July 26, 2017

ENGIE ENERGÍA CHILE REPORTED EBITDA OF US$140 MILLION AND NET INCOME OF US$51 MILLION IN THE FIRST HALF OF 2017.

IN THE SECOND QUARTER OF 2017, EBITDA REACHED US$74.4 MILLION, SUPPORTED BY INCREASED REGULATED REVENUES AND SPOT SALES. SECOND-QUARTER NET INCOME REACHED US$31.5 MILLION.

- **Operating revenues** amounted to US$530.4 million in the first half of 2017, a 13% increase compared to the first half of 2016, mainly due to higher fuel prices, which resulted in higher average realized monomic prices in the unregulated client segment.
- **EBITDA** amounted to US$140.4 million in the first half of the year; that is, a 1% decrease compared to the first half of 2016, mainly due to lower physical sales, new green taxes and higher costs in emission reduction processes.
- **Net income** amounted to US$51.2 million in the first half of 2017. The decrease is explained by significant non-recurring income reported in the first half of 2016, largely owed to the sale of a 50% interest in the TEN project. Excluding non-recurring effects, net income amounted to US$43.7 million in 1H17, a 5% increase compared to 1H16.

Financial Highlights (in US$ millions)

US$ millions	2Q16	2Q17	Var %	1H16	1H17	Var %
Total operating revenues	**240.2**	**271.7**	***13%***	**471.1**	**530.4**	***13%***
Operating income	36.9	40.4	*10%*	73.2	73.0	*0%*
EBITDA	**71.3**	**74.4**	***4%***	**142.0**	**140.4**	***-1%***
EBITDA margin	29.7%	27.4%	*-2.3 pp*	30.2%	26.5%	*-3.7 pp*
Total non-operating results	(7.2)	6.1		219.6	3.1	
Net income after tax	21.4	33.9	*59%*	234.7	56.1	*-76%*
Net income attributed to controlling shareholders	**21.6**	**31.5**	***46%***	**233.6**	**51.2**	***-78%***
Net income attributed to controlling shareholders without non recurring effects	21.6	24.0	*11%*	41.8	43.7	*5%*
Net income attributed to minority shareholders	(0.2)	2.4		1.1	5.0	
Earnings per share (US$/share)	0.020	0.030		0.222	0.049	
Total energy sales (GWh)	2,336	2,192	*-6%*	4,664	4,357	*-7%*
Total net generation (GWh)	1,952	1,431	*-27%*	4,172	2,850	*-32%*
Energy purchases on the spot market (GWh)	468	840	*79%*	646	1,661	*157%*
Average marginal cost (US$/MWh)	70.3	55.5	*-21%*	59.6	57.5	*-4%*

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 one of the largest electricity generation companies in the SING, Chile's second largest power grid. As of June 30, 2017, EECL accounted for 38% 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:

RECENT EVENTS

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

2Q2017

- **Distribution law:** In April 2017, the National Energy Commission ("CNE") sponsored working sessions to discuss proposed amendments to the Distribution Law. The authority expects to send a draft bill to Congress by the end of 2017.

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

- **Regulations related to the Transmission Law:** During the second quarter, the CNE and the Ministry of Energy have continued the discussions surrounding the specific regulations for the implementation of the recently enacted Transmission Law. The authority expects to publish these regulations by the end of 2017.

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

1Q 2017

- **New power grid coordinator**: On January 1, 2017, a new coordination body, the "CEN" or "*Coordinador Eléctrico Nacional*" took office to manage the "SEN" or "*Sistema Eléctrico Nacional*", a single power grid that will result from the interconnection of the SIC and the SING grids beginning 2018. The CEN will replace the CDEC-SIC and CDEC-SING coordination and dispatch centers, which had been functioning since the nineties following the enacting of the Electricity Law.

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

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

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

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

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

PROJECT STATUS AS OF JUNE 30, 2017:

i. **Infraestructura Energética Mejillones Project ("IEM"):** This 375MW coal-fired project is progressing within schedule and budget. The EPC contractor is S.K. Engineering and Construction (Korea) ("SKEC"). The main SKEC subcontractors are Salfa for civil works and Belfi for marine works. The project's overall progress rate was approximately 80% as of the end of June. The company is currently working in the mechanical assembly of the boiler pressure parts, among others, as well as in the installation of the turbine and main mechanical equipment. Preparation for commissioning also started. The IEM project, excluding the new port, will cost approximately US$896 million, of which US$524 million had already been paid as of June 30, 2017, excluding capitalized interest. IEM is scheduled to begin operations in the third quarter of 2018.

ii. **New Port in Mejillones:** This new port is being built by the EPC contractor, Belfi, and is scheduled to be handed over to start the load tests in the fourth quarter of 2017. The port will cost approximately US$122 million, US$88 million of which had been paid as of June 2017. As of that date, the project presented a 78% general state of advance.

iii. **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 Chile, an indirect subsidiary of Red Eléctrica Corporación (Spain). The project is progressing according to budget, and its critical path is on schedule. As of June 30, the project presented a 95% overall progress rate, with all 1,355 already erected and pending conducting cable installation corresponding only to other line crossings. The commissioning phase and main equipment testing are evolving according to plan.

The TEN project considers capital expenditures of approximately US$827 million, US$621 million of which had already been paid as of June 30, 2017. The project is expected to be completed in the fourth quarter of 2017. On December 6, 2016, TEN successfully closed a long-term project financing with ten national and international financial institutions.

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

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 been reporting growing penetration of renewable sources, mainly wind and solar.

Marginal Costs

Marginal Costs Crucero 220 kV

(In US$ per MWh)

Period	2016	2017	% Variation YoY
Q1	48.8	59.5	*22%*
Q2	**70.3**	**55.5**	***-21%***
April	52.3	51.5	*-2%*
May	73.4	60.2	*-18%*
June	85.1	54.5	*-36%*
Q3	65.2		
Q4	62.8		
Year	**61.8**	**57.5**	*-7%*

Average Operating Cost (SING)

(In US$ per MWh)

Period	2016	2017	% Variation YoY
Q1	34.3	42.3	*23%*
Q2	**37.0**	**41.1**	***11%***
April	33.1	42.1	*27%*
May	38.5	41.9	*9%*
June	39.5	39.4	*0%*
Q3	35.9		
Q4	37.8		
Year	**36.3**	**42.3**	*17%*

Source: Coordinador Eléctrico Nacional

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

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

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

The average generation cost of the system remained below US$45/MWh, reflecting the fact that most of the electricity generated in the system came from cost-efficient sources (renewables, coal, and gas).

Overcosts

Overcosts

(In US$ millions)

Period	2016		2017		% Variation (YoY)	
	Total	EECL Prorrata	Total	EECL Prorrata	Total	EECL Prorrata
Q1	9.4	4.8	6.7	3.7	*-29%*	*-23%*
Q2	**13.6**	**4.5**	**11.1**	**5.7**	***-18%***	***26%***
April	3.2	1.6	4.0	2.2	*24%*	*33%*
May	5.9	1.8	3.7	1.9	*-37%*	*3%*
June	4.5	1.1	3.4	1.7	*-24%*	*55%*
Q3	8.9	3.9				
Q4	10.1	4.9				
Year	**42.1**	**18.2**	**17.8**	**9.4**	*-58%*	*-48%*

Source: Coordinador Eléctrico Nacional

In the first quarter, the system's global over-costs decreased to US$6.7 million, a 29% year-on-year decrease, whereas in the second quarter, over-costs dropped 18%. Cumulative over-costs during the first half of 2017 amounted to US$17.8 million versus US$23 million in the first half of 2016.

Fuel prices

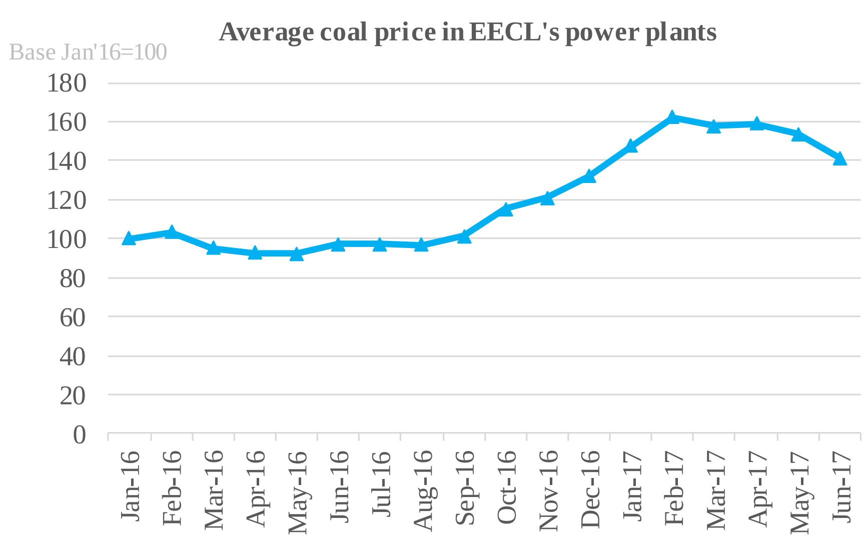
International Fuel Prices Index

	WTI (US$/Barrel)			Brent (US$/Barrel)			Henry Hub (US$/MMBtu)			European coal (API 2) (US$/Ton)		
	2016	**2017**	**% Variation YoY**	**2016**	**2017**	**% Variation YoY**	**2016**	**2017**	**% Variation YoY**	**2016**	**2017**	**% Variation YoY**
Q1	33.4	51.7	*55%*	34.5	54.0	*57%*	1.99	3.02	*51%*	39.3	66.0	*68%*
Q2	45.5	48.1	*6%*	46.0	50.1	*9%*	2.15	3.08	*43%*	48.3	66.9	*38%*
Q3	44.9			45.8			2.88			58.8		
Q4	49.2			50.1			3.04			67.9		
Year	**43.3**	**49.9**	***15%***	**44.1**	**52.1**	***18%***	**2.52**	**3.05**	***21%***	**53.6**	**66.4**	***24%***

Source: Bloomberg, IEA

Continuing with the trend already observed in the last months of 2016, international fuel prices increased by more than 50% in the first quarter of 2017 when compared to the first quarter of 2016, with coal showing the steepest increase.

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



Source: Coordinador Eléctrico Nacional

The average coal prices in PPA tariffs increased by approximately 60% compared to the first half of 2016, in line with the international coal-price trend. The chart above shows the price trend of the coal used in our power plants.

Generation

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

Total SING Generation by Fuel Type (in GWh)

2016

Fuel Type	1Q 2016 GWh	1Q 2016 % of total	2Q 2016 GWh	2Q 2016 % of total	1H 2016 GWh	1H 2016 % 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%

2017

Fuel Type	1Q 2017 GWh	1Q 2017 % of total	2Q 2017 GWh	2Q 2017 % of total	1H 2017 GWh	1H 2017 % of total
Coal	3,344	78%	3,776	80%	7,120	79%
LNG	413	10%	476	10%	889	10%
Diesel / Fuel oil	35	1%	28	1%	62	1%
Renewable	477	11%	466	10%	943	10%
Total gross generation SING	**4,269**	100%	**4,747**	100%	**9,015**	100%

Source: Coordinador Eléctrico Nacional

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

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

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

Generation by Company (in GWh)

2016

Company	1Q 2016 GWh	1Q 2016 % of total	2Q 2016 GWh	2Q 2016 % of total	1H 2016 GWh	1H 2016 % of total
AES Gener	1,661	34%	1,968	40%	3,630	37%
EECL (with 100% of CTH)	2,411	49%	2,114	43%	4,524	46%
Enel Generación	550	11%	490	10%	1,040	11%
Other	265	5%	316	6%	580	6%
Total gross generation SING	**4,887**	**100%**	**4,888**	**100%**	**9,775**	**100%**

2017

Company	1Q 2017 GWh	1Q 2017 % of total	2Q 2017 GWh	2Q 2017 % of total	1H 2017 GWh	1H 2017 % of total
AES Gener	1,990	47%	2,362	50%	4,351	102%
EECL (with 100% of CTH)	1,550	36%	1,553	33%	3,103	73%
Enel Generación	128	3%	145	3%	273	6%
Other	601	14%	687	14%	1,288	30%
Total gross generation SING	**4,269**	100%	**4,747**	100%	**9,015**	211%

Source: Coordinador Eléctrico Nacional

During the first quarter of 2017, EECL reported a 35.7% year-on-year decrease in electricity generation, accounting for 36% of the system's power production. EECL's gas generation decreased 45%, and coal generation at the Tocopilla complex fell 41%. Regarding EECL's plant maintenance schedule, during the 1Q17 the CTA 177MW coal-fired plant was out of service for 27 days beginning March 10, 2017.

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

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

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, 2017 and 2016, 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 2017 compared to 1Q 2017 and 2Q 2016

Operating Revenues

Quarterly Information (In US$ millions)

	2Q 2016		1Q 2017		2Q 2017		% Variation	
Operating Revenues	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Unregulated customers sales…………………..	165.9	*75%*	184.4	*77%*	184.2	*75%*	*0%*	*11%*
Regulated customers sales…………………….	43.9	*20%*	46.7	*20%*	51.3	*21%*	*10%*	*17%*
Spot market sales……………………………..	12.8	*6%*	7.1	*3%*	11.2	*5%*	*56%*	*-13%*
Total revenues from energy and capacity sales	**222.5**	*93%*	**238.3**	*92%*	**246.7**	*91%*	***4%***	***11%***
Gas sales…………………………..	2.2	*1%*	1.3	*1%*	1.9	*1%*	*42%*	*-16%*
Other operating revenue……………………….	15.4	*6%*	19.2	*7%*	23.1	*8%*	*20%*	*50%*
Total operating revenues………………….	**240.2**	*100%*	**258.8**	*100%*	**271.7**	*100%*	***5%***	***13%***
Physical Data (in GWh)								
Sales of energy to unregulated customers (1)……	1,691	*72%*	1,600	*74%*	1,631	*74%*	*2%*	*-4%*
Sales of energy regulated customers……	476	*20%*	476	*22%*	479	*22%*	*1%*	*1%*
Sales of energy to the spot market…………….	168	*7%*	88	*4%*	82	*4%*	*-6%*	*-51%*
Total energy sales………………………….	**2,336**	*100%*	**2,164**	*100%*	**2,192**	*100%*	***1%***	***-6%***
Average monomic price unregulated customers(U.S.$/MWh)(2)	**96.1**		**113.5**		**114.0**		***0%***	***19%***
Average monomic price regulated customers (U.S.$/MWh)(3)	**92.2**		**98.0**		**107.1**		***9%***	***16%***

(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$246.7 million in the second quarter, representing a 4% increase from the first quarter, due mainly to a price increase in the regulated client segment. In addition, physical energy sales to unregulated clients increased, mainly due to greater demand from Codelco’s Chuquicamata and Gaby mines, Zaldívar and Lomas Bayas.

When compared to the second quarter of 2016, unregulated clients’ power demand decreased due to the end of the Cerro Colorado PPA (-75 GWh) and lower demand from El Abra. This was partially offset by greater demand from certain clients including Antucoya, Esperanza and El Tesoro, among others.

In the second quarter, sales to distribution companies, or regulated clients, amounted to US$51.3 million, a two-digit increase compared to 2Q16 explained by higher prices. The average Henry Hub index used in the calculation of the Emel tariff increased from US$2.05/MMBtu used in the April 2016 tariff setting process to US$3.08/MMBtu used in the April 2017 tariff setting process. Furthermore, the Henry Hub index rose by more than 10%, triggering a tariff increase effective December 2016. The April 2017 tariff, which became effective in May, added to a 1% physical sales increase, explained the 10% sales increase in this segment when compared to the first quarter of 2017.

Physical sales to the spot market, reached 82 GWh in the second quarter, a decrease compared to both the 88 GWh sold in the first quarter of 2017 and the 168 GWh sold in the second quarter of 2016. 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 system’s coordinator.

Gas sales during the second quarter have remained at low levels. The most relevant items in the ‘Other operating revenue’ account are sub-transmission tolls and regulatory transmission revenues, which accounted for 73% of the total amount in 2Q17. In addition, this account includes port and maintenance services, among others.

Operating Costs

Quarterly Information (In US$ millions)

Operating Costs	2Q 2016 Amount	2Q 2016 % of total	1Q 2017 Amount	1Q 2017 % of total	2Q 2017 Amount	2Q 2017 % of total	% Variation QoQ	% Variation YoY
Fuel and lubricants………………………………	(74.4)	*37%*	(88.2)	*39%*	(87.5)	*38%*	*-1%*	*18%*
Energy and capacity purchases on the spot market……………………………	(41.0)	*20%*	(54.7)	*24%*	(60.3)	*26%*	*10%*	*47%*
Depreciation and amortization attributable to cost of goods sold…………………………….	(33.3)	*16%*	(32.3)	*14%*	(33.0)	*14%*	*2%*	*-1%*
Other costs of goods sold…………………….	(48.9)	*24%*	(43.0)	*19%*	(43.1)	*19%*	*0%*	*-12%*
Total cost of goods sold………………..	**(197.6)**	*97%*	**(218.3)**	*97%*	**(223.9)**	*97%*	***3%***	***13%***
Selling, general and administrative expenses…	(5.1)	*3%*	(8.3)	*4%*	(7.0)	*3%*	*-15%*	*37%*
Depreciation and amortization in selling, general and administrative expenses…………	(1.2)	*1%*	(1.1)	*0%*	(1.0)	*0%*	*-7%*	*-17%*
Other operating revenue/costs……………………….	0.6	*0%*	1.5	*-1%*	0.6	*0%*		
Total operating costs…………………..	**(203.3)**	*100%*	**(226.2)**	*100%*	**(231.3)**	*100%*	***2%***	***14%***
Physical Data (in GWh)								
Gross electricity generation								
Coal………………………………………….	1,749	*83%*	1,253	*81%*	1,294	*83%*	*3%*	*-26%*
Gas…………………………………………..	343	*16%*	277	*18%*	234	*15%*	*-15%*	*-32%*
Diesel Oil and Fuel Oil…………………….	11	*1%*	3	*0%*	11	*1%*	*263%*	*-5%*
Hydro/Solar……………………………………….	10	*0%*	17	*1%*	13	*1%*	*-21%*	*27%*
Total gross generation………………….	**2,114**	*100%*	**1,550**	*100%*	**1,553**	*100%*	***0%***	***-27%***
Minus Own consumption………………..	(162)	*-8%*	(130)	*-8%*	(122)	*-8%*	*-6%*	*-25%*
Total net generation…………………….	**1,952**	***81%***	**1,419**	***63%***	**1,431**	***63%***	***1%***	***-27%***
Energy purchases on the spot market………..	468	***19%***	821	***37%***	840	***37%***	*2%*	*79%*
Total energy available for sale before transmission losses………………………	**2,420**	***100%***	**2,240**	***100%***	**2,271**	***100%***	***1%***	***-6%***

Gross electricity generation decreased 27% year-on-year and remained relatively unchanged compared to the first quarter of 2017. The sharp year-on-year decrease in total gross generation was largely explained by the commissioning of base-load coal and gas-fired plants in the system, which displaced older, higher-cost plants in terms of dispatch priority. Gas generation decreased its proportion in the generation mix.

The fuel cost item increased 18% year-on-year and had no significant changes compared to the first quarter of 2017. When compared to the second quarter of last year, the fuel-cost item increased by US$13.1 million mainly due to higher coal prices, the accrual of the new CO_2 taxes beginning January 1, 2017, and higher hydrated lime costs as the new emission norm did not become effective in the Mejillones complex until mid-2016. This was partially offset by lower gas consumption.

The spot electricity purchase cost item increased by US$5.5 million compared to 1Q17 because of higher physical purchases. As compared to the second quarter of 2016, the spot electricity purchase cost item increased by US$19.3 million due also to increased physical energy purchases.

Depreciation costs in the costs-of-goods-sold item remained flat in the US$33 million level.

Other direct operating costs included, among others, operating and maintenance costs, transmission tolls, insurance premiums and cost of fuels sold. This item remained unchanged compared to 1Q17, but reported a US$5.8 million improvement compared to 2Q16 due to cost saving initiatives, partly offset by higher transmission tolls.

SG&A expenses, excluding depreciation, decreased by US$1.3 million compared to 1Q17 mainly due to lower IT and other third-party service costs. The year-on-year comparison shows a US$1.9 million increase mainly due to the low comparison base explained by a legal-cost provision reversal registered in 2Q16.

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

Electricity Margin

Quarterly Information (In US$ millions)

	2016			2017		
	1Q16	**2Q16**	**1H16**	**1Q17**	**2Q17**	**1H17**
Electricity Margin						
Total revenues from energy and capacity sales………	**212.6**	**222.5**	**435.1**	**238.3**	**246.7**	**485.0**
Fuel and lubricants…………………..	(85.9)	(74.4)	(160.3)	(88.2)	(87.5)	(175.7)
Energy and capacity purchases on the spot market……	(21.0)	(41.0)	(62.0)	(54.7)	(60.3)	(115.0)
Gross Electricity Profit	**105.7**	**107.1**	**212.8**	**95.3**	**99.0**	**194.3**
Electricity Margin	*50%*	*48%*	*49%*	*40%*	*40%*	*40%*

In the second quarter, the electricity margin, or the gross profit from the electricity generation business, increased by US$3.7 million when compared to the immediately preceding quarter, reaching 40%. This was mainly due to a recovery in physical sales volumes, higher tariffs in the regulated segment, and higher spot sales, partially offset by higher spot purchase costs explained by higher realized spot prices.

The year-on-year comparison shows an US$8.2 million decrease in the electricity margin (US$24.2 million revenue increase and US$32.3 million cost increase). The revenue increase is mainly explained by a 16% average realized price increase (US$111/MWh vs. US$95/MWh). On the costs side, fuel costs increased by US$6.2 million despite the lower generation. Physical electricity purchases increased 80%, but this was offset by an 18% decrease in average spot prices. In sum, lower physical sales, added to the net cost of green taxes (US$3.3 million), and higher hydrated lime costs (US$1.9 million) explained the year-on-year decrease in the electricity margin.

Operating Results

Quarterly Information (in US$ millions)

EBITDA	**2Q 2016**		**1Q 2017**		**2Q 2017**		**% Variation**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Total operating revenues………………………	240.2	*100%*	258.8	*100%*	271.7	*100%*	*5%*	*13%*
Total cost of goods sold……………………	(197.6)	*-82%*	(218.3)	*-84%*	(223.9)	*-82%*	*3%*	*13%*
Gross income………………………….	**42.6**	*18%*	**40.5**	*16%*	**47.8**	*18%*	***18%***	***12%***
Total selling, general and administrative expenses and other operating income/(costs).	(5.8)	*-2%*	(7.9)	*-3%*	(7.4)	*-3%*	*-6%*	*28%*
Operating income………………….	**36.9**	*15%*	**32.6**	*13%*	**40.4**	*15%*	***24%***	***10%***
Depreciation and amortization……..…………	34.5	*14%*	33.4	*13%*	34.0	*13%*	*2%*	*-1%*
EBITDA……………….………………	**71.3**	*29.7%*	**66.0**	*25.5%*	**74.4**	*27.4%*	***13%***	***4%***

2Q17 EBITDA reached US$74.4 million, an US$8.4 million improvement compared to the immediately preceding quarter. This was due to the US$3.7 million increase in the electricity margin and higher transmission and other service revenue.

EBITDA increased by US$3.1 million year-on-year due to lower operating expenses including renegotiation of service contracts, among others, which offset the above-explained US$8.2 million decrease in the electricity margin and the exceptionally low SG&A expenses reported in 2Q16.

Financial Results

Quarterly Information (In US$ millions)

Non-operating results	2Q 2016 Amount	2Q 2016 % of total	1Q 2017 Amount	1Q 2017 % of total	2Q 2017 Amount	2Q 2017 % of total	% Variation QoQ	% Variation YoY
Financial income……….………………………	0.6	*0%*	1.0	*0%*	0.9	*0%*	*-10%*	*44%*
Financial expense………….…………………	(8.0)	*-3%*	(4.5)	*-2%*	(3.3)	*-1%*	*-26%*	*-59%*
Foreign exchange translation, net……………	0.2	*0%*	0.3	*0%*	(1.4)	*0%*		
Share of profit (loss) of associates accounted for using the equity method	(0.4)	*0%*	0.7	*0%*	(0.2)	*0%*	*-136%*	*-44%*
Other non-operating income/(expense) net…	0.5	*0%*	(0.5)	*0%*	10.1	*2%*		
Total non-operating results……………	**(7.2)**	*-3%*	**(2.9)**	*-1%*	**6.1**	*1%*		
Income before tax……………………. ………	29.7	*13%*	29.7	*12%*	46.4	*9%*	***56%***	***56%***
Income tax……………………………………	(8.3)	*-4%*	(7.4)	*-3%*	(12.5)	*-2%*	*69%*	*51%*
Net income from continuing operations after taxes …	21.4	*9%*	22.2	*9%*	33.9	*6%*	*52%*	*59%*
Net income attributed to controlling shareholders…….	**21.6**	*9%*	**19.7**	*8%*	**31.5**	*6%*	***60%***	***46%***
Net income attributed to minority shareholders……….	(0.2)	*0%*	2.6	*1%*	2.4	*0%*	*-6%*	
Net income to EECL's shareholders	**21.6**	*9%*	**19.7**	*8%*	**31.5**	*6%*	***60%***	***46%***
Earnings per share……………………..	**0.020**		**0.019**		**0.030**			

Interest expense decreased by US$1.2 million compared to 1Q17 and decreased by US$4.7 million when compared to the second quarter of 2016. These changes depend on the pace of interest capitalization of the company's existing debt, which is made in proportion to the IEM capital expenditures made in each quarter.

Foreign-exchange losses reached US$1.4 million in the quarter, which compares negatively with a US$0.3 million gain in the 1Q17 and a US$0.2 million gain in 2Q16. This is explained by the effect of exchange-rate variations on the valuation of certain assets and liabilities denominated in currencies other than the US dollar --the company's functional currency--, such as accounts receivable and payable, advances to suppliers, and value-added tax credit. During 2016, the company had accounts receivable from TEN in Chilean pesos, which reported a foreign-exchange gain. This receivable was fully repaid in December 2016.

The account labelled 'Share of profit (loss) of associates accounted for using the equity method' showed a small loss due to the proportional result in the jointly-controlled TEN project company. TEN reported moderate losses due to foreign-exchange results in addition to SG&A expenses that cannot be accounted for as capital expenditures.

The 'Other net non-operating income' account amounted to US$10 million resulting from the partial recognition of insurance recoveries on the U16 loss reported in the fourth quarter of 2016. In both the 1Q17 and the 2Q16 the net non-operating income account was immaterial.

Net Earnings

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

In the second quarter of 2017, the company reported a US$31.5 million after-tax net income, a significant improvement compared to the 1Q17's US$19.7 million, due to improvements at both operating and non-operating levels. The US$10 million insurance recovery offset the US$5.1 million income tax increase. The year-on-year comparison also shows an improvement due to a US$3.5 million increase in operating income, lower interest expenses and insurance recoveries. Given the improved results and higher income tax rate, income tax provision increased by US$4.2 million.

1H 2017 compared to 1H 2016

Operating Revenues

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

	1H 2016		1H 2017		Variation	
Operating Revenues	Amount	% of total	Amount	% of total	Amount	%
Unregulated customers sales…………………..	322.5	*74%*	368.6	*76%*	*46.1*	*14%*
Regulated customers sales…………………….	91.6	*21%*	98.0	*20%*	*6.5*	*7%*
Spot market sales……………………………..	21.0	*5%*	18.3	*4%*	*-2.7*	*-13%*
Total revenues from energy and capacity sales……	**435.1**	*92%*	**485.0**	*91%*	***49.9***	*11%*
Gas sales…………………………..	2.4	*1%*	3.2	*1%*	*0.8*	*36%*
Other operating revenue……………………….	33.6	*7%*	42.3	*8%*	*8.6*	*26%*
Total operating revenues………………….	**471.1**	*100%*	**530.4**	*100%*	***59.3***	*13%*
Physical Data (in GWh)						
Sales of energy to unregulated customers (1)……	3,428	*73%*	3,232	*74%*	*-196*	*-6%*
Sales of energy regulated customers……	959	*21%*	955	*22%*	*-4*	*0%*
Sales of energy to the spot market…………….	277	*6%*	170	*4%*	*-107*	*-39%*
Total energy sales………………………….	**4,664**	*100%*	**4,357**	*100%*	***-307***	*-7%*
Average monomic price unregulated customers(U.S.$/MWh)(2)	**92.7**		**113.8**		***21.0***	*23%*
Average monomic price regulated customers (U.S.$/MWh)(3)	**95.4**		**102.6**		***7.2***	*7%*

(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$485 million in the first half of 2017, representing an 11% increase compared to the first half of 2016, due to the price indexation to increasing fuel prices. As a reference, international European coal prices climbed 51%, while the Henry Hub gas index reported a similar 47% increase. Sales to unregulated clients increased, as opposed to spot sales and sales to regulated clients, which exhibited a slight decrease.

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

Sales to distribution companies, or regulated clients, amounted to US$98 million, representing a 7% increase compared to 1H16 as a result of higher prices. The average Henry Hub index used in the calculation of the EMEL tariff increased from US$2.80/MMBtu and US$2.05/MMBtu through the first half of 2016 to US$2.52/MMBtu and US$3.08/MMBtu through the first half of 2017.

Physical sales to the spot market decreased 39% due to the CTA maintenance. 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.

Small gas sales volumes to Solgas were reported in 1H17 and 1H16. The most relevant item in the Other operating revenue account is composed of sub-transmission tolls and regulatory transmission revenues, which accounted for almost 74% 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 2016		1H 2017		Variation	
Operating Costs	Amount	% of total	Amount	% of total	Amount	%
Fuel and lubricants………………………………	(160.3)	40%	(175.7)	38%	15.4	10%
Energy and capacity purchases on the spot market…	(62.0)	16%	(115.0)	25%	53.0	86%
Depreciation and amortization attributable to cost of goods sold…	(67.1)	17%	(65.4)	14%	-1.7	-3%
Other costs of goods sold…………………….	(94.7)	24%	(86.1)	19%	-8.6	-9%
Total cost of goods sold………………..	**(384.1)**	97%	**(442.2)**	97%	**58.1**	**15%**
Selling, general and administrative expenses…	(11.9)	3%	(15.4)	3%	3.4	29%
Depreciation and amortization in selling, general and administrative expenses…	(1.8)	0%	(2.1)	0%	0.3	17%
Other operating revenue/costs……………………….	(0.1)	0%	2.1	0%	-2.2	-2140%
Total operating costs.…………………	**(397.9)**	100%	**(457.5)**	100%	**59.6**	**15%**
Physical Data (in GWh)						
Gross electricity generation						
Coal………………………………………….	3,642	80%	2,548	82%	-1,094	-30%
Gas…………………………………………..	842	19%	511	16%	-331	-39%
Diesel Oil and Fuel Oil…………………….	18	0%	14	0%	-4	-23%
Hydro/Solar……………………………………….	22	0%	30	1%	7	33%
Total gross generation………………….	**4,524**	100%	**3,102**	100%	**-1,422**	**-31%**
Minus Own consumption……………..	(353)	-8%	(252)	-8%	100	-28%
Total net generation…………………….	**4,172**	**87%**	**2,850**	**63%**	**-1,322**	**-32%**
Energy purchases on the spot market……….	646	**13%**	1,661	**37%**	1,015	157%
Total energy available for sale before transmission losses………………………	**4,817**	**100%**	**4,511**	**100%**	**-307**	**-6%**

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

The increase in international fuel prices resulted in a 10% increase (US$15.4 million) in the fuel cost item in the first half of 2017, despite the decrease in generation. The fuel cost increase is explained mainly by higher coal costs, the enactment of CO_2 taxes, and hydrated lime costs in the Mejillones complex, effective since July 2016. This was partially offset by lower LNG costs.

The spot electricity purchase costs item increased 86% since physical purchases more than doubled, while average realized spot prices dropped by 28%.

Depreciation costs decreased by US$1.7 million as a result of asset write-offs related to the failure of the U16 in late 2016 and Central Tamaya, which ceased to be depreciated in March 2016.

Other direct operating costs included, among others, operating and maintenance costs, cost of fuel sold and sub-transmission tolls related to the EMEL contract, with the latter covered by revenues from sub-transmission tolls. This item, as a whole, decreased by US$8.1 million when compared to the first half of 2016, mainly due to cost-saving initiatives involving renegotiations of procurement contracts and insurance policies, among others, as well as lower demurrage and fuel handling costs.

SG&A expenses increased by US$3.4 million, in part due to a low comparison base explained by the reversal of a legal cost provision in 1H16, and also due to the reorganization of working teams and the appreciation of the Chilean peso (CLP660/USD in 1H17 vs CLP690/USD in 1H16). Lower IT, travel and consulting expenses achieved in the context of a cost-saving plan partially offset these effects.

The Other operating revenue/cost item includes water sales, services and office rentals as well as the proportional result in TEN.

Operating Results

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

EBITDA	**1H 2016**		**1H 2017**		**Variation**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**%**
Total operating revenues……………………..	471.1	*100%*	530.4	*100%*	*59.3*	*13%*
Total cost of goods sold……………………	(384.1)	*82%*	(442.2)	*83%*	*58.1*	*15%*
Gross income…………………………	**87.0**	*18%*	**88.3**	*17%*	***1.3***	***1%***
Total selling, general and administrative expenses and other operating income/(costs).	(13.8)	*3%*	(15.3)	*3%*	*1.5*	*11%*
Operating income…………………	**73.2**	*16%*	**73.0**	*14%*	***-0.2***	***0%***
Depreciation and amortization……..…………	68.9	*15%*	67.4	*13%*	*-1.4*	*-2%*
EBITDA………………..………………	**142.0**	*30.2%*	**140.4**	*26.5%*	***-1.6***	***-1%***

1H17 EBITDA reached US$140.4 million, just 1% below 1H16's figure. As explained earlier, the US$18.6 million decrease in gross electricity profits explained by lower physical sales, the effect of green taxes and higher hydrated lime costs, was offset by lower operating expenses resulting from ongoing cost-control efforts.

Financial Results

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

	1H 2016		**1H 2017**		**Variation**	
Non-operating results	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**%**
Financial income………..………………………	1.2	*0%*	1.9	*0%*	*0.7*	*58%*
Financial expense…………….…………………	(15.8)	*-3%*	(7.8)	*-1%*	*8.1*	*-51%*
Foreign exchange translation, net…………..	1.0	*0%*	(1.1)	*0%*	*-2.1*	
Share of profit (loss) of associates accounted for using the equity method	53.5	*11%*	0.4	*0%*	*-53.1*	
Other non-operating income/(expense) net…	179.7	*38%*	9.6	*2%*	*-170.1*	
Total non-operating results…………….	**219.6**	*47%*	**3.1**	*1%*		
Income before tax…………………… ………	292.8	*62%*	76.1	*14%*	***-216.7***	***-74%***
Income tax………………………………………	(58.1)	*-12%*	(20.0)	*-4%*	*38.1*	
Net income from continuing operations after taxes …	234.7	*50%*	56.1	*11%*	*-178.6*	*-76%*
Net income attributed to controlling shareholders…….	**233.6**	*50%*	**51.2**	*10%*	***-182.4***	***-78%***
Net income attributed to minority shareholders……….	1.1	*0%*	5.0	*1%*	*3.8*	*336%*
Net income to EECL's shareholders	**233.6**	*50%*	**51.2**	*10%*	***-182.4***	***-78%***
Earnings per share……………………..	**0.222**		**0.049**			

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

Interest expense decreased by US$8.1 million given the capitalization of interest in the IEM project.

Foreign-exchange losses reached US$1.1 million in 1H17 due mainly to accounts payable in euros and Chilean pesos, which compares negatively with the US$1.0 million foreign-exchange gain reported in the 1H16, which at that time resulted from advances in local currency to TEN.

The 'Share of profit (loss) of associates accounted for using the equity method' account reported a small profit, which compares to exceptional income in 1H16 related to the fair valuation of EECL's remaining 50% shareholding in TEN.

Other net non-operating income reached US$9.6 million due to the partial recognition of the insurance recovery associated to the U16 loss reported in the last quarter of 2016. In 1H16, this item included non-recurring income of almost US$180 million, explained almost entirely by the following non-recurring ítems: (i) Income from the sale of 50% of TEN's shares (US$187 million); (ii) sale of a converting substation to SQM (US$13 million); (iii) Tamaya fuel-oil plant impairment (US$18 million); and, (iv) expensing of project development costs (US$3 million).

Net Earnings

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

In the first half of 2017, net income after taxes reached US$51.7 million, down from 1H16's exceptional US$233.6 million. For comparison purposes, when isolating the non-recurring effects, the 1H17 net income would have been US$43.7 million, a 5% increase compared to 1H16's US$41.8 million recurring income. This is mainly explained by an even EBITDA combined with lower financial expenses.

Liquidity and Capital Resources

As of June 30, 2017, EECL reported cash balances of US$92.9 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 a US$270 million committed revolving credit facility to support its liquidity in times of active investment in capital expenditures. This facility has been provided by five international banks: Mizuho, BBVA, Citibank, Caixabank, and HSBC and matures on June 30, 2020. It remained undrawn as of June 2017.

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

Cash Flow	**2016**	**2017**
Net cash flows provided by operating activities…	106.9	121.0
Net cash flows used in investing activities………	126.2	(284.8)
Net cash flows provided by financing activities..	(91.2)	(21.1)
Change in cash……………….………….	**141.8**	**(184.9)**

(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.

Cash Flow from Operating Activities

In the first half of 2017, cash flow generated from operating activities reached approximately US$188.3 million, which after income tax payments (US$49.9 million) and interest expense (US$17.4 million), amounted to US$121 million. It should be noted that cash interest payments amounted to US$19.6 million, US$2.2 million of which were capitalized and accounted for as investments in fixed assets.

Cash Flow Used in Investing Activities

In the first half of 2017, cash flows from investing activities resulted in a net cash expenditure of US$269.4 million, mainly due to the investment in the IEM (US$212.9 million) and port (US$23.8 million) projects, plant and transmission assets maintenance (US$32.7 million) and contributions into TEN (US$16.8 million). By contrast, in the first half of 2016, investment flows were positive as a result of asset sales (50% of TEN and the SQM substation).

Capital Expenditures

Our capital expenditures in the first half of 2017 and the first half of 2016 amounted to US$269.4 and US$135.8 million, respectively, as shown in the following table.

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

CAPEX	**2016**	**2017**
CTA ……………………………………………….	1.0	0.6
CTA (New Port) ……………………………………..	32.3	23.8
CTH ………………………………………………	0.1	0.4
IEM …………………………………………………	77.4	212.9
Overhaul power plants & equipment maintenance and refurbishing…………………	1.6	16.1
Environmental improvement works……………..	1.6	0.1
Solar plant……………………………………………..	6.5	0.0
Overhaul equipment & transmission lines …………………	5.3	11.0
Others…………………………………………	10.1	4.5
Total capital expenditures……………………….	**135.8**	**269.4**

Cash Flow from Financing Activities

The only financing cash flows reported in the first half of 2017 were dividend payments totaling US$21.1 million, which included US$8.4 million paid 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, 2017.

Contractual Obligations as of 06/30/17
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	-	-	400.0	350.0
Deferred financing cost…………..	(20.1)	(2.2)	(3.8)	(2.6)	(11.5)
Accrued interest…………………	16.9	16.9	-	-	-
Mark-to-market swaps	0.2	0.2	0.1	-	
Total	**747.1**	**14.9**	**(3.7)**	**397.4**	**338.5**

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 3-year committed revolving liquidity facility with Banco de Chile for an amount of up to UF 1,250,000 (approximately US$50 million) to support the company's liquidity. The company cancelled this facility in June 2017, and no drawings were ever made 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 represented the fulfillment of the first milestone of the company's announced financing plan, and will provide EECL with financial flexibility to finance its expansion in the transmission and generation businesses. The facility draws a commitment fee on the unused portion of the line and a floating interest rate equal to 90-day LIBOR plus a margin on any drawn amounts. As of June 30, 2017, EECL had not made any disbursements under this facility.

Dividend Policy

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

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

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

Cash Dividends paid by Engie Energía Chile S.A.

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

Risk management policy

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

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

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

Hedging Policy

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

Business Risk and Commodity Hedging

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

Currency Hedging

Given that most of our revenues and costs are denominated in U.S. dollars and that we seek to incur debt in U.S. dollars, we face limited exposure to foreign exchange risk. Our main costs denominated in Chilean pesos are personnel and administrative expenses, which account for approximately 10% of our total operating costs. A percentage of the advances made to our TEN affiliate in 2015 and 2016 was made in local currency; nevertheless, all of these loans were repaid with proceeds of the project financing in December 2016. 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, 2017, 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, 2017

Contractual maturity date (in US$ millions)

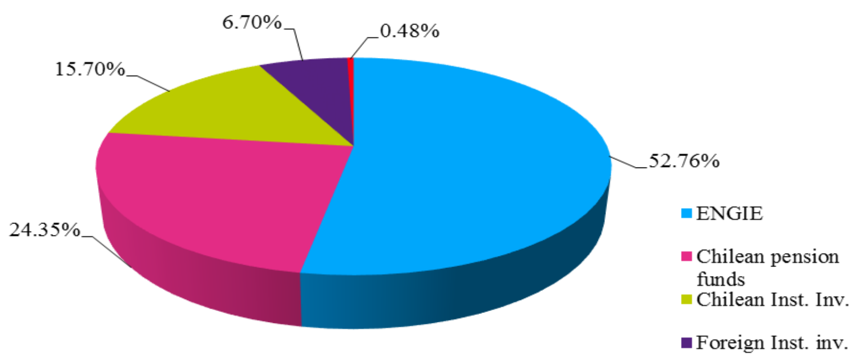
	Average interest rate	2017	2018	2019	2020	Thereafter	Grand Total
Fixed Rate							
(US$)	5.625% p.a.	-	-	-	-	400.0	400.0
(US$)	4.500% p.a.	-	-	-	-	350.0	350.0
Total		**-**	**-**	**-**	**-**	**750.0**	**750.0**

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 sole regulated client in the SING, which provides electricity supply to residential and commercial clients in the region. Our cash management policy is to invest in investment-grade institutions only and only within the short term. We also measure our counterparty risk when dealing with derivatives, and we have individual counterparty limits to manage our exposure.

OWNERSHIP STRUCTURE AS OF JUNE 30, 2017

Number of shareholders: 1,838



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

APPENDIX 1

PHYSICAL DATA AND SUMMARIZED QUARTERLY FINANCIAL STATEMENTS

Physical Sales

Physical Sales (in GWh)

	2016			2017		
	1Q16	**2Q16**	**1H16**	**1Q17**	**2Q17**	**1H17**
Physical Sales						
Sales of energy to unregulated customers.	1,737	1,691	3,428	1,600	1,631	3,232
Sales of energy to regulated customers	483	476	959	476	479	955
Sales of energy to the spot market………	109	168	277	88	82	170
Total energy sales…………………………	**2,328**	**2,336**	**4,664**	**2,164**	**2,192**	**4,357**
Gross electricity generation						
Coal………………………………………….	1,893	1,749	3,642	1,253	1,294	2,548
Gas…………………………………………..	499	343	842	277	234	511
Diesel Oil and Fuel Oil…………………….	7	11	18	3	11	14
Renewable……………………………………….	12	10	22	17	13	30
Total gross generation…………………	**2,411**	**2,114**	**4,524**	**1,550**	**1,553**	**3,102**
Minus Own consumption………………..	(191)	(162)	(353)	(130)	(122)	(252)
Total net generation……………………	**2,220**	**1,952**	**4,172**	**1,419**	**1,431**	**2,850**
Energy purchases on the spot market………..	178	468	646	821	840	1,661
Total energy available for sale before transmission losses………………………	**2,397**	**2,420**	**4,817**	**2,240**	**2,271**	**4,511**

Quarterly Income Statement

Quarterly Income Statement (in US$ millions)

IFRS						
Operating Revenues	**1Q16**	**2Q16**	**1H16**	**1Q17**	**2Q17**	**1H17**
Regulated customers sales………………………	47.7	43.9	91.6	46.7	51.3	98.0
Unregulated customers sales…………………..	156.7	165.9	322.5	184.4	184.2	368.6
Spot market sales………………………………..	8.2	12.8	21.0	7.1	11.2	18.3
Total revenues from energy and capacity sales……………………………	**212.6**	**222.5**	**435.1**	**238.3**	**246.7**	**485.0**
Gas sales…………………………..	0.1	2.2	2.4	1.3	1.9	3.2
Other operating revenue……………………….	18.2	15.4	33.6	19.2	23.1	42.3
Total operating revenues…………………	**230.9**	**240.2**	**471.1**	**258.8**	**271.7**	**530.4**
Operating Costs						
Fuel and lubricants………………………………	(85.9)	(74.4)	(160.3)	(88.2)	(87.5)	(175.7)
Energy and capacity purchases on the spot	(21.0)	(41.0)	(62.0)	(54.7)	(60.3)	(115.0)
Depreciation and amortization attributable to cost of goods sold..	(33.8)	(33.3)	(67.1)	(32.3)	(33.0)	(65.4)
Other costs of goods sold…………………….	(45.8)	(48.9)	(94.7)	(43.0)	(43.1)	(86.1)
Total cost of goods sold………………..	**(186.5)**	**(197.6)**	**(384.1)**	**(218.3)**	**(223.9)**	**(442.2)**
Selling, general and administrative expenses…	(6.8)	(5.1)	(11.9)	(8.3)	(7.0)	(15.4)
Depreciation and amortization in selling, general and administrative expenses…	(0.6)	(1.2)	(1.8)	(1.1)	(1.0)	(2.1)
Other revenues………..……………………….	(0.7)	0.6	(0.1)	1.5	0.6	2.1
Total operating costs…..………………	**(194.6)**	**(203.3)**	**(397.9)**	**(226.2)**	**(231.3)**	**(457.5)**
Operating income…..………………	**36.3**	**36.9**	**73.2**	**32.6**	**40.4**	**73.0**
EBITDA………………..………………	**70.7**	**71.3**	**142.0**	**66.0**	**74.4**	**140.4**
Financial income………..………………………	0.6	0.6	1.2	1.0	0.9	1.9
Financial expense……………..…………………	(7.8)	(8.0)	(15.8)	(4.5)	(3.3)	(7.8)
Foreign exchange translation, net…………..	0.8	0.2	1.0	0.3	(1.4)	(1.1)
Share of profit (loss) of associates accounted for using the equity method	53.9	(0.4)	53.5	0.7	(0.2)	0.4
Other non-operating income/(expense) net……………………..	179.3	0.5	179.7	(0.5)	10.1	9.6
Total non-operating results……………	**226.8**	**(7.2)**	**219.6**	**(2.9)**	**6.1**	**3.1**
Income before tax…………………..………	263.1	29.7	292.8	29.7	46.4	76.1
Income tax………………………………………	(49.8)	(8.3)	(58.1)	(7.4)	(12.5)	(20.0)
Net income from continuing operations after taxes …….	213.3	21.4	234.7	22.2	33.9	56.1
Net income attributed to controlling shareholders………………	**212.0**	**21.6**	**233.6**	**19.7**	**31.5**	**51.2**
Net income attributed to minority shareholders………………	1.3	(0.2)	1.1	2.6	2.4	5.0
Net income to EECL's shareholders…….	**212.0**	**21.6**	**233.6**	**19.7**	**31.5**	**51.2**
Earnings per share…………………….. (US$/share)	**0.201**	**0.020**	**0.222**	**0.019**	**0.030**	**0.049**

Quarterly Balance Sheet

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

	2016	2017
	December	**June**
Current Assets		
Cash and cash equivalents (1)	278.8	92.9
Other financial assets	2.7	2.5
Accounts receivable	104.6	139.4
Recoverable taxes	36.1	20.6
Current inventories	177.1	160.4
Other non financial assets	34.8	12.9
Total current assets	**634.2**	**428.6**
Non-Current Assets		
Property, plant and equipment, net	2,206.8	2,365.1
Other non-current assets	472.1	478.1
TOTAL ASSETS	**3,313.1**	**3,271.9**
Current Liabilities		
Financial debt	17.4	17.1
Other current liabilities	274.8	201.5
Total current liabilities	**292.2**	**218.6**
Long-Term Liabilities		
Financial debt	731.4	730.0
Other long-term liabilities	283.3	282.9
Total long-term liabilities	**1,014.7**	**1,012.9**
Shareholders' equity	1,922.5	1,957.9
Minority' equity	83.6	82.4
Equity	**2,006.2**	**2,040.3**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,313.1**	**3,271.9**

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

APPENDIX 2

Financial Ratios

	FINANCIAL RATIOS				
			Dec-16	Jun-17	Var.
LIQUIDITY	Current ratio (current assets / current liabilities)	(times)	2.17	1.96	***-10%***
	Quick ratio ((current assets - inventory) / current liabilities)	(times)	1.56	1.23	***-22%***
	Working capital (current assets – current liabilities)	MMUS$	342.0	210.0	***-39%***
LEVERAGE	Leverage ((current liabilities + long-term liabilities) / networth)	(times)	0.65	0.60	***-7%***
	Interest coverage * ((EBITDA / interest expense))	(times)	10.66	15.18	***42%***
	Financial debt –to- LTM EBITDA*	(times)	2.63	2.64	***0%***
	Net financial debt – to - LTM EBITDA*	(times)	1.65	2.31	***40%***
PROFITABILITY	Return on equity* (LTM net income attributed to the controller / net worth attributed to the controller)	%	13.3%	3.7%	***-72%***
	Return on assets* (LTM net income attributed to the controller / total assets)	%	7.7%	2.2%	***-71%***

*LTM = Last twelve months

CONFERENCE CALL 1H17

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, 2017, on Thursday, July 27th, 2017, at 12:00 p.m. (USA-NY) – 12:00 p.m. (Chilean Time)

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

To participate, please dial: **1(412) 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.: 10108667, a conference call replay will be available until Aug 8, 2017.