Colbún

2Q15 Quarterly Report

- **EBITDA in 2Q15 reached US$136.4 million,** slightly lower than the EBITDA of US$140.8 million in 2Q14. Although 2Q15 showed unfavorable hydrological conditions which resulted in lower hydro generation, it was largely offset by higher thermal generation with natural gas at a competitive cost. The average thermal generation cost decreased by 30% compared to 2Q14.
  Meanwhile, the increase in EBITDA compared to the previous quarter (1Q15) was given by a higher hydro generation due to seasonality, which resulted in greater sales to the spot market at a higher average price.
- Colbún reported a **net income of US$50.1 million** this quarter vs. a net income of US$71.6 million in 2Q14, and a net income of US$7.0 million in 1Q15. The drop from 2Q14 is explained by a lower EBITDA and higher tax expenses. The increase compared to 1Q15, as already mentioned, is given by the higher hydro output.
- Total **energy sales volume** amounted to 3.3 TWh during the quarter, down by 3% compared to 2Q14 mainly due to a lower regulated demand, and up by 6% compared to 1Q15, mainly explained by higher sales to free costumers and to the spot market.
- **Total generation** was 3.4 TWh, down by 3% from 2Q14 and up by 6% from 1Q15. Both variations are mainly explained by the hydro volatility.
- At the closing of 2Q15 **financial investments** reached US$912.5 million and **net debt** was US$964.5 million.

Conference Call
2Q15 Results

Date: Friday July 31st 2015
Time: 11:00 AM Eastern Daylight Time
12:00 PM Chile Time
US Toll Free: 1 888 339.2688
International Dial: +1 617 847.3007
Password: 161 134 98

Summary
USD million

	2Q14	1Q15	2Q15	6M14	6M15	Change YoY	Change QoQ	Change Ac/Ac
Revenues	408.0	317.0	358.5	821.3	675.5	(12%)	13%	(18%)
EBITDA	140.8	92.8	136.4	260.6	229.1	(3%)	47%	(12%)
Net Income	71.6	7.0	50.1	123.1	57.1	(30%)	619%	(54%)
Net debt	1,281	1,071	965	1,281	965	(25%)	(10%)	(25%)
Energy sales (GWh)	3,422	3,109	3,307	6,625	6,416	(3%)	6%	(3%)
Total generation (GWh)	3,499	3,195	3,388	6,767	6,584	(3%)	6%	(3%)
Hydroelectric generation (GWh)	1,621	1,098	1,358	2,730	2,455	(16%)	24%	(10%)

Colbún is the second largest generator of the SIC (the Sistema Interconectado Central is the main electricity grid covering 75% of Chilean demand). The Company has 3,278 MW of installed capacity (52% thermal and 48% hydraulic) spread over 23 plants. The facilities are located in 7 regions. Colbún sells energy and capacity to regulated customers (Distribution Companies), to non-regulated customers (Industrial Companies) and its surplus is sold to other Generators on the spot market.

"The hydrological year (Apr-Mar) which started in Apr15 presented low rainfalls during the quarter; rains that began in late June with the first significant weather fronts and have remained relatively stable after the end of the quarter. The hydrological situation has not been uniform throughout Chile, where the basins most affected by lower rainfalls are located in the center/north of the SIC (Central Interconnected System). The lower hydro generation in the quarter was partly offset by natural gas generation at competitive cost.

On financial matters, in May Standard & Poor's revised the outlook of the company from Negative to Stable on a BBB- international rating. The main rationale behind this decision is explained by a sustained improvement in the results of the company and its financial metrics based primarily on: (1) the remarkable commissioning and contribution of the Angostura plant, (2) the reliable operation of the Santa Maria coal facility, (3) ample access to natural gas at competitive cost.

Looking ahead and in line with the growth plans of the company, in June Colbún submitted to the Environmental Evaluation Institution of the Los Rios Region, the Environmental Impact Assessment (EIA) for the adjustments to the San Pedro hydroelectric project. In the meantime, the company has continued the extensive work of early socialization with stakeholders, particularly at a local level. In turn, regarding the international expansion plans, the sale of the 57% of ISAGEN, held by the Colombian government, was suspended on May 15th (remember Colbún was one of the three pre-qualified companies in this sale process). The timing and terms of the sale process resumption have not been informed.

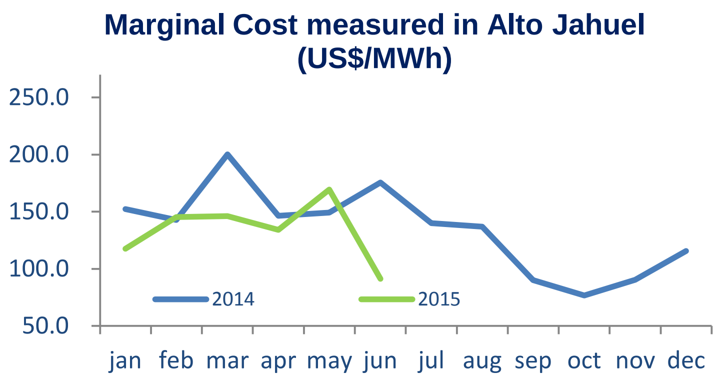
The results for the coming quarters will depend on the ability to operate hydroelectric and thermal plant properly and efficiently. It is noteworthy that recently a new gas supply contract with Metrogas S.A. was signed, allowing the company to have additional volume of natural gas for the period of August to October of this year. The volume will enable the company to generate approximately 1.5 months of operation of a CCGT, and will be distributed during the three months mentioned."

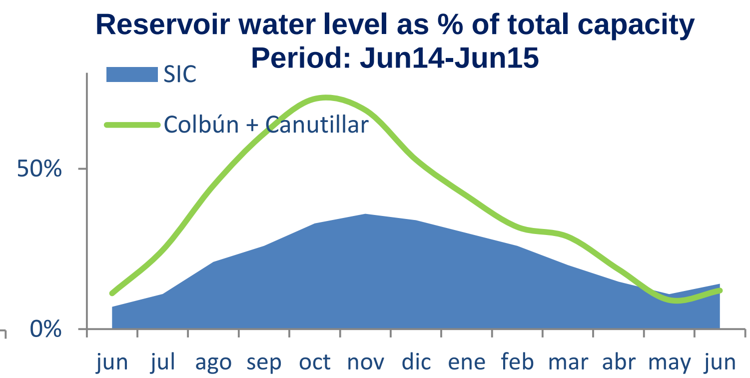
Socialization in San Pedro: guided visits to the Project site available to general public

SIC (Central Interconnected System) generation grew by 0.6% during the second quarter of 2015 compared to 2Q14, but compares negatively to the growth during the 1Q15 which reached 3.0%. The slowdown in power demand is a factor that has been present throughout the year and has contracted further in recent months. Remember that demand is strongly linked to the economic activity, which has been showing signs of deceleration.

The main changes in the SIC generation mix during the quarter compared to 2Q14 were a decrease in hydroelectricity (-4%) and coal (-3%), partially offset by higher natural gas generation (+6%). The breakdown of total generation by technology was as follows: **hydroelectricity 33%, coal 27%, natural gas 26%, diesel 4% and others 10%.**

Meanwhile, the **average marginal cost measured in Alto Jahuel during the quarter decreased by 16%** from US$157/MWh in 2Q14 to US$132/MWh in 2Q15. This drop is mainly explained by the decline in fuel prices compared to the same period of last year.





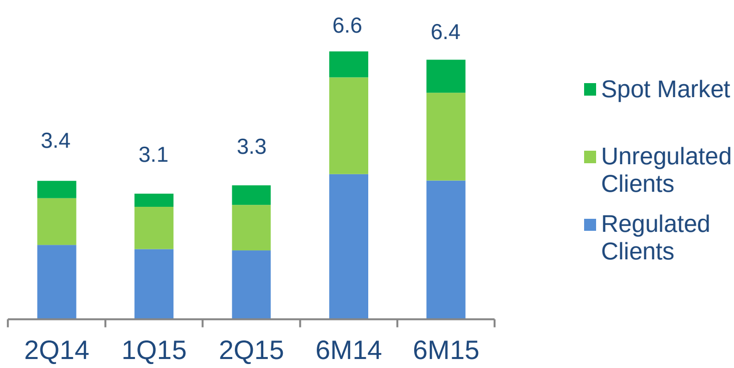
SALES VOLUME

Physical withdrawals from costumers under contract reached 2,823 GWh during 2Q15, 6% lower than in 2Q14, mainly because of lower demand from regulated customers. Meanwhile, physical sales under contracts increased 2% compared to 1Q15, explained by higher free clients' withdrawals.

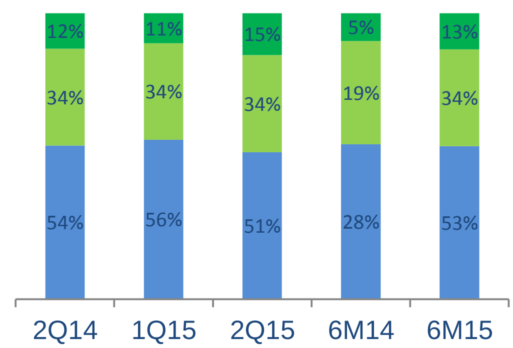
Net sales in the spot market reached 484 GWh in 2Q15, a 14% and 48% increase compared to 2Q14 and 1Q15 respectively. However, part of these sales corresponds to discounts taken on the Codelco billing; therefore do not add to the operational margin. During the quarter 208 GWh were deducted to the Codelco billing due to this reason.

In cumulative terms, physical sales to customers under contract Jun15 reached 5,605 GWh up until, 6% lower compared to Jun14, mainly due to the expiration of the Conafe contract in Apr15, the Metro contract in Mar14 and the Codelco backup contract in Dec14. Net cumulative sales in the spot market totaled 811 GWh as of Jun15, 26% higher than as of Jun14.

Physical Sales by Type of Client (TWh)



Physical Sales by Type of Client (%)



GENERATION

Power generation in 2Q15 was characterized by low hydroelectric generation due to low rainfalls during the quarter. However, this lower hydro generation in the quarter was partly offset by natural gas generation at a competitive cost, allowing the operation of the two combined cycle units for much of the quarter.

Hydroelectric generation during 2Q15 was 16% lower than in 2Q14. Although the availability of the hydro power plants was 90% and in line with 2Q14, the drop reflects the lower rainfalls during the quarter. When compared to 1Q15 hydro generation increased by 24% due to hydro seasonality.

Coal-fired generation during 2Q15 was 699 GWh, 3% and 12% lower than in 2Q14 and in 1Q15 respectively. This is explained by some minor unscheduled stoppages of the Santa María unit I during the quarter. In cumulative terms as of 2Q15, coal-fired generation compares favorably with the cumulative amount as of 2Q14 (1,491 to 2Q15 versus 1,424 GWh to 2Q14).

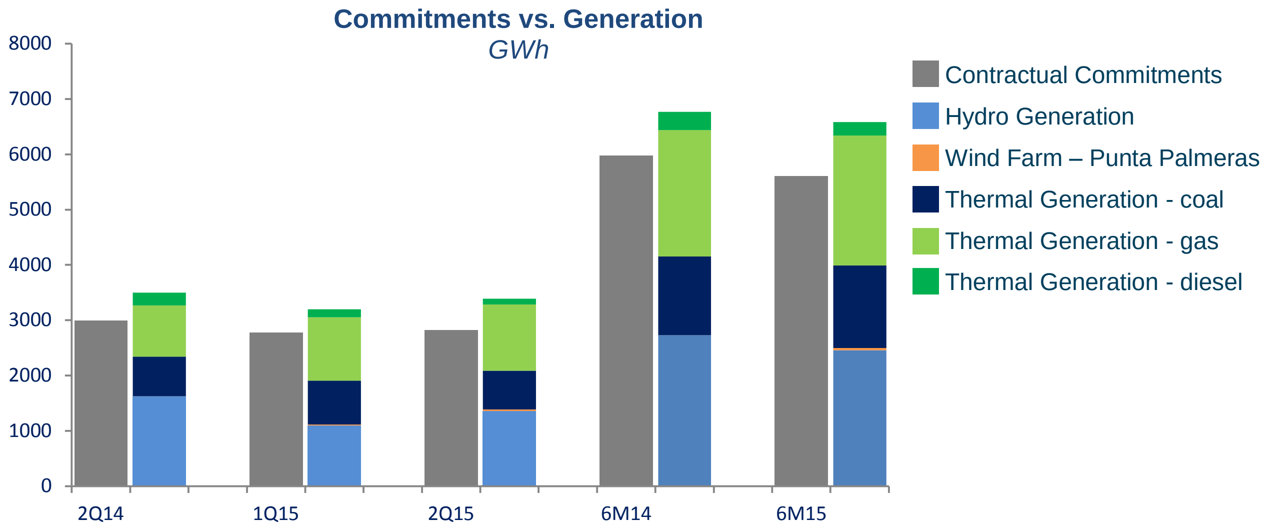
Gas-fired generation increased 29% and 5% compared to 2Q14 and to 1Q15 respectively. The increase is explained by higher contracted gas volume for this quarter. Remember that the agreements with ENAP and Metrogas guarantee natural gas supply at a competitive cost for most of the year.

Diesel-fired generation reached 102 GWh in 2Q15, down by 56% and 28% compared to 2Q14 and to 1Q15 respectively. Although there was lower hydroelectric generation both in Colbún and in the SIC, it was replaced by other technologies (mainly natural gas and NCRE), so low diesel generation was required.

PHYSICAL SALES AND GENERATION BALANCE

The generation mix of 2Q15 allowed **73% of the Company's commercial commitments to be supplied with efficient energy**: hydroelectricity and coal (vs. 78% of 2Q14 and 68% of 1Q15). The remaining commitments were supplied with natural gas generation, which considering Colbún's negotiated commercial conditions, currently represent a cost efficient generation source. These three quarters covered denote an appropriate commercial policy in terms of contractual commitments versus generation output.

In cumulative terms, **base generation accounted for 70% of commitments as of Jun15**, greater than 69% at Jun14. If natural gas is incorporated into the efficient generation mix, this percentage reaches 100%.

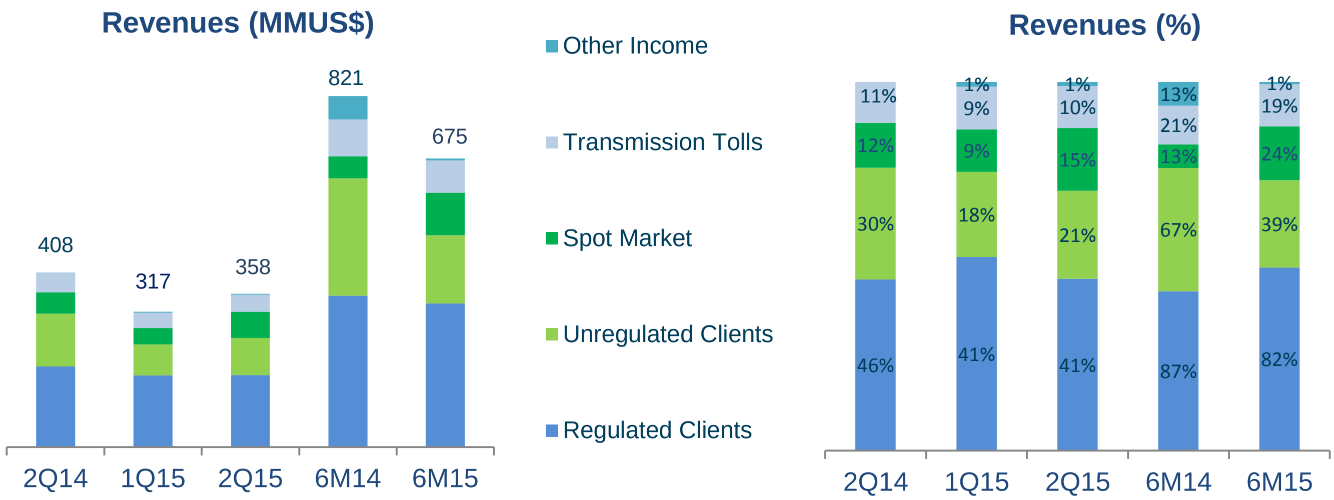


Sales Volume vs. Generation
GWh

	2Q14	1Q15	2Q15	6M14	6M15	Change QoQ	Change YoY	Change Ac/Ac
Sales Volumes								
Regulated customers	1,838	1,734	1,699	3,589	3,432	(2%)	(8%)	(4%)
Free customers	1,159	1,048	1,125	2,392	2,172	7%	(3%)	(9%)
Spot market sales	425	327	484	644	811	14%	14%	26%
Total energy sales	**3,422**	**3,109**	**3,307**	**12,842**	**6,416**	**6%**	**(3%)**	**(50%)**
Generation								
Hydraulic	1,621	1,098	1,358	2,730	2,455	24%	(16%)	(10%)
Thermal - Gas	929	1,147	1,202	2,286	2,349	5%	29%	3%
Thermal - Diesel	231	141	102	327	243	(28%)	(56%)	(26%)
Thermal - Coal	718	792	699	1,424	1,491	(12%)	(3%)	5%
Wind Farm - Punta Palmeras	-	18	28	1,424	1,491	54%	-	5%
Total own generation	**3,499**	**3,177**	**3,361**	**6,767**	**6,538**	**6%**	**(4%)**	**(3%)**
Energy purchases (spot market)	0	0	0	0	0	-	-	-
Energy Purchases - Sales in the Spot Market	**425**	**327**	**484**	**644**	**811**	**48%**	**14%**	**26%**

OPERATING REVENUES

Operating revenues from ordinary activities for 2Q15 amounted to US$358.5 million, down by 12% compared to 2Q14. This fall is mainly explained by lower income from customers under contract, partially offset by higher sales of energy and power in the spot market. The increase of 13% compared to 1Q15 is mainly explained by higher revenues in the spot market. In cumulative terms, revenue fell by 18%, mainly explained by lower sales to unregulated customers and lower "Other income" associated with non-recurring effects registered in 2Q14.
Revenues are broken down as follows:



Regulated Customers: Revenues from sales to regulated customers reached US$168.7 million in 2Q15, up 10% compared to 2Q14 mainly explained by lower sales volume because: (1) the expiration of the contract with Conafe in Apr15, (2) lower demand and (3) to a lesser extent to lower monomic price. The increase of 1% on this line compared to 1Q15 is explained by a higher monomic price, partially offset by lower demand.
In cumulative terms, sales reached US$336.4 million as of Jun15, down 5% compared to Jun14 explained by lower sales volume given the above mentioned (Conafe contract maturity, lower demand and lower prices).

Free Customers: Revenue from free customers totaled US$86.4 million in 2Q15, decreasing by 30% compared to 2Q14. The main effect of this decrease is due to the expiration of the Codelco backup contract, which was replaced by another contract with the same client but at a long-term price. This new contract considers the sale in the spot market by Colbún of a portion of the contracted supply (contracted but not used) by Codelco, with a resulting margin that is credited to the client’s billing. This amount is registered simultaneously as sales to other generators.
The increase of 18% compared to 1Q15 is mainly because Codelco withdrew a higher amount of energy on the previous quarter. Therefore, the profits associated with the energy contracted but not used, which was sold in the spot market, were lower. During the quarter, the unused power supply by this customer was 208 GWh versus 301 GWh in the previous quarter.
In cumulative terms, sales to unregulated customers at Jun15 reached US$159.4 million, 42% lower compared to Jun14, mainly due to lower average selling monomic price and to a lesser extent by lower physical sales, given the expiry of the Codelco contract in Dec14 (already mentioned) and the Metro contract in Mar14.

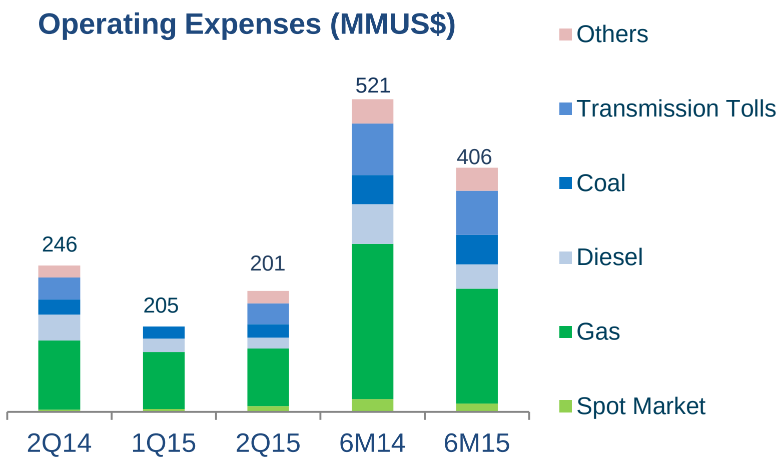
Spot Market Sales: During the 2Q15 the Company sold US$61.6 million (equivalent to 484 GWh) in the spot market, a 23% increase compared to 2Q14 (US$49.9 million - 425 GWh). Sales in the spot market increased 62% compared to 1Q15 (US$36.0 million - 327 GWh) mainly explained by higher generation during the quarter and by an increased selling monomic price, even though the average marginal cost remained the same in both quarters. It is noteworthy that a portion of these sales are discounted in the unregulated customer’s line, due to the Codelco contract clauses mentioned above.
In cumulative terms, as of Jun15 monetary sales in the spot market almost doubled. The increase is mainly explained by higher sales volume and to a lesser extent by a higher average sale price.

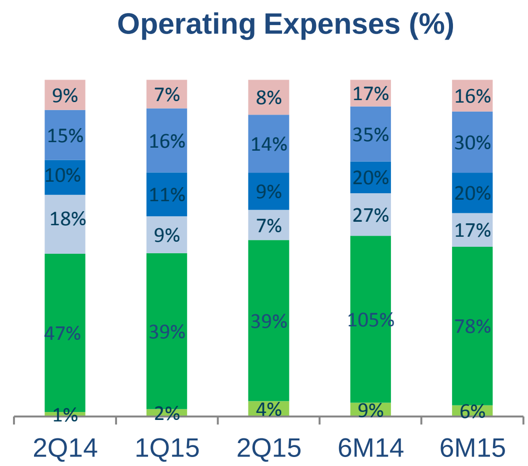
Transmission Tolls: On a quarterly basis transmission tolls decreased 12% compared to 2Q14. Lower revenues from transmission tolls in 2Q14 correspond to lower demand, and a decrease in trunk toll income due to lower resettlement associated to 2014 (collected in 2Q14) versus 2013 (collected in 2Q14). Meanwhile, tolls increased US$3.5 million compared to 1Q15 because in 1Q15 the company had to pay to distribution companies (lower income) sub-transmission reassessments related to the Jan11-May14 period.
In cumulative terms, as of Jun15 these revenues reached US$75.5 million, lower by 12% over the same period of the previous year. The decrease is explained by lower tariff in the trunk system due to lower demand and lower complement of additional toll, partly offset by higher reassessments in the sub-transmission system associated to the DS14 (Supreme Decree 14).

Other Income: The three quarters under review had no relevant Other Income (US$2.3 million in 2Q15, US$0.6 million in 2Q14 and US$2.3 million in 1Q15).
In cumulative terms, as of Jun15 Other Income were not significant. However, as of Jun14 were US$54.4 million mainly explained by: (1) US$32.5 million resulting from the business interruption insurance compensation for the failure that affected the Nehuenco II power plant in Mar13 and (2) US$16.9 million for the margin resulting from the difference between valued injections and withdrawals over the testing period of the Angostura hydroelectric power plant.

OPERATING EXPENSES

Raw materials and consumables used in 2Q15 totaled US$201.3 million, decreasing compared to 2Q14 (-18%), to 1Q15 (-2%) and in cumulative terms (-22%). The decreases compared to 2Q14 and in cumulative terms are mainly explained by lower consumption and lower cost of natural gas and diesel oil. The decline compared to 1Q15 is largely due to lower costs of tolls, diesel oil and coal.
Operating expenses are broken down as follows:





Transmission tolls: On a quarterly basis, tolls decreased 5% compared to 2Q14 and 11% compared to the 1Q15. The fall compared to 2Q14 is explained by lower customer demand. The lower cost of tolls compared to 1Q15 is explained by a favorable payment associated with the 2014 annual recalculation tolls received in Apr15.
In cumulative terms, transmission tolls fell by 14% mainly due to lower costs of sub-transmission tolls given by lower regulated demand and lower costs associated with VATT (Annual Transmission Value per Tranche) following the revision of tolls in 2014.

Spot Market Purchases: During 2Q15 purchases of energy and power in the spot market registered US$9.2 million. This represents an increase compared to the US$3.4 million in 2Q14 and US$4.5 million in 1Q15. Although all periods did not include physical energy purchases, in the monetary balance disbursements were made.
In cumulative terms, as of Jun15 disbursements were US$13.7 million, down from US$21.4 million in Jun14, mainly due to lower capacity purchases. It is worth mentioning that 2014 included capacity purchases due to a reduction in firm capacity as a result of the unavailability of Nehuenco II power plant that experienced a failure over a portion of the firm capacity control period (May to September).

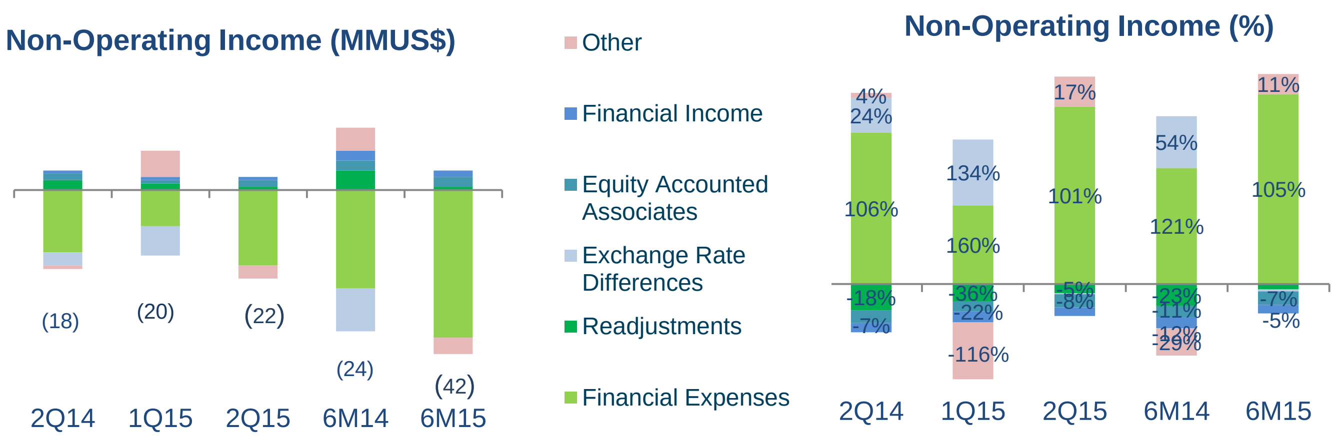
Fuel costs: During 2Q15 reached US$136.5 million, lower by 26% compared to the same period last year. This decrease is mainly due to a lower cost of natural gas, although generation with this fuel increased by 29%. The reduction is also explained by lower generation with diesel oil. The average thermal generation cost was more efficient, reflecting the drop in international fuel prices and the new contractual conditions achieved in the supply of natural gas. Fuel costs decreased by 2% compared to 1Q15 due to lower generation and consumption of both coal and diesel oil.
In cumulative terms, fuel costs as of Jun15 totaled US$280.7 million, 25% lower than in Jun14 explained by the same reasons as in quarterly terms (2Q15/2Q14).

NON-OPERATING INCOME

Non-Operating Income of 2Q15 recorded losses of US$22.4 million, higher than the losses of US$17.8 million in 2Q14 and the losses of US$20.2 million in 1Q15. This is mainly given by higher interest expenses explained by a higher level of gross debt, and higher "Other losses", partly offset by an income in the exchange rate difference line.

In cumulative terms, the non-operating result as of Jun15 presents a greater loss which is mainly explained by: (1) higher interest expense due to a higher level of gross debt and lower capitalization of these costs after the commissioning of the Angostura power plant in Apr14 and (2) higher "Other losses". Recall that in 1Q14 a non-recurring income was recorded due to the insurance compensation for physical damage of US$15.7 million associated with the Nehuenco II plant failure in Mar13. These effects were partially offset by higher exchange rate differences when compared with the figure recorded as of Jun14.

The main reasons that explain this result are the following:



Exchange Rate Difference: This line recorded a profit of US$0.1 million during 2Q15, mainly explained by the positive effect of the increased volatility in the exchange rate CLP/US$ in 2Q15 on temporary balance sheet accounts in local currency, primarily receivables and payable accounts. The exchange rate difference decreased slightly by US$0.3 million compared to 1Q15.

In cumulative terms, this line posted a profit of US$0.5 million which compares favorably with the loss of US$13.2 million as of Jun14 for the same reasons explained above.

Other income (loss): during 2Q15 this line recorded a loss of US$3.9 million, higher than the loss of US$0.6 million for the same period last year and the loss of US$0.9 million in 1Q15. The higher loss of 2Q15 is mainly explained by a change in the fair value of some hedging derivatives held by the Company.

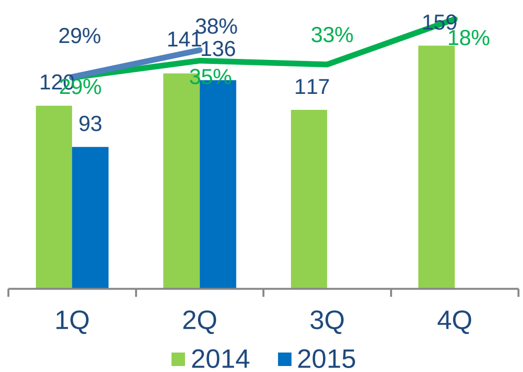
In cumulative terms, the Other income (loss) line as of Jun15 amounted to a loss of US$4.7 million, compared with a profit of US$7.0 million as of Jun14. The accumulated result until Jun15 is mainly explained by the aforementioned hedge instruments fair value variation. The accumulated result as of Jun14 considered a non-recurring income of US$15.7 million due to the insurance compensation for physical damage associated with the failure of the Nehuenco II power plant occurred in Mar13. This effect was partially offset by the US$7.0 million one-time asset impairment charge stemming from the failure of Blanco hydroelectric power plant occurred in Jan14. Note that the latter is in operation since Feb15.

Income Tax Expense: in cumulative terms as of Jun15 amounts to US$33.6 million vs. US$24.9 million as of Jun14. This higher tax expense is mainly due to: (1) 5.3% accumulated depreciation of the exchange rate CLP/US$, affecting the calculation of deferred income taxes given that both fixed taxable assets and tax losses are stated in Chilean Pesos and (2) a higher tax rate after the enactment of the Tax Reform in Sep14 (Law 20,780).

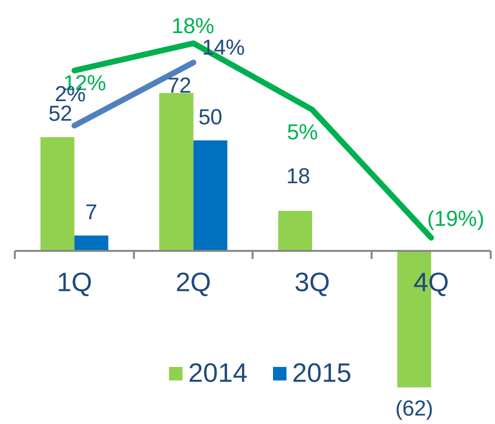
EBITDA AND NET INCOME ANALYSIS

2Q15 EBITDA amounted to US$136.4 million, lower than the EBITDA of US$140.8 million in 2Q14 and higher than the US$92.8 million in 1Q15. Regarding 2Q14, the reduction is mainly explained by lower hydroelectric generation, which was largely offset by greater thermal generation with natural gas at a competitive cost. The EBITDA for the quarter increased by 47% compared to 1Q15 mainly due to more efficient generation that allowed supplying power contracts at a lower cost and generate higher profits in the spot market.

EBITDA & EBITDA Margin



Net Income & Net Income Margin



The Company recorded in 2Q15 a **profit of US$ 50.1 million,** a decrease when compared to the profit of US$71.6 million in 2Q14, but favorably compares with the loss of US$7.0 million in 1Q15. The net income of both quarters of this year has been affected by higher tax expense mainly as the result of: 1) the depreciation of the exchange rate CLP/US$ of 5.3%, which affects the calculation of deferred taxes since the fixed taxable assets are accounted in Chilean pesos and 2) a higher tax rate after the enactment of the Tax Reform in Sep14 (Law 20,780), when compared to 2Q14.
Net income margin reached 14% over operating revenues for the quarter under analysis, which compares unfavorably with 2Q14 (18%), but positively with 1Q15 (2%).

Sales Volume vs. Generation
GWh

	2Q14	1Q15	2Q15	6M14	6M15	Change QoQ	Change YoY	Change Ac/Ac
Sales Volumes								
Regulated customers	1,838	1,734	1,699	3,589	3,432	(2%)	(8%)	(4%)
Free customers	1,159	1,048	1,125	2,392	2,172	7%	(3%)	(9%)
Spot market sales	425	327	484	644	811	14%	14%	26%
Total energy sales	**3,422**	**3,109**	**3,307**	**12,842**	**6,416**	**6%**	**(3%)**	**(50%)**
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Thermal - Coal	718	792	699	1,424	1,491	(12%)	(3%)	5%
Wind Farm - Punta Palmeras	-	18	28	0	45	54%	-	-
Total own generation	**3,499**	**3,177**	**3,361**	**6,767**	**6,538**	**6%**	**(4%)**	**(3%)**
Energy purchases (spot market)	0	0	0	0	0	-	-	-
Energy Purchases - Sales in the Spot Market	**425**	**327**	**484**	**644**	**811**	**48%**	**14%**	**26%**

GROWTH PLAN

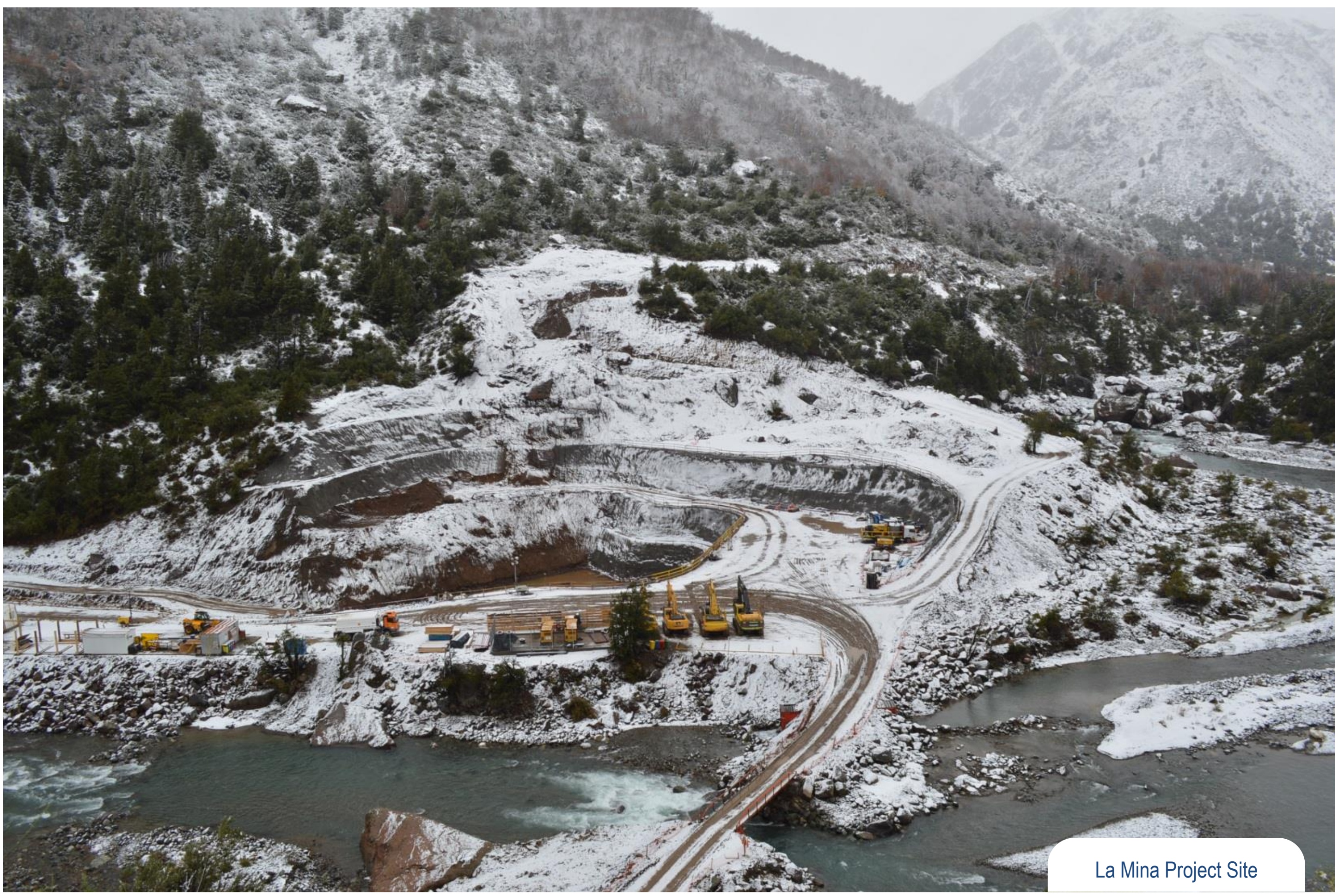
Colbún has a development plan under way that consists on increasing its installed capacity, while maintaining a relevant participation in the hydroelectric generation industry, with a thermoelectric component that allows increasing the security of its supply in a competitive manner and diversifying its generation sources.

The company is seeking growth opportunities in Chile and in other countries in the region such as Colombia and Peru, in order to maintain a leading position in the power generation industry and to diversify its sources of income. These countries are characterized by an attractive economical potential and their electricity regulatory framework have a well-established track record. Participating in these markets may also improve diversification in terms of hydrological conditions, generation technologies, access to fuels and regulatory frameworks.

In Chile, Colbún has several potential projects currently under different stages of development, including hydro, thermal and transmission line projects.

Below is the status of some of the Company´s projects:

	La Mina	Sta. María II	San Pedro
Description	Mini Hydro	Coal	Hydro-Reservoir
Capacity(MW)	34	350	160-170
Gwh/year expected	191	2,500	950



La Mina Project Site

Projects under Construction

▪ **La Mina Hydroelectric Project (34 MW):** La Mina is a NCRE project located in San Clemente, about 110 km east of Talca. The project has an installed capacity of 34 MW and an annual average generation of 191 GWh. The energy will be injected to the SIC at the 220 kV Loma Alta substation, through a High Tension Line (HTL) of 66kV and 30 km long. The project takes advantage from the hydraulic potential of the Maule River and captures the water when connects with the Puelche River, restoring the water to the same river 2 km downstream the capture point.

During Jan15 the contractor responsible for executing the civil works installed at the field site. During the first half of the year, excavation and supports over the drop zone started (load camera, pressure piping and powerhouse) and adduction and restoring channel began construction. The Maule River was diverted in order to build the cofferdam protection and so to begin excavation of the intake and mobile barrier. The progress of the excavations allowed starting, towards the end of the semester, the structural concrete of the mobile barrier and concrete embankments of the adduction channels. The progress of construction at the end of Jun15 is on schedule.

It is expected that the project begins commercial operation in early 2017. The investment amount will be approximately US$130 million.

The progress of the Project as of Jun15 is according to schedule.

Projects under Development

▪ **Unit II of the Santa María Complex Project (350 MW):** The project is located in Coronel, Biobío Region and considers an installed capacity of 350 MW. Currently, Colbún has the environmental permit approved to develop this second unit of the complex.

During 2014 its design was improved, incorporating new technology to meet the demanding regulations on emissions in force since January 1st, 2012. Also, the social, economic and commercial dimensions of the project are being analyzed, in order to timely define the beginning of its construction.

▪ **San Pedro Hydroelectric Project (160 - 170 MW):** The project is located 25 km. northeast of Los Lagos, and considers using the water of the homonymous river through a power plant located between the outlet of the Riñihue Lake and the Malihue Bridge. Considering the adjustments included in the project, this will have an estimated flow design of 460 m^3/s (+10% with openness) and an approximate installed capacity between 160 – 170 MW for an annual generation of 950 GWh under normal hydrological conditions. The operation of the power plant will be such that the level of the reservoir remains virtually constant, which means that the flow downstream of the power plant is not going to be altered by its operation.

In Jun15, the amendments to the Environmental Impact Assessment (EIA) were submitted to the Environmental Assessment Service (SEA) in Los Rios Region. In parallel, we continue with the process of socialization of the project through meetings with municipalities, communities, neighborhood and regional authorities, among other stakeholders.

▪ **San Pedro-Ciruelos Transmission Line Project:** The San Pedro-Ciruelos transmission line project will allow evacuating the power of the San Pedro power plant to the SIC through a 220 kV line and 47 km. length, and will be connected to the Ciruelos substation, located about 40 km northeast of Valdivia.

The main activities undertaken so far are related to negotiations for easements line and efforts to start construction of the project.

They Archaeological Rescue works in the Fundo Colegual are finished. These works were committed in the RCA (Environmental permit). The company is also advancing in updating the Forest Management Plans.

▪ **NCRE (Non-Conventional Renewable Energies) Projects:** The electrical regulation requires that a portion of the contracted energy comes from non-conventional renewable generation means, establishing as goal that by 2025, 20% comes from this type of technology.

In this context, in 2013 Colbún signed a contract with Acciona Energía for the purchase of energy and attributes generated by the Punta Palmeras wind farm, of 45 MW, located in Canela, 70 km. from the city of Los Vilos, IV region, which began its commercial operation in Nov14.

Also, Colbún continues analyzing the technical and economic feasibility of several projects of small hydroelectric power plants, which will use water rights from water user associations, businesses and individuals. Additionally, the involvement in generation projects of other technologies is being studied.

- **Hidroaysén:** Colbún participate in a 49% ownership of HidroAysén S.A.

Despite the natural uncertainty on the timing and content of the court's decision to which Hidroaysén has appealed or will appeal in the future, as well as guidelines, conditions or any reformulations that those processes being conducted by the government regarding the long term energy agenda and basin territorial planning determine in relation to the development of the hydroelectric potential in Aysén, Colbún restates its belief that the existing water rights, the additional water rights requested, the environmental permits (RCA – Environmental Qualification Resolution), the field studies, the engineering, approvals and project properties are assets acquired and developed by the company for the past eight years under the current institutional framework and in accordance with international technical and environmental standards.

Colbún maintains the conviction that the development of this hydroelectric potential presents benefits for the country's growth and represents a source of potential long-term value. Colbún S.A. will continue defending the Environmental Qualification Resolution (RCA) of the project which is under debate in the Environmental Courts and as well as the defense of the additional water rights currently underway according to our Institutional Legal Framework.

- **Others:** The company continues performing technical, economic and environmental prefeasibility and feasibility studies for hydroelectric projects, which would use water rights owned by Colbún mainly in the Region of el Maule. In addition, the company is working on developing options to directly purchase LNG from the international market.

RELEVANT EVENTS

▪ The divestiture process of the 57% of **ISAGEN**, held by the Colombian government, was suspended on May 15th (remember Colbún was one of the three pre-qualified companies in this sale process). The timing and terms of the sale in case of reactivation are unknown.

▪ In June 10th, the **amendments to the Environmental Impact Assessment (EIA)** were submitted to the Environmental Assessment Service (SEA) in Los Rios Region. The submission was already declared admissible. To learn more about the "Amendments to the San Pedro Hydroelectric power project" visit www.centralsanpedro.cl

▪ In May **Standard & Poor's revised the outlook of the company from Negative to Stable** on a BBB- international rating. The main rationale behind this decision is explained by a sustained improvement in the results of the company and its financial metrics based primarily on: (1) the remarkable commissioning of the Angostura plant, (2) the reliable operation of the Santa Maria coal facility, (3) ample access to natural gas at a competitive cost.

▪ Recently in July a **new natural gas supply contract with Metrogas S.A. was signed**, and will allow the company to have an additional volume of natural gas for the August to October period of this year. The volume will enable to generate approximately the equivalent of 1 ½ months of operation of a CCGT, and will be distributed during the three months allotted.

BALANCE SHEET ANALYSIS

Summarized Balance Sheet

USD million

	2Q14	1Q15	2Q15	Change YoY	Change QoQ
Current Assets	803.7	1,251.6	1,288.4	484.7	36.8
Cash and cash equivalents	337.4	816.7	912.5	575.1	95.7
Trade and other accounts receivable	327.7	237.8	221.5	(106.2)	(16.3)
Current tax receivable	41.8	57.2	39.5	(2.3)	(17.7)
Other current assets	96.8	139.9	115.0	18.2	(24.9)
Non-Current Assets	5,268.4	5,090.1	5,081.9	(186.5)	(8.2)
Property, plant and equipment	4,993.0	4,935.5	4,919.5	(73.5)	(15.9)
Other non-current assets	275.4	154.7	162.4	(113.0)	7.7
Total Assets	**6,072.1**	**6,341.8**	**6,370.3**	**298.2**	**28.5**
Current liabilities	232.3	192.0	223.7	(8.6)	31.7
Non-current liabilities	2,170.1	2,786.1	2,743.9	573.8	(42.2)
Total net equity	3,669.6	3,363.6	3,402.7	(266.9)	39.1
Total Liabilities and Net Equity	**6,072.0**	**6,341.8**	**6,370.3**	**298.2**	**28.5**

(*) The account "Cash and cash equivalents" presented here, includes the amount associated with deposits that have maturity over 90 days and are recorded as "Other Current Financial Assets" in the Financial Statements.

Cash and cash equivalents: reached US$912.5 million, an increase over 2Q14 explained by the issuance of an international bond in Jul14 and by inflows generated over the last twelve months. Cash also increased compared to 1Q15 mainly due to the inflows generated during the quarter, partially offset by dividend payments, interest expenses and property, plant and equipment investments.

Trade and other accounts receivable: reached US$221.5 million, US$106 million less than in 2Q14 and US$16.3 million lower than in 1Q15. Both drops were mainly due to the use of tax credits related to tax recovery mechanisms.

Property, Plant and Equipment, net: reached US$4,919.5 million at the end of 2Q15, a decrease compared to both periods primarily due to the depreciation of the period, partially offset by investment projects being executed by the company (mainly La Mina project).

Current Liabilities: reached US$223.7 million, a decrease of US$8.6 million compared to 2Q14 mainly explained by the full payment of the "revolving debt ", partly offset by lower payable accounts and by the transfer from the long-term to the short-term of a partial maturity of an international bank (US$40 million). The increase of US$31.7 million compared to 1Q15 is mainly explained by the transfer from the long-term to the short-term of a partial maturity of an international bank (aforementioned).

Non-Current Liabilities: totaled US$2,743.9 million at the end of the 2Q15, increasing 26% compared to 2Q14 mainly explained by the bond issued in Jul14 (US$500 million); and decreasing by 2% compared to 1Q15 explained by a drop in financial obligations (already mentioned) that were transferred to the short-term.

Equity: the company had a net worth of US$3,402.7 million, a decrease when compared to the US$3,669.6 million in 2Q14. The main reason behind this decline is the enactment of the Tax Reform in Sep14, since the recognition of the new tax rate produced an impact of US$212.9 million in net deferred tax liabilities, which resulted in a charge to equity of the same amount. Meanwhile, Net Shareholder's Equity increased by 1% compared to the 1Q15. This increase is due to retained earnings recorded during the period Mar15-Jun15.

DEBT AND CREDIT METRICS

Liquidity Analysis & Indicators
USD million

	2Q14	1Q15	2Q15	Change YoY	Change QoQ
Gross financial debt	1,618.0	1,888.0	1,877.0	259	(11)
Financial investments	337.4	816.7	912.5	575	96
EBITDA LTM	393.3	509.6	505.1	112	(4)
Net financial debt	**1,280.6**	**1,071.3**	**964.5**	**(316)**	**(107)**
Net Debt / EBITDA LTM	**3.3**	**2.1**	**1.9**	**(1.3)**	**(0.2)**
Leverage (%)	65%	89%	87%	22.2%	(1.3%)
Short Term Liabilities(%)	10%	6%	8%	(2.1%)	1.1%
Financial Expense Coverage	4.2	2.4	2.2	(2.0)	(0.2)
Equity Profitability (%)	3.3%	1.0%	0.4%	(2.9%)	(0.7%)
Asset Profitability (%)	2.0%	0.6%	0.2%	(1.8%)	(0.4%)
EBITDA/Operational Assets (%)	4.5%	6.5%	6.4%	1.9%	(0.1%)

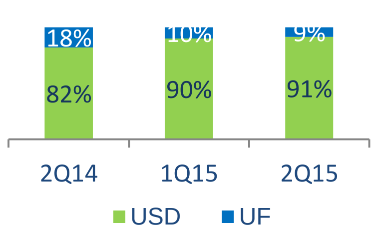
(*) The account "Financial Investments" presented here, includes the amount associated with deposits that have maturity over 90 days and are recorded as "Other Current Financial Assets" in the Financial Statements.

Financial debt reached US$1,877.0 million, in line with 1Q15, and financial investments increased by US$79.7 million due to the positive result of ordinary activities of the period, therefore net debt fell by 9%. While EBITDA LTM (last 12 months) decreased, the decline in net debt more than offsets this drop. Consequently, **Net Debt/EBITDA LTM ratio reached a minimum level of 1.9 times.**

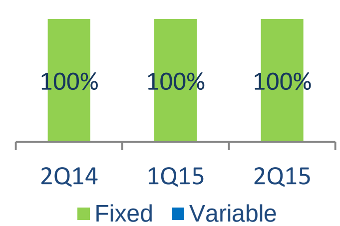
The **average maturity** of Colbún's long term financial debt is **6.0 years.**

The **average USD** long-term financial debt interest rate is **4.9%.**

Debt by Currency*

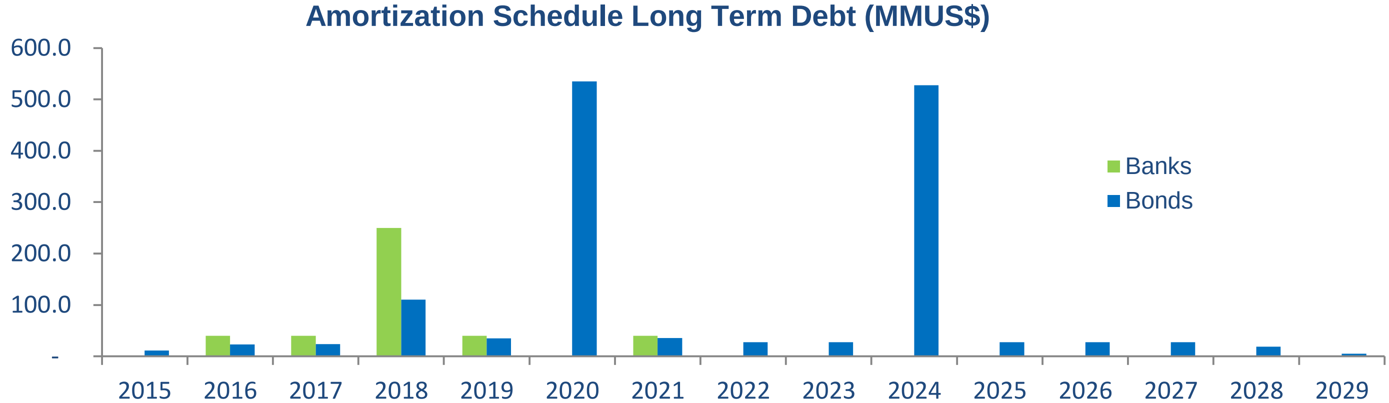


Debt by Interest Rate*



*Includes derivatives associated

Amortization Schedule Long Term Debt (MMUS$)



CASH FLOW ANALYSIS

Cash Flow
USD million

	2Q14	1Q15	2Q15	6M14	6M15	Change QoQ	Change YoY	Change Ac/Ac
Cash and cash equivalents at beginning of period¹	**208.3**	**832.8**	**816.7**	**260.4**	**832.8**	**(16.1)**	**608.4**	**572.4**
Cash Flow from Operating Activities	196.8	77.2	157.3	279.9	234.5	80.1	(39.5)	(45.4)
Cash Flow from Financing Activities	(47.1)	(67.3)	(41.5)	(130.2)	(108.8)	25.8	5.6	21.4
Cash Flow from Investing Activities²	(18.8)	(26.3)	(19.8)	(66.8)	(46.1)	6.5	(1.0)	20.8
Net increase (decrease) in cash and cash equivalents	**130.9**	**(16.4)**	**96.1**	**82.9**	**79.7**	**112.5**	**(34.8)**	**(3.1)**
Effects of exchange rate changes on cash and cash equivalents	(1.8)	0.3	(0.3)	(5.8)	(0.0)	(0.6)	1.5	5.8
Cash and cash equivalents at end of period¹	**337.4**	**816.7**	**912.5**	**337.4**	**912.5**	**95.8**	**575.1**	**575.1**

(¹) The account "Cash and cash equivalents" presented here, includes the amount associated with deposits that have maturity over 90 days and are recorded as "Other Current Financial Assets" in the Financial Statements.
(²) The "Cash Flow from Investing Activities" differs from the Financial Statements, because does not include the amount associated with deposits with maturity over 90 days.

During 2Q15, the Company had **net cash inflows of US$96.1 million**, which compares unfavorably to the same period last year, but favorably against the negative flow of 1Q15.

Operating activities: during 2Q15 a positive net cash inflow of US$157.3 million was generated, 20% lower than in 2Q14, mainly because the year-ago period considered a non-recurring insurance income compensation (for physical damage and business interruption) due to the Nehuenco II plant failure in 2013 (US$48 million). When compared to 1Q15, the cash flow from operating activities doubled given by higher revenues during this quarter and because 1Q15 considered the annual payment of insurance policies.
In cumulative terms, a positive net flow of US$234.5 million as of Jun15 was recorded, 16% lower than as of Jun14 who's also explained by the aforementioned insurance compensation.

Financing activities: generated a net cash outflow of US$41.5 million during 2Q15, 12% lower than in 2Q14 mainly explained by a payment of the definitive dividend (US$12.7 million) lower than the one paid in 2Q14 (US$18.4 million). Recall that while the definitive dividend was lower, the total dividend corresponding to distributable net income for fiscal year 2014 (US$55.0 million) was higher than for 2013 (US$18.4 million).
The decrease by 38% compared to 1Q15 is explained by dividend payments. In the 1Q15 an interim dividend payment was made for US$42.3 million, meanwhile in 2Q15, as already mentioned, the final dividend paid was US$12.7 million.
In cumulative terms, a negative net flow of US$108.8 million was registered up until Jun15, 16% lower than by Jun14 because the last year period registered a decrease in the revolving debt, which by now is fully paid.

Investing activities: generated a negative cash flow of US$19.8 million in 2Q15, similar to 2Q14 and US$6.5 million higher than in 1Q15. Disbursements from this quarter were mainly associated to the La Mina project, which began construction in Dec14, and to minor projects in the Nehuenco complex.
In cumulative terms, investing activities generated a negative cash flow of US$46.1 million as of Jun15, lower than the same period last year, mainly because last year investments' were linked mostly to the Angostura plant. Instead, this year's investment is mainly associated to the La Mina project, which is smaller than the Angostura power plant.

DISCLAIMER

This document provides Information about Colbún S.A. In no case this document constitutes a comprehensive analysis of the financial, production and sales situation of the Company.

This document may contain forward-looking statements concerning Colbún's future performance and should be considered as good faith estimates by Colbún S.A.

In compliance with the applicable laws, Colbún S.A. publishes on its website (www.colbun.cl) and sends the financial statements and its corresponding notes to the Superintendencia de Valores y Seguros, those documents should be read as a complement to this report.

Quarterly Sales and Production
GWh

	2014					2015				
	1Q14	2Q14	3Q14	4Q14	Total	1Q15	2Q15	3Q15	4Q15	Total
Sales										
Regulated customers (GWh)	1,751	1,838	1,849	1,765	7,204	1,734	1,699			3,432
Free customers (GWh)	1,233	1,159	1,197	1,148	4,737	1,048	1,125			2,172
Spot market sales (GWh)	219	425	147	0	791	327	484			811
Total energy sales (GWh)	**3,203**	**3,422**	**3,193**	**2,913**	**12,731**	**3,109**	**3,307**			**6,416**
Capacity sales (MW)	1,750	1,677	1,717	1,659	1,701	1,593	1,584			1,589
Generation										
Hydroelectric (GWh)	1,109	1,621	1,816	2,109	6,655	1,098	1,358			2,455
Thermal - Gas (GWh)	1,357	929	536	189	3,011	1,147	1,202			2,349
Thermal - Diesel (GWh)	96	231	216	3	546	141	102			243
Thermal - Coal (GWh)	706	718	672	527	2,623	792	699			1,491
Wind Farm - Punta Palmeras	-	-	-	27	27	18	28			45
Total own generation (GWh)	**3,268**	**3,499**	**3,240**	**2,855**	**12,862**	**3,195**	**3,388**			**6,584**
Energy purchases spot market (GWh)	0	0	24	120	144	0	0			0
Energy Purchases - Sales in the Spot Market	**219**	**425**	**123**	**(120)**	**647**	**327**	484			**811**

Quarterly Income Statement
USD million

	2014					2015				
	1Q14	2Q14	3Q14	4Q14	Total	1Q15	2Q15	3Q15	4Q15	Total
Operating revenues	413.2	408.0	351.2	330.1	1,502.6	317.0	358.5			675.5
Raw materials and consumables used	(275.4)	(245.6)	(213.8)	(149.0)	(883.7)	(205.2)	(201.3)			(406.4)
GROSS MARGIN	**137.9**	**162.4**	**137.5**	**181.0**	**618.9**	**111.8**	**157.2**			**269.0**
Personnel expenses and other operating expenses	(18.1)	(21.6)	(20.5)	(22.0)	(82.3)	(19.1)	(20.8)			(39.9)
Depreciation & amortization	(42.0)	(46.2)	(46.3)	(47.9)	(182.4)	(47.5)	(48.4)			(95.8)
OPERATING INCOME	**77.8**	**94.6**	**70.6**	**111.1**	**354.2**	**45.3**	**88.0**			**133.3**
EBITDA	**119.8**	**140.8**	**117.0**	**159.0**	**536.6**	**92.8**	**136.4**			**-**
Financial income	1.5	1.2	1.7	1.2	5.6	1.0	1.1			2.1
Financial expenses	(10.6)	(18.9)	(22.2)	(24.2)	(76.0)	(22.2)	(22.7)			(44.9)
Results of indexation units	2.4	3.3	1.0	2.4	9.1	0.1	1.2			1.3
Exchange rate differences	(8.9)	(4.3)	(4.4)	(4.9)	(22.4)	0.4	0.1			0.5
Share of profit (loss) from equity-accounted associates	1.3	1.6	1.0	(1.1)	2.8	1.5	1.7			3.2
Other non-operating income/expense	7.7	(0.6)	1.6	(112.1)	(103.5)	(0.9)	(3.9)			(4.7)
NON-OPERATING INCOME	**(6.6)**	**(17.8)**	**(21.3)**	**(138.7)**	**(184.5)**	**(20.2)**	**(22.4)**			**(42.6)**
NET INCOME BEFORE TAX	**71.2**	**76.8**	**49.3**	**(27.6)**	**169.7**	**25.1**	**65.5**			**90.7**
Income Tax	(19.6)	(5.2)	(31.1)	(34.2)	(90.1)	(18.2)	(15.4)			(33.6)
NET INCOME FROM CONTINUING OPERATIONS	**51.5**	**71.6**	**18.2**	**(61.8)**	**79.5**	**7.0**	**50.1**			**57.1**
NET INCOME ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT COMPANY	**51.5**	**71.6**	**18.2**	**(61.8)**	**79.5**	**7.0**	**50.1**			**57.1**

(*) The "OPERATING RESULTS" presented here excludes the line "Other gains (losses)" presented in the Financial Statements. This is explained by a change in taxonomy dictated by the SVS (Securities and Insurance Superintendence) bringing the concept of "Other gains (losses)", which in the case of Colbun are only non-operational items, an putting it as an operating item in the Financial Statements.

Summarized Balance Sheet
USD million

	2014				2015			
	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Current Assets	756.7	803.7	1,301.2	1,270.2	1,251.6	1,288.4		
Cash and equivalents	208.3	337.4	878.3	832.8	816.7	912.5		
Accounts receivable	378.6	327.7	254.8	243.7	237.8	221.5		
Normal sales	*149.2*	*162.1*	*124.8*	*132.3*	*146.5*	*150.1*		
Deudores varios	*229.4*	*165.6*	*130.0*	*111.3*	*91.3*	*71.4*		
Recoverable taxes	52.6	41.8	59.7	47.0	57.2	39.5		
Other current assets	117.1	96.8	108.5	146.7	139.9	115.0		
Non-Current Assets	5,305.4	5,268.4	5,231.0	5,112.2	5,090.1	5,081.9		
Property, Plant and Equipment , net	5,026.1	4,993.0	4,967.6	4,956.2	4,935.5	4,919.5		
Other non-current assets	279.3	275.4	263.3	156.0	154.7	162.4		
Total Assets	**6,062.1**	**6,072.1**	**6,532.2**	**6,382.3**	**6,341.8**	**6,370.3**		
Current liabilities	281.3	232.3	316.4	258.3	192.0	223.7		
Long-term liabilities	2,177.9	2,170.1	2,749.3	2,763.5	2,786.1	2,743.9		
Shareholders' equity	3,602.9	3,669.6	3,466.5	3,360.6	3,363.6	3,402.7		
Total Liabilities and Shareholders' Equity	**6,062.1**	**6,072.0**	**6,532.2**	**6,382.3**	**6,341.8**	**6,370.3**		
End-of-quarter exchange rate (CLP/USD)	551.2	552.7	599.2	606.8	626.6	639.0		

(*) The account "Cash and cash equivalent" presented here, includes the amount associated with deposits that have maturity over 90 days and are recorded as "Other Current Financial Assets" in the Financial Statements.