REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS INTERIM AS OF JUNE 30th, 2015

1. PERIOD OVERVIEW

Colbún second quarter 2015 (2Q15) **EBITDA** amounted to **US$136.4 million**, slightly lower than 2Q14 EBITDA of US$140.8 million. Although, 2Q15 showed adverse hydrological conditions and there was a lower hydroelectric generation, this was mainly offset with a higher thermal generation using natural gas at a competitive cost. Moreover, it should be noted that the average cost of thermal supply decreased by 30% compared with 2Q14.
In cumulative terms, as of June 2015 (Jun15) EBITDA amounted to US$229.1 million compared with US$260.6 million in Jun14. This decrease can be mainly explained since the 2014 period included a non-recurrent income of US$32.5 million as a result of a compensation for loss of profit from the insurance linked to the damage occurred in Mar13 at the Nehuenco II power station.

The **non-operating income** as of 2Q15 showed a **loss of US$22.4 million** (vs. a loss of US$17.8 million in 2Q14) mainly explained by a higher financial expense due to a higher level of gross debt.
In cumulative terms, the non-operating income as of Jun15 presented a loss of US$42.6 million vs. a loss of US$24.5 million as of Jun14. This higher loss can be explained mainly by: (1) a higher financial expense due by both a higher level of gross debt and a lower capitalization of these expenses after the commissioning of the Angostura power station in Apr14 (2) higher "Other Losses" mainly because in 1Q14 a non-recurring income was registered due to the compensation for physical damage of US$15.7 million from the settlement of the insurance asociated to the damage occurred in Mar13 in the Nehuenco II power plant. Such effects are partly compensated by a higher exchange rate difference if we compare it with the exchange rate difference registered in Jun14.

The **tax expenses** amounted to **US$15.4 million** in 2Q15 (vs. an expense of US$5.2 million in 2Q14). This can be explained mainly by: (1) the application of the current tax rate of 22.5% on the income before taxes line; (2) CLP/US$ exchange rate depreciation of 2.0% having an effect on deferred taxes calculation since the taxable fixed asset is registered in Chilean pesos; and (3) both expenses were partially compensated by the net effect of the exchange rate difference on a tax mismatch balance sheet that presented more liabilities than assets in US dollars.
In cumulative terms, as of Jun15 income tax expenses registered US$33.6 million vs. tax expenses for US$24.9 million as of Jun14. This higher tax expense can be explained mainly by the CLP/US$ exchange rate depreciation of 5.3%, having an effect on the calculation of deferred taxes, since the fixed tax asset is registered in Chilean pesos.

In 2Q15, the company registered a **profit of US$50.1 million** (vs. a profit of US$71.6 million in 2Q14).
In cumulative terms, the net income was US$57.1 million which negatively compares with the net income of US$123.1 million of the same period last year.

Physical sales to clients under contract in 2Q15 reached 2,823 GWh, 6% less than the physical sales under contract of the same period last year, mainly due to a lower demand from regulated clients. However, **net sales on the spot market** reached 484 GWh, 14% higher than 2Q14.
In cumulative terms, physical sales to clients under contract as of Jun15 reached 5,605 GWh, 6% less than Jun14, this can be explained mainly by the end of the Conafe contract in Apr15, the Metro contract in Mar14 and the Codelco backup contract in Dec14. As for the spot market, net sales reached 811 GWh as of Jun15, 26% higher compared with Jun14.

2Q15 **hydro generation** reached **1,358 GWh,** a 16% lower than 2Q14, although the availability of the hydroelectric facilitates was 90%, in line with 2Q14, the decrease responded to lower precipitation during the quarter, which began late in June and have improved after the quarter ended.
In cumulative terms, the hydro generation as of Jun15 reached 2,455 GWh, 10% lower compared with Jun14 due to the adverse hydro conditions described above.

Coal-based generation in 2Q15 was **699 GWh**, 3% lower than in 2Q14. This can be explained because the Santa María I unit power plant had some minor unscheduled outflows during the quarter.
In cumulative terms, coal-based generation as of Jun15 reached 1,491 GWh, 5% higher than in Jun14. Considering base generation (hydro andcoal) as of Jun15, this represented a 70% of the contractual commitments, which positively compares with the 69% as of Jun14. The remnant non-covered by the base generation was fulfilled with thermal generation with natural gas at a competitive price.

At the end of 2Q15, Colbún had a **liquidity** of **US$912.5 million** and a **net debt** reaching **US$964.5 million**.

1.1 GENERATION AND PHYSICAL SALES

Table 1 presents a comparative table showing physical sales of energy, capacity and production for quarters 2Q15 and 2Q14 and accumulated as of Jun15 and Jun14.

Table 1: Physical Sales and Generation

Accumulated Figures		Sales	Quarterly Figures		Var	
jun-14	jun-15		2Q14	2Q15	Acc/Acc	Q/Q
6,625	**6,416**	**Total Physical Sales (GWh)**	**3,422**	**3,307**	**(3%)**	**(3%)**
3,589	3,432	Regulated Clients	1,838	1,699	(4%)	(8%)
2,392	2,172	Unregulated Clients	1,159	1,125	(9%)	(3%)
644	811	Sales to the Spot Market	425	484	26%	14%
1,713	**1,589**	**Capacity Sales (MW)**	**1,677**	**1,584**	**(7%)**	**(6%)**

Accumulated Figures		Generation	Quarterly Figures		Var %	
jun-14	jun-15		2Q14	2Q15	Acc/Acc	T/T
6,767	**6,584**	**Total Generation (GWh)**	**3,499**	**3,388**	**(3%)**	**(3%)**
2,730	2,455	Hydraulic	1,621	1,358	(10%)	(16%)
2,286	2,349	Gas Thermoelectric	929	1,202	3%	29%
327	243	Diesel Thermoelectric	231	102	(26%)	(56%)
1,424	1,491	Coal Thermoelectric	718	699	5%	(3%)
-	45	Wind - Punta Palmeras	-	28	-	-
0	**0**	**Spot Market Purchases**	**0**	**0**	**-**	**-**
644	**811**	**Sales - Purchases to the Spot Market**	**425**	**484**	**26%**	**14%**

Generation Mix

The hydrological year (Apr15 - Mar16) began in Apr15 showed low rainfalls during the quarter, which started late in June along with the first relevant weather fronts, and they have been relatively stable after the quarter ended. The hydrological conditions have not been homogeneous along Chile, where the most affected basin are located in the Center- North-Center of the SIC (Central Interconnected System, from the Spanish term Sistema Interconectado Central), improving southwards. As an example, the lack of rainfalls compared with an average year during the second quarter per valley from north to south is: Los Quilos: 100%; Armerillo-Maule: 73%; Abanico: 24%; Canutillar: 10%.

According to reports issued by international institutions (NOAA, BOM, IRI) the phenomenon El Niño is present and it could continue to manifest in the following months. However, this decrease in hydro generation in the quarter was compensated by an effective natural gas generation.

2Q15 hydro generation reached 1,358 GWh, 16% lower than 2Q14, despite the fact that the availability of the hydroelectric facilitates was 90%, in line with 2Q14. The decrease is due to a lower generation of both, water reservoir (-18%) and run-of-the-river power plants (-14%). The decrease responded to the lack of rainfalls during the quarter.

Coal-based generation during 2Q15 was 699 GWh, 3% lower than 2Q14. This can be explained because the Santa María unit I power station had some minor unscheduled failures during the quarter.

2Q15 thermal generation from natural gas increased by 29% compared with 2Q14. The increase can be explained by a higher gas volume contracted for this quarter. It is important to remember that the agreements with ENAP and Metrogas allow us to have a guaranteed supply at a competitive cost during part of the year. In addition, it is important to mention that the company obtained a new contract which will enable to have an additional volume of natural gas for the August-October period.

The reached volume approximately corresponds to a month and a half of a combined cycle operation (CCGT), which will be distributed during the three months mentioned above.

2Q15 diesel generation reached 102 GWh, lower than the 231 GWh generated in 2Q14. Although the hydroelectric generation was lower in both Colbún and SIC, this was replaced by other technologies (mainly natural gas and NCREs), so there was no need for a higher diesel generation. Similarly, marginal costs decreased by 16% from US$157/MWh in 2Q14 to US$132/MWh in 2Q15, mainly due to lower diesel oil prices.

Regarding 2Q15 generation mix, **73% of commercial commitments were supplied with efficient base generation**: hydroelectric and coal-based (vs. 78% in 2Q14). The remaining commitments were supplied with natural gas generation, and considering the natural gas commercial conditions negotiated by Colbún, it is currently a cost-effective generation source.

In **cumulative terms, Colbún´s total generation decreased by 3%,** mainly due to lower hydroelectric generation (-10%) and lower diesel generation (-26%), partly offset by higher coal-based generation (+5%) and natural gas generation (+3%). **Base-load generation amounted to 70% of the commitments as of Jun15**, higher than the 69% as of Jun14. If we add natural gas generation in the base mix, this percentage reached 100%.

2. INCOME STATEMENT ANALYSIS

Table 2 shows a summary of the Income Statement for 2Q15 and 2Q14 and accumulated as of Jun15 y Jun14. Later are analyzed key accounts and / or variations of the quarter

Table 2: Income Statement *(US$ million)*

Accumulated Figures			Quarterly Figures		Var %	
jun-14	jun-15		2Q14	2Q15	Acc/Acc	Q/Q
821.3	**675.5**	**OPERATING INCOME**	**408.0**	**358.5**	**(18%)**	**(12%)**
354.5	336.4	Regulated Customers Sales	188.5	168.7	(5%)	(10%)
274.7	159.4	Nonregulated Customers Sales	123.9	86.4	(42%)	(30%)
51.4	99.6	Energy and Capacity Sales	49.9	61.6	94%	23%
86.2	75.5	Transmission Tolls	45.1	39.5	(12%)	(12%)
54.4	4.6	Other Operating Income	0.6	2.3	(92%)	268%
(520.9)	**(406.4)**	**RAW MATERIAL AND CONSUMABLES USED**	**(245.6)**	**(201.3)**	**(22%)**	**(18%)**
(85.4)	(73.8)	Transmission Tolls	(36.5)	(34.7)	(14%)	(5%)
(21.4)	(13.7)	Energy and Capacity Purchases	(3.4)	(9.2)	(36%)	174%
(258.3)	(191.3)	Gas	(115.3)	(96.2)	(26%)	(17%)
(65.9)	(40.6)	Diesel	(43.0)	(18.1)	(38%)	(58%)
(48.9)	(48.8)	Coal	(25.5)	(22.2)	(0%)	(13%)
(41.0)	(38.2)	Other Operating Expenses	(21.9)	(20.8)	(7%)	(5%)
300.3	**269.0**	**GROSS PROFIT**	**162.4**	**157.2**	**(10%)**	**(3%)**
(29.2)	(28.8)	Personnel Expenses	(15.7)	(14.8)	(2%)	(6%)
(10.5)	(11.1)	Other Expenses, by nature	(5.9)	(6.0)	6%	2%
(88.1)	(95.8)	Depreciation and Amortization Expenses	(46.2)	(48.4)	9%	5%
172.4	**133.3**	**OPERATING INCOME (LOSS)(*)**	**94.6**	**88.0**	**(23%)**	**(7%)**
260.6	**229.1**	**EBITDA**	**140.8**	**136.4**	**(12%)**	**(3%)**
2.6	2.1	Financial Income	1.2	1.1	(22%)	(5%)
(29.5)	(44.9)	Financial Expenses	(18.9)	(22.7)	52%	20%
5.7	1.3	Readjustment Profit (Loss)	3.3	1.2	(78%)	(63%)
(13.2)	0.5	Exchange rate Differences	(4.3)	0.1	-	-
2.9	3.2	Profit (Loss) of Companies Accounted for Using the Equity Method	1.6	1.7	9%	6%
7.0	(4.7)	Other Profit (Loss)	(0.6)	(3.9)	-	510%
(24.5)	**(42.6)**	**NON-OPERATING INCOME**	**(17.8)**	**(22.4)**	**74%**	**26%**
148.0	**90.7**	**PROFIT (LOSS) BEFORE TAXES**	**76.8**	**65.5**	**(39%)**	**(15%)**
(24.9)	(33.6)	Income Tax Expense	(5.2)	(15.4)	35%	195%
123.1	**57.1**	**PROFIT (LOSS) AFTER TAX**	**71.6**	**50.1**	**(54%)**	**(30%)**

(*): The subtotal for "OPERATING INCOME" presented herein, differs from the "profit (loss) from operating activities" line presented in the Financial Statements. This is explained by a change in taxonomy dictated by the SVS, by means of which the concept of "other profits (losses)", which in the case of Colbún are only non-operating items, was incorporated as an operating item in the Financial Statements.

Revenues from Ordinary Operating Activities

2Q15 revenues from ordinary activities amounted to US$358.5 million, decreasing by 12% compared with 2Q14, mainly due to lower revenues from clients under contract, partly compensated by higher energy and power sales in the spot market.
In cumulative terms, ordinary revenue decreased by 18%. This can be explained by lower sales to free clients and lower "Other Revenue" related to non-recurring effects.
Revenues are detailed as follows:

Regulated Clients: Sales revenues from regulated clients amounted to US$168.7 million in 2Q15, 10% lower than 2Q14; this can be explained mainly by lower volume of sale due to: (1) the expiration of the contract with Conafe in Apr15 (2) a lower demand, and (3) to a lesser extent, a lower monomic price.
In cumulative terms, valued sales as of Jun15 amounted to US$336.4 million, decreasing by 5% compared with Jun14. This can be explained by lower volume of sales due to the aforementioned facts.

Free Clients: Sales to free clients amounted to US$86.4 million in 2Q15, decreasing by 30% compared with 2Q14. The main effect in this decrease can be explained by the maturity of the marginal cost contract with Codelco in Dec14, which was replaced by another contract with the same client at a long term price. This new contract considers the trade in the spot market by Colbún of part of the supply hired by Codelco but which is not been withdrawn. Therefore, the spot market profits are credited in the client's billing. Such amount is simultaneously recognized as spot market sales.
In cumulative terms, sales to free clients valued as of Jun15 amounted to US$159.4 million, 42% lower compared to Jun14, mainly because of a lower average monomic price and to a lesser extent to lower physical sales, due to the expiration of the Codelco contract in Dec14 (mentioned above) and with Metro in Mar14.

Energy and Capacity Sales: During 2Q15 physical sales of energy and power in the spot market amounted to US$61.6 million (corresponding to 484 GWh) increasing by 23% compared with 2Q14 (US$49.9 million – 425 GWh). It is worth mentioning that parts of these sales were discounted in the free clients' revenues line as a consequence of the aforementioned Codelco's energy sale contract.
In cumulative terms, as of Jun15, monetary sales in the spot market almost doubled. This can be explained mainly by a higher sale volume and a higher average price.

Transmission Tolls: In quarterly terms, the tolls decrease by 12% compared with 2Q14, mainly because of lower revenues in the sub-transmission system due to lower client demand, and lower tariff revenue of trunk lines tolls caused by a lower reassessment related to 2014 versus 2013.
In cumulative terms, as of Jun15, this revenue reached US$75.5 million, lower by 12% compared with the previous year. The decrease can be explained by lower tariff revenues of the trunk system due to a lower demand and a lower complement of the additional toll, partly compensated by higher reassessments in the sub transmission system as a result of DS14 (Supreme Decree 14).

Other Revenue: Both analyzed quarters did not have any relevant Other Revenue (US$2.3 million and US$0.6 million in 2Q15 and 2Q14 respectively).
In cumulative terms, as of Jun15, there is also no Other significant revenue. However, as of Jun14, US$54.4 million were registered. This can be explained mainly by: (1) the compensation of US$32.5 million for the loss of profit related to the damage occurred in the Nehuenco II power station in 2013 and (2) the resulting margin between accumulated injections and withdrawals valued during the test period (Jan14 - Apr14) of Angostura power station for US$19.7 million.

Cost of Raw Materials and Consumables Used in Operation

The **costs of raw materials and consumables used decreased in quarterly terms (18%) and in cumulative terms (22%),** both decreases can be explained mainly by a lower consumption and cost of natural gas and diesel oil. Costs are detailed as follows:

Tolls: In cumulative terms, these decrease by 14%. This can be explained mainly by lower costs of sub-transmission tolls due to a lower demand of regulated clients and lower VATT (Annual Value of Trunk Transmission) after the toll review in 2014.

Purchases of Energy and Power: During 2Q15 physical purchases of energy and power were made in the spot market corresponding to US$9.2 million. The above represents an increase compared with the US$3.4 million in 2Q14. Although both periods do not show purchases of energy in the physical balance, the monetary balance shows that there were disbursements in energy, power and NCRE.
In cumulative terms, the disbursements as of Jun15 amounted to US$13.7 million, lower than the US$21.4 million as of Jun14, mainly by minor purchases of power. It is worth mentioning that in 2014, there were disbursements related to purchases of capacity due to the firm capacity reduction caused by the breakdown of the Nehuenco II power plant that had a failure in part of the permanent power control period (May to September 2013).

Fuel Costs: During 2Q15 fuel costs amounted to US$136.5 million, lower by 26% compared with the same period last year. The quarterly decrease is mainly due to a lower natural gas cost, although the generation output with this fuel increased by 29%. The drop can also be explained by a lower diesel consumption and generation. The average thermoelectric generation cost was more efficient, reflecting the decrease in commodities prices in the international markets and the new contractual conditions agreed in the natural gas supply.
In cumulative terms, the costs of fuels as of Jun15 amounted to US$280.7 million, 25% lower than in Jun14. This can be explained by the same reasons as in quarterly terms.

2.2 NON-OPERATING ITEMS ANALYSIS

2Q15 Non-operating Income registered losses of US$22.4 million, higher than the losses of US$17.8 million in 2Q14, mainly due to higher financial expenses explained by a higher level of gross debt and higher Other Losses, partly compensated by the exchange rate difference.

In cumulative terms, the non-operating income as of Jun15 registered a higher loss mainly explained by: (1) higher financial expenses which can be explained by both higher level of gross debt and by lower capitalization of these expenses after the commissioning of the Angostura power plant in Apr14 (2) higher "Other Losses" mainly because in 1Q14 a non-recurring income was registered due to the physical damage payment of US$15.7 million from the insurance settlement linked to the damage occurred in Mar13 in the Nehuenco II power plant. Such effects are partly offset by a higher exchange rate difference if we compare it with the one registered in Jun14.

The main components of this income are:

Exchange Rate Difference: During 2Q15 this line registered a profit of US$0.1 million that can be explained mainly by the positive impact in the increased volatility of the CLP/US$ exchange rate in 2Q15 on interim items of the balance in local currency, mainly on receivable and payable accounts.

In cumulative terms, this line presents a profit of US$0.5 million which positively compares with the loss of US$13.2 million as of Jun14 for the same reasons that were aforementioned.

Income Tax Expense: As of Jun15, income tax expenses registered US$33.6 million vs. tax expenses of US$24.9 million as of Jun14. This increase in tax expense can be explained mainly by: 1) the accumulated depreciation of the CLP/US$ exchange rate of 5.3% as of Jun15, that affects the deferred tax calculation since the taxable fixed asset is registered in Chilean pesos and 2) the increase in corporate tax rate as a result of the tax reform issued in Sep14 (Law 20,780).

3. BALANCE SHEET ANALYSIS

Table 3 presents an analysis of the most relevant accounts of the Balance Sheet as of December 31, 2014 and Jun15. Later are analyzed key accounts and / or variations.

Table 3: Statement of Financial Position Key Items *(US$ million)*

	dec-14	jun-15	Var	Var %
Current Assets	**1,270.2**	**1,288.4**	**18.2**	**1%**
Cash and cash equivalents	832.8	912.5	79.7	10%
Trade and other accounts receivable	243.7	221.5	(22.2)	(9%)
Other	132.3	150.1	17.8	13%
Trade	111.3	71.4	(40.0)	(36%)
Current tax receivable	47.0	39.5	(7.5)	(16%)
Other current assets	146.7	115.0	(31.7)	(22%)
Non- Current Assets	**5,112.2**	**5,081.9**	**(30.3)**	**(1%)**
Property, plant and equipment	4,956.2	4,919.5	(36.7)	(1%)
Other current assets	156.0	162.4	6.4	4%
Total Assets	**6,382.3**	**6,370.3**	**(12.1)**	**(0%)**
Current liabilities	258.3	223.7	(34.6)	(13%)
Non- current liabilities	2,763.5	2,743.9	(19.6)	(1%)
Total net equity	3,360.6	3,402.7	42.1	1%
Total Liabilities and net Equity	**6,382.3**	**6,370.3**	**(12)**	**(0%)**

(*) Cash and cash equivalents includes the fixed-time deposits that because their original maturity is higher than 90 days are included as "Other financial assets, current" in the financial statements.

Cash and Cash Equivalents: reached US$912.5 million, which is higher than the 2014 year ended. This can be explained mainly by the inflows generated in operating activities during the period, partly compensated by the payment of dividends, interests and investments in property, plant and equipment.

Trade and Other Accounts Receivable: reached US$221.5 million, decreasing by 9% compared to Dec14; however, the composition varies. Normal sales increased in US$17.8 million as a result of an increase in client sales. In contrast, other accounts receivable decreased in US$40.0 million as a result of the use of tax credits related to recoverable taxes.

Current Tax Assets: current Tax assets registered US$39.5 million as of Jun15 closing, a 16% decrease compared with 2014 closing. This is mainly due to lower balance of PPUA (Provisional Payment for Absorbed Profits).

Other Current Assets: reached US$115.0 million as of Jun15 closing, a 22% lower than Dec14, mainly due to the amortization to date of insurance primes and lower inventory.

Net Property, Plant and Equipment: registered US$4,919.5 million as of Jun15 closing, a slight decrease by 1% compared with Dec14. This can be explained mainly by the depreciation of the period, which was partly compensated by the ongoing investment projects of the Company (especially La Mina project).

Current Liabilities: reached US$223.7 million, a decrease of US$34.6 million compared with Dec14 closing. This variation can be explained mainly by the payment of the interim dividend in Jan15 (US$42.6 million) and a lower record of supplier accounts payable, both effects were partly compensated by the pass-through from the long term portion to the short term of a partial amortization of an international bank credit (US$40.0 million).

Non-current Liabilities: amounted to US$2,743.9 million as of Jun15 closing, in line (-1%) compared to Dec14. Although there was a decrease in financial obligations that were transferred to the short term, this was partly compensated by a higher deferred tax record as a result of the depreciation of the exchange rate (-5.3%) since both, taxable fixed asset and tax losses are registered in Chilean pesos.

Debt Analysis: The financial debt amounted to US$1,877.0 million, in line (-1%) as of Dec14 closing, and financial investments increased in US$79.7 million as a result of the inflow generated in the period; consequently, Net Debt decreased by 9%. Although EBITDA LTM (Last Twelve Months) decreased, the drop in the Net Debt offset the decrease even more. Consequently, the Net Debt/EBITDA LTM ratio reached a minimum of 1.9 times.
The average life of the long-term financial debt is 6.0 years.
The average rate of the financial long-term debt denominated in dollars is 4.9%.

	dic-14	jun-15	Var	Var %
Gross Financial Debt	1,893.9	1,877.0	(16.9)	(1%)
Financial Investments*	832.8	912.5	79.7	10%
Net Debt	1,061.1	964.5	(96.6)	(9%)
EBITDA LTM	536.6	505.1	(31.4)	(6%)
Net Debt/EBITDA LTM	2.0	1.9	(0.1)	(3%)

(*) The "Financial Investments" account presented here includes the amount related to time deposits, and as they have an investment period higher than 90 days, they are registered as "Other Financial Current Assets" in financial statements.

Equity: The Company reached a Net Equity of US$3,402.7 million, 1% higher than 2014 closing. This increase is due to the accumulated profit registered during the Jan15-Jun15 period.

4. INDICATORS

Below is a table comparing certain financial indicators. The financial indicators are calculated from the indicated date and the income statement considers the cumulative earnings at the indicated date.

Table 4: Financial Indicators

Indicator	jun-14	dec-14	Jun-15	Var%
Current Liquidity: Current Assets in operation/ Current Liabilities in operation	3.46	4.92	5.76	66%
Acid Ratio: (Current Assets - Inventory- Advanced Payments) / Current Liabilities in operation	3.14	4.54	5.37	71%
Debt Ratio: (Curent Liabilities in operation + Non- current Liabilities)/ Total Net Equity	0.65	0.90	0.87	34%
Short- term Debt (%): Current Liabilities in operation/ (Current Liabilities in operation + Non- current Liabilities)	9.67%	8.55%	7.54%	(22%)
Long- term Debt (%): Non- current Liabilities in operation/ (Current Liabilities in operation + Non-current liabilities)	90.33%	91.45%	92.46%	2%
Financial Expenses Coverage: (Profir (Loss) Before Taxes + Financial Expenses)/ Financial Expenses	4.21	3.23	2.23	(47%)
Equity Profitability (%): Profit (Loss) After taxes. Continuing Activities/ Average Net Equity	3.31%	2.30%	0.38%	(88%)
Profitability of Assets (%): Profit (Loss) Controller/ Total Average Assets	1.99%	1.28%	0.22%	(89%)
Performance of Operating Assets (%) Operating Income/ Property, Plant and Equipment, Net (Average)	4.47%	7.09%	6.36%	42%

*Cash flow indicators correspond to values in the last 12 months.

- Average Shareholders' Equity: current Shareholders' Equity plus Shareholders' Equity a year ago, divided by two.
- Total Average Assets: total current assets plus total assets a year ago, divided by two.
- Average Operating Assets: current total Property, plant and equipment plus total property, plant and equipment a year ago, divided by two.

5. CASH FLOW ANALYSIS

Cash flow table:

Table 5: Summary of Cash Flow Statements *(US$ million)*

Accumulated Figures			Quarterly Figures		Var %	
jun-14	jun-15		2Q14	2Q15	Acc/Acc	Q/Q
260.4	**832.8**	**Cash Equivalents, Beg. of Period [1]**	**208.3**	**816.7**	220%	292%
279.9	234.5	Net cash flows provided by (used in) operating activities	196.8	157.3	(16%)	(20%)
(130.2)	(108.8)	Net cash flows provided by (used in) financing activities	(47.1)	(41.5)	(16%)	(12%)
(66.8)	(46.1)	Net cash flows provided by (used in) investing activities [2]	(18.8)	(19.8)	(31%)	5%
82.9	**79.7**	**Net Cash Flows for the Period**	**130.9**	**96.1**	(4%)	(27%)
(5.8)	(0.0)	Effects of exchange rate changes on cash and cash equivalents	(1.8)	(0.3)	(99%)	(81%)
337.4	**912.5**	**Cash Equivalents, End of Period [1]**	**337.4**	**912.5**	170%	170%

(¹) "Cash and cash equivalent" presented here includes the amount associated with time deposits, which because the investment term is greater than 90 days are recorded as "Other Current Financial Assets" in the Financial Statements.
(²) The "Investing Cash Flows" differ from those in the Financial Statements, since they do not incorporate the amount associated with term deposits that mature in over 90 days.

During 2Q15, the Company presented a **positive net cash flows of US$96.1 million**, which negatively compares to the same period of the previous year.

Operating activities: During 2Q15 a positive net inflows were generated in the amount of US$157.3 million, 20% less than in 2Q14, primarily due to the fact that the previous year's period considered non-recurrent revenues from insurance compensations (for physical damages and loss of profit) from due to a failure in the Nehuenco II power station in 2013 (US$48 million).
In cumulative terms, a positive net inflow of US$234.5 million was recorded as of Jun15, 16% lower than as of Jun14, due to said compensation.

Financing activities: Generated net outflows of US$41.5 million during 2Q15, 12% lower than in 2Q14 primarily explained by a payment of a final dividend (US$12.7 million) lower than the one paid in 2Q14 (US$18.4 million). It is worth mentioning that despite the fact that the final dividend was lower, the total dividend distributed corresponding to profits for the 2014 year (US$55.0 million) was higher than for the 2013 year (US$18.4 million).
In cumulative terms, a net negative outflow of US$108.8 million was recorded as of Jun15, 16% lower than as of Jun14, because it considered the decrease in revolving debt, which was paid in full.

Investing activities: Generated net negative outflows of US$19.8 million during 2Q15, similar to those of 2Q14. The disbursements during this quarter were primarily associated with La Mina Project which began construction in Dec14 and minor projects in the Nehuenco Complex.
In cumulative terms, investing activities generated a net negative outflow of US$46.1 million as of Jun15, lower than in the same period of the previous year, explained primarily by the fact that last year's investment was associated in great part to the Angostura power station, where this year's investment is primarily associated to the La Main project, which is smaller in size than the Angostura power plant.

6. ENVIRONMENT AND RISK ANALYSIS

Colbún S.A. is a power generating company with an installed capacity of 3,278 MW, comprising of 1,689 MW in thermal units and 1,589 MW in hydraulic units. It operates in the Central Interconnected System (SIC), were it represents about 21% of the market in terms of installed capacity.

Through its commercial policy, the Company seeks to be a safe and reliable competitive energy provider with a sales volume that allows maximizing long-term profitability of its asset base, reducing the volatility of its results. The Company results show a structural variability due to exogenous conditions such as hydrology and fuel prices (oil, gas and coal). In dry years the hydraulic generation deficit is supplied by increasing production of thermal units with diesel or gas, which complements efficient coal-fired generation. Eventually the Company purchases energy in the spot market at marginal cost.

6.1 Medium-Term Perspective

The hydrological year began in Apr15 continues to show adverse and dry hydro conditions for the sixth consecutive year, having less rainfalls than in a normal year. Despite these adverse hydro conditions, the income during the last twelve months has shown a significant improvement, recording a LTM EBITDA for this period of US$505.1 million. This increase compared with the same period last year can be explained by the important start-up of the new Angostura power plant, which contributes an important hydroelectric generation base (and it turned a year of commercial operation in Apr15), and the positive availability of the thermal generation facilitates that has reached a 91% of availability in the last twelve months.

Regarding the following months, in terms of generation and as a protection against potential low precipitation, we will have the effective back-up of natural gas, as a result of the agreements with ENAP (valid during 2015) and Metrogas. Colbún reached a medium-term agreement of natural gas supply –until 2019- with Metrogas S.A., which contemplates the supply for a unit of the Nehuenco Complex. Recently, an additional agreement was reached with this supplier that will permit to generate approximately a month and a half of a combined cycle, which will be distributed between August and October 2015. Adding both natural gas suppliers, we have a contracted supply of 3,000 gas-based GWh during 2015. We also have the possibility to access to an additional natural gas supply through spot purchases if necessary.

Regarding contracts for 2015, it should be noted that contracts with Codelco expired in Dec14. On January 1, 2015 two new long-term agreements with this customer started, for a contracted power of up to 510 MW and associated energy of approximately 4,000 GWh annually. The Company's contract level will remain without significant variations until 2019.

The results of the Company in the following months will be influenced by a more balance situation between efficient generation and commitments. The efficient generation will depend on the reliable operation of our power plants and a normalization of rainfall conditions.

6.2 Growth plan and long-term actions

Colbún is executing a development plan that consists in increasing its installed capacity keeping a relevant hydroelectric component, with efficient thermoelectric complement that allows it to increase supply security in a competitive manner, diversifying its sources of generation.

The company is continuously seeking for new growing opportunities in Chile and other countries in the region like Colombia and Peru, to maintain a relevant position in the generation industry and diversify its sources of revenue. These countries have an attractive economic environment and their electric sectors have a well-established regulatory framework. In addition, participation in these countries can help the diversification of the company in terms of hydrological conditions, generation technologies and access to fuels.

In Chile, Colbún has several projects under development, including hydroelectric, thermal and transmission lines.

Projects underway

- **La Mina Hydroelectric Project (34 MW):** La Mina is an NCRE project that is located in San Clemente, approximately 110 km east of Talca. The project contemplates an installed capacity of 34 MW and an average annual generation of 191 GWh. The energy is injected into the SIC at 220 kV in the Loma Alta substation, through a power line (LAT) single circuit 66 kV and 24 km long. The project takes care of the hydraulic potential of the Maule River starting at a water extraction point located downstream of its convergence with the Puelche River, restoring the water to the same river 2 km. downriver from the water extraction point.

During Jan15 the contractor in charge of the execution of the Civil Works went to the site to start the works. During the first quarter the excavations and the supports of the Fall Zone began (Loading Chamber, Pressure Pipe, Engine House) and Adduction and Return Channels. The diversion of Maule River was executed in order to permit the construction of the protective cofferdam and to begin the excavations of Water Intake and Moving Barrier. By the end of the semester, the advance of the excavations permitted to begin the structural concrete of the Moving Barrier and the concrete slopes of the Adduction Channel. By the end of Jun15, the advance in the construction is developed as scheduled.

The project is expected to begin its commercial operations early in 2017. The investment amount, including the transmission line, will be approximately US$130 million.

Ongoing Projects

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

The Company improved its design in 2014, incorporating new technology to comply with the stringent emissions standards inforce since January 1, 2012. Likewise the social, economic and commercial dimensions of the project are being analyzed in order to define the beginning of its construction in a timely manner.

- **San Pedro Hydroelectric Project (160 MW – 170 MW):** San Pedro hydroelectric project is located at 25 km northeast of Los Lagos commune, in Los Ríos Region, and it uses the water of San Pedro river by means of a station located between the Riñihue Lake and the Malilhue Bridge. Considering the adjustments referred in the project, San Pedro will have an estimated design flow of 460 m^3/s (+ 10% with extra opening) and an approximate installed capacity between 160 – 170 MW for an annual generation of 950 GWh under normal water conditions. The operation of the power station will be such that the reservoir level will be practically constant, which means the water flow under the power station will not be altered by its operation.

In Jun15 the environmental impact assessment (EIA) institution received the Environmental Modifications Report, and admitted to proceed with the Environmental Assessment Service (Servicio de Evaluación Ambiental, SEA) of Los Ríos Region. At the same time, we continue with the socialization process of the project through meetings with city halls, communities, associations of residents, regional authorities, among other groups of interest.

- **San Pedro-Ciruelos Transmission Line Project:** San Pedro - Ciruelos transmission line project will enable to evacuate the energy from San Pedro power station to the SIC through a line of 220 kV and a length of 47 km, that will be connected with the Ciruelos substation, located 40 km northeast of Valdivia.

The main activities performed so far are related to the negotiations for the line easements and arrangements in order to begin with the construction of the project.

The Archaeological Recovery works in Fundo Colegual (engaged activity in the RCA) are finished, and we are advancing in the update of the Forestry Management Plans.

- **ERNC Projects (Non-Conventional Renewable Energy):** The electrical standard requires that part of the contracted energy come from non-conventional renewable generation, establishing as a goal that by 2025, 20% of energy will come from this type of technology.

In this context, in 2013 Colbún signed a contract with Acciona Energía for the purchase of the energy and attributes generated by the Punta Palmeras 45 MW wind farm, located in the commune of Canela, 70 km from Los Vilos, in the IV Region, which came into commercial operation in November 2014.

Likewise, Colbún continues to analyze the technical and economic feasibility of various mini hydraulic power plant projects, which would use the water rights of irrigation associations, companies and individuals. Participation in generation projects using other technologies is also being studied.

- **HidroAysén:** Colbún has a 49% interest in HidroAysén S.A.

Notwithstanding the natural uncertainty regarding the deadlines and contents of the resolutions of judicial instances to which HidroAysén has resorted to or will resort to in the future, as well as the guidelines, conditions or possible reformulations that the processes that are being carried out by the government on long-term energy policies and territorial planning of basins may determine in relation to the development of the Aysen's hydroelectric potential, Colbún S.A. reiterates its conviction that current water rights, requests for additional water rights, the environmental qualification resolution, concessions, soil studies, engineering, authorizations and real estate of the project are assets that have been acquired and developed by the company during the last 8 years, in accordance with current institutional arrangements and international technical and environmental standards.

Colbún S.A. ratifies that the development of the referred hydroelectric potential has benefits for the country's future growth and that the option of being a part of it represents for our company a potential source to add value in the long term. Colbún also ratifies the defense on the courts of the RCA of the project that is now in the Environmental Courts and the defense of the additional water rights that are in the process of being granted.

- **Other Developments:** The Company has continued to carry out studies of technical, economic and environmental pre-feasibility and feasibility studies for hydroelectric projects, which would use water rights which Colbún has in the Maule Region.

Moreover, we are working in the development of options to purchase natural gas directly from the international market.

6.3 Electricity Business Risks

At Colbún, risk management is a strategic issue to safeguard the principles of company stability and sustainability, eliminating or mitigating uncertainty variables that could significantly affect the achievement of its objectives.

Fully managing risks assumes the identification, assessment and control of the different risks faced by the different areas of the company, as well as estimating their impact on its consolidated position, follow up and control over time. This process involves Colbún's senior management as well as the areas that directly manage the risks.

The Risks Committee, with the support of Corporate Risk Management and in coordination with the rest of the Company's divisions, follows up on risk management.

6.3.1. Hydrology Risks

Forty-eight percent (48%) of Colbún's power plants are hydraulic and therefore are exposed to variable rainfall conditions. Under dry conditions, in order to be able to fulfill its contracts, Colbún must operate its combined cycle thermal plants with purchased natural gas or diesel, operate its inefficient thermal plants or else resort to the spot market.

This situation increases Colbún's costs, increasing the variability of its results depending on rainfall conditions. The Company's exposure to hydrological risk is reasonably mitigated through a commercial policy whose purpose is to maintain a balance between the competitive base generation (hydraulic in a medium to dry year and coal thermal generation) and its commercial commitments.

6.3.2. Risk of fuel prices

In situations of low output of our hydraulic plants, Colbún must use its thermal plants or buy energy on the spot market at marginal cost. The above generates a risk due to changes in international fuel prices. Part of this risk is mitigated with contracts whose selling price is also indexed to changes in fuel prices. In addition, hedging programs are undertaken with various derivative instruments, such as call and put options, among others, to hedge the remaining portion of this exposure, should it exist.

6.3.3. Fuel supply risk

For the supply of liquid fuel the Company has agreements with suppliers and its own storage capacity to ensure adequate reliability in respect to the availability of this type of fuel. With respect to coal, new tenders have been undertaken inviting important international suppliers to bid, awarding the supply contract to solvent and competitive companies. This is in line with an early purchasing policy in order to prevent any risk of not having this fuel available.

6.3.4 Risk of equipment failure and maintenance

The availability and reliability of generating units and transmission assets is essential to ensure the levels of production to adequately cover our commitments. This is why Colbún's policy is to conduct regular maintenance on its equipment according to the recommendations of its suppliers and maintains insurance for its physical assets, including coverage for physical damage and loss of profit due to business interruption.

6.3.5 Project Construction Risks

The development of new generation and transmission projects can be affected by factors such as delays in obtaining environmental approvals, regulatory framework changes, prosecutions, an increase in the price of equipment or salaries, opposition from local and international stakeholders, and adverse geographical conditions, natural disasters, accidents or other unforeseen events.

The Company's exposure to such risks is managed through a commercial policy that considers the effects of potential project delays. Alternatively, we incorporate clearance levels in the time and cost of construction estimates. Additionally, the Company's exposure to this risk is partially covered with the "All Risk Construction" insurance policies covering both physical damage and loss of profit from a delay in commissioning the plant as a result of a disaster, both with standard deductibles for these types of insurance.

We are facing a very challenging electricity market, which shows a strong opposition from diverse stakeholders, especially local communities that are legitimately demanding more involvement and participation. Additionally, apart from the inherent challenges to build new infrastructure, a long and uncertain environmental approval process is needed followed by a long and litigious process. This situation has led to a decrease in the construction of significant new projects.

Likewise, Colbún has a policy of excellent integration of the social and environmental dimensions of its projects in their development. The Company has developed a social engagement model that allows it to work in conjunction with neighboring communities and society in general, initiating a transparent citizen participation and trust-building process at the early stages of the projects and during their entire life cycle.

6.3.6 Regulatory Risks

Regulatory stability is fundamental to the generation sector, due to the long-term nature of the development, execution and return on investment of investment projects. Colbún believes that regulatory changes must be made taking into consideration the complexities of the electrical system and maintaining adequate investment incentives. It is important to have a regulation that provides clear and transparent rules that consolidate the trust of the agents in the sector.

The Chilean Water Code and the so called "Labor Reform," particularly of the most relevant to the generation industry as the description of "strategic companies" and the "minimum services" for the replacement in the case of a strike. Bills in preparation are also important: (i) Fee Equity Act that seeks to have a certain fee equivalence in the country in order to facilitate the development of new electric projects at a domestic level; (ii) New Act of Transmission that would redefine the fundamental aspects of these sector; (iii) New Organization of Load Economic Dispatch Centers (CDECs) that considers the union of Central Interconnected System Load Economic Dispatch Center (CDEC SIC) with the Economic Load Dispatch Center of Big North Interconnected System (CDEC SING); and (iv) Biodiversity and Protected Areas Act, that is currently under discussion at the Congress, among others. The necessary and balanced development of the electric market in the following years will depend -to a great extent- on the quality of these new regulations and the signals that the authority sends.

6.3.7. Risk of change in the demand and selling price of electric energy

The projection of future electricity consumption demand is information that is very relevant to the determination of its market price. In the medium term, lower-than-projected growth in demand would produce an imbalance between supply and demand, thus affecting energy prices.

6.4 Financial Risks

Financial risks are those associated with the inability to perform transactions or the breach of obligations from the activities for lack of funds, as well as variations in interest rates, exchange rates, counterparty bankruptcy or other financial market variables that may materially affect Colbún.

6.4.1 Foreign Exchange rate risk

The foreign exchange rate risk is mainly a consequence of cash flows in currencies other than the functional currency of the Company. The instruments used to manage foreign exchange risk are currency swaps and forwards.

In terms of the net position of the Company in other currencies that are not the US$, as of Dec14 it shows a surplus of assets over liabilities in Chilean pesos. This "long" position translates into income from exchange rate differences of approximately US$1.5 million for each Ch$10 variation in the CLP/US$ exchange rate.

6.4.2 Interest Rate Risk

Refers to changes in interest rate that affect the value of future cash flows referenced at variable interest rates, and changes in the fair value of assets and liabilities referenced at fixed interest rates that are accounted for at fair value. The company uses fixed interest rate swaps to mitigate this risk.

The company's financial debt, incorporating the effect of interest rate derivatives engaged is detailed as follows:

Interest rate	jun-15	dec-14	jun-14
Fixed	100%	100%	100%
Floating	0	0%	0%
Total	**100%**	**100%**	**100%**

6.4.3 Credit Risk

The Company is exposed to the risk arising from the possibility that certain counterparty fails to meet its contractual obligations and produce economic or financial loss.

With respect to cash and derivatives statements, Colbún carries out the transactions with high credit ratings institutions, recognized nationally and internationally. In addition, the Company has established participation limits by counterparty, which are approved by the Board of Directors and reviewed periodically.

As of June 30, 2015, cash surpluses are invested in mutual funds (in bank branches) and in fixed-time deposits in local and international banks. The first instruments correspond to short-term mutual funds with a maturity of less than 90 days, known as “money market”. In the case of the banks, local ones have a local credit rating equal or superior to AA- and the foreign ones have international investment grade credit rating. These investments are diversified over a wide range of financial institutions, with the one having the highest share of 18%. Regarding existing derivatives, the Company's international counterparts have a credit rating equivalent to A- or above and national counterparts have local rating of AA- or higher. It should be noted that no counterpart concentrates more than 15% in notional terms.

6.4.4 Liquidity Risk

This risk results from different funding requirements to meet investment commitments and business expenses, debt payments, etc. The funds needed to meet these cash flow outputs are obtained from our own resources generated by the ordinary activity of Colbún and by contracting credit lines to ensure sufficient funds to cover projected needs for a given period.

As of June 30, 2015 Colbún has cash in excess in the amount of US$912.5 million invested in fixed-time deposits with an average duration of less than 30 days and in short-term mutual funds with maturity of less than 90 days. Furthermore, the Company has additional liquidity sources available to date: (i) a committed line with local banks for UF 4 million, (ii) two lines of bonds registered in the local market for a total amount of UF 7 million, (iii) a line of trade notes in the local market for UF 2.5 million and (iv) uncommitted bank credit lines for approximately US$150 million.

In the next 12 months, the Company must disburse approximately US$132 million in interest and amortization of principal. These disbursements will be attended with cash flow from operations.

As of June 30, 2015, Colbún has national risk classifications A+ by Fitch Ratings and AA- by Humphreys, both with stable perspectives. At an international level, the classification of the company is BBB by Fitch Ratings (recently confirmed in Jun15) and BBB by Standard & Poor’s (S&P), both with stable perspectives as well. It is important to mention that in May 2015 S&P revised upwards the company's perspective from a negative to a stable perspective.