure to international commodity price risk in 2017. Therefore, we have taken financial swap contracts to further reduce our residual exposure to Brent and Henry Hub.

Currency Hedging

Given that most of our revenues and costs are denominated in U.S. dollars and that we seek to incur debt in U.S. dollars, we face limited exposure to foreign exchange risk. Our main costs denominated in Chilean pesos are personnel and administrative expenses, which account for approximately 10% of our total operating costs. In the specific case of the EMEL contract, the price is calculated in dollars and is currently converted to pesos at the average monthly exchange rate; therefore, the foreign currency exposure related to this contract has been substantially reduced. The company and its CTA subsidiary signed foreign-currency derivative contracts to hedge the UF and EUR cash flows stemming from the EPC contracts with S.K. Engineering and Construction and Belfi, respectively, to avoid variations in cash flows and the final value of the investment as a result of foreign currency fluctuations out of management's control. In the last quarter of 2015 and through 2016 EECL made some advances to TEN denominated in UF (an inflation-linked Chilean peso unit), which were exposed to foreign-exchange fluctuations and gave birth to foreign-exchange differences. However, all of these advances were paid on December 16, 2016.

Interest Rate Hedging

We seek to maintain a significant portion of our long-term debt at fixed rates in order to minimize interest-rate exposure. As of December 31, 2017, 100% of our financial debt, for a principal amount of US$850 million, was at fixed rates, including the US$100 million short-term loans with interest rates fixed for one year at the time of disbursement. Loans under the 5-year revolving credit facility will draw a variable interest rate based on 90-day LIBOR. As of this date, EECL has not requested any drawings under this facility.

As of December 31, 2017
Contractual maturity date (in US$ millions)

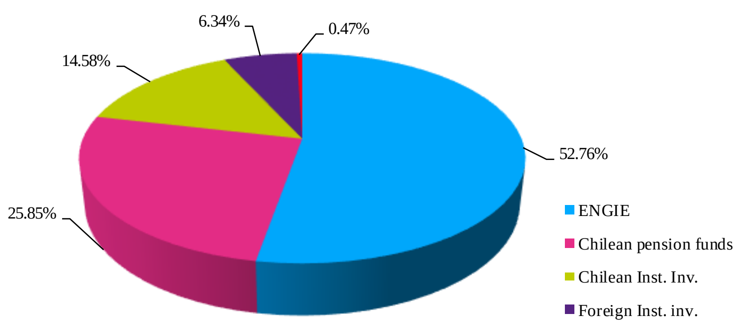
	Average interest rate	2017	2018	2019	2020	Thereafter	Grand Total
Fixed Rate							
(US$)	5.625% p.a.	-	-	-	-	400.0	400.0
(US$)	4.500% p.a.	-	-	-	-	350.0	350.0
(US$)	1.580% p.a.	-	100.0	-	-	-	100.0
Total		**-**	**100.0**	**-**	**-**	**750.0**	**850.0**

Credit Risk

In the normal course of business, and when investing our cash, we are exposed to credit risk. In our regular electricity generation business, we deal mostly with financially strong mining companies, which report low level of credit risk. However, these companies are exposed to variations in commodity prices, particularly copper. Although our clients have demonstrated significant resilience to down-cycles, our company closely follows up this exposure through its commercial counterparty risk policy. We also sell electricity to the sole regulated client in the SING, which provides electricity supply to residential and commercial clients in the region. Our cash management policy is to invest in investment-grade institutions only and only within the short term. We also measure our counterparty risk when dealing with derivatives, and we have individual counterparty limits to manage our exposure.

OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2017

Number of shareholders: 1,823



TOTAL NUMBER OF SHARES: 1,053,309,776

APPENDIX 1

PHYSICAL DATA AND SUMMARIZED QUARTERLY FINANCIAL STATEMENTS

Physical Sales

Physical Sales (in GWh)

	2016					2017				
	1Q16	**2Q16**	**3Q16**	**4Q16**	**12M16**	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**12M17**
Physical Sales										
Sales of energy to unregulated customers.	1,737	1,691	1,685	1,682	6,795	1,600	1,631	1,585	1,529	6,346
Sales of energy to regulated customers	483	476	471	471	1,901	476	479	475	478	1,908
Sales of energy to the spot market………	109	168	91	102	470	88	82	76	28	274
Total energy sales…………………………	**2,328**	**2,336**	**2,247**	**2,255**	**9,166**	**2,164**	**2,193**	**2,136**	**2,035**	**8,528**
Gross electricity generation										
Coal………………………………………….	1,893	1,749	1,660	1,651	6,953	1,253	1,294	1,286	1,334	5,168
Gas…………………………………………..	499	343	401	183	1,426	277	234	236	301	1,047
Diesel Oil and Fuel Oil…………………….	7	11	7	4	30	3	11	7	5	27
Renewable……………………………………….	12	10	14	16	52	17	13	13	16	59
Total gross generation…………………	**2,411**	**2,114**	**2,082**	**1,854**	**8,460**	**1,550**	**1,553**	**1,542**	**1,656**	**6,301**
Minus Own consumption………………..	(191)	(162)	(152)	(160)	(665)	(130)	(122)	(121)	(130)	(504)
Total net generation……………………	**2,220**	**1,952**	**1,930**	**1,694**	**7,796**	**1,419**	**1,431**	**1,421**	**1,526**	**5,797**
Energy purchases on the spot market………..	178	468	414	637	1,697	821	842	795	570	3,028
Total energy available for sale before transmission losses………………………	**2,397**	**2,420**	**2,344**	**2,331**	**9,492**	**2,240**	**2,273**	**2,215**	**2,097**	**8,825**

Quarterly Income Statement

Quarterly Income Statement (in US$ millions)

IFRS										
Operating Revenues	1Q16	2Q16	3Q16	4Q16	12M16	1Q17	2Q17	3Q17	4Q17	12M17
Regulated customers sales………………………	47.7	43.9	41.5	43.3	176.4	46.7	51.3	48.9	50.2	197.2
Unregulated customers sales…………………..	156.7	165.9	162.9	167.9	653.4	184.4	184.2	171.4	186.4	726.4
Spot market sales………………………………..	8.2	12.8	12.8	14.4	48.3	7.1	11.2	6.1	5.1	29.6
Total revenues from energy and capacity sales……………………………	**212.6**	**222.5**	**217.3**	**225.7**	**878.1**	**238.3**	**246.7**	**226.4**	**241.7**	**953.1**
Gas sales…………………………..	0.1	2.2	3.7	4.2	10.3	1.3	1.9	2.2	2.9	8.3
Other operating revenue……………………….	18.2	15.4	25.8	19.7	79.1	19.2	23.1	23.1	27.2	92.6
Total operating revenues………………….	**230.9**	**240.2**	**246.8**	**249.6**	**967.4**	**258.8**	**271.7**	**251.7**	**271.9**	**1,054.1**
Operating Costs										
Fuel and lubricants………………………………	(85.9)	(74.4)	(75.4)	(79.6)	(315.3)	(88.2)	(87.5)	(85.7)	(94.1)	(355.5)
Energy and capacity purchases on the spot	(21.0)	(41.0)	(32.4)	(38.4)	(132.9)	(54.7)	(60.3)	(50.4)	(35.9)	(201.3)
Depreciation and amortization attributable to cost of goods sold..	(33.8)	(33.3)	(33.6)	(34.3)	(135.0)	(32.3)	(33.0)	(34.0)	(33.6)	(133.0)
Other costs of goods sold…………………….	(45.8)	(48.9)	(55.3)	(57.4)	(207.5)	(43.0)	(43.1)	(46.5)	(58.1)	(190.7)
Total cost of goods sold………………..	**(186.5)**	**(197.6)**	**(196.8)**	**(209.8)**	**(790.7)**	**(218.3)**	**(223.9)**	**(216.7)**	**(221.7)**	**(880.5)**
Selling, general and administrative expenses…	(6.8)	(5.1)	(8.4)	(10.5)	(30.8)	(8.3)	(7.0)	(10.7)	(9.4)	(35.5)
Depreciation and amortization in selling, general and administrative expenses…	(0.6)	(1.2)	(1.2)	(1.6)	(4.5)	(1.1)	(1.0)	(1.0)	(1.2)	(4.2)
Other revenues………...……………………….	(0.7)	0.6	1.2	2.7	3.8	1.5	0.6	1.7	1.2	5.1
Total operating costs….………………	**(194.6)**	**(203.3)**	**(205.2)**	**(219.1)**	**(822.2)**	**(226.2)**	**(231.3)**	**(226.7)**	**(231.1)**	**(915.2)**
Operating income….………………	**36.3**	**36.9**	**41.6**	**30.5**	**145.2**	**32.6**	**40.4**	**25.1**	**40.8**	**138.9**
EBITDA……………….……………….	**70.7**	**71.3**	**76.4**	**66.4**	**284.8**	**66.0**	**74.4**	**60.1**	**75.6**	**276.1**
Financial income………..………………………	0.6	0.6	0.5	0.4	2.1	1.0	0.9	0.0	0.6	2.5
Financial expense…………..…………………	(7.8)	(8.0)	(6.8)	(4.1)	(26.7)	(4.5)	(3.3)	(2.3)	(1.6)	(11.6)
Foreign exchange translation, net……………	0.8	0.2	1.3	(0.2)	2.1	0.3	(1.4)	1.5	2.1	2.5
Share of profit (loss) of associates accounted for using the equity method	53.9	(0.4)	0.3	0.3	54.1	0.7	(0.2)	0.2	0.5	1.1
Other non-operating income/(expense) net………………………	179.3	0.5	0.9	(19.5)	161.1	(0.5)	10.1	0.5	(0.1)	10.0
Total non-operating results……………	**226.8**	**(7.2)**	**(3.7)**	**(23.2)**	**192.8**	**(2.9)**	**6.1**	**(0.1)**	**1.5**	**4.6**
Income before tax…………………..………	263.1	29.7	37.9	7.3	338.0	29.7	46.4	25.0	42.4	143.5
Income tax………………………………………	(49.8)	(8.3)	(10.2)	(11.2)	(79.4)	(7.4)	(12.5)	(6.2)	(7.8)	(33.9)
Net income from continuing operations after taxes …….	213.3	21.4	27.7	(3.8)	258.6	22.2	33.9	18.8	34.6	109.6
Net income attributed to controlling shareholders………………	**212.0**	**21.6**	**27.0**	**(5.7)**	**254.8**	**19.7**	**31.5**	**18.1**	**32.1**	**101.4**
Net income attributed to minority shareholders………………	1.3	(0.2)	0.7	1.9	3.7	2.6	2.4	0.7	2.5	8.1
Net income to EECL's shareholders…….	**212.0**	**21.6**	**27.0**	**(5.7)**	**254.8**	**19.7**	**31.5**	**18.1**	**32.1**	**101.4**
Earnings per share…………………….. (US$/share)	**0.201**	**0.020**	**0.026**	**(0.005)**	**0.242**	**0.019**	**0.030**	**0.017**	**0.030**	**0.096**

Quarterly Balance Sheet

Quarterly Balance Sheet (in U.S.$ millions)

	2016 December	2017 December
Current Assets		
Cash and cash equivalents (1)	278.3	78.2
Other financial assets	3.3	2.8
Accounts receivable	104.6	129.4
Recoverable taxes	13.7	12.9
Current inventories	172.1	129.5
Other non financial assets	34.8	28.6
Total current assets	**606.8**	**381.4**
Non-Current Assets		
Property, plant and equipment, net	2,206.8	2,543.5
Other non-current assets	430.0	439.3
TOTAL ASSETS	**3,243.8**	**3,364.2**
Current Liabilities		
Financial debt	17.4	117.3
Other current liabilities	252.3	215.7
Total current liabilities	**269.8**	**333.0**
Long-Term Liabilities		
Financial debt	731.4	731.4
Other long-term liabilities	236.4	234.3
Total long-term liabilities	**967.9**	**965.7**
Shareholders' equity	1,922.5	1,991.5
Minority' equity	83.6	74.0
Equity	**2,006.2**	**2,065.5**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,243.8**	**3,364.2**

(1) Includes short-term investments classified as available for sale.

Main Balance Sheet Variations

The main balance-sheet variations between December 31, 2017, and December 31, 2016, are the following:

Cash and cash equivalents: The US$200.1 million decrease in cash balances is explained by the use of cash in the company's current intensive capital expenditure program. At year-end 2016, cash balances had increased due to TEN's repayment of US$176 million in advances provided by EECL to finance the project's construction. TEN repaid these advances with proceeds of the first disbursement under its project financing signed with ten financial institutions in December 2016.

Accounts receivable: The US$24.8 million increase is mainly a result of an account receivable from regulated clients arising from the differential between the tariff in effect according to the contract and the tariff being effectively applied to regulated clients according to the Node Price decrees. This differential was caused by the delay in the publication of the Average Node Price decrees, and is being paid over one-year periods following the publication of the decrees. On October 10, 2017, the Average Node Price decrees for the six-month periods starting January 2017 and July 2017 were published.

Recoverable taxes: The US$0.8 million increase is mainly due to a combination of two opposite effects: (i) the termination of fiscal credit under the Arica Law (-US$6.4 million) and (ii) an US$8.8 million increase in recoverable balances related to taxes paid on income from previous years.

Current inventories: A US$42.6 million decrease can be observed in inventory balances due to (i) a US$22.5 million reclassification of strategic spare parts from inventory to fixed assets; (ii) a US$13.4 million reduction in fuel inventories, particularly hydrated lime; and (iii) a US$4.5 million increase in the obsolescence provision.

Other non-financial assets – current: The US$6.2 million reduction in this item is explained by lower advances to suppliers partially offset by a US$3.8 million increase in deferred expenses as well as by a US$2 million increase in the VAT credit account, basically resulting from the high level of capital expenditures in the construction of the IEM and Puerto Andino projects.

Property, plant and equipment, net: The construction of the IEM and Puerto Andino projects primarily explain the net US$336.7 million increase in this item. The US$22.6 million reclassification of strategic spare parts from the inventory account also contributed to the increase in the PP&E account.

Financial debt – current: This item reported an US$100 million increase since the company took US$100 million in short-term debt with BCI, BCP and Scotiabank.

Other current liabilities: The significant US$36 million reduction in this item was a result of the following main variations: (i) A US$38.4 million decrease in income tax provisions explained by the high non-recurring income on asset sales (50% of the TEN project) reported in 2016; and (ii) the absence of accounts payable to our related LNG supplier, whereas in December 2016 there was a US$14 million account payable. These were partially offset by (i) a US$9.2 million increase in the provision for dividends payable to Engie Chile and (ii) an US$8.2 million increase in the dividend provision payable to minority shareholders.

Long-term financial debt: This item had no variations during the period.

Other long-term liabilities: The US$2.1 million decrease in this account corresponded to a reduction in the major maintenance provision of our CTA plant, since the provision was partially consumed in the plant's overhaul in the first quarter of 2017.

Shareholders' equity: The US$69 million increase in shareholders' equity is made up of (i) US$100.8 million in 2017 net income, minus (ii) a US$30.3 million dividend payment provision corresponding to 30% of net income in accordance with the company's dividend payment policy. This amount was discounted from equity and included in accounts payable to related companies, in the proportion corresponding to our controlling shareholder, and in other accounts payable, in the proportion payable to our minority shareholders.

Minority equity: This account reported a US$9.6 million decrease due to the payment of retained earnings and dividend payment provisions for an aggregate amount of US$15 million.

APPENDIX 2

Financial information

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
EBITDA*	70.7	71.3	76.4	66.4	66.0	74.4	60.1	75.6
Net income attributed to the controller	212.0	21.6	27.0	-5.7	19.7	31.5	18.1	32.1
Interest expense	7.8	8.0	6.8	4.1	4.5	3.3	2.3	1.6

* Operating income + Depreciation and Amortization for the period

	Dec/16	Dec/17
LTM EBITDA	284.8	276.1
LTM Net income attributed to the controller	254.8	101.4
LTM Interest expense	26.7	11.6

	Dec/16	Dec/17
Financial debt	748.9	848.7
Current	17.4	117.3
Long-Term	731.4	731.4
Cash and cash equivalents	278.3	78.2
Net financial debt	470.6	770.5

Financial Ratios

	FINANCIAL RATIOS		Dec/16	Dec/17	Var.
LIQUIDITY	Current ratio (current assets / current liabilities)	(times)	2.25	1.15	***-49%***
	Quick ratio ((current assets - inventory) / current liabilities)	(times)	1.61	0.76	***-53%***
	Working capital (current assets – current liabilities)	MMUS$	337.0	48.4	***-86%***
LEVERAGE	Leverage ((current liabilities + long-term liabilities) / networth)	(times)	0.62	0.63	***2%***
	Interest coverage * ((EBITDA / interest expense))	(times)	10.66	23.81	***123%***
	Financial debt –to- LTM EBITDA*	(times)	2.63	3.07	***17%***
	Net financial debt – to - LTM EBITDA*	(times)	1.65	2.79	***69%***
PROFITABILITY	Return on equity* (LTM net income attributed to the controller / net worth attributed to the controller)	%	13.3%	5.1%	***-62%***
	Return on assets* (LTM net income attributed to the controller / total assets)	%	7.9%	3.0%	***-62%***

*LTM = Last twelve months

At year-end 2017, the current ratio and the quick ratio were 1.15x and 0.76x, respectively, a decrease compared to December 2016 mainly due to (i) a decrease in cash balances explained by the use of available cash to pay for heavy capital expenditures; and (ii) an US$100 million increase in current debt. As a result, working capital, measured as total current assets minus total current liabilities, decreased to US$48.4 million. Liquidity remains strong due to the company's strong cash generation ability added to the US$270 million committed revolving credit facility, which remains fully available.

The leverage ratio, as measured by total liabilities-to-equity, reached 0.63x as of December 31, 2017, a minimal reduction compared to December 2016's 0.62x, explained by the increase in net worth and minimal variation in total liabilities. The latter was explained by the decrease in non-financial liabilities (mainly tax liabilities associated with the sale of 50% of TEN), which offset the increase in financial debt.

At year-end 2017, interest coverage was 23.81x, greater than December 2016's 10.66x as a result of a decrease in interest expense explained by the capitalization of interest in the IEM and Puerto Andino projects.

The leverage ratio, as measured by Gross financial debt-to-EBITDA, increased by 17% due to the combined effect of a 13% increase in financial debt and the 3% decrease in EBITDA. Net financial debt-to-EBITDA increased further by 69% given the debt increase and the use of available cash (US$200 million) to finance capital expenditures.

Return on equity and return on assets decreased markedly as compared to December 2016, due to exceptionally high non-recurring income reported in 2016 as a result of the sale of 50% of the shares in the TEN Project.

CONFERENCE CALL 12M17

ENGIE Energía Chile is pleased to inform you that it will conduct a conference call to review its results for the period ended December 31, 2017, on Thusday, February 1st, 2018, at 10:00 a.m. (USA-NY) – 12:00 p.m. (Chilean Time)

hosted by:
Eduardo Milligan, CFO Engie Energía Chile S.A.

To participate, please dial:
1(412) 858-4609, international or
1230-020-5802 (toll free Chile) or
1(866) 750-8807 (toll free US).

To join the conference, please state the name of the conference (**ENGIE Energía Chile**); no other Conference ID will be requested. Please connect approximately 10 minutes prior to the scheduled starting time.

To access the phone replay, please dial **1 (877) 344-7529** / 1 **(412) 317-0088**
Passcode I.D.: 10115904, a conference call replay will be available until Feb 13, 2018.