July 29, 2014

IN THE FIRST QUARTER OF 2014, E.CL REPORTED NET INCOME OF US$45 MILLION AND EBITDA OF US$152 MILLION.

EBITDA REACHED US$152 MILLION IN THE FIRST HALF OF 2014, A 29% INCREASE COMPARED TO THE SAME PERIOD OF 2013, MAINLY DUE TO IMPROVED OPERATING PERFORMANCE, INCREASED GAS SALES AND GENERATION, AND HIGHER AVERAGE PRICES. NET INCOME AMOUNTED TO US$45 MILLION, A SIGNIFICANT INCREASE COMPARED TO THE FIRST HALF OF 2013.

- **Operating revenues** amounted to US$626.5 million, a 6% increase compared to the same period of 2013, mainly due to higher average realized monomic prices in both the regulated and unregulated client segments and higher gas sales, partially offset by lower physical sales and lower non-recurring revenues.

- **First half EBITDA** was US$151.8 million, with an EBITDA margin of 24.2%. EBITDA increased 29% compared to the first half of 2013 mainly due to higher average realized prices, higher gas generation and sales and lower fuel and spot electricity purchase costs.

- **Net income** amounted to US$44.5 million in the first half, a significant improvement with respect to the first half of 2014, mainly because of the company's improved operating performance.

Financial Highlights
(in US$ millions)

US$ millions	2Q13	2Q14	Var %	1H13	1H14	Var %4
Total operating revenues	307.3	318.1	***4%***	592.4	626.5	***6%***
Operating income	14.8	37.9	***157%***	45.8	84.9	***85%***
EBITDA	51.1	71.9	***41%***	117.9	151.8	***29%***
EBITDA margin	16.6%	22.6%	***36%***	19.9%	24.2%	***22%***
Non recurring earning	4.7	-	-	4.7	6.0	***28%***
EBITDA without non recurring earnings	46.4	71.9	***55%***	113.2	145.8	***29%***
Total non-operating results	(18.4)	(12.5)	***-32%***	(26.6)	(23.3)	***-13%***
Net income after tax	(5.2)	20.7	***500%***	12.7	47.8	***277%***
Net income attributed to controlling shareholders	(8.5)	19.7	***332%***	8.1	44.5	***449%***
Net income attributed to minority shareholders	3.4	1.0	***-70%***	4.6	3.2	***-30%***
Earnings per share	0.01	0.02	***134%***	0.01	0.04	***449%***
Total energy sales (GWh)	2,399	2,251	***-6%***	4,805	4,522	***-6%***
Total net generation (GWh)	2,153	1,983	***-8%***	4,249	4,008.8	***-6%***
Energy purchases on the spot market (GWh)	334	308	***-8%***	703	614	***-13%***

E.CL is engaged in the generation, transmission and supply of electricity and the transportation of natural gas in the north of Chile. E.CL is the fourth largest electricity generation company in Chile and the largest electricity generation company in the SING, Chile's second largest power grid. As of June 30, 2014, E.CL accounted for 51% of the SING's installed capacity. E.CL primarily supplies electricity to large mining and industrial customers, and it also supplies the entire electricity needs of EMEL, the sole electricity distribution group in the SING. E.CL is currently 52.77% indirectly owned by GDF Suez. The remaining 47.23% of E.CL's shares are publicly traded on the Santiago stock exchange following Codelco's sale of its 40% shareholding interest on January 28, 2011. For more information, please refer to www.e-cl.cl.

HIGHLIGHTS:

- **2Q-2014**

- **CEO change:** In May, E.CL announced that, after ten years in Chile leading the company and its affiliates, Mr. Lodewijk Verdeyen, will leave his current position as E.CL's CEO to assume new functions as Vice-President for New Businesses Development for the GDF SUEZ group in Latin America. Effective September 1, 2014, Mr. Axel Leveque, current COO – GDF SUEZ Energy Latin America, will take over Mr. Verdeyen's position as E.CL's CEO. Mr. Leveque began his career with GDF SUEZ in 1996, working in Belgium, Spain, Chile, Peru and Brazil. With previous working experience in Chile, Mr. Leveque is well acquainted with the company and the Chilean electricity industry.

- **Earthquake**: On April 2, an 8.2 Richter-scale earthquake, followed by a 7.6-degree earthquake on April 3, affected the north of Chile, with no casualties or injuries among E.CL personnel nor any material damage on E.CL's generation, port, gas transportation and electricity transmission assets. Certain transmission assets suffered minor damages and reported service interruptions. All damages have been repaired, and E.CL's transmission network has been operating normally since shortly after these force majeure events.

- A draft **tax reform bill** was sent to Congress in April, which if approved, will introduce several changes to the current tax regime. Among other changes, it will gradually raise the corporate tax rate from 20% to 27% and will introduce a US$0.1/ton tax on local emissions (PM, SO_2 and NOx) as well as a US$5/ton tax on CO_2 emissions applicable to boilers and turbines with thermal power equal to or greater than 50 thermal MW. The CO_2 tax will become effective in 2017. The bill remains under discussion in congress, and according to proposed amendments to the initial draft, the corporate tax rate could be gradually raised to 27%.

- In April, the **Calama wind farm project** (up to 228MW) was registered with the **Clean Development Mechanism (CDM)** of the United Nations. The project has an annual CER generation potential of more than 500,000 tons, which makes it one of the biggest projects under CDM development in Chile.

- **Dividend payments:** At the Annual Ordinary Shareholders' Meeting held on April 29, 2014, the shareholders approved a dividend payment equivalent to 100% of 2013's net income in the amount of US$0.0375803332 per share. An amount of US$39,583,732.32 was paid on May 23, 2014.

- **New dividend policy:** At the April 29, 2014 Annual Ordinary Shareholders Meeting, the company's shareholders approved a new dividend policy, which modifies the existing one in that, subject to proper board or shareholder approvals, the company will intend to pay two provisional dividends, preferably in August and December of each year on the basis of the financial results of the first half and second quarters, respectively, in addition to the definitive dividend to be paid in May of each year.

- **MSCI:** Last May, E.CL's share was delisted from the MSCI Mid-Cap index and was listed in the MSCI Small Cap index.

- **Energy Agenda:** In early May, the Chilean government launched its "Agenda Energética" or energy agenda, setting guidelines for the energy sector's development over the 2014-2018 period. The document elaborates on seven main angles including a new role for the state; energy price reductions through enhancing competition, efficiency and diversification of the energy market; development of native energy resources; expanding connectivity for energy development; achieving an efficient sector that manages energy consumption; fostering investment in energy infrastructure; and supporting citizenship participation and territorial ordering. Among other subjects, the document emphasizes the development of electricity transmission systems, specifically, the interconnection of the existing electricity grids in central and northern Chile (the "SIC" and the "SING").

- **1Q-2014**

  - **Chairman of the Board:** On January 28, 2014, the board of directors agreed to accept the resignation of Mr. Jan Flachet as member and chairman of E.CL's board of directors. Mr. Flachet accepted a new position within the GDF SUEZ group in Asia. The board appointed Mr. Juan Clavería Aliste as the new chairman of E.CL's board.

  - **SING – SIC transmission line:** On January 28, 2014, the company gave notice to proceed with the construction of a 580-km., 500 kV, double-circuit transmission line, with 1,500 MVA per circuit. This line will permit the transmission of electricity generated by power plants in Mejillones to Cardones in the northern area of the SIC. The project will be developed through E.CL's subsidiary, TEN, recently acquired from Suez Energy Andino S.A. TEN accepted a firm turn-key EPC offer from Alusa Ingeniería and issued a notice to proceed to Alusa for the project's detailed engineering, early works, and the acquisition of electromechanical equipment worth approximately US$20 million. Accordingly, as required by current regulations, TEN communicated the commencement of construction to the National Energy Commission ("CNE") and the CDEC-SIC. The project will represent a total investment of approximately US$700 million. E.CL has begun the search of one or more partners and is currently analyzing the best possible financing structure to permit E.CL's future growth into other electricity projects. Given its characteristics, the project can be connected to the SING in Mejillones and has the potential to provide E.CL with access to a new market of unregulated clients and distribution companies in the SIC using either existing or new power plants to be built in the future.

  - **CTM3:** On March 28, 2014, E.CL informed the CDEC-SIC, the CDEC-SING and the CNE that beginning June 2017 E.CL will interconnect to the Central Interconnected System (SIC) its CTM3 combined-cycle gas turbine that forms part of the Central Térmica Mejillones power generation complex owned by E.CL and situated in the Mejillones area currently interconnected to the SING grid. This unit will initially operate with diesel and subsequently with gas or diesel depending on contractual arrangements.

- **SUBSEQUENT EVENTS:**

  - **Pampa Camarones Solar PV plant**: On July 10, E.CL gave notice to proceed to the construction of the first stage of the Pampa Camarones solar photo-voltaic plant with installed capacity of 6MW. A commercial agreement between Minera Pampa Camarones and E.CL made possible the construction of this plant that will supply the mining company's electricity needs with renewable energy. The electricity generated by this plant will be injected into the SING grid through E.CL's future Vítor substation, which will imply the construction of at least two new transmission lines. The initiative will have 24,000 photo-voltaic panels, will produce 18.1 GWh p.a., and is expected to begin commercial operations in the first quarter of 2015. The plant is situated approximately 50 kilometers south-east of the city of Arica. The Pampa Camarones project has potential to develop up to 300MW if all future stages are built. This will depend on commercial agreements.

  - **Service interruption in the SING:** On July 2, most of the SING system suffered service interruption for a few hours. Apparently the incident started in the Crucero substation during maintenance works carried out under normal protocols, and it subsequently impacted the operation of the rest of the system. An investigation is under due course to determine the possible causes of the incident in Crucero and the response of the system.

INDUSTRY OVERVIEW

The company operates in the SING Grid (Sistema Interconectado del Norte Grande or '*Northern Grid*'), Chile's second largest power grid, which serves the country's north and a major portion of its mining industry. Given local conditions, it is predominantly a thermoelectric system, with generation based on coal, natural gas, LNG, and diesel and fuel oil. The system has begun to exhibit an incipient development of renewable sources, mainly wind and solar.

During the 1Q14 the SING's monthly marginal costs averaged US$87.9/MWh, above the US$78.3/MWh recorded in the first quarter of the year before. The 1Q14 average stood slightly below the 4Q13's US$89.1/MWh average, which reflected increased demand and lower availability of cost-efficient generation.

In 2Q14, monthly marginal costs averaged US$89/MWh, reaching their highest level in April and their minimum in June. Because of greater gas availability and programmed maintenance of coal-fired plants, the system reported higher LNG-based generation. The fuel mix changed, with a lower relative weight of coal and diesel generation offset by higher LNG and renewable sources. In April 2014, marginal costs averaged US$99.8/MWh, a 21.4% increase compared to the same month of the prior year and a 35.7% increase compared to March 2014. In May, the marginal cost average returned to US$86.8/MWh, representing a 19.6% increase compared to the same month in 2013 and a 13.1% decrease compared to April. Finally, in June, marginal costs averaged US$63.6/MWh, a 14.7% drop from the same month the year before and a 26.7% decrease from the previous month.

Monthly marginal costs averaged US$88.45MWh in the first half of 2014, a 14.4% increase compared to the first half of 2013's US$77.3/MWh average.

However, it should be noted that these marginal costs do not reflect the system's generation overcosts ruled under the RM 39 and DS 130 mechanisms. These overcosts are referred to operating costs, in excess of the costs determined according to the economic dispatch of generation plants, which are incurred by generation companies for reasons such as higher service reliability, tests, transmission limitations and operation at plants' minimum technical level. The overcosts resulting from the operation of plants at their minimum technical level began to be ruled by the DS 130 in January 2013. Units operating under this condition do not set the marginal cost. Their reported variable costs in excess of the marginal cost are treated as overcosts, which are added and subsequently prorated among generation companies in function of their contracted electricity demand. Each generation company will therefore, receive or pay, as the case may be, the difference between its pro-rata share of the overcost and the generation overcost actually incurred by it. In this way, generators effectively incurring operational overcosts are remunerated by the more heavily contracted generators through this compensation system. The generators are able to partially pass through their share of the overcosts to tariffs depending on specific contractual conditions with their clients. The system's global overcosts reached US$48 million in the first quarter and US$48.8 million in the second quarter. Overall, in the first half of 2014, overcosts amounted to US$96.8 million; that is, 8.4% above the overcosts reported in the first half of 2013. However, the 2Q14 overcosts were lower than those reported in 2Q13, when big coal-fired plants were temporarily out of service and the LNG terminal shut down for maintenance for one month.

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

Generation by Fuel Type (in GWh)

	2013						2014					
	1Q 2013		2Q 2013		1H 2013		1Q 2014		2Q 2014		1H 2014	
Fuel Type	**GWh**	*% of total*	**GWh**	*% of total*	**GWh**	*% of total*	**GWh**	*% of total*	**GWh**	*% of total*	**GWh**	*% of total*
Hydro	21	*0%*	18	*0%*	39	*0%*	22	*1%*	18	*0%*	41	*0%*
Coal	3,497	*82%*	3,452	*82%*	6,949	*82%*	3,482	*82%*	3,437	*78%*	6,920	*80%*
LNG	451	*11%*	323	*8%*	774	*9%*	387	*9%*	568	*13%*	955	*11%*
Diesel / Fuel oil	251	*6%*	400	*9%*	651	*8%*	312	*7%*	296	*7%*	608	*7%*
Solar/Wind/ cogeneration	28	*1%*	27	*1%*	55	*1%*	61	*1%*	100	*2%*	161	*2%*
Total gross generation SING	**4,248**	***100%***	**4,220**	***100%***	**8,467**	***100%***	**4,265**	***100%***	**4,420**	*100%*	**8,685**	***100%***

Source: CDEC-SING

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

Generation by Company (in GWh)

	2013						2014					
	1Q 2013		2Q 2013		1H 2013		1Q 2014		2Q 2014		1H 2014	
Company	GWh	% of total	GWh	% of total	GWh	% of total	GWh	% of total	GWh	% of total	GWh	% of total
Norgener / Angamos	1,524	36%	1,327	31%	2,851	34%	1,503	35%	1,738	39%	3,240	37%
Celta	265	6%	243	6%	508	6%	256	6%	169	4%	425	5%
GasAtacama	156	4%	284	7%	440	5%	225	5%	213	5%	438	5%
E.CL (with 100% of CTH)	2,260	53%	2,322	55%	4,582	54%	2,204	52%	2,183	49%	4,386	51%
Other	42	1%	44	1%	86	1%	77	2%	118	3%	195	2%
Total gross generation SING………	**4,248**	**100%**	**4,220**	**100%**	**8,467**	**100%**	**4,265**	**100%**	**4,420**	100%	**8,685**	**100%**

Source: CDEC-SING

During the second quarter of 2014, E.CL reported a slight decrease in electricity generation, although it remained as the industry leader, accounting for 49% of the system's generation. In the first and second quarters, both E.CL and its competitors reported planned outages for plant maintenance and works related to environmental CAPEX. The slight decrease in coal generation was covered with an increase in gas generation given greater LNG availability and with renewables output, which allowed for a reduction in diesel generation.

Generation and demand levels normally exhibit a decline in the first quarter of each year after high demand levels in the last quarter basically due to the production schedules at mining operations. In the first quarter of 2014, demand and generation remained at very similar levels than those reported in 1Q13. Overall, in the first half of 2014, demand increased by 2.6% compared to the first half of 2013. Although some mining operations such as Ministro Hales, El Abra, Esperanza and Cerro Colorado showed an increase in their demand for electricity, others such as Chuquicamata, Gaby, Radomiro Tomic and Minera Zaldívar reported lower demand according to their production and maintenance programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

The following discussion is based on our consolidated financial statements for the first half of 2014, which have been prepared in U.S. dollars in accordance with IFRS, and have been subject to a limited-scope audit by Deloitte. This analysis should be read in conjunction with the financial statements and the notes thereto published by the Superintendencia de Valores y Seguros (www.svs.cl).

All figures reflect 100% consolidation of Inversiones Hornitos ("CTH").

Results of Operations

2Q 2014 compared to 2Q 2013 and 1Q 2014

Operating Revenues

Quarterly Information

(In US$ millions, except for volumes and percentages)

	2Q 2013		1Q 2014		2Q 2014		% Variation	
Operating Revenues	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Unregulated customers sales…………………..	218.9	*82%*	209.9	*80%*	220.4	*80%*	***5%***	***1%***
Regulated customers sales…………………….	43.0	*16%*	46.5	*18%*	54.1	*20%*	***16%***	***26%***
Spot market sales………………………………..	4.2	*2%*	5.8	*2%*	2.5	*1%*	***-57%***	***-42%***
Total revenues from energy and capacity sales……………………………	**266.1**	*87%*	**262.1**	*85%*	**277.0**	*87%*	***6%***	***4%***
Gas sales…………………………..	0.9	*0%*	10.9	*4%*	24.6	*8%*	***125%***	***2739%***
Other operating revenue……………………….	40.3	*13%*	35.3	*11%*	16.5	*5%*	***-53%***	***-59%***
Total operating revenues………………….	**307.3**	*100%*	**308.4**	*100%*	**318.1**	*100%*	***3%***	***4%***
Physical Data (in GWh)								
Sales of energy to unregulated customers [(1)]……	1,866	*78%*	1,745	*77%*	1,785	*79%*	***2%***	***-4%***
Sales of energy regulated customers……	454	*19%*	451	*20%*	447	*20%*	***-1%***	***-2%***
Sales of energy to the spot market…………….	80	*3%*	75	*3%*	19	*1%*	***-74%***	***-76%***
Total energy sales………………………….	**2,399**	*100%*	**2,271**	*100%*	**2,251**	*100%*	***-1%***	***-6%***
Average monomic price unregulated customers(U.S.$/MWh)[(2)]……	**114.7**		**118.5**		**123.5**		***4%***	***8%***
Average monomic price regulated customers (U.S.$/MWh)[(3)]	**95**		**103.1**		**121**		***17%***	***28%***

(1) Includes 100% of CTH sales.
(2) Calculated as the quotient between unregulated and spot revenues from energy and capacity sales and unregulated and spot physical energy sales.
(3) Calculated as the quotient between regulated revenues from energy and capacity sales and regulated physical energy sales.

Electricity sales reached US$277 million in the second quarter, a 6% increase compared to the previous quarter because of higher physical sales to unregulated clients, following the normally observed decrease in physical sales in the first quarter, and higher average prices in both client segments. Higher realized prices also explain the 4% increase in electricity sales compared to the second quarter of last year.

Sales to unregulated clients amounted to US$220.4 million, a 1% increase compared to 2Q13, mainly due to the end of some PPAs, notably 40MW Mantos Blancos, which matured in September 2013, and lower demand from El Tesoro, Gaby, and Radomiro Tomic, among others, for operational reasons at those mines. The decrease in physical sales was offset by higher average realized prices mainly explained by lower demand from clients who have take-or-pay clauses and by the pass-through of higher fuel costs in some contracts with price components indexed to Henry Hub.

Sales to distribution companies, or regulated clients, amounted to US$54.1 million, an increase compared to the immediately preceding quarter, due to a 4% increase in the average monomic tariff. It should be noted that the energy tariff increased by approximately US$13.5/MWh starting in May 2014 following the semiannual contractual tariff review, which is based on the past 4-month average Henry Hub index. The average Henry Hub price used in the energy price calculation increased by 27%, from US$3.73/MMBtu used in the October tariff setting process to US$4.62/MMBtu used in the April process.

Physical sales to the spot market decreased compared to the previous quarter and to the same quarter of 2013. However, on consolidated terms, E.CL continued to be a net electricity buyer on the spot market given its highly contracted position. In the second quarter of 2014, E.CL reported net spot purchases of approximately 289GWh, above the 1Q14's 231GWh, mainly due to lower coal generation related to coal-fired plants' maintenance schedules. The spot market sales item also includes the retroactive annual firm capacity price and monthly energy adjustment payments per the reliquidations made by the SING dispatch center (CDEC-SING).

Gas sales revenues include gas sales to third parties, mainly other generation and gas distribution companies.

Other operating revenues include transmission tolls, port services, transmission line services, coal and other fuels sold to other generators, and reliquidations of payments related to sub-transmission systems. In the first quarter of 2014, this item included approximately US$6 million in revenues resulting from the Final Acceptance and Settlement Agreement signed in March with the CTA and CTH projects' EPC contractor. In 2Q13, it included a US$13 million insurance compensation for business interruption related to CTH's outage in the last quarter of 2012.

Operating Costs

Quarterly Information

(In US$ millions, except for volumes and percentages)

	2Q 2013		1Q 2014		2Q 2014		% Variation	
Operating Costs	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Fuel and lubricants…………………………………	(114.5)	*41%*	(109.6)	*44%*	(113.3)	*42%*	***3%***	***-1%***
Energy and capacity purchases on the spot market…………………………………………..	(51.5)	*18%*	(37.0)	*15%*	(47.6)	*18%*	***29%***	***-8%***
Depreciation and amortization attributable to cost of goods sold…………………………….	(36.1)	*13%*	(32.6)	*13%*	(33.5)	*12%*	***3%***	***-7%***
Other costs of goods sold…………………….	(80.2)	*28%*	(71.7)	*29%*	(75.7)	*28%*	***6%***	***-6%***
Total cost of goods sold………………..	**(282.2)**	*96%*	**(251.0)**	*96%*	**(270.2)**	*96%*	***8%***	***-4%***
Selling, general and administrative expenses…	(12.3)	*4%*	(10.6)	*4%*	(10.1)	*4%*	***-5%***	***-18%***
Depreciation and amortization in selling, general and administrative expenses…………	(0.2)	*0%*	(0.4)	*0%*	(0.4)	*0%*	***0%***	***44%***
Other operating revenue/costs………………………	0.4	*0%*	0.6	*0%*	0.5	*0%*	***-12%***	***13%***
Total operating costs….………………..	**(292.5)**	*100%*	**(261.4)**	*100%*	**(280.1)**	*100%*	***7%***	***-4%***
Physical Data (in GWh)								
Gross electricity generation								
Coal………………………………………….	1,884	*81%*	1,731	*79%*	1,660	*76%*	***-4%***	***-12%***
Gas…………………………………………..	323	*14%*	381	*17%*	440	*20%*	***16%***	***37%***
Diesel Oil and Fuel Oil…………………….	106	*5%*	77	*3%*	70	*3%*	***-9%***	***-34%***
Hydro……………………………………….	10	*0%*	15	*1%*	12	*1%*	***-16%***	***23%***
Total gross generation………………….	**2,322**	*100%*	**2,204**	*100%*	**2,183**	*100%*	***-1%***	***-6%***
Minus Own consumption………………..	(169)	*-7%*	(178)	*-8%*	(200)	*-9%*	***12%***	***18%***
Total net generation…………………….	**2,153**	***87%***	**2,026**	***87%***	**1,983**	***87%***	***-2%***	***-8%***
Energy purchases on the spot market………..	334	***13%***	306	***13%***	308	***13%***	***1%***	***-8%***
Total energy available for sale before transmission losses………………………	**2,487**	***100%***	**2,332**	***100%***	**2,291**	***100%***	***-2%***	***-8%***

Gross electricity generation decreased by 1% compared to the first quarter. In 2Q14 the company reported lower availability of coal-fired plants due to maintenance and works associated to the emissions reduction program; specifically, CTM1, CTM2, CTA, CTH, U13 and U14 were subject to maintenance. Consequently, coal-fired generation decreased 4% as compared to 1Q14. Despite the successive maintenance of our combined cycle units, U16 and CTM3, gas generation increased and compensated for the lower coal generation during the quarter. This was possible due to an additional gas shipment contracted for 2014. Overall, despite higher gas generation, electricity generation decreased when compared to 2Q13 as E.CL had more units under maintenance. In 2Q13, CTM1, U12 and the U16 CCGT reported maintenance outages and there relevant plants belonging to our competitors that were out of service as well. In 2Q13, gas generation dropped as a result of the maintenance of the Mejillones LNG terminal that was out of service for one month to permit the connection of its new onshore storage tank to the regasification facility.

WTI prices, to which diesel and system overcosts are linked, averaged US$103.3/bbl during 2Q14. This represented a 4.7% increase from US$98.62/bbl in 1Q14, and an annual 9.8% increase from US$94.04/bbl in 2Q13. Coal prices also reported a rising trend. The lower generation level combined with higher coal, gas and diesel prices explained a 3% increase in fuel costs in 2Q14 compared to 1Q14. Despite similar levels of physical energy purchases on the spot market, spot electricity purchase costs increased in monetary terms mainly due to higher marginal costs and provisions for firm capacity reliquidations.

The decrease in depreciation from 2Q13 is explained by the extension of the useful lives of coal-fired plants per a technical report, which set up a 40-year standard life for these plants and 45 years for the oldest U12 and U13 plants. This was partially offset by the depreciation of the environmental improvement assets.

Other direct operating costs include, among others, operating and maintenance costs, cost of fuel sold, and sub-transmission tolls related to the EMEL contract, but this item is covered by revenues from transmission tolls. These costs increased slightly compared to the first quarter, but decreased significantly when compared to 2Q13. Among other factors, the depreciation of the Chilean peso contributed to a reduction of peso-denominated costs when expressed in US dollars.

SG&A expenses decreased due to a cost-control program and exchange rate effects.

Electricity Margin

	2013			2014		
	1Q13	2Q13	1S13	1Q14	2Q14	1S14
Electricity Margin						
Total revenues from energy and capacity sales……………………………………	**266.5**	**266.1**	**532.6**	**262.1**	**277.0**	**539.1**
Fuel and lubricants…………………..	(113.5)	(114.5)	(228.0)	(109.6)	(113.3)	(222.9)
Energy and capacity purchases on the spot market……………………………	(35.9)	(51.5)	(87.4)	(37.0)	(47.6)	(84.6)
Gross Electricity Profit	**117.1**	**100.1**	**217.2**	**115.5**	**116.1**	**231.6**
Electricity Margin	*44%*	*38%*	*41%*	*44%*	*42%*	*43%*

The electricity margin, or the gross profit from the electricity generation business, recovered in the first half of 2014, reaching 43%. Although the electricity margin decreased in the second quarter compared to the first quarter, it showed a turnaround compared to the second quarter of last year. Energy and capacity sales increased slightly compared to both quarters mainly due to higher realized prices, while no material increases in fuel or energy purchase costs were reported. When comparing 2Q14 with 1Q14, lower coal generation explained an increase in the fuel mix cost and higher spot purchases, which led to a 2-percentage point decrease in the electricity margin. In percentage terms, the electricity margin was 42% in 2Q14.

Nevertheless, the electricity margin improved when compared to 2Q13 when it was down to 38%. Lower spot electricity purchase costs and a reduction in compensatory payments related to system overcosts contributed to this improvement. These amounted to US$16.6 million in 2Q14, above US$13.6 million in 1Q14, and below US$17.2 million in 2Q13.

Operating Results

Quarterly Information

(In US$ millions, except for percentages)

EBITDA	**2Q 2013**		**1Q 2014**		**2Q 2014**		**% Variation**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Total operating revenues………………………	307.3	*100%*	308.4	*100%*	318.1	*100%*	***3%***	***4%***
Total cost of goods sold……………………	(282.2)	*-92%*	(251.0)	*-81%*	(270.2)	*-85%*	***8%***	***-4%***
Gross income………………………….	**25.0**	*8%*	**57.4**	*19%*	**47.9**	*15%*	***-17%***	***91%***
Total selling, general and administrative expenses and other operating income/(costs).	(10.3)	*-3%*	(10.4)	*-3%*	(10.0)	*-3%*	***-4%***	***-3%***
Operating income.…………………	**14.8**	*5%*	**47.0**	*15%*	**37.9**	*12%*	***n.a.***	***157%***
Depreciation and amortization……...…………	36.4	*12%*	32.9	*11%*	33.9	*11%*	***3%***	***-7%***
Provision/(reversal) uncollectibles…..	-	-	-	-	-	-	***n.a***	***n.a.***
EBITDA………………….………………	**51.1**	*17%*	**79.9**	*26%*	**71.9**	*23%*	***-10%***	***41%***

2Q14 EBITDA reached US$72 million, below the 1Q14's figure in part due to the absence of non-recurring earnings coming from the settlement agreement signed with the CTA/CTH EPC contractor. However, EBITDA did report a significant 41% increase compared to 2Q13 as such quarter had been negatively affected by higher energy purchase costs and system overcosts explained by plant maintenance outages and the one-month LNG terminal outage. In addition to the electricity margin improvement, higher gas sales to other generation companies contributed to the EBITDA recovery in the second quarter of 2014. This EBITDA increase is even more remarkable considering that in 2Q13 the company reported non-recurring income of US$13 million related to insurance compensations for business interruption losses reported by CTH as a result of its forced outage in 4Q12.

Financial Results

Quarterly Information

(In US$ millions, except for percentages)

Non-operating results	**2Q 2013**		**1Q 2014**		**2Q 2014**		**% Variation**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Financial income………..………………………	0.9	*0%*	0.9	*0%*	0.6	*0%*	***-35%***	***-39%***
Financial expense…………….…………………	(11.7)	*-4%*	(11.4)	*-4%*	(11.7)	*-4%*	***3%***	***0%***
Foreign exchange translation, net……………	(6.9)	*-2%*	(0.1)	*0%*	(1.8)	*-1%*	***2191%***	***-74%***
Other non-operating income/(expense) net…	(0.7)	*0%*	(0.2)	*0%*	0.4	*0%*	***-301%***	***-162%***
Total non-operating results…………….	**(18.4)**	*-6%*	**(10.8)**	*-4%*	**(12.5)**	*-4%*	***16%***	***-32%***
Income before tax…………………… ………	(3.6)	*-1%*	36.2	*12%*	25.5	*8%*	***-30%***	***-806%***
Income tax………………………………………	(1.6)	*-1%*	(9.2)	*-3%*	(4.7)	*-2%*	***n.a.***	***202%***
Net income after tax …….	**(5.2)**	*-2%*	**27.0**	*9%*	**20.7**	*7%*	***-23%***	***-500%***
Net income attributed to controlling shareholders…….	**(8.5)**	*-3%*	**24.8**	*8%*	**19.7**	*6%*	***-20%***	***332%***
Net income attributed to minority shareholders………..	**3.4**	*1%*	**2.2**	*1%*	**1.0**	*0%*	***-55%***	***-70%***
Net income to E.CL's shareholders	**(8.5)**	*-3%*	**24.8**	*8%*	**19.7**	*6%*	***-20%***	***332%***
Earnings per share……………………..	**0.008**	*0%*	**0.024**	*0%*	**0.019**	*0%*	***-20%***	***134%***

Financial expenses have not suffered any significant changes. As a result of measures taken to hedge against foreign-exchange risk, exchange losses amounted to US$1.8 million, well below the US$6.9 million loss in 2Q13, when the Chilean peso reported a sudden depreciation against the US dollar at the end of May.

Following the tax reform effective since the end of September 2012 the income tax rate has been 20%. Income taxes were higher in 2Q14 compared to 2Q13 due to the increase in taxable income largely explained by the company's improved operating performance.

Net after-tax income reached US$19.7 million in the second quarter. Although this represented a 20% decrease as compared to the first quarter, it represented a turnaround compared to the 2Q13's net loss.

First half of 2014 compared to first half of 2013

Operating Revenues

For the 6-month period ended June 30,
(In US$ millions, except for volumes and percentages)

	6M 2013		6M2014		Variation	
Operating Revenues	Amount	% of total	Amount	% of total	Amount	%
Unregulated customers sales…………………..	441.6	*83%*	430.3	*80%*	**(11.4)**	***-3%***
Regulated customers sales…………………….	84.3	*16%*	100.6	*19%*	**16.3**	***19%***
Spot market sales………………………………..	6.6	*1%*	8.2	*2%*	**1.6**	***24%***
Total revenues from energy and capacity sales……………………………	**532.6**	*90%*	**539.1**	*86%*	**6.5**	***1%***
Gas sales…………………………..	1.3	*0%*	35.5	*6%*	**34.2**	***2613%***
Other operating revenue……………………….	58.5	*10%*	51.8	*8%*	**(6.7)**	***-11%***
Total operating revenues………………….	**592.4**	*100%*	**626.5**	*100%*	**34.1**	***6%***
Physical Data (in GWh)						
Sales of energy to unregulated customers [(1)]……	3,795	*79%*	3,530	*78%*	**(265)**	***-7%***
Sales of energy regulated customers……	898	*19%*	898	*20%*	**(0)**	***0%***
Sales of energy to the spot market…………….	112	*2%*	94	*2%*	**(19)**	***-17%***
Total energy sales………………………….	**4,805**	*100%*	**4,522**	*100%*	**(284)**	***-6%***
Average monomic price unregulated customers(U.S.$/MWh)[(2)]	**114.7**		**121.0**		**6.3**	***5%***
Average monomic price regulated customers (U.S.$/MWh)[(3)]	**93.9**		**112.1**		**18.2**	***19%***

(1) Includes 60% of CTH sales.
(2) Calculated as the quotient between unregulated and spot revenues from energy and capacity sales and unregulated and spot physical energy sales.
(3) Calculated as the quotient between regulated revenues from energy and capacity sales and regulated physical energy sales.

In the first half of 2014, total operating revenues increased 6% compared to the first half of 2013.

The increase in electricity revenues compared to 1H13 resulted from a combination of a 6% decrease in physical sales with higher average realized tariffs in both the regulated and unregulated client segments. This, added to higher spot energy sales, resulted in a 1% increase in energy and capacity sales compared to the first half of 2013.

Electricity sales to unregulated clients reached US$430 million, a 3% decrease when compared to 1H13. Physical electricity sales decreased mainly due to the end of the 40MW Mantos Blancos contract at the end of September 2013 and lower demand from the Chuquicamata, Gaby, Zaldívar and Radomiro Tomic mines, which was partly offset by higher demand from Esperanza, Cerro Colorado and El Abra. Average realized monomic tariffs increased 5% compared to the first half of 2013 due to the higher gas and coal prices and higher solid fuel unloading costs.

Sales to distribution companies reached US$100.6 million. While they remained flat in physical terms, in part due to the effect of the earthquakes in April, the average realized monomic tariff increased 19% due to the rise in the applicable Henry Hub index for the calculation of the energy tariff.

Other operating revenues include transmission tolls, port services, transmission line services and fuel sold to other generators. In the first half of 2014, these revenues increased significantly due to greater gas sales to other generation companies. It should be noted that in the first quarter of 2014, this item included US$6 million in non-recurring revenue from the final settlement agreement signed with the CTA/CTH EPC contractor, while in 2Q13 it included US$13 million in insurance compensations for business interruption losses resulting from the CTH turbine failure in the last quarter of 2012.

Operating Costs

For the 6-month period ended June 30,

(In US$ millions, except for volumes and percentages)

	6M- 2013		6M - 2014		Variation	
Operating Costs	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**%**
Fuel and lubricants………………………………	(228.0)	*43%*	(222.9)	*43%*	**5.2**	***-2%***
Energy and capacity purchases on the spot market…………………………………………..	(87.4)	*17%*	(84.6)	*16%*	**2.7**	***-3%***
Depreciation and amortization attributable to cost of goods sold…………………………….	(71.6)	*14%*	(66.1)	*13%*	**5.5**	***-8%***
Other costs of goods sold…………………….	(138.3)	*26%*	(147.5)	*28%*	**(9.2)**	***7%***
Total cost of goods sold……………….	**(525.3)**	*96%*	**(521.1)**	*96%*	**4.2**	***-1%***
Selling, general and administrative expenses…	(21.4)	*4%*	(20.7)	*4%*	**0.7**	***-3%***
Depreciation and amortization in selling, general and administrative expenses…………	(0.6)	*0%*	(0.7)	*0%*	**(0.1)**	***25%***
Other revenues/costs………………………………	0.7	*0%*	1.0	*0%*	**0.4**	***56%***
Total operating costs…..………………	**(546.6)**	*100%*	**(541.5)**	*100%*	**5.0**	***-1%***
Physical Data (in GWh)						
Gross electricity generation						
Coal………………………………………….	3,594	*78%*	3,391	*77%*	**(202)**	***-6%***
Gas…………………………………………..	774	*17%*	821	*19%*	**48**	***6%***
Diesel Oil and Fuel Oil…………………….	192	*4%*	147	*3%*	**(46)**	***-24%***
Hydro/ Solar……………………………….	22	*0%*	27	*1%*	**5**	***21%***
Total gross generation…………………	**4,582**	***100%***	**4,386**	***100%***	**(196)**	***-4%***
Minus Own consumption………………..	(333)	*-7%*	(378)	*-9%*	**(44)**	***13%***
Total net generation……………………	**4,249**	***86%***	**4,009**	***87%***	**(240)**	***-6%***
Energy purchases on the spot market………..	703	***14%***	614	***13%***	(88)	***-13%***
Total energy available for sale before transmission losses………………………	**4,951**	***100%***	**4,623**	***100%***	**(328)**	***-7%***

In the first half of 2014 gross electricity generation decreased 4% compared to the same period the year before due to lower generation owing to maintenance outages of our coal-fired units. Coal-based generation decreased 6%, representing 77% of E.CL's total electricity generation, down from 78% in 1H13. Gas generation increased 6%, and allowed, together with an increase in renewable energy output, to offset part of the decrease in coal generation. The remainder was covered with spot energy purchases. During the first half, the U13, U14, U15, CTM1, CTM2, CTA and CTH coal-fired units were subject to maintenance and works related to our environmental upgrade CAPEX program, while our U16 and CTM3 combined-cycle gas plants also underwent maintenance works.

Lower fuel costs in the first half of 2014 can be attributed to the lower gross generation and the use of a lower-cost fuel mix since there was lower need for the more expensive diesel generation. Spot electricity purchase costs decreased due to lower physical energy purchases.

Other costs of goods sold include, among others, transmission tolls, operating and maintenance costs and cost of fuels sold. The increase in this item is primarily explained by the costs of higher gas sales and higher demurrage and port handling costs resulting from an incident at the Puerto Mejillones port in the last quarter of 2013. These effects were partly offset by lower maintenance and repair costs mainly as a result of approximately US$7 million in costs related to the repair works carried out in CTA and CTH in 1Q13 to resolve the water leakages found in their cooling systems.

Operating Results

For the 6-month period ended June 30,,
(In US$ millions, except for percentages)

	6M - 2013		6M 2014		Variation	
EBITDA	**Amount**	**% of**	**Amount**	**% of**	**Amount**	**%**
Total operating revenues………………………	592.4	*100%*	626.5	*100%*	**34.1**	***6%***
Total cost of goods sold……………………	(525.3)	*-89%*	(521.1)	*-83%*	**4.2**	***-1%***
Gross income………………………….	**67.1**	*11%*	**105.3**	*17%*	**38.2**	***57%***
Total selling, general and administrative expenses and other operating income/(costs).	(21.3)	*-4%*	(20.4)	*-3%*	**0.9**	***-4%***
Operating income….……………….	**45.8**	*8%*	**84.9**	*14%*	**39.1**	***85%***
Depreciation and amortization……...…………	72.2	*12%*	66.8	*11%*	**(5.3)**	***-7%***
(Provision)/reversal uncollectibles…..		-		-	**-**	*n.a.*
EBITDA……………….………………….	**118.0**	*20%*	**151.8**	*24%*	**33.8**	***29%***

In the first half of 2014, EBITDA was US$151.8 million, a 29% increase compared to 1H13, due mainly to increases in average realized monomic tariffs given the recovery in the Henry Hub index. In addition, the company reported lower operating costs related to a lower-cost generation mix associated to higher gas generation which allowed for a reduction in diesel generation and spot electricity purchases. In addition, the company reported higher gas sales to third parties.

Depreciation decreased by US$5.3 million in the first half due to lower depreciation costs resulting from the life extension of coal-fired plants determined after a technical study performed at the end of 2013.

Financial Results

	For the 6-month period ended June 30, (In US$ millions, except for percentages)					
	6M - 2013		6M - 2014		Variation	
Non-operating results	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Financial income……………………………………	2.0	*0%*	1.4	*0%*	**(0.5)**	***-27%***
Financial expense……………………………………	(23.5)	*-3%*	(23.0)	*-3%*	**0.4**	***-2%***
Foreign exchange translation, net……………	(4.2)	*-1%*	(1.9)	*0%*	**2.3**	***n.a.***
Other non-operating income/(expense) net…	(0.9)	*0%*	0.2	*0%*	**1.1**	***-124%***
Total non-operating results……………	**(26.6)**	*-3%*	**(23.3)**	*-3%*	**3.3**	***-13%***
Income before tax………………………………	19.2	*2%*	61.7	*7%*	**42.5**	***221%***
Income tax………………………………………	(6.5)	*-1%*	(13.9)	*-2%*	**(7.4)**	***113%***
Net income after tax …….	**12.7**	*2%*	**47.8**	*5%*	**35.1**	***277%***
Net income attributed to controlling shareholders…….	**8.1**	*1%*	**44.5**	*5%*	**36.4**	***449%***
Net income attributed to minority shareholders………..	**4.6**	*1%*	**3.2**	*0%*	**(1.4)**	***-30%***
Net income to E.CL's shareholders	**8.1**	*1%*	**44.5**	*5%*	**36.4**	***449%***
Earnings per share……………………..	**0.01**	*0%*	**0.04**	*0%*	**0.0**	***449%***

Net financial expense decreased slightly due to a lower LIBO rate and the gradual amortization of principal under the CTA project finance debt, which offset the 0.25% step-up in margin effective in April 2013.

The most relevant change in non-operating items was a smaller foreign-exchange loss following the implementation of new foreign-currency hedging strategies and lower impact from sudden exchange-rate changes such as the one occurred at the end of May 2013.

Net Earnings

After-tax income increased by US$36.4 million compared to the first half of last year, reaching US$44.5 million, principally due to better operating income and, to a lesser extent, to lower depreciation and foreign exchange losses. This was partly offset by an increase in income taxes in proportion to the higher reported before-tax income.

Liquidity and Capital Resources

As of June 30, 2014, E.CL reported cash balances of US$242.1 million (including short-term investments available for sale), whereas nominal financial debt[1] totaled US$752 million, with only US$14.1 million maturing within one year.

(1) Nominal amounts differ from the debt amounts recorded under the IFRS methodology in the Financial Statements.

Cash Flow	For the 6-month period ended June 30, (In US$ millions) 2013	2014
Net cash flows provided by operating activities…	75.6	133.4
Net cash flows used in investing activities………	(11.1)	(50.4)
Net cash flows provided by financing activities..	(62.1)	(65.8)
Change in cash……………….…………	**2.4**	**17.2**

Cash Flow from Operating Activities

In the first half of 2014 cash flow generated from operating activities reached approximately US$133 million after interest (US$20 million), and value-added and income tax (US$34 million) payments. Operating cash sources were made up of US$165 million of purely operating cash flows plus US$9 million in net payments received from the CTA/CTH EPC contractor according to the settlement agreement signed in March and US$11.1 million corresponding to insurance payments received by CTH.

Cash Flow Used in Investing Activities

Cash flow used in investing activities was US$50 million in 1H14. This amount included US$13.6 million invested in the acquisition of TEN, the new affiliate in charge of the development of the SING-SIC transmission line project, as well as US$20.5 million in cash proceeds from the sale of Distrinor at the end of 2013.

It should be noted that our cash flow statement includes short-term investments in mutual funds as cash flows used in investment activities, whereas we consider them as available cash for purposes of this analysis.

Our main capital expenditures during the period were related to the environmental improvement project, plant overhauls, equipment maintenance and refurbishment, as well as other investments. These included project studies, early works related to new investment projects and improvements in communication systems, among others.

With a total investment of nearly US$170 million, E.CL has been developing an emission-reduction program ("environmental CAPEX"), an initiative for the purpose of meeting the new environmental requirements in terms of reducing particulate matter and gas emissions from our thermoelectric power plants. As of the end of June 2014, the company had completed the installation of bag filters to reduce particulate matter emissions and is currently in the process of implementing systems for the reduction of gas emissions (NOx and SO_2), specifically the installation of low NOx burners and desulfurizing systems using hydrated lime.

Our capital expenditures in the first half of 2014 amounted to US$46.6 million (excluding the TEN acquisition), and reached US$28.8 million in 1Q13. They included the following items:

Capital Expenditures

	For the 6-month period ended June 30,, (In US$ millions)	
CAPEX	**2013**	**2014**
CTA…………………………………………………….		1.0
CTH [1]…………………………………………………		0.9
Central Tamaya……………………………………….	2.9	0.4
El Cobre substation & Chacaya-El Cobre transmission line……………………………	1.5	-
Overhaul power plants & equipment maintenance and refurbishing…………………	43.9	22.3
Environmental improvement works………………	13.8	11.9
Others……………………………………………	9.0	10.1
Total capital expenditures………………………	**71.0**	**46.6**

(1) 100% of these capital expenditures are recognized per IFRS.

Cash Flow from Financing Activities

In the first half of 2014 our financing activities included the following:

- Interest payment on the 144-A bond amounting to US$11.25 million included in the operating cash flow section;
- Payment by CTH of US$12.9 million corresponding to the third interest and principal payment under its long-term loan with E.CL, which had neutral effect on E.CL's consolidated cash flow statements;
- Payment by CTA of its seventh principal and interest installment under its project financing for an amount of US$15.6 million including interest-rate swap compensations. In our financial statements, interest and swap payments were discounted from operating cash flows, while the principal payment (US$6.4 million) was deducted from financing cash flows.
- Dividend payments by E.CL in an amount of US$39.6 million, corresponding to 100% of 2013's net income.
- Dividend payments by CTH for a total amount of US$50 million, including US$30 million paid to E.CL, with neutral effect on consolidated cash flows, and US$20 million paid to CTH's minority shareholder, which was deducted from the cash flows generated on financing activities.

Contractual Obligations

The following table sets forth the maturity profile of our debt obligations as of June 30, 2014. This table shows the nominal amount of our debt balances, which differs from the debt amounts recorded under the IFRS norm in our financial statements:

Contractual Obligations as of 06/30/14
Payments Due by Period
(In US$ millions)

	Total	< 1 year	1 - 3 years	3 - 5 years	More than 5 years
Bank debt……………………………	351.6	14.1	33.1	39.6	264.8
Bonds (144 A/Reg S Notes)………	400.0				400.0
Leasing obligations……...………	0.2	0.0	0.0	0.0	0.1
Accrued interest…………………	19.4	19.4			
Mark-to-market swaps	20.3				20.3
Total	**791.6**	**33.6**	**33.2**	**39.6**	**685.2**

In the above table, bank debt includes drawings under the project financing extended by IFC and KfW to our subsidiary CTA. As of June 30, 2014, the total principal amount was US$352 million, payable in unequal semiannual installments starting December 15, 2014, and ending with a 25% balloon payment on June 15, 2025.

The bonds correspond to our US$400 million 10-year 5.625% 144-A/Reg.S notes maturing January 15, 2021. The proceeds of this issue were used to repay our loans with shareholders and related parties in December 2010.

Other debt includes US$0.2 million in leasing obligations related to transmission assets, as well as a US$20.3 million mark-to-market provision on interest-rate swaps taken by CTA to hedge its exposure to floating interest rates.

Dividend Policy

Our dividend payment policy consists of paying the minimum legal required amounts (30%), although higher amounts may be approved if the company's conditions so allow. Our dividend payment for each year is proposed by our Board of Directors based on the year's financial performance, the size of our available cash balance and anticipated financing requirements for capital expenditures and investments in the following years. The dividend payment proposed by our Board is subsequently approved at a Shareholders' Meeting as established by law. On April 29, 2014, our shareholders approved dividends in an amount equivalent to 100% of our 2013 net earnings; that is, US$39.6 million, paid on May 23, 2014.

At the April 29, 2014, Annual Ordinary Shareholders Meeting, the company's shareholders approved a new dividend policy, which modifies the existing one in that, subject to proper board or shareholder approvals, the company will intend to pay two provisional dividends, preferably in August and December of each year on the basis of the financial results of the first half and second quarters, respectively, in addition to the definitive dividend to be paid in May of each year.

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

Cash Dividends paid by E.CL S.A.

Payment Date	Dividend Type	Amount (in US$ millions)	US$ per share
May 4, 2010	Final (on account of 2009 net income)	77.7	0.07370
May 4, 2010	Additional (on account of 2009 net income)	1.9	0.00180
May 5, 2011	Final (on account of 2010 net income)	100.1	0.09505
Aug 25 2011	Provisional (on account of 2011 net income)	25.0	0.02373
May 16 2012	Final (on account of 2011 net income)	64.3	0.06104
May 16 2013	Final (on account of 2013 net income)	56.2	0.05333
May 23 2014	Final (on account of 2013 net income)	39.6	0.03758

Hedging Policy

Our hedging policy covers certain risks to which we are exposed, as follows:

Business Risk and Commodity Hedging

Our business is subject to the risk of variations in the availability of fuels and their prices. Our policy is to hedge as much as possible against these risks through the indexation of the energy tariffs incorporated in our PPAs, and the fuel mix taken into consideration in the tariffs. The tariff of the EMEL contract, which became effective at the beginning of 2012, is readjusted semiannually according to the Henry Hub and the U.S. CPI indices. The company signed a long-term LNG purchase contract indexed to Henry Hub to supply the EMEL PPA; however, the company did not begin to receive HH-priced LNG until the fourth quarter of 2012. Hence, our company remained temporarily exposed to the risk of mismatch between Henry Hub and the fuel price or system marginal cost fluctuations which the company had to face to fulfill its power supply obligations under the EMEL contract. This mismatch affected our financial results in 2012. Since the 4Q12, there has been no such mismatch as both the LNG bought to supply the EMEL contract and the PPA tariff are readjusted according to the same index. Nevertheless, a mismatch remains between the Henry Hub index used to define the EMEL tariff (4-month average prior to the tariff fixing, which takes place every six months) and the Henry Hub index prevailing at the time each LNG shipment is made. Over the long run, the lag in the tariff readjustment has a negligible effect on results. Furthermore, this risk is mitigated by the EMEL tariff's automatic indexation triggered any time the price formula reports a fluctuation of 10% or more.

Currency Hedging

Given that most of our revenues and costs are denominated in U.S. dollars and that we seek to incur debt in U.S. dollars, we face limited exposure to foreign exchange risk. Our main costs denominated in Chilean pesos are personnel and administrative expenses, which account for approximately 6% of our total operating costs. Our most significant asset denominated in Chilean pesos consists of value added taxes paid on our purchases of equipment for our projects. The amount of this asset has decreased significantly through tax refunds as the projects have become operational. In the specific case of the EMEL contract, the price is calculated in dollars and is converted to pesos at an exchange rate which remains fixed over a six-month period, as opposed to unregulated contracts, which provide for monthly tariff adjustments. Invoicing and payments under the EMEL contract are made monthly in pesos using the contractual foreign exchange rate that is adjusted every six months. The company is therefore exposed to the difference between the prevailing exchange rate on the payment date and the foreign-exchange used to calculate the invoiced amount. In its April meeting, the Board of Directors approved a foreign-currency hedging strategy to hedge against the foreign-currency risk stemming from this contract.

Interest Rate Hedging

We maintain a significant portion of our long-term debt at fixed rates in order to minimize interest-rate exposure. As of June 30, 2014, 82% of our total financial debt for a principal amount of US$752 million was at fixed rates. The remaining 18% of our debt included the unhedged portion of our CTA project financing, which was at 180-day floating LIBOR.

As of June 30, 2014
Contractual maturity date
(In US$ millions)

	Average interest rate	2H14	2015	2016	2017	Thereafter	Grand
Fixed Rate							
(US$)	Swapped base rate of 3.665% p.a. + 2.75% spread (1)	3.9	9.5	10.2	10.8	181.2	215.6
(US$)	5.625% p.a.					400.0	400.0
Variable Rate							
(US$)	LIBOR (180) + 2.75% p.a. (1)	2.5	6.0	6.4	6.8	114.4	136.1
Total (2)		**6.4**	**15.5**	**16.6**	**17.6**	**695.6**	**751.6**

(1) This corresponds to the current interest rate of the IFC and KfW project financing for CTA. The margin on LIBOR will step up by 0.25% every three years starting April 30, 2016.

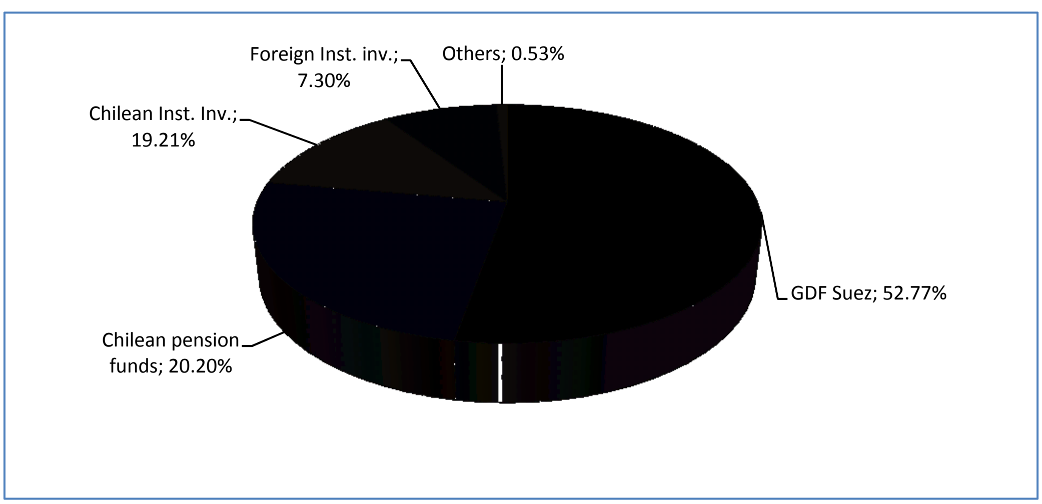
(2) These figures include principal amounts only and do not include leasing obligations related to our use of transmission lines or mark-to-market adjustments on interest rate swaps.

Credit Risk

In the normal course of business, and when investing our cash, we are exposed to credit risk. In our regular electricity generation business, we deal mostly with financially strong mining companies, which report low level of credit risk. In addition, we sell electricity to the only regulated client in the SING, which provides electricity supply to residential and commercial clients in the region. Our cash management policy is to invest in investment-grade institutions only and only within the short term. We also measure our counterparty risk when dealing with derivatives, and we have individual counterparty limits to manage our exposure.

OWNERSHIP STRUCTURE AS OF JUNE 30, 2014

Number of shareholders: 1,937



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

APPENDIX 1

PHYSICAL DATA AND SUMMARIZED QUARTERLY FINANCIAL STATEMENTS

Physical Sales
(in GWh)

	2013			2014		
	1Q13	2Q13	1H13	1Q14	2Q14	1H14
Physical Sales						
Sales of energy to unregulated customers.	1,930	1,866	3,795	1,745	1,785	3,530
Sales of energy to regulated customers	444	454	898	451	447	898
Sales of energy to the spot market………	33	80	112	75	19	94
Total energy sales………………………….	**2,406**	**2,399**	**4,805**	**2,271**	**2,251**	**4,522**
Gross electricity generation						
Coal………………………………………….	1,710	1,884	3,594	1,731	1,660	3,391
Gas…………………………………………..	451	323	774	381	440	821
Diesel Oil and Fuel Oil…………………….	87	106	192	77	70	147
Renewable……………………………………….	12	10	22	15	12	27
Total gross generation………………….	**2,260**	**2,322**	**4,582**	**2,204**	**2,183**	**4,386**
Minus Own consumption………………..	(164.3)	(168.9)	(333.2)	(177.9)	(199.7)	(377.6)
Total net generation…………………….	**2,096**	**2,153**	**4,249**	**2,026**	**1,983**	**4,009**
Energy purchases on the spot market………..	369	334	703	306	308	614
Total energy available for sale before transmission losses………………………	**2,465**	**2,487**	**4,951**	**2,332**	**2,291**	**4,623**

Quarterly Income Statement (in US$ millions)

IFRS						
Operating Revenues	1Q13	2Q13	1H13	1Q14	2Q14	1H14
Regulated customers sales………………………	41.4	43.0	84.3	46.5	54.1	100.6
Unregulated customers sales…………………..	222.8	218.9	441.6	209.9	220.4	430.3
Spot market sales………………………………..	2.4	4.2	6.6	5.8	2.5	8.2
Total revenues from energy and capacity sales……………………………	**266.5**	**266.1**	**532.6**	**262.1**	**277.0**	**539.1**
Gas sales…………………………..	0.4	0.9	1.3	10.9	24.6	35.5
Other operating revenue……………………….	18.1	40.3	58.5	35.3	16.5	51.8
Total operating revenues………………….	**285.1**	**307.3**	**592.4**	**308.4**	**318.1**	**626.5**
Operating Costs						
Fuel and lubricants………………………………	(113.5)	(114.5)	(228.0)	(109.6)	(113.3)	(222.9)
Energy and capacity purchases on the spot market…………………………………………..	(35.9)	(51.5)	(87.4)	(37.0)	(47.6)	(84.6)
Depreciation and amortization attributable to cost of goods sold…………………………….	(35.5)	(36.1)	(71.6)	(32.6)	(33.5)	(66.1)
Other costs of goods sold…………………….	(58.1)	(80.2)	(138.3)	(71.7)	(75.7)	(147.5)
Total cost of goods sold………………..	**(243.1)**	**(282.2)**	**(525.3)**	**(251.0)**	**(270.2)**	**(521.1)**
Selling, general and administrative expenses…	(11.0)	(10.4)	(21.4)	(10.6)	(10.1)	(20.7)
Depreciation and amortization in selling, general and administrative expenses…………	(0.3)	(0.3)	(0.6)	(0.4)	(0.4)	(0.7)
Other revenues………..……………………….	0.2	0.4	0.7	0.6	0.5	1.0
Total operating costs…..………………..	**(254.1)**	**(292.5)**	**(546.6)**	**(261.4)**	**(280.1)**	**(541.5)**
Operating income…..………………..	**31.0**	**14.8**	**45.8**	**47.0**	**37.9**	**84.9**
EBITDA……………….…………………….	**66.8**	**51.1**	**117.9**	**79.9**	**71.9**	**151.8**
Financial income………..………………………	1.0	0.9	2.0	0.9	0.6	1.4
Financial expense………….…………………	(11.7)	(11.7)	(23.5)	(11.4)	(11.7)	(23.0)
Foreign exchange translation, net……………	2.7	(6.9)	(4.2)	(0.1)	(1.8)	(1.9)
Other non-operating income/(expense) net…	(0.2)	(0.7)	(0.9)	(0.2)	0.4	0.2
Total non-operating results……………	**(8.2)**	**(18.4)**	**(26.6)**	**(10.8)**	**(12.5)**	**(23.3)**
Income before tax…………………..………	22.8	(3.6)	19.2	36.2	25.5	61.7
Income tax………………………………………	(5.0)	(1.6)	(6.5)	(9.2)	(4.7)	(13.9)
Net income after tax …….	**17.9**	**(5.2)**	**12.7**	**27.0**	**20.7**	**47.8**
Net income attributed to controlling shareholders……………….	**16.6**	**(8.5)**	**8.1**	**24.8**	**19.7**	**44.5**
Net income attributed to minority shareholders……………….	**1.2**	**3.4**	**4.6**	**2.2**	**1.0**	**3.2**
Net income to E.CL's shareholders…….	**16.6**	**(8.5)**	**8.1**	**24.8**	**19.7**	**44.5**
Earnings per share……………………..	**0.017**	**0.008**	**0.008**	**0.024**	**0.019**	**0.042**

Quarterly Balance Sheet

(In U.S.$ millions)

	2013	2014
	31-Dec-13	**30-Jun-14**
Current Assets		
Cash and cash equivalents (1)	213.4	242.1
Accounts receivable	171.5	138.2
Recoverable taxes	39.6	25.6
Other current assets	223.4	230.4
Total current assets	**648.0**	**636.3**
Non-Current Assets		
Property, plant and equipment, net	1,944.2	1,907.5
Other non-current assets	404.6	414.3
TOTAL ASSETS	**2,996.8**	**2,958.0**
Current Liabilities		
Financial debt	21.0	24.0
Other current liabilities	223.3	198.1
Total current liabilities	**244.3**	**222.1**
Long-Term Liabilities		
Financial debt (including intercompany)	740.3	742.0
Other long-term liabilities	205.0	207.6
Total long-term liabilities	**945.3**	**949.6**
Shareholders' equity	1,683.4	1,679.2
Minority' equity	123.9	107.1
Equity	**1,807.2**	**1,786.3**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,996.8**	**2,958.0**

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

	FINANCIAL RATIOS				
			Dec-13	Jun-14	Var.
LIQUIDITY	Current ratio (current assets / current liabilities)	(veces)	2.65	2.86	***-7%***
	Quick ratio ((current assets - inventory) / current liabilities)	(veces)	2.13	2.09	***2%***
	Working capital (current assets – current liabilities)	MMUS$	403.69	414.20	***-3%***
LEVERAGE	Leverage ((current liabilities + long-term liabilities) / networth)	(veces)	0.66	0.66	***0%***
	Interest coverage ((EBITDA / interest expense))	(veces)	5.36	6.13	***-13%***
	Financial debt –to- LTM EBITDA*	(veces)	3.03	2.69	***13%***
	Net financial debt – to - LTM EBITDA*	(veces)	1.89	1.84	***3%***
PROFITABILITY	Return on equity* (LTM net income attributed to the controller / net worth attributed to the controller)	%	2.4%	4.5%	***-48%***
	Return on assets* (LTM net income attributed to the controller / total assets)	%	1.3%	2.6%	***-49%***

*LTM = Last twelve months

CONFERENCE CALL 1H14

E.CL is pleased to inform you that it will conduct a conference call to review its results for the period ended June 30, 2014, on Wednesday, July 30th, 2014, at 11 a.m. (Eastern Time) – 11 a.m. (Chilean Time)

hosted by:
Lodewijk Verdeyen, CEO E.CL S.A.

To participate, please dial: **(706) 902-4518**, international or **12300206168 (toll free Chile). Passcode I.D.: 722260865**, approximately 10 minutes prior to the scheduled starting time.

To access the phone replay, please dial **(855) 859- 2056** or **(404) 537-3406**
Passcode I.D.: 722260865. A conference call replay will be available until August 6, 2014.