July 27, 2016

ENGIE ENERGÍA CHILE REPORTED EBITDA OF US$142 MILLION AND NET INCOME OF US$234 MILLION IN 1H2016.

EBITDA REACHED US$71.3 MILLION IN THE SECOND QUARTER OF 2016, WITH A 1.1 PERCENTAGE POINT IMPROVEMENT IN THE EBITDA MARGIN. MEANWHILE, SECOND-QUARTER NET INCOME REACHED US$21.6 MILLION, A 22% YEAR-ON-YEAR INCREASE.

- **Operating revenues** amounted to US$471.1 million in the first half of 2016, a 17% decrease compared to the first half of 2015, mainly due to lower fuel prices, which resulted in lower average realized monomic prices in both the regulated and unregulated client segments; and the absence of gas sales, which was an active business during 2015.
- **First-half EBITDA** was US$142.0 million, with a 30.2% EBITDA margin, 1.9 percentage points above the margin reported in the first half of last year. However, EBITDA decreased 12% as a result of a US$98.5 million, or 17%, decrease in operating revenues, which could not be sufficiently offset by a US$69.7 million, or 15%, decrease in operating costs. However, SG&A expenses decreased significantly by US$11.7 million compared to 1H2015.
- **Net income** amounted to US$233.6 million in the first half of 2016, a remarkable increase compared to 1H15, mainly due to the one-time impact caused by the sale of 50% of the TEN project. After isolating the non-recurring effects, 1H16 net income would have been US$41.8 million, a 7% decrease compared to the first half of last year. This is mainly explained by the above-described decrease in operating income.

Financial Highlights (in US$ millions)

US$ millions	**2Q15**	**2Q16**	**Var %**	**1H15**	**1H16**	**Var %**
Total operating revenues	**282.0**	**240.2**	***-15%***	**569.6**	**471.1**	***-17%***
Operating income	47.2	36.9	*-22%*	95.3	73.2	*-23%*
EBITDA	**80.6**	**71.3**	***-12%***	**160.7**	**142.0**	***-12%***
EBITDA margin	28.6%	29.7%	***+1.1 pp***	28.2%	30.2%	***+1.9 pp***
Total non-operating results	(14.4)	(7.2)	***-50%***	(23.0)	219.6	
Net income after tax	18.4	21.4	*16%*	48.1	234.7	*388%*
Net income attributed to controlling shareholders	**17.7**	**21.6**	***22%***	**45.0**	**233.6**	***419%***
Net income attributed to controlling shareholders without non recurring effects	**17.7**	**21.6**	***22%***	**45.0**	**41.8**	***-7%***
Net income attributed to minority shareholders	0.7	(0.2)	*-132%*	3.1	1.1	*-64%*
Earnings per share (US$/share)	0.017	0.020	*22%*	0.043	0.222	*419%*
Total energy sales (GWh)	2,258	2,336	*3%*	4,594	4,664	*2%*
Total net generation (GWh)	2,093	1,949	*-7%*	4,193	4,169	*-1%*
Energy purchases on the spot market (GWh)	216	468	*117%*	507	646	*27%*

ENGIE ENERGÍA CHILE S.A. ("EECL") is engaged in the generation, transmission and supply of electricity and the transportation of natural gas in the north of Chile. EECL 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, 2016, EECL accounted for 48% of the SING's installed capacity. EECL primarily supplies electricity to large mining and industrial customers, and it also supplies the entire electricity needs of EMEL, the sole electricity distribution group in the SING. EECL is currently 52.76% indirectly owned by ENGIE (formerly known as GDF SUEZ). The remaining 47.24% of EECL's shares are publicly traded on the Santiago stock exchange following Codelco's sale of its 40% shareholding interest on January 28, 2011. For more information, please refer to www.engie-energia.cl

Contents

HIGHLIGHTS:

2Q 2016

- **Confirmation of EECL's BBB credit ratings by S&P and Fitch:** In July 2016 Standard & Poor's and Fitch Ratings confirmed EECL's 'BBB' issuer default ratings, with Stable Outlook. In addition, Fitch Ratings reaffirmed EECL's 'A+(cl)' national-scale credit rating and began rating EECL's stocks, classifying them as *'Primera Clase Nivel 2'* under the national scale.

- **New Transmission Law:** On July 11, the government officially launched the new Electric Transmission Law recently approved by Congress. The main objectives of the recently enacted law are to favor the development of a competitive market, which facilitates the transportation of energy generated by clean sources to demand centers and contributes to lowering energy prices to homes and businesses through more competition and entrance of new market players. The law's main contents include: i) a new functional definition of transmission systems; ii) strategic planning for the energy industry and the expansion of transmission systems; iii) remuneration of the transmission systems; iv) route definition; v) open access; vi) safety and security of the electricity industry, and; vii) creation of an independent coordination body for the National Electricity Grid.

- **PPA renewal with El Abra**: On July 1, EECL informed about the execution of two new electricity supply contracts with the El Abra copper mining Company for a total of 110MW out to eleven years starting January 2018. Through these PPAs, EECL will continue to supply electric power to one of the main copper mines in Chile's Antofagasta region. El Abra is controlled by the US group, Freeport-McMoran, through a 51% shareholding, with the Chilean state-owned Codelco holding the remaining 49%.

- **New corporate name**: As agreed at the Extraordinary Shareholders' Meeting held on April 26, 2016, effective June 15, 2016, E.CL S.A. changed its name to Engie Energía Chile S.A. (hereinafter, for purposes of this report, "EECL").

- **Dividend payment**: On May 26, EECL paid the definitive dividend agreed at the April 26 Ordinary Shareholders' Meeting as well as the provisional dividend approved by EECL's Board on the same date. Both dividends reached an aggregate amount of US$70,350,604.

1Q 2016

- **Annual Ordinary Shareholders' Meeting**: On April 26, 2016, the Company's shareholders agreed the following:

    a) **Definitive Dividends:** To pay a definitive dividend of US$6,750,604 on account of 2015's net income, resulting in dividends of US$0.0064089446 per share;

    b) **Board of Directors:** To appoint the following board members: i) Philip de Cnudde, who was subsequently confirmed as Chairman in a Board session; ii) Pierre Devillers; iii) Daniel Pellegrini; iv) Hendrik De Buyserie; v) Mauro Valdés Raczynski; vi) Emilio Pellegrini Ripamonti and vii) Cristián Eyzaguirre Johnston. The respective deputy board members are: i) Dante Dell'Elce; ii) Patrick Obyn; iii) Willem van Twembeke; iv) Pablo Villarino Herrera; v) Gerardo Silva Iribarne; vi) Fernando Abara Elías and vii) Joaquín González Errázuriz.

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

- **Extraordinary Shareholders' Meeting**: On April 26, 2016, the Company's shareholders approved the change of the Company's legal name from E.CL S.A. to Engie Energía Chile S.A.

- **Provisional Dividend**: On April 26, 2016, in accordance to the Company's current dividend policy of paying the minimum regulatory 30% of annual net income, the Board approved a provisional dividend payment of US$63,600,000, or US$0.0603810972 per share, on account of 2016's net income. This dividend is equal to 30% of the 1Q16 net income and was approved based on the favorable effect of the sale of 50% of TEN over the Company's net income and cash balances.

- **Sale of 50% of the TEN transmission project**: On December 4, EECL reached an agreement with Red Eléctrica Chile SpA ("REC"), a subsidiary of Red Eléctrica Internacional S.A.U. ("REI") and controlled by Red Eléctrica Corporación S.A. ("REE"), Spain, to sell 50% of the share capital issued by Transmisora Eléctrica del Norte S.A. ("TEN"), with EECL retaining the remaining 50%. The transaction was materialized on January 27, 2016. REC paid US$217,560,000 for 50% of the stock and took over half of TEN's debt with EECL in an amount equivalent to approximately US$85.1 million. In such way, EECL received cash funds in an amount of US$303 million, which it will use mainly to finance its ongoing capital-expenditure program. The transaction had a US$148 million effect on EECL's first-quarter 2016 after-tax net income.

- **Project status as of June 30, 2016:**

    a) **Infraestructura Energética Mejillones Project ("IEM"):** This 375MW coal-fired project is progressing within schedule and budget. The EPC contractor is S.K. Engineering and Construction (Korea) ("SKEC"). The main equipment, such as turbine (Doosan-Skoda), boiler (Doosan) and generator (Siemens), is being manufactured at different workshops. The main SKEC subcontractors are Salfa for civil works, Belfi for marine works and SEIL (Korea) for boiler erection. Construction of the boiler house and concrete pouring of the steam turbine building are in progress. Likewise, civil works for the control room, as well as the excavations for the water intake, discharge structures and other auxiliary systems are underway. The IEM project, excluding the new port, will cost approximately US$945 million, of which US$172 million have already been expensed. IEM is scheduled to begin operations in July 2018.

    b) **New Port in Mejillones:** The scheduled completion date of the new port being built by the EPC contractor, Belfi, is August 2017. The port will cost approximately US$122 million, US$47 million of which had been paid as of June 2016. As of that date, the project presented a general state of advance of around 40%, while marine construction was progressing with the jetty head and assembly of beams (pile driving). The onshore work front was advancing in the civil works of the foundations for the pipe conveyor support structure and fabrication of the jetty head slabs. Fabrication of the ship unloaders began in July and it is expected that the pipe conveyor system, currently under fabrication, will arrive on site by the end of September.

    c) **The TEN project:** This transmission project ceased to be consolidated in EECL's books due to the sale of a 50% ownership stake, and it is now jointly controlled with Red Eléctrica. The project is also progressing according to budget and with its critical path on schedule. The substation foundations and civil works are in progress, presenting different degrees of advance, with the reactors and the first transformers already received on site. Likewise, the towers for the transmission lines are in different states of advance (civil works, testing, material delivery and erection), and the conductor cable stringing works started in June as planned. 100% of the needed rights of way for the transmission line route have been agreed, while more than 90% of the electric concessions have been obtained.

    The TEN project considers capital expenditures of approximately US$800 million (at June 30, 2016's exchange rates), US$266 million of which have been invested to date, and is expected to be completed during the third quarter of 2017. TEN is currently structuring a project financing under the advisory of Banco Santander.

    It should be noted that in December 2015, the Environmental Assessment Service ("SEA") approved the environmental impact study of the N.Cardones-Polpaico 500kV transmission project sponsored by Interchile, an affiliate of the Colombian group ISA, which will strengthen the SIC power transmission system between Nueva Cardones, in Copiapó, and Santiago. In its south end, the TEN project must connect to Interchile's Nueva Cardones substation. In its north end, TEN will be connected to the IEM and CTM power plants in Mejillones. Also, to complete the interconnection and begin receiving trunk revenues, TEN requires to be connected to the SING through the new 3-kilometer transmission line connecting the Los Changos substation to the Kapatur substation. The construction of the Changos-Kapatur and 140-km. Changos-Nueva Crucero Encuentro connections, was recently awarded to Transelec by the Chilean authorities.

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 growing development of renewable sources, mainly wind and solar.

Marginal Costs

Marginal Costs Crucero 220 kV

(In US$ per MWh)

Period	2015	2016	% Variation YoY
Q1	49.3	49.0	*-1%*
April	52.8	52.3	*-1%*
May	46.4	73.4	*58%*
June	76.6	85.1	*11%*
Q2	**58.4**	**70.3**	***20%***
Q3	55.9		
Q4	65.2		
Year	**57.2**	**59.6**	***4%***

Average Operating Cost (SING)

(In US$ per MWh)

Period	2015	2016	% Variation YoY
Q1	47.6	34.3	*-28%*
April	46.8	33.1	*-29%*
May	47.9	37.0	*-23%*
June	52.7	39.1	*-26%*
Q2	**49.1**	**36.4**	***-26%***
Q3	46.1		
Q4	39.9		
Year	**45.7**	**35.3**	***-23%***

Source: CDEC-SING

In the first quarter of 2016, the marginal costs, or spot energy prices, were quite similar to those reported in the first quarter of 2015, averaging US$49/MWh. However, when analyzing the average system cost, which represents the average fuel cost per MWh, a two-digit downward trend persisted, with a 28% inter-annual drop in the first quarter.

A different reality could be observed in the second quarter. Marginal energy costs climbed 20%, when compared to the same quarter the year before, frequently surpassing US$100/MWh during the second half of June.

Average operating costs remained below US$40/MWh during the second quarter, since most of the energy was generated by cost-efficient sources (~90% of the second-quarter energy was produced by renewable sources, gas and coal). Most of the cost-inefficient power was generated with diesel by the Gasatacama gas turbines. Furthermore, through May, AES Gener's Cochrane I power plant was in testing mode; hence its power generation cost was not computed in the calculation of the system's average generation cost.

In March 2016 the so-called "Servicios Complementarios" or Complementary Services ("SSCC") were implemented, and a new procedure to set the marginal cost became effective. The SSCC superseded the RM 39 mechanism, which had been in place since 2000.

The system over-costs ruled under the RM39 mechanism will no longer be calculated by the CDEC-SING. However, these will be partially remunerated by payments ruled under the SSCC and an increase in marginal cost, as can be seen in the table above.

Lastly, system over-costs caused by transmission limitations and units operating at their technical minimum levels will continue to be calculated by the CDEC-SING under the DS 130 mechanism.

Overcosts

Overcosts

(In US$ millions)

Period	2015		2016		% Variation (YoY)	
	Total	**EECL Prorata**	**Total**	**EECL Prorrata**	**Total**	**EECL Prorata**
Q1	35.8	16.0	9.4	4.8	*-74%*	*-70%*
April	15.6	8.4	3.2	1.6	*-79%*	*-81%*
May	18.3	9.6	5.0	2.5	*-73%*	*-74%*
June	18.4	9.7	2.3	1.1	*-88%*	*-89%*
Q2	**52.3**	**27.6**	**10.5**	**5.2**	***-80%***	***-81%***
Q3	44.5	24.0				
Q4	27.6	14.4				
Year	**160.2**	**82.0**				

Source: CDEC-SING

In the first quarter, the system's global over-costs decreased to US$9.5 million, a 73% year-on-year decrease, mainly due to (i) Gas Atacama's revised technical minimum dispatch level and minimum operation time and (ii) lower diesel prices.

In the second quarter of 2016, an accentuated downward trend was observed, as the over-costs dropped 80% on a year-on-year basis.

In the first half of 2016, EECL's pro-rata stake in the over-costs reached US$10 million, a 77% decrease compared to the first half of 2015.

Fuel prices

International Fuel Prices Index

	WTI (US$/Barrel)			Brent (US$/Barrel)			Henry Hub (US$/MMBtu)			European coal (API 2) (US$/Ton)		
	2015	**2016**	**% Variation YoY**	**2015**	**2016**	**% Variation YoY**	**2015**	**2016**	**% Variation YoY**	**2015**	**2016**	**% Variation YoY**
Q1	48.5	33.4	*-31%*	53.9	34.5	*-36%*	2.87	1.96	*-32%*	60.5	39.3	*-35%*
Q2	57.8	45.5	*-21%*	62.1	46.0	*-26%*	2.73	2.14	*-22%*	57.8	48.3	*-16%*
Q3	46.5			50.2			2.75			54.1		
Q4	42.0			43.3			2.11			46.8		
Year	**48.7**	**39.6**	***-19%***	**52.3**	**40.3**	***-23%***	**2.61**	**2.05**	***-21%***	**54.8**	**43.9**	***-20%***

Source: Bloomberg

During the first quarter of 2016, international fuel prices continued dropping by more than 30%, when compared to the first quarter of 2015.

Through the second quarter of 2016, international fuel prices exhibited a two-digit year-on-year drop; nevertheless, they had a marked rebound compared to the first quarter, increasing by more than 30% in the case of oil.

Generation

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

Total SING Generation by Fuel Type (in GWh)

	2015					
	1Q 2015		**2Q 2015**		**1H 2015**	
Fuel Type	**GWh**	*% of total*	**GWh**	*% of total*	**GWh**	*% of total*
Coal	3,549	*78%*	3,431	*73%*	6,980	*76%*
LNG	483	*11%*	605	*13%*	1,088	*12%*
Diesel / Fuel oil	305	*7%*	454	*10%*	759	*8%*
Renewable	188	*4%*	179	*4%*	368	*4%*
Total gross generation SING	**4,525**	*100%*	**4,669**	*100%*	**9,194**	*100%*

	2016					
	1Q 2016		**2Q 2016**		**1H 2016**	
Fuel Type	**GWh**	*% of total*	**GWh**	*% of total*	**GWh**	*% of total*
Coal	3,802	*78%*	3,737	*76%*	7,538	*77%*
LNG	502	*10%*	402	*8%*	904	*9%*
Diesel / Fuel oil	305	*6%*	468	*10%*	773	*8%*
Renewable	278	*6%*	281	*6%*	559	*6%*
Total gross generation SING	**4,887**	*100%*	**4,888**	*100%*	**9,775**	*100%*

Source: CDEC-SING

During the first quarter of 2016, the hourly gross power generation averaged 2,237 MW, a 6.7% rise compared to the first quarter of 2015. Gross power generation increased by 8% in response to the increase in demand from new mining operations as well as from existing mining operations which increased their power demand (BHP Billiton's OLAP and OGP1, Sierra Gorda, Antucoya and Esperanza). The coal/gas generation mix remained relatively stable, while the contribution from renewable power reported an increase.

In the second quarter of 2016, the average hourly gross power generation reached 2,237 MW, in line with the first quarter, although it represented a 4.6% increase when compared to the same period the year before. Gross hourly generation peaked at 2,554 MW in the second quarter, which, although slightly below the 1Q16's 2,558 MW peak, represented a 7.1% yearly increase. In terms of generation mix, LNG lost 5 percentage points, when compared to the second quarter of last year. The lower LNG-based generation was covered by an increase in coal generation and, to a lesser extent, by renewables.

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

Generation by Company (in GWh)

	2015					
	1Q 2015		2Q 2015		1H 2015	
	GWh	*% of total*	GWh	*% of total*	GWh	*% of total*
Company						
AES Gener	1,536	*34%*	1,532	*33%*	3,068	*33%*
Celta	267	*6%*	263	*6%*	530	*6%*
GasAtacama	276	*6%*	423	*9%*	699	*8%*
EECL (with 100% of CTH)	2,267	*50%*	2,274	*49%*	4,541	*49%*
Other	179	*4%*	177	*4%*	356	*4%*
Total gross generation SING	**4,525**	*100%*	**4,669**	*100%*	**9,194**	*100%*

	2016					
	1Q 2016		2Q 2016		1H 2016	
	GWh	*% of total*	GWh	*% of total*	GWh	*% of total*
Company						
AES Gener	1,661	*34%*	1,968	*40%*	3,630	*37%*
Celta	257	*5%*	31	*1%*	288	*3%*
GasAtacama	294	*6%*	458	*9%*	752	*8%*
EECL (with 100% of CTH)	2,411	*49%*	2,114	*43%*	4,524	*46%*
Other	265	*5%*	316	*6%*	580	*6%*
Total gross generation SING	**4,887**	*100%*	**4,888**	*100%*	**9,775**	*100%*

Source: CDEC-SING

During the first quarter of 2016, EECL reported a 6.4% year-on-year increase in electricity generation and remained as the industry leader, accounting for 49% of the system's generation. The increase was largely owed to an increase in gas generation, followed by a 4% increase in coal generation. In the first quarter, EECL's U-16 400MW combined-cycle turbine in Tocopilla was out for maintenance for 9 days, while the 175MW CTM2 coal unit in Mejillones was unavailable for planned maintenance during 21 days.

In the second quarter, EECL's generation decreased by 7%, when compared to the second quarter of last year, due to the planned maintenance of the CTM1 (166MW) and CTH (170MW) coal-fired plants, a longer-than-expected outage of the CTM3 251MW CCGT, and the TG3 (38MW) diesel turbine. The CTM3 CCGT was unavailable during most of the second quarter, while CTH was out of service during the entire month of June. CTM1 had a 10-day outage, and TG3 was unavailable through most of May and June.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

The following discussion is based on our consolidated financial statements for the six-month periods ended June 30, 2016 and 2015, which have been subject to a limited-review audit by Deloitte. These financial statements have been prepared in U.S. dollars in accordance with IFRS, and should be read in conjunction with the financial statements and the notes thereto published by the Superintendencia de Valores y Seguros (www.svs.cl).

2Q 2016 compared to 1Q 2016 and 2Q 2015

Operating Revenues

Quarterly Information (In US$ millions)

	2Q 2015		1Q 2016		2Q 2016		% Variation	
Operating Revenues	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Unregulated customers sales……………………..	180.4	*75%*	156.7	*74%*	165.9	*75%*	*6%*	*-8%*
Regulated customers sales…………………….	51.6	*22%*	47.7	*22%*	43.9	*20%*	*-8%*	*-15%*
Spot market sales………………………………..	7.3	*3%*	8.2	*4%*	12.8	*6%*	*56%*	*75%*
Total revenues from energy and capacity sales……	**239.4**	*85%*	**212.6**	*92%*	**222.5**	*93%*	***5%***	***-7%***
Gas sales…………………………..	23.1	*8%*	0.1	*0%*	2.2	*1%*		*-90%*
Other operating revenue……………………….	19.6	*7%*	18.2	*8%*	15.4	*6%*	*-15%*	*-21%*
Total operating revenues………………….	**282.0**	*100%*	**230.9**	*100%*	**240.2**	*100%*	***4%***	***-15%***
Physical Data (in GWh)								
Sales of energy to unregulated customers (1)……	1,749	*77%*	1,737	*75%*	1,691	*72%*	*-3%*	*-3%*
Sales of energy regulated customers……	466	*21%*	483	*21%*	476	*20%*	*-1%*	*2%*
Sales of energy to the spot market…………….	42	*2%*	109	*5%*	168	*7%*	*55%*	*301%*
Total energy sales………………………….	**2,258**	*100%*	**2,328**	*100%*	**2,336**	*100%*	***0%***	***3%***
Average monomic price unregulated customers(U.S.$/MWh)(2)	**104.8**		**89.4**		**96.1**		***8%***	***-8%***
Average monomic price regulated customers (U.S.$/MWh)(3)	**110.8**		**98.7**		**92.2**		***-7%***	***-17%***

(1) Includes 100% of CTH sales.

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

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

Energy and capacity sales reached US$222.5 million in the second quarter, representing a 5% increase from the first quarter due mainly to a higher average monomic price explained by the contract price indexation to resurging international fuel prices as well as the higher marginal cost, which is used as a basis for some contracts, in particular during plant maintenance periods.

The sales mix, in terms of unregulated, regulated and spot sales, showed a slight decrease in the regulated segment, mainly due to a tariff decline starting April, while physical spot sales increased.

Energy and capacity sales decreased 7% when compared to the second quarter of 2015, mainly due to the lower monomic price in both the regulated and unregulated segments explained by the drop in international fuel prices. This was partly offset by a 3% increase in physical energy sales mainly owing to an increase in spot sales, while demand from unregulated clients fell 4%.

Demand from some unregulated clients dropped by 51GWh mainly due to the termination of the SQM contract and lower demand from the Radomiro Tomic and El Abra mines, in part offset by increased demand from Xstrata Copper, Cerro Colorado and Codelco's Chuquicamata and Gaby mines.

The year-on-year comparison shows a 63GWh demand decrease due to the end of the SQM contract and lower demand from the El Abra and Michilla mines, which was partially offset by demand from the new Antucoya client and increased demand from Xstrata Copper and Cerro Colorado, among others.

Sales to distribution companies, or regulated clients, amounted to US$43.9 million, representing a 15% decrease compared to 2Q15 as a result of lower prices. The average Henry Hub index used in the calculation of the EMEL tariff fell from US$3.33/MMBtu in the tariff prevailing during the second quarter of last year to US$2.05/MMBtu used in the April 2016 tariff setting process which was effective during the 2Q16. Likewise, when comparing with the immediately preceding quarter, sales to distribution companies fell by 8% since the relevant Henry Hub index used in the energy tariff in effect during the first quarter (US$2.80/MMBtu) was substantially higher than the US$2.05/MMBtu used in the second quarter. Physical energy sales to distribution companies have continued showing an upward trend, rising 3% year-on-year, although they decreased by 1% compared to the first quarter.

Physical sales to the spot market, corresponding to our CTA subsidiary, reached 168GWh, exceeding both the 120GWh sold in the first quarter and the 32GWh sold in the second quarter the year before. CTH was a net buyer on the spot market in the 2Q16, although it had reported net spot sales of 10GWh in the 2Q15. The spot market sales and purchase items also include the retroactive annual firm capacity price and monthly energy adjustment payments per the reliquidations made by the SING dispatch center (CDEC-SING).

Virtually no gas sales have been reported in 2016, as opposed to last year, when the company recorded gas sales of US$18.5 million in the first quarter and US$23.1 million in the second quarter. The most relevant item in the Other operating revenue account is composed of sub-transmission tolls and regulatory transmission revenues, which accounted for 67% of the total amount in the 2Q16. In addition, this item includes port and maintenance services, among others.

Operating Costs

Quarterly Information (In US$ millions)

	2Q 2015		1Q 2016		2Q 2016		% Variation	
Operating Costs	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Fuel and lubricants………………………………	(84.4)	*36%*	(85.9)	*44%*	(74.4)	*37%*	*-13%*	*-12%*
Energy and capacity purchases on the spot market……………………………	(33.9)	*14%*	(21.0)	*11%*	(41.0)	*20%*	*95%*	*21%*
Depreciation and amortization attributable to cost of goods sold……………………………	(32.9)	*14%*	(33.8)	*17%*	(33.3)	*16%*	*-2%*	*1%*
Other costs of goods sold…………………….	(75.0)	*32%*	(45.8)	*24%*	(48.9)	*24%*	*7%*	*-35%*
Total cost of goods sold………………..	**(226.3)**	*96%*	**(186.5)**	*96%*	**(197.6)**	*97%*	***6%***	***-13%***
Selling, general and administrative expenses…	(12.8)	*5%*	(6.8)	*3%*	(5.1)	*3%*	*-24%*	*-60%*
Depreciation and amortization in selling, general and administrative expenses…………	(0.6)	*0%*	(0.6)	*0%*	(1.2)	*1%*	*112%*	*117%*
Other operating revenue/costs……………………….	4.8	*-2%*	(0.7)	*0%*	0.6	*0%*		
Total operating costs….………………	**(234.9)**	*100%*	**(194.6)**	*100%*	**(203.3)**	*100%*	***5%***	***-13%***
Physical Data (in GWh)								
Gross electricity generation								
Coal………………………………………….	1,825	*80%*	1,893	*79%*	1,749	*83%*	*-8%*	*-4%*
Gas…………………………………………..	407	*18%*	499	*21%*	343	*16%*	*-31%*	*-16%*
Diesel Oil and Fuel Oil…………………….	31	*1%*	7	*0%*	11	*1%*	*71%*	*-63%*
Hydro/Solar……………………………………….	11	*0%*	12	*0%*	10	*0%*	*-13%*	*-7%*
Total gross generation…………………	**2,274**	*100%*	**2,411**	*100%*	**2,114**	*100%*	***-12%***	***-7%***
Minus Own consumption………………..	(181)	*-8%*	(191)	*-8%*	(165)	*-8%*	*-14%*	*-9%*
Total net generation……………………	**2,093**	***91%***	**2,220**	***93%***	**1,949**	***81%***	***-12%***	***-7%***
Energy purchases on the spot market………..	216	***9%***	178	***7%***	468	***19%***	*164%*	*117%*
Total energy available for sale before transmission losses………………………	**2,309**	***100%***	**2,397**	***100%***	**2,417**	***100%***	***1%***	***5%***

Gross electricity generation decreased both year-on-year and when compared to the first quarter of 2016, mainly due to the lower contribution of coal and gas generation explained by the above-mentioned CTH and CTM3 maintenance outages. The drop in gas generation was softer in comparison to the second quarter of 2015 as the CTM3 unit was leased to third parties during last year. The contribution of coal generation (83% in 2Q16) increased when compared to both the 1Q16 and the 2Q15.

The contraction of international fuel prices resulted in an US$11.5 million decrease in the fuel cost item in the second quarter, in comparison with the first quarter, mainly due to the coal and LNG items, which together dropped by an aggregate US$12.8 million. This was slightly offset by a US$2.5 million increase in logistics costs related to the use of hydrated lime in the gas emission reduction processes in the Tocopilla complex since late June-2015. The fuel cost decrease was also due to lower generation volumes explained by plant outages. When compared to the second quarter of last year, the fuel cost item decreased by US$10 million due to lower consumption of coal and gas (-US$15.7 million) and lower use of diesel and fuel oil, all of which was partially offset by hydrated lime costs, which did not exist in the second quarter of last year.

The spot electricity purchase costs item increased sharply (US$20 million) compared to 1Q16 because of greater physical purchases explained by the unavailability of some of our power plants. This item includes payments of system over-costs, but these have decreased significantly since the last quarter of 2015. When compared to the 2Q15, the US$7.1 million observed increase in the spot electricity and capacity purchases item resulted mainly from a US$19.4 million increase in spot electricity purchases, partly offset by a US$13.2 million decrease in over-costs. The main reason for the increase in spot purchase costs was the greater physical purchases required to cope with the lower plant availability rates in 2Q16 as compared to 2Q15.

Depreciation costs increased slightly year-on-year due to the overhaul carried out at the U-16 CCGT in the first quarter of 2015, in addition to the completion of capital expenditures related to the emission-reduction program. In comparison to the first quarter, depreciation costs decreased slightly due to the end of the depreciation period of certain assets.

Other direct operating costs included, among others, operating and maintenance costs, cost of fuel sold and sub-transmission tolls related to the EMEL contract, with the latter covered by revenues from sub-transmission tolls. The slight increase in this item as a whole, when compared to the first quarter, was explained by greater tolls and increased third-party maintenance services. The comparison with the second quarter of 2015 shows a US$26.1 million decrease primarily explained by lower costs of re-gassed LNG sold, as this business was discontinued in 2016. A relevant decrease in general expenses, slightly offset by higher transmission tolls, also contributed to explain the decrease in the other operating costs item in the second quarter of 2016.

SG&A expenses decreased by US$1 million compared to the first quarter. When compared to the second quarter of last year, SG&A expenses decreased by US$7.4 million due to lower advisory and third-party service costs and lower employee benefits.

The Other operating revenue/cost item includes recoveries and provisions and miscellaneous income, and its value is relatively low. However, it should be noted that in the second quarter of 2015, a US$4.5 million provision related to the end of an arbitration proceeding with SQM was reversed, positively impacting this item at the time.

Electricity Margin

Quarterly Information (In US$ millions)

	2015			2016		
Electricity Margin	**1Q15**	**2Q15**	**1H15**	**1Q16**	**2Q16**	**1H16**
Total revenues from energy and capacity sales………	**243.4**	**239.4**	**482.8**	**212.6**	**222.5**	**435.1**
Fuel and lubricants…………………..	(96.5)	(84.4)	(180.9)	(85.9)	(74.4)	(160.3)
Energy and capacity purchases on the spot market……	(30.2)	(33.9)	(64.2)	(21.0)	(41.0)	(62.0)
Gross Electricity Profit	**116.7**	**121.0**	**237.7**	**105.7**	**107.1**	**212.8**
Electricity Margin	*48%*	*51%*	*49%*	*50%*	*48%*	*49%*

The electricity margin, or the gross profit from the electricity generation business, increased by US$1.5 million when compared to the first quarter of 2016, although in percentage terms it dropped to 48% mainly due to increased energy purchases on the spot market. The comparison with the second quarter of last year shows decreases in both monetary and percentage terms, as it dropped by US$13.9 million or 2.4 percentage points.

In general, revenues from energy and capacity sales have been decreasing in the last quarters, and so have fuel costs given the decline in fuel prices. However, costs have not always decreased as much as revenues. The lower gross electricity profit when compared to the 2Q15 is largely explained by the narrower margin on regulated customer sales, following a margin widening in the first half of 2015, resulting from the lag with which declining Henry Hub prices were reflected in the energy tariff. Also, the need to use hydrated lime to comply with new emissions standards since late June 2015 in the Tocopilla complex has prevented fuel costs from dropping as much as fuel prices have.

Operating Results

Quarterly Information (in US$ millions)

EBITDA	**2Q 2015**		**1Q 2016**		**2Q 2016**		**% Variation**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Total operating revenues………………………	282.0	*100%*	230.9	*100%*	240.2	*100%*	*4%*	*-15%*
Total cost of goods sold……………………	(226.3)	*-80%*	(186.5)	*-81%*	(197.6)	*-82%*	*6%*	*-13%*
Gross income………………………….	**55.8**	*20%*	**44.4**	*19%*	**42.6**	*18%*	***-4%***	***-24%***
Total selling, general and administrative expenses and other operating income/(costs).	(8.6)	*-3%*	(8.0)	*-3%*	(5.8)	*-2%*	*-28%*	*-33%*
Operating income………………….	**47.2**	*17%*	**36.3**	*16%*	**36.9**	*15%*	***1%***	***-22%***
Depreciation and amortization……..…………	33.5	*12%*	34.4	*15%*	34.5	*14%*	*0%*	*3%*
EBITDA……………….………………….	**80.6**	*28.6%*	**70.7**	*30.6%*	**71.3**	*29.7%*	***1%***	***-12%***

2Q16 EBITDA reached US$71.3 million, slightly above the 1Q16 figure, due to the decrease in other operating costs and SG&A expenses, which offset the flat electricity margin. EBITDA dropped 12% year-on-year due to the above-explained decrease in the electricity margin and the absence of gas sales revenue. It is worth noting that ongoing cost control initiatives have in effect translated into a reduction in SG&A expenses, which has softened the impact of the decrease in revenues, as shown by the 1.1-point increase in the EBITDA margin.

Financial Results

Quarterly Information (In US$ millions)

Non-operating results	2Q 2015 Amount	2Q 2015 % of total	1Q 2016 Amount	1Q 2016 % of total	2Q 2016 Amount	2Q 2016 % of total	% Variation QoQ	% Variation YoY
Financial income……….……………………….	0.6	*0%*	0.6	*0%*	0.6	*0%*	*8%*	*9%*
Financial expense…………….…………………	(8.7)	*-4%*	(7.8)	*-3%*	(8.0)	*-2%*	*3%*	*-7%*
Foreign exchange translation, net……………	(6.2)	*-3%*	0.8	*0%*	0.2	*0%*		
Share of profit (loss) of associates accounted for using the equity method	-		53.9		(0.4)	*0%*		
Other non-operating income/(expense) net…	(0.1)	*0%*	179.3	*75%*	0.5	*0%*		
Total non-operating results…………….	**(14.4)**	*-6%*	**226.8**	*94%*	**(7.2)**	*-2%*		
Income before tax……………………. ………	32.8	*14%*	263.1	*110%*	29.7	*6%*	***-89%***	***-9%***
Income tax………………………………………	(14.4)	*-6%*	(49.8)	*-21%*	(8.3)	*-2%*		
Net income from continuing operations after taxes …	18.4	*8%*	213.3	*89%*	21.4	*5%*	*-90%*	*16%*
Net income attributed to controlling shareholders…….	**17.7**	*8%*	**212.0**	*88%*	**21.6**	*5%*	***-90%***	***22%***
Net income attributed to minority shareholders……….	0.7	*0%*	1.3	*1%*	(0.2)	*0%*	*-116%*	*-132%*
Net income to E.CL's shareholders	**17.7**	*8%*	**212.0**	*88%*	**21.6**	*5%*	***-90%***	***22%***
Earnings per share……………………..	**0.017**		**0.201**		**0.020**			

Interest expense increased slightly compared to 1Q16 due to interest related to re-liquidation of transmission tolls. However, the comparison with the 2Q15 shows a US$0.7 million decrease in financial expenses explained by the capitalization of interest expense in the IEM project.

Foreign-exchange gains reached US$0.2 million, below the US$0.8 million gain in the 1Q16. However, they represented a turnaround from the foreign-exchange loss reported in the 2Q15, when a sudden depreciation of the Chilean peso affected the valuation of certain assets denominated in currencies other than the US dollar --the company's functional currency--, such as accounts receivable, advances to suppliers, and value-added tax credit.

The 'Share of profit (loss) of associates accounted for using the equity method' account showed a US$0.4 million loss due to the proportional result in the jointly-controlled TEN project company, which reported a moderate loss explained by administration expenses and foreign-exchange losses. In the first quarter, this account exhibited a US$53.9 million profit related to the fair valuation of the remaining 50% shareholding in TEN at the moment of deconsolidating the company in January 2016. TEN was fully consolidated until then; therefore, this account had no balance at the end of the second quarter of 2015.

Other net non-operating income amounted to US$0.5 million in the second quarter and corresponded mainly to water sales revenue. The high amount reported in the first quarter included the following: (i) Income from the sale of 50% of TEN's shares (US$187 million); (ii) sale of a converting substation to SQM (US$13 million); (iii) the Tamaya fuel-oil plant impairment (US$18 million); and, (iv) expensing of project development costs (US$4 million).

Net Earnings

The applicable income tax rate for 2016 is 24%, up from 22.5% in 2015.

In the second quarter of 2016, net income after taxes reached US$21.6 million, exhibiting an increase compared to the second quarter of 2015, despite lower before-tax income. This can be attributed to one-off effects in the income tax provision in the second quarter of 2015: a US$3.5 million income tax provision resulting from the settlement of the arbitration proceeding with Codelco and a US$2.9 million income tax payment compared to the income-tax provision made in 2014.

The comparison with 1Q16's net income shows an exceptionally high comparison base mainly due to the non-recurring income on the sale of TEN, which largely explained the US$212 million net income reported in the first quarter of 2016.

For comparison purposes, when isolating the non-recurring effects, the 1Q16 net income would have been US$20.2 million; therefore, 2Q16 net income compares favorably with 1Q16's results due to the slight EBITDA improvement. It should be noted that minority interest corresponding to CTH's 40%-owner was a small loss in the second quarter since the plant was out of service during most of June 2016.

1H 2016 compared to 1H 2015

Operating Revenues

For the 6-month period ended June 30 (in US$ millions)

	1H 2015		1H 2016		Variation	
Operating Revenues	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**%**
Unregulated customers sales…………………..	362.3	*75%*	322.5	*74%*	*-39.7*	*-11%*
Regulated customers sales…………………….	107.0	*22%*	91.6	*21%*	*-15.4*	*-14%*
Spot market sales……………………………..	13.5	*3%*	21.0	*5%*	*7.5*	*56%*
Total revenues from energy and capacity sales……	**482.8**	*85%*	**435.1**	*92%*	***-47.7***	*-10%*
Gas sales…………………………..	41.5	*7%*	2.4	*1%*	*-39.2*	*-94%*
Other operating revenue……………………….	45.3	*8%*	33.6	*7%*	*-11.7*	*-26%*
Total operating revenues………………….	**569.6**	*100%*	**471.1**	*100%*	***-98.5***	*-17%*
Physical Data (in GWh)						
Sales of energy to unregulated customers (1)……	3,475	*76%*	3,428	*73%*	*-47.2*	*-1%*
Sales of energy regulated customers……	929	*20%*	959	*21%*	*30.5*	*3%*
Sales of energy to the spot market…………….	191	*4%*	277	*6%*	*86.4*	*45%*
Total energy sales………………………….	**4,594**	*100%*	**4,664**	*100%*	***69.7***	*2%*
Average monomic price unregulated customers(U.S.$/MWh)(2)	**102.5**		**92.7**		***-9.8***	*-10%*
Average monomic price regulated customers (U.S.$/MWh)(3)	**115.2**		**95.4**		***-19.7***	*-17%*

(1) Includes 100% of CTH sales.

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

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

Energy and capacity sales reached US$435.1 million in the first half of 2016, representing a 10% decrease compared to the first half of 2015, due to the price indexation to declining fuel prices. As a reference, international European coal prices fell 26%, while the Henry Hub gas index reported a similar drop. Spot energy sales increased, as opposed to sales to unregulated clients, which exhibited a slight decrease.

Physical energy sales increased marginally. The slight decrease in physical sales to unregulated clients was primarily explained by decreased demand from El Abra and the end of the SQM and Michilla contracts, which was partly offset by increased demand from Antucoya, Radomiro Tomic, and Chuquicamata, among others.

Sales to distribution companies, or regulated clients, amounted to US$91.6 million, representing a 14% decrease compared to 1H15 as a result of lower prices. The average Henry Hub index used in the calculation of the EMEL tariff fell from US$4.26/MMBtu and US$3.33/MMBtu through the first half of 2015 to US$2.80/MMBtu and US$2.05/MMBtu through the first half of 2016. Physical energy sales to distribution companies continued showing an upward trend, rising 3% year-on-year.

In the first half of 2016, physical sales to the spot market corresponded entirely to our CTA subsidiary, whereas in 1H15 CTH also reported 39GWh in spot sales. The spot market sales and purchase items also include the retroactive annual firm capacity price and monthly energy adjustment payments per the re-liquidations made by the SING dispatch center (CDEC-SING).

Small gas sales volumes to Solgas were reported in the 1H16, as opposed to last year, when the company recorded more than US$41 million in gas sales to other generation companies. The most relevant item in the Other operating revenue account is composed of sub-transmission tolls and regulatory transmission revenues, which accounted for almost 58% of this item. In addition, this item includes port and maintenance services and connection rights, among others.

Operating Costs

For the 6-month period ended June 30 (in US$ millions)

	1H 2015		1H 2016		Variation	
Operating Costs	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**%**
Fuel and lubricants………………………………	(180.9)	*38%*	(160.3)	*40%*	*-20.6*	*-11%*
Energy and capacity purchases on the spot market……………………………	(64.2)	*14%*	(62.0)	*16%*	*-2.2*	*-3%*
Depreciation and amortization attributable to cost of goods sold…………………………….	(64.3)	*14%*	(67.1)	*17%*	*2.8*	*4%*
Other costs of goods sold…………………….	(144.5)	*30%*	(94.7)	*24%*	*-49.8*	*-34%*
Total cost of goods sold……………….	**(453.8)**	*96%*	**(384.1)**	*97%*	***-69.7***	***-15%***
Selling, general and administrative expenses…	(24.3)	*5%*	(11.9)	*3%*	*-12.4*	*-51%*
Depreciation and amortization in selling, general and administrative expenses…………	(1.1)	*0%*	(1.8)	*0%*	*0.6*	*57%*
Other operating revenue/costs……………………….	4.9	*-1%*	(0.1)	*0%*	*5.0*	*-102%*
Total operating costs…………………….	**(474.3)**	*100%*	**(397.9)**	*100%*	***-76.4***	***-16%***
Physical Data (in GWh)						
Gross electricity generation						
Coal………………………………………….	3,651	*80%*	3,642	*80%*	*-9.4*	*0%*
Gas…………………………………………..	811	*18%*	842	*19%*	*31.4*	*4%*
Diesel Oil and Fuel Oil…………………….	54	*1%*	18	*0%*	*-36.4*	*-67%*
Hydro/Solar……………………………………….	24	*1%*	22	*0%*	*-2.0*	*-8%*
Total gross generation………………….	**4,541**	*100%*	**4,524**	*100%*	***-16.5***	***0%***
Minus Own consumption……………..	(348)	*-8%*	(356)	*-8%*	*-7.7*	*2%*
Total net generation…………………….	**4,193**	***89%***	**4,169**	***87%***	***-24.2***	***-1%***
Energy purchases on the spot market………..	507	***11%***	646	***13%***	*139.2*	*27%*
Total energy available for sale before transmission losses………………………	**4,699**	***100%***	**4,814**	***100%***	***115.0***	***2%***

Gross electricity generation as well as the fuel mix remained stable as compared to the first half of 2015.

The contraction of international fuel prices resulted in an 11% drop (US$20.6 million) in the fuel cost item in the first half of 2016, in comparison with the first half of 2015, mainly due to the coal and, to a lesser extent, LNG items, which together accounted for fuel cost savings of approximately US$30 million. This was partially offset by the use of hydrated lime in the gas emission reduction processes in the Tocopilla complex since mid-2015.

The spot electricity purchase costs item decreased slightly (3%) compared to 1H15 despite the increase in physical purchases, largely because this item includes payments of system over-costs, which fell sharply starting in the last quarter of 2015.

Depreciation costs increased by US$3.2 million due to the overhaul carried out at the U-16 CCGT in the first quarter of 2015 and the completion of the emission-reduction project.

Other direct operating costs included, among others, operating and maintenance costs, cost of fuel sold and sub-transmission tolls related to the EMEL contract, with the latter covered by revenues from sub-transmission tolls. This item, as a whole, decreased by US$50 million when compared to the first half of 2015, more than half of which is explained by the absence of costs related to re-gassed LNG sales revenue, followed by lower re-liquidation expenses on transmission tolls.

SG&A expenses decreased by a significant US$12.4 million, in part attributed to the effect of the 11% depreciation of the Chilean peso on peso-denominated costs (CLP 690/USD average in 1H16 vs. CLP 621/USD in 1H15), together with lower expenses related to legal contingencies, lower employee-related expenses, and lower consultancy and third-party services associated to the cost control program currently in effect at the company.

The Other operating revenue/cost item includes recoveries and provisions and miscellaneous income, and its value is relatively low. During the first half of 2015, however, the company reported a US$4.5 million provision reversal associated to the end of an arbitration proceeding with SQM.

Operating Results

For the 6-month period ended June 30 (in US$ millions)

EBITDA	**1H 2015**		**1H 2016**		**Variation**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**%**
Total operating revenues………………………	569.6	*100%*	471.1	*100%*	*-98.5*	*-17%*
Total cost of goods sold……………………	(453.8)	*80%*	(384.1)	*82%*	*-69.7*	*-15%*
Gross income………………………….	**115.8**	*20%*	**87.0**	*18%*	***-28.8***	***-25%***
Total selling, general and administrative expenses and other operating income/(costs).	(20.5)	*4%*	(13.8)	*3%*	*-6.7*	*-33%*
Operating income…..……………….	**95.3**	*17%*	**73.2**	*16%*	***-22.1***	***-23%***
Depreciation and amortization……...…………	65.5	*11%*	68.9	*15%*	*3.4*	*5%*
EBITDA………………..……………….	**160.7**	*28.2%*	**142.0**	*30.2%*	***-18.7***	***-12%***

1H16 EBITDA reached US$142.0 million, 12% below 1H15's figure, due to absence of gas sales revenue and the decrease in gross electricity profits explained by narrower margins on sales to distribution companies and higher costs related to emission reduction processes. However, the EBITDA margin exhibited a 2.0 percentage-point increase due to the reduction in SG&A expenses resulting from ongoing cost-control efforts, which have contributed to soften the impact of lower revenues.

Financial Results

For the 6-month period ended June 30 (in US$ millions)

	1H 2015		1H 2016		Variation	
Non-operating results	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**%**
Financial income……….………………………	0.9	*0%*	1.2	*0%*	*0.3*	*33%*
Financial expense………………………………	(19.6)	*-8%*	(15.8)	*-3%*	*3.8*	*-19%*
Foreign exchange translation, net……………	(4.3)	*-2%*	1.0	*0%*	*5.3*	
Share of profit (loss) of associates accounted for using the equity method	-		53.5	*11%*		
Other non-operating income/(expense) net…	(0.1)	*0%*	179.7	*38%*		
Total non-operating results…………….	**(23.0)**	*-10%*	**219.6**	*47%*		
Income before tax……………………. ………	72.3	*30%*	292.8	*62%*	***220.5***	***305%***
Income tax………………………………………	(24.1)	*-10%*	(58.1)	*-12%*	*-34.0*	
Net income from continuing operations after taxes …	48.1	*20%*	234.7	*50%*	*186.6*	*388%*
Net income attributed to controlling shareholders…….	**45.0**	*19%*	**233.6**	*50%*	***188.6***	***419%***
Net income attributed to minority shareholders……….	3.1	*1%*	1.1	*0%*	*-2.0*	*-64%*
Net income to E.CL's shareholders	**45.0**	*19%*	**233.6**	*50%*	***188.6***	***419%***
Earnings per share……………………..	**0.043**		**0.222**			

Financial income increased slightly due to the higher average cash balances during the first half of 2016 following the sale of 50% of TEN. The US$3.8 million decrease in financial expenses was owed mainly due to the capitalization of interest expense in the IEM project.

Foreign-exchange gains reached US$1.0 million in 1H16, which compares favorably with the US$4.3 million foreign-exchange loss reported in the 1H15, which at that time resulted from the effects of a sharp depreciation of the Chilean peso on certain assets denominated in pesos or currencies other than the U.S. dollar, the company's functional currency. These assets include, among others, client accounts receivable, advances to suppliers, advances in local currency to TEN and value-added tax credit. The latter has reported an increasing balance along with the progress in the construction of the IEM project. It should be noted that most of the foreign-exchange differences have no effect on cash flows, particularly in the case of accounts receivable, which remain temporarily exposed to foreign currency fluctuations as they are invoiced in Chilean pesos, although the actual payment is made in U.S. dollars, at which time the foreign-exchange difference is reversed.

The 'Share of profit (loss) of associates accounted for using the equity method' account included income related to the fair valuation of EECL's remaining 50% shareholding in TEN. This represented a US$53.9 million increase in net income, net of the negative mark-to-market valuation of foreign-exchange derivatives taken by TEN to hedge its exposure against FX risk, which EECL had to expense at the time of TEN's de-consolidation.

Other net non-operating income is explained almost entirely by the following non-recurring ítems: (i) Income from the sale of 50% of TEN's shares (US$187 million); (ii) sale of a converting substation to SQM (US$13 million); (iii) Tamaya fuel-oil plant impairment (US$18 million); and, (iv) expensing of project development costs (US$4 million).

Net Earnings

The applicable income tax rate for 2016 is 24%, up from 22.5% in 2015. The increase in income taxes in the first half of 2016 is mainly attributed to the income on the sale of 50% of TEN.

In the first half of 2016, net income after taxes reached an exceptional US$233.6 million due to the sale of 50% of TEN. For comparison purposes, when isolating the non-recurring effects, the 1H16 net income would have been US$41.8 million, a 7% decrease compared to the first half of last year. This is mainly explained by the US$18.7 million EBITDA decrease, a slightly higher depreciation and the tax-rate increase, all of which was partially offset by lower financial expense.

Liquidity and Capital Resources

As of June 30, 2016, EECL reported strong liquidity, with consolidated cash balances of US$401.3 million. This amount compares with a total nominal financial debt[1] of US$750 million, with no debt maturing within one year. The company has two committed revolving credit facilities to support its liquidity in times of active investment in capital expenditures. It has a 3-year local-currency facility with Banco De Chile for the equivalent of approximately US$48 million and a US$270 million 5-year revolving credit facility with five international banks: Mizuho, BBVA, Citibank, Caixabank, and HSBC. These facilities remained undrawn as of the end of June, 2016.

For the 6-month period ended June 30 (in US$ millions)

Cash Flow	**2015**	**2016**
Net cash flows provided by operating activities…	190.4	106.9
Net cash flows used in investing activities………	(199.1)	126.2
Net cash flows provided by financing activities..	(26.2)	(91.2)
Change in cash……………….…………	**(34.9)**	**141.8**

Cash Flow from Operating Activities

In the first half of 2016, cash flows generated from operating activities reached approximately US$134.3 million, which after payment of income taxes (US$7.8 million) and interest expenses on the 144-A notes (US$19.7 million), amounted to US$106.9 million.

Cash Flow Used in Investing Activities

In the first half of 2016, cash from investing activities reached a net positive amount of US$126.2 million, resulting from the following main items:

i. Proceeds from the sale of 50% of TEN's shares: US$217.56 million;
ii. Proceeds from the sale of 50% of TEN's advances minus new cash advances made to TEN: US$26.75 million;
iii. Proceeds from asset sales (SQM substation): US$15.48 million;
iv. Capital expenditures: US$135.8 million.

Capital Expenditures

Cash used in capital expenditures included US$77 million in the Infraestructura Energética Mejillones ("IEM") coal-fired plant project; US$32 million in the new port project; and US$6.9 million in major maintenance programs, among others.

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

Our capital expenditures in the first half of 2016 amounted to US$135.8 million, down from US$199.3 million in the first half of 2015, largely due to the deconsolidation of TEN and completion of the emission-reduction CAPEX program, as shown in the following table.

For the 6-months period ended June 30 (in US$ millions)

CAPEX	**2015**	**2016**
CTA ……………………………………………….	0.8	1.0
CTA (New Port) ……………………………………..	-	32.3
CTH …………………………………………………	0.3	0.1
Central Tamaya……………………………………….	0.5	-
IEM ……………………………………………………	45.3	77.4
TEN …………………………………………………	78.0	-
Overhaul power plants & equipment maintenance and refurbishing…………………	42.1	1.6
Environmental improvement works………………	11.9	1.6
Solar plant………………………………………………..	9.7	6.5
Overhaul equipment & transmission lines …………………	-	5.3
Others……………………………………………	10.7	10.1
Total capital expenditures……………………….	**199.3**	**135.8**

Cash Flow from Financing Activities

No relevant financing cash flows took place in the first half of 2016 except for dividend payments totaling US$91.2 million, as detailed below

i. Provisional dividend for US$8 million paid in January 2016 on account of 2015's net income.
ii. Definitive dividend for US$6.75 million paid in May 2016 on account of 2015's net income.
iii. Provisional dividend for US$63.6 million paid on account of 2016's net income. It is worth noting that the 1Q16's net income was positively impacted by the sale of 50% of TEN.
iv. Payment of US$13.6 million in dividends to the minority shareholder in Inversiones Hornitos (CTH).

Contractual Obligations

The following table sets forth the maturity profile of our debt obligations as of June 30, 2016.

Contractual Obligations as of 6/30/16

Payments Due by Period (in US$ millions)

	Total	**< 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Bank debt……………………………	-	-	-	-	-
Bonds (144 A/Reg S Notes)………	750.0	-	-	-	750.0
Deferred financing cost…………..	(23.1)	(2.2)	-	-	(20.9)
Accrued interest…………………	16.9	16.9	-	-	-
Mark-to-market swaps	4.3	2.2	-	-	2.1
Total	**748.2**	**16.9**	**-**	**-**	**731.2**

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

In December 2014, EECL signed a committed revolving liquidity facility with Banco de Chile for an amount of up to UF 1,250,000 (approximately US$48 million) to support the company's liquidity. As of June 30, 2016, EECL had not made any drawings under this facility.

On June 30, 2015, EECL signed a long-term senior unsecured revolving credit facility agreement with five international banks (Mizuho, BBVA, Citibank, Caixabank and HSBC), that will allow the company to draw loans in a flexible manner in an aggregate amount of up to US$270 million with maximum maturity date of June 30, 2020. The execution of this revolving credit facility, represents the fulfillment of the first milestone of the company's announced financing plan, and will provide EECL with financial flexibility to finance its expansion in the transmission and generation businesses. The facility draws a commitment fee on the unused portion of the line and a floating interest rate equal to 90-day LIBOR plus a margin on any drawn amounts. As of June 30, 2016, EECL had not made any disbursements under this facility.

Dividend Policy

Our dividend 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 26, 2016, at the Annual Ordinary Shareholders Meeting, our shareholders approved the Board's proposal to pay a definitive dividend of US$6,750,604 on account of 2015's net income, resulting in dividends of US$0.0064089446 per share.

On April 26, 2016, in accordance to EECL's current dividend policy of paying the minimum regulatory 30% of annual net income, as confirmed by the shareholders in the April 26 Annual Shareholders' Meeting, the Board approved a provisional dividend payment of US$63,600,000, or US$0.0603810972 per share, accounting for approximately 30% of 1Q16's net income.

Both dividends were be paid on May 26, 2016, in Chilean pesos using the peso-dollar observed rate published by the Official Gazette on May 20. Eligible shareholders were those recorded in the share registry before midnight of the fifth business day prior to May 26, 2016.

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

Cash Dividends paid by Engie Energía Chile S.A.

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

Hedging Policy

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

Business Risk and Commodity Hedging

Our business is subject to the risk of variations in the availability of fuels and their prices. Our policy is to hedge as much as possible against these risks through the indexation of the energy tariffs incorporated in our PPAs, and the fuel mix taken into consideration in the tariffs. 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, there is a mismatch between the Henry Hub index used to define the EMEL tariff (4-month average prior to the tariff fixing, which takes place every six months) and the Henry Hub index prevailing at the time each LNG shipment is made. 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. EECL participates in the gas trading business, particularly sales of gas to third parties. Given the time differences between the shipment purchase, which normally takes place at a given point in time; and the fuel sales, which may occur throughout the year, in 2015, the company decided to engage in swap contracts with financial institutions to hedge its cash flows and operating results against commodity price volatility.

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 8% of our total operating costs. In addition, as the construction of our IEM, port and other projects progresses, the balance of the VAT credit account, which is denominated in pesos and is adjusted by inflation, has been building up, resulting in increasing exposure to fluctuations in the USD/CLP exchange rate. Also, a percentage of the advances made to our TEN affiliate are made in local currency. 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. The Board of Directors has approved foreign-currency hedging strategies to hedge the company's cash flows against the foreign-currency risk stemming from this contract. Likewise, the company and its CTA subsidiary signed foreign-currency derivative contracts to hedge the UF and EUR cash flows per the EPC contracts with S.K. Engineering and Construction and Belfi, respectively, to avoid variations in cash flows and the final value of the investment as a result of foreign currency fluctuations out of management's control.

Interest Rate Hedging

We seek to maintain a significant portion of our long-term debt at fixed rates in order to minimize interest-rate exposure. As of June 30, 2016, 100% of our financial debt, for a principal amount of US$750 million, was at fixed rates. Loans under the 5-year revolving credit facility will draw a variable interest rate based on 90-day LIBOR. As of this date, EECL has not requested any drawings under this facility.

As of June 30, 2016

Contractual maturity date (in US$ millions)

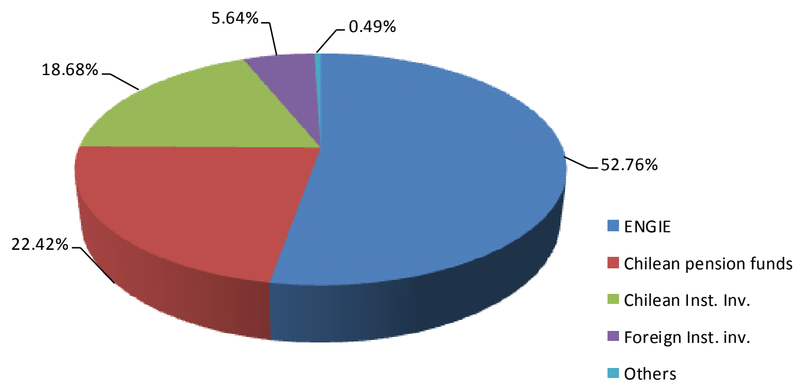
	Average interest rate	2016	2017	2018	2019	Thereafter	Grand Total
Fixed Rate							
(US$)	5.625% p.a.	-	-	-	-	400.0	400.0
(US$)	4.500% p.a.	-	-	-	-	350.0	350.0
Total		**-**	**-**	**-**	**-**	**750.0**	**750.0**

Credit Risk

In the normal course of business, and when investing our cash, we are exposed to credit risk. In our regular electricity generation business, we deal mostly with financially strong mining companies, which report low level of credit risk. However, these companies are exposed to variations in commodity prices, particularly copper. Although our clients have demonstrated significant resilience to down-cycles, our company closely follows up this exposure through its commercial counterparty risk policy. We also sell electricity to the 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, 2016

Number of shareholders: 1,901



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

APPENDIX 1

PHYSICAL DATA AND SUMMARIZED QUARTERLY FINANCIAL STATEMENTS

Physical Sales

Physical Sales (in GWh)

	2015			2016		
	1Q15	**2Q15**	**1H15**	**1Q16**	**2Q16**	**1H16**
Physical Sales						
Sales of energy to unregulated customers.	1,726	1,749	3,475	1,737	1,691	3,428
Sales of energy to regulated customers	463	466	929	483	476	959
Sales of energy to the spot market………	149	42	191	109	168	277
Total energy sales………………………….	**2,337**	**2,258**	**4,594**	**2,328**	**2,336**	**4,664**
Gross electricity generation						
Coal………………………………………….	1,826	1,825	3,651	1,893	1,749	3,642
Gas…………………………………………..	404	407	811	499	343	842
Diesel Oil and Fuel Oil…………………….	23	31	54	7	11	18
Renewable……………………………………….	13	11	24	12	10	22
Total gross generation………………….	**2,267**	**2,274**	**4,541**	**2,411**	**2,114**	**4,524**
Minus Own consumption……………..	(168)	(181)	(348)	(191)	(165)	(356)
Total net generation…………………….	**2,099**	**2,093**	**4,193**	**2,220**	**1,949**	**4,169**
Energy purchases on the spot market………..	291	216	507	178	468	646
Total energy available for sale before transmission losses………………………	**2,390**	**2,309**	**4,699**	**2,397**	**2,417**	**4,814**

Quarterly Income Statement

Quarterly Income Statement (in US$ millions)

IFRS						
Operating Revenues	**1Q15**	**2Q15**	**1H15**	**1Q16**	**2Q16**	**1H16**
Regulated customers sales………………………	55.4	51.6	107.0	47.7	43.9	91.6
Unregulated customers sales…………………..	181.9	180.4	362.3	156.7	165.9	322.5
Spot market sales……………………………..	6.2	7.3	13.5	8.2	12.8	21.0
Total revenues from energy and capacity sales……………………………	**243.4**	**239.4**	**482.8**	**212.6**	**222.5**	**435.1**
Gas sales…………………………..	18.5	23.1	41.5	0.1	2.2	2.4
Other operating revenue……………………….	25.8	19.6	45.3	18.2	15.4	33.6
Total operating revenues………………….	**287.6**	**282.0**	**569.6**	**230.9**	**240.2**	**471.1**
Operating Costs						
Fuel and lubricants………………………………	(96.5)	(84.4)	(180.9)	(85.9)	(74.4)	(160.3)
Energy and capacity purchases on the spot	(30.2)	(33.9)	(64.2)	(21.0)	(41.0)	(62.0)
Depreciation and amortization attributable to cost of goods sold…………	(31.4)	(32.9)	(64.3)	(33.8)	(33.3)	(67.1)
Other costs of goods sold…………………….	(69.5)	(75.0)	(144.5)	(45.8)	(48.9)	(94.7)
Total cost of goods sold………………..	**(227.6)**	**(226.3)**	**(453.8)**	**(186.5)**	**(197.6)**	**(384.1)**
Selling, general and administrative expenses…	(11.4)	(12.8)	(24.3)	(6.8)	(5.1)	(11.9)
Depreciation and amortization in selling, general and administrative expenses…	(0.6)	(0.6)	(1.1)	(0.6)	(1.2)	(1.8)
Other revenues………..……………………….	0.1	4.8	4.9	(0.7)	0.6	(0.1)
Total operating costs.………………….	**(239.5)**	**(234.9)**	**(474.3)**	**(194.6)**	**(203.3)**	**(397.9)**
Operating income.………………….	**48.1**	**47.2**	**95.3**	**36.3**	**36.9**	**73.2**
EBITDA………………..………………	**80.1**	**80.6**	**160.7**	**70.7**	**71.3**	**142.0**
Financial income………..………………………	0.3	0.6	0.9	0.6	0.6	1.2
Financial expense……………..…………………	(10.9)	(8.7)	(19.6)	(7.8)	(8.0)	(15.8)
Foreign exchange translation, net……………	1.9	(6.2)	(4.3)	0.8	0.2	1.0
Share of profit (loss) of associates accounted for using the equity method	-	-	-	53.9	(0.4)	53.5
Other non-operating income/(expense) net………………………	0.0	(0.1)	(0.1)	179.3	0.5	179.7
Total non-operating results……………	**(8.7)**	**(14.4)**	**(23.0)**	**226.8**	**(7.2)**	**219.6**
Income before tax…………………..………	39.5	32.8	72.3	263.1	29.7	292.8
Income tax………………………………………	(9.8)	(14.4)	(24.1)	(49.8)	(8.3)	(58.1)
Net income from continuing operations after taxes …….	29.7	18.4	48.1	213.3	21.4	234.7
Net income attributed to controlling shareholders………………	**27.3**	**17.7**	**45.0**	**212.0**	**21.6**	**233.6**
Net income attributed to minority shareholders……………….	2.5	0.7	3.1	1.3	(0.2)	1.1
Net income to EECL's shareholders…….	**27.3**	**17.7**	**45.0**	**212.0**	**21.6**	**233.6**
Earnings per share…………………….. (US$/share)	**0.026**	**0.017**	**0.043**	**0.201**	**0.020**	**0.222**

Quarterly Balance Sheet

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

	2015	2016
	31/Dec/15	**30/Jun/16**
Current Assets		
Cash and cash equivalents (1)	147.0	287.0
Other financial assets	1.5	2.1
Accounts receivable	125.9	242.6
Recoverable taxes	39.1	22.4
Current inventories	173.5	166.7
Other non financial assets	24.2	11.3
Current assets for sale	247.9	-
Total current assets	**758.9**	**732.0**
Non-Current Assets		
Property, plant and equipment, net	1,972.7	2,021.9
Other non-current assets	379.0	445.3
TOTAL ASSETS	**3,110.6**	**3,199.2**
Current Liabilities		
Financial debt	19.0	16.9
Other current liabilities	219.2	187.0
Liabilities included in assets for sale	35.3	-
Total current liabilities	**273.5**	**203.9**
Long-Term Liabilities		
Financial debt	741.1	731.2
Other long-term liabilities	270.6	264.5
Total long-term liabilities	**1,011.7**	**995.7**
Shareholders' equity	1,729.0	1,914.3
Minority' equity	96.3	85.3
Equity	**1,825.4**	**1,999.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,110.6**	**3,199.2**

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

APPENDIX 2

Financial Ratios

	FINANCIAL RATIOS				
			Dec/15	**Jun/16**	**Var.**
LIQUIDITY	Current ratio (current assets / current liabilities)	(times)	2.77	3.59	***29%***
	Quick ratio ((current assets - inventory) / current liabilities)	(times)	2.14	2.77	***30%***
	Working capital (current assets – current liabilities)	MMUS$	485.4	528.1	***9%***
LEVERAGE	Leverage ((current liabilities + long-term liabilities) / networth)	(times)	0.70	0.60	***-15%***
	Interest coverage * ((EBITDA / interest expense))	(times)	8.41	8.79	***5%***
	Financial debt –to- LTM EBITDA*	(times)	2.43	2.54	***5%***
	Net financial debt – to - LTM EBITDA*	(times)	1.96	1.57	***-20%***
PROFITABILITY	Return on equity* (LTM net income attributed to the controller / net worth attributed to the controller)	%	5.4%	14.8%	***171%***
	Return on assets* (LTM net income attributed to the controller / total assets)	%	3.0%	8.8%	***192%***

*LTM = Last twelve months

CONFERENCE CALL 1H16

Engie Energía Chile is pleased to inform you that it will conduct a conference call to review its results for the period ended June 30, 2016, on Thursday, June 28th, 2016, at 12:00 p.m. (USA-NY) – 12:00 p.m. (Chilean Time)

hosted by:
Carlos Freitas, CFO Engie Energía Chile S.A.

To participate, please dial: **1(412) 317-6776**, international or **1230-020-5802 (toll free Chile)** or 1(877) 317-6776 (toll free US).
To join the conference, please state the name of the conference (**Engie Energía Chile**); no other Conference ID will be requested. Please connect approximately 10 minutes prior to the scheduled starting time.

To access the phone replay, please dial **1 (877) 344-7529** / 1 **(412) 317-0088**
Passcode I.D.: 10089213, a conference call replay will be available until Aug 9th, 2016.