February 1, 2017

ENGIE ENERGÍA CHILE REPORTED EBITDA OF US$285 MILLION AND NET INCOME OF US$255 MILLION IN 2016.

EBITDA REACHED US$66.4 MILLION IN THE FOURTH QUARTER OF 2016, WITH A 3.1 PERCENTAGE-POINT IMPROVEMENT IN THE EBITDA MARGIN. MEANWHILE, THE COMPANY REPORTED A US$5.7 MILLION NET LOSS IN THE FOURTH QUARTER MAINLY DUE TO NON-RECURRING ITEMS.

- **Operating revenues** amounted to US$967.4 million in 2016, a 15% decrease compared to 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 significant decrease in gas sales, which was a relevant business during 2015.
- **EBITDA** was US$284.8 million in 2016, with a 29.4% EBITDA margin, 2.1 percentage points above the margin reported in 2015. EBITDA decreased 9% mainly as a result of a decrease in gas sales and higher costs in emission reduction processes. However, the Company's ongoing cost control efforts proved fruitful, with SG&A expenses decreasing significantly by US$11.7 million compared to 2015.
- **Net income** amounted to US$254.8 million in 2016, a remarkable increase compared to 2015, mainly due to the one-time impact caused by the sale of 50% of the TEN project.

Financial Highlights (in US$ millions)

US$ millions	**4Q15**	**4Q16**	**Var %**	**12M15**	**12M16**	**Var %**
Total operating revenues	**273.5**	**249.6**	***-9%***	**1,142.7**	**967.4**	***-15%***
Operating income	29.2	30.5	*4%*	174.8	145.2	*-17%*
EBITDA	**64.2**	**66.4**	***3%***	**312.9**	**284.8**	***-9%***
EBITDA margin	23.5%	26.6%	***+3.1 pp***	27.4%	29.4%	***+2.1 pp***
Total non-operating results	(6.2)	(23.2)		(40.7)	192.8	
Net income after tax	23.6	(3.8)		100.5	258.6	*157%*
Net income attributed to controlling shareholders	**21.8**	**(5.7)**		**94.2**	**254.8**	***171%***
Net income attributed to minority shareholders	1.8	1.9	*8%*	6.4	3.7	*-41%*
Earnings per share (US$/share)	0.021	(0.005)		0.089	0.242	*171%*
Total energy sales (GWh)	2,414	2,255	*-7%*	9,380	9,166	*-2%*
Total net generation (GWh)	2,134	1,694	*-21%*	8,359	7,796	*-7%*
Energy purchases on the spot market (GWh)	328	637	*94%*	1,222	1,697	*39%*

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 December 31, 2016, 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:

4Q 2016

- **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 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.

- **TEN Project Finance**: On December 6, after several months of negotiations, TEN signed an over 15-year, amortizing, multi-tranche project financing with ten international and local financial institutions to finance the development and construction of the Mejillones-Cardones, 500 KV transmission system that will interconnect the electricity grids of northern Chile (SING) and central Chile (SIC). Committed amounts under the senior tranches in US dollars and Chilean pesos total a US-dollar equivalent of approximately US$745 million at the exchange rates prevailing on the closing date. In addition, the financing includes a US$110 million-equivalent VAT financing facility provided by three local Banks. The first disbursement under these facilities took place on December 16, and amounted to US$457 million. The proceeds were used for the partial repayment of loans provided by TEN's shareholders to finance the construction of the project as well as to finance project costs. In such way, on December 16, Engie Energía Chile received US$171 million, which it will use to part finance its 2017 capital expenditure program. The project financing is secured by mortgages and liens over most assets and relevant contracts of the project and all of TEN's shares. The TEN financing was named "Latam Power Deal of the Year" by Project Finance Internacional (PFI), a specialized Thomson Reuters publication.

- **Unit 16 gas turbine repair**: In November, as a result of an inspection during a planned maintenance outage, a failure in the Unit 16's gas turbine was detected. The after-tax impact of the repair works, asset replacement, and business interruption, before any insurance recoveries, is expected to amount to US$9.5 million. The Unit 16 CCGT came back to service on January 16, 2017.

- **Confirmation of EECL's A+ solvency rating on the Chilean national scale**: In December 2016, the local rating agency, Feller Rate, confirmed EECL's A+ solvency rating and classified its shares in the first-class level 2 or *'Primera Clase Nivel 2'* category.

3Q 2016

- **Extraordinary Shareholders' Meeting:** EECL's Board of Directors called for an Extraordinary Shareholders' Meeting held on October 28, 2016, to request shareholder authorization to pledge the Company's shares in TEN in favor of the lenders providing the long-term TEN project financing.

- **The Minister of Energy's visit to the TEN project:** On September 20, the Minister of Energy, accompanied by regional authorities as well as by executives of TEN and its shareholders, Red Eléctrica and Engie Energía Chile, conducted a site visit to follow up the progress of the SIC-SING interconnection project being carried out by Transmisora Eléctrica del Norte (TEN). The project showed an overall progress rate of over 60% as of the end of September, 2016.

- **Filing of the Las Arcillas CCGT project with the Environmental Evaluation Service:** Engie Energía Chile filed an environmental impact study for the Las Arcillas combined-cycle gas turbine ("CCGT") project with the Biobío regional Environmental Evaluation Service. The Las Arcillas CCGT Project is located in the community of Pemuco in the south of Chile and includes a power plant, a gas pipeline and a transmission line.

- **Energy supply auction #2015/01:** On August 17, the CNE conducted a public ceremony to award the power supply contracts resulting from the 2015/01 Energy Supply Auction. This auction comprised an overall energy supply of up to 12,430 GWh/year covering the power supply needs of regulated clients connected to both the SING and the SIC grids for 20 years starting in 2021. On July 27, 84 companies presented their administrative and economic proposals for 5 power supply blocks accounting for approximately one third of the current consumption of regulated clients in the SIC and the SING. The resulting weighted average energy price was US$47.6/MWh.

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 facilitating the transportation of energy generated by clean sources to demand centers, while contributing to lower energy prices to homes and businesses through more competition and the 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 with 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, 2015, 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 DECEMBER 31, 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 SKEC subcontractors are Salfa for civil works, Belfi for marine works and SEIL (Korea) for boiler erection. The main equipment, such as the Doosan-Skoda turbine and the Siemens generator, are on site. Construction of the boiler house and pedestals for 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 under way. The boiler steam drum was lifted and fixed in its final position, while four coal silos were installed. The project's overall progress rate was approximately 57% as of the end of December. The IEM project, excluding the new port, will cost approximately US$896 million, of which US$331.5 million had already been paid as of December 31, 2016, excluding capitalized interest. IEM is scheduled to begin operations in July 2018.

b) **New Port in Mejillones:** This new port is being built by the EPC contractor, Belfi, and is scheduled to be handed over in September 2017 to start the load tests. The port will cost approximately US$122 million, US$79 million of which had been paid as of December 2016. As of that date, the project presented a general state of advance of around 58%.

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 Chile, an indirect subsidiary of Red Eléctrica Corporación (Spain). The project is also progressing according to budget and its critical path is on schedule. As of December 31, the project presented a general state of advance of 75%. The substation foundations, civil works, and equipment installation are in progress, presenting different degrees of advance, with the reactors and the first transformers already being installed at their final position. Likewise, the towers for the transmission lines are in different states of advance (civil works, testing, material delivery and erection), with close to 1,000 towers already erected. All of the needed rights of way needed 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$827 million, US$464 million of which had been paid as of December 31, 2016, and is expected to be completed in September, 2017. On December 6, 2016, TEN successfully closed a long-term project financing with ten national and international financial institutions, as described in the 4Q16 Highlights section.

It should be noted that in December 2015, the Environmental Assessment Service ("SEA") approved the environmental impact study of the Nueva 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. Interchile has communicated potential delays in the construction of the southernmost segment of its project. In its north end, TEN will be connected to the IEM and CTM power plants in Mejillones. 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, 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.

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	48.8	*-1%*
Q2	58.4	70.3	*20%*
Q3	55.9	65.2	*17%*
October	71.8	47.5	*-34%*
November	73.9	60.3	*-18%*
December	50.2	80.6	*61%*
Q4	**65.2**	**62.8**	***-4%***
Year	**57.2**	**61.8**	***8%***

Average Operating Cost (SING)

(In US$ per MWh)

Period	2015	2016	% Variation YoY
Q1	47.6	34.3	*-28%*
Q2	49.1	37.0	*-25%*
Q3	46.1	35.9	*-22%*
October	43.2	35.3	*-18%*
November	40.2	37.7	*-6%*
December	36.2	37.0	*2%*
Q4	**39.9**	**36.6**	***-8%***
Year	**45.7**	**36.0**	***-21%***

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. On the contrary, 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). In both periods, most of the cost-inefficient power was generated with diesel by the Gasatacama gas turbines operating at their technical minimum level. This generation did affect spot prices in 2016, whereas in 2015 it was not computed in the calculation of marginal costs and was remunerated through the over-cost scheme. 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 the third quarter of 2016, marginal costs increased by two digits year-on-year, with high volatility observed during the quarter. Particularly, the month of July reported the highest level of diesel generation, accounting for two thirds of the third quarter's diesel generation, resulting in an increase in marginal costs. In the third quarter coal generation increased by 10.1% year-on-year, displacing diesel and gas generation, with a consequential reduction in average operation cost.

In the fourth quarter, marginal costs remained flat, both compared to the previous quarter and the fourth quarter of 2015. An efficient production mix, with just 1% of diesel and fuel oil generation, added to lower demand explained by an incident in one of the major mines, resulted in low marginal costs in October. In December, however, marginal costs climbed due to more expensive power production and the typically higher seasonal demand at year end. Lower gas availability contributed to an increase in diesel and fuel-oil generation, which rose to represent 5% of the month's production.

The apparent contradiction between the higher marginal costs reported throughout 2016 and lower operating costs is largely explained by a change in regulations, as explained in the following paragraphs. Through late 2015, diesel generation did not set the marginal cost or spot price, but rather contributed to explain the so-called system over-costs.

Indeed, 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%*
Q2	52.3	27.6	13.6	4.5	*-74%*	*-84%*
Q3	44.5	24.0	8.9	3.9	*-80%*	*-84%*
October	10.5	5.5	2.9	1.4	*-72%*	*-75%*
November	10.2	5.3	2.9	1.5	*-71%*	*-72%*
December	6.9	3.6	0.8	0.4	*-88%*	*-89%*
Q4	**27.6**	**14.4**	**6.7**	**3.3**	***-76%***	***-77%***
Year	**160.2**	**82.0**	**38.6**	**16.5**	***-76%***	***-80%***

Source: CDEC-SING

In the first quarter, the system's global over-costs decreased to US$9.4 million, a 74% 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, over-costs continued falling, while EECL's pro-rata stake in the over-costs fell to less than US$5 million for the quarter.

In the third quarter of 2016, the over-costs exhibited a steeper drop, falling 80% year-on-year.

In the fourth quarter, over-costs continued dropping. In 2016, EECL's pro-rata share was 43% of the system's total over-costs and amounted to US$16.5 million, down from US$82 million in 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%*	2.90	1.99	*-31%*	60.5	39.3	*-35%*
Q2	57.8	45.5	*-21%*	62.1	46.0	*-26%*	2.75	2.15	*-22%*	57.8	48.3	*-16%*
Q3	46.5	44.9	*-3%*	50.2	45.8	*-9%*	2.76	2.88	*4%*	54.1	58.8	*9%*
Q4	42.0	49.2	*17%*	43.3	50.1	*16%*	2.12	3.04	*44%*	46.8	67.9	*45%*
Year	**48.7**	**43.3**	***-11%***	**52.3**	**44.1**	***-16%***	**2.62**	**2.52**	***-4%***	**54.8**	**53.6**	***-2%***

Source: Bloomberg, IEA

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

In 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.

During the third quarter of 2016, oil prices remained at similar levels compared to the previous quarter. However, Henry Hub and coal prices increased by 34% and 22%, respectively, with HH exceeding the US$3/MMBtu level and coal surpassing US$60/ton.

In the fourth quarter, fossil fuels, particularly gas and coal, exhibited a two-digit year-on-year price increase. As compared to the third quarter, oil and coal prices rose significantly, with coal reaching the US$78/ton level in the second week of November. Despite the price increases throughout the year, annual average prices fell by one digit in the case of gas and coal, while oil prices showed a two-digit reduction.

Generation

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

Total SING Generation by Fuel Type (in GWh)

2015

Fuel Type	**1Q 2015** GWh	% of total	**2Q 2015** GWh	% of total	**3Q 2015** GWh	% of total	**4Q 2015** GWh	% of total	**12M 2015** GWh	% of total
Coal	3,549	78%	3,431	73%	3,458	73%	3,738	76%	14,176	75%
LNG	483	11%	605	13%	710	15%	746	15%	2,544	14%
Diesel / Fuel oil	305	7%	454	10%	322	7%	177	4%	1,257	7%
Renewable	188	4%	179	4%	216	5%	244	5%	828	4%
Total gross generation SING	**4,525**	100%	**4,669**	100%	**4,706**	100%	**4,905**	100%	**18,805**	100%

2016

Fuel Type	**1Q 2016** GWh	% of total	**2Q 2016** GWh	% of total	**3Q 2016** GWh	% of total	**4Q 2016** GWh	% of total	**12M 2016** GWh	% of total
Coal	3,802	78%	3,737	76%	3,807	78%	3,933	81%	15,278	78%
LNG	502	10%	402	8%	524	11%	336	7%	1,763	9%
Diesel / Fuel oil	305	6%	468	10%	197	4%	143	3%	1,113	6%
Renewable	278	6%	281	6%	337	7%	416	9%	1,312	7%
Total gross generation SING	**4,887**	100%	**4,888**	100%	**4,864**	100%	**4,828**	100%	**19,466**	100%

Source: CDEC-SING

During the first quarter of 2016, gross power generation increased 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, gross power generation increased 4.7% as compared with the second quarter of 2015. Gross hourly generation peaked at 2,554 MW, 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 2015. The lower LNG-based generation was covered by an increase in coal generation and, to a lesser extent, by renewables.

In the third quarter of 2016, gross power generation rose by 3.4% from the same quarter in 2015, while gross hourly generation peaked at 2,462 MW, almost the same level reported the year before, but slightly lower than in 2Q16. In terms of generation mix, coal continued increasing its contribution due to the commissioning of AES Gener’s Cochrane 1 plant, and so did renewables.

In the fourth quarter, gross generation fell 1.6% compared to 4Q15. Gross power generation peaked at 2,483, just slightly above the 4Q15’s. Given the lower gas availability, gas generation fell slightly in the fourth quarter, while coal and renewable generation increased. It should be noted that AES Gener’s coal-fired Cochrane 2 plant was commissioned in October, while BHP’s Tamakaya CCGT (formerly known as Kelar) began commercial operations in December.

All in all, in 2016 gross generation grew by 3.5% compared to 2015.

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

Generation by Company (in GWh)

	1Q 2015 GWh	1Q 2015 % of total	2Q 2015 GWh	2Q 2015 % of total	3Q 2015 GWh	3Q 2015 % of total	4Q 2015 GWh	4Q 2015 % of total	12M 2015 GWh	12M 2015 % of total
Company										
AES Gener	1,536	*34%*	1,532	*33%*	1,674	*36%*	1,864	*38%*	6,606	*35%*
Celta	267	*6%*	263	*6%*	244	*5%*	192	*4%*	966	*5%*
GasAtacama	276	*6%*	423	*9%*	384	*8%*	289	*6%*	1,372	*7%*
EECL (with 100% of CTH)	2,267	*50%*	2,274	*49%*	2,195	*47%*	2,324	*47%*	9,060	*48%*
Other	179	*4%*	177	*4%*	209	*4%*	236	*5%*	802	*4%*
Total gross generation SING	**4,525**	*100%*	**4,669**	*100%*	**4,706**	*100%*	**4,905**	*100%*	**18,805**	*100%*

	1Q 2016 GWh	1Q 2016 % of total	2Q 2016 GWh	2Q 2016 % of total	3Q 2016 GWh	3Q 2016 % of total	4Q 2016 GWh	4Q 2016 % of total	12M 2016 GWh	12M 2016 % of total
Company										
AES Gener	1,661	*34%*	1,968	*40%*	2,158	*44%*	2,203	*46%*	7,990	*41%*
Celta	257	*5%*	31	*1%*	5	*0%*	22	*0%*	316	*2%*
GasAtacama	294	*6%*	458	*9%*	156	*3%*	150	*3%*	1,057	*5%*
EECL (with 100% of CTH)	2,411	*49%*	2,114	*43%*	2,082	*43%*	1,854	*38%*	8,460	*43%*
Other	265	*5%*	316	*6%*	463	*10%*	599	*12%*	1,643	*8%*
Total gross generation SING	**4,887**	*100%*	**4,888**	*100%*	**4,864**	*100%*	**4,828**	*100%*	**19,466**	*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 power production. 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 U16 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 2015, 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.

During the third quarter of 2016, EECL's generation decreased by 5.2% year-on-year, and its share of the system's generation fell by 3.8 percentage points as AES Gener gained market share in terms of generation with its new Cochrane I coal-fired plant commissioned in July. A 131 GWh decrease in EECL's coal generation compared to 3Q15, was explained by lower generation in the Tocopilla complex, partially offset by a generation recovery in Mejillones due to CTM1's low production in 3Q15. Regarding major maintenance, the U14 (136 MW) coal-fired plant was out for 14 days and the U15 (132 MW) coal-fired plant was unavailable for planned maintenance during 36 days. In addition, CTH and CTM3 came back in operation on July 8 and 18, respectively, after their major maintenance.

Through the fourth quarter, EECL's power production continued dropping both in absolute and relative terms given the commissioning of new economically efficient plants in the system: AES Gener's Cochrane 2 in October and BHP's Tamakaya CCGT (commonly known as Kelar) in December. EECL's generation decreased by 20%, or 470 GWh compared to the last quarter of 2015. 60% of the decrease was explained by lower coal generation and the remainder by lower gas generation. The only major maintenance carried out in the fourth quarter was U16's CCGT, which was taken out of service on November 4. The overhaul extended through January 16, 2017, as a failure in parts of the gas turbine was found.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

The following discussion is based on our audited consolidated financial statements for the twelve-month periods ended December 31, 2016 and 2015. 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).

4Q 2016 compared to 3Q 2016 and 4Q 2015

Operating Revenues

Quarterly Information (In US$ millions)

	4Q 2015		3Q 2016		4Q 2016		% Variation	
Operating Revenues	Amount	% of total	Amount	% of total	Amount	% of total	QoQ	YoY
Unregulated customers sales……………………..	166.5	76%	162.9	75%	167.9	74%	3%	1%
Regulated customers sales…………………….	47.4	22%	41.5	19%	43.3	19%	4%	-9%
Spot market sales………………………………..	6.3	3%	12.8	6%	14.4	6%	12%	130%
Total revenues from energy and capacity sales……	**220.1**	80%	**217.3**	88%	**225.7**	90%	**3.9%**	**3%**
Gas sales…………………………..	32.7	12%	3.7	1%	4.2	2%	13.7%	-87%
Other operating revenue……………………….	20.7	8%	25.8	10%	19.7	8%	-24%	-5%
Total operating revenues………………….	**273.5**	100%	**246.8**	100%	**249.6**	100%	**1%**	**-9%**
Physical Data (in GWh)								
Sales of energy to unregulated customers (1)……	1,839	76%	1,685	75%	1,682	75%	0%	-9%
Sales of energy regulated customers……	477	20%	471	21%	471	21%	0%	-1%
Sales of energy to the spot market……………	97	4%	91	4%	102	5%	12%	5%
Total energy sales………………………….	**2,414**	100%	**2,247**	100%	**2,255**	100%	**0%**	**-7%**
Average monomic price unregulated customers(U.S.$/MWh)(2)	**89.2**		**98.9**		**102.2**		**3%**	**15%**
Average monomic price regulated customers (U.S.$/MWh)(3)	**99.3**		**88.3**		**92.0**		**4%**	**-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$225.7 million in the fourth quarter, representing a 4% increase from the third quarter, due mainly to a price increase in the unregulated client segment associated to commodity price increases.

The sales mix, in terms of regulated, unregulated and spot, remained unchanged as compared to the previous quarter. It should be noted that the current regulated tariff effective since May will remain in effect through March 2017, although a more than 10% increase in Henry Hub triggered an increase in December before the regular tariff resetting date. Physical sales remained flat, with a slight increase in spot sales.

Demand from some unregulated clients decreased slightly compared to the third quarter mainly due to decreased demand from Molycop and the end of the Cerro Colorado contract, which was partially offset by higher demand from Xstrata Copper.

Energy and capacity sales increased by US$5.6 million year-on-year, mainly due to higher prices in the unregulated segment, which offset the 159 GWh decrease in physical sales and lower tariffs charged to distribution companies.

The year-on-year comparison shows a 157 GWh physical sales decrease in the unregulated client segment due to the end of the Cerro Colorado, SQM and Michilla contracts and lower demand from the El Abra, Chuqui-Gaby and Haldeman mines. This was partially offset by increased demand from the Antucoya, Esperanza and El Tesoro mines, among others.

Sales to distribution companies, or regulated clients, amounted to US$43.1 million, representing a 9% decrease compared to 3Q15 as a result of lower prices. The average Henry Hub index used in the calculation of the Emel tariff fell from US$2.80/MMBtu, prevailing during the fourth quarter of 2015, to US$2.05/MMBtu used in the April 2016 tariff setting process, which remained in effect until November 2016, since the Henry Hub index rose by more than 10%, triggering a tariff increase effective December 2016. Hence, a new Henry Hub reference price of US$2.52/MMBtu will be used in the calculation of the Emel tariff between December 2016 and March 2017. When comparing with the immediately preceding quarter, sales to distribution companies rose 3.8% due to the Henry Hub-driven tariff adjustment and a favorable foreign-exchange rate effect.

Physical sales to the spot market, corresponding almost completely to our CTA subsidiary, reached 102 GWh, a slight increase compared to both the 91 GWh sold in the third quarter and the 97 GWh sold in the fourth quarter of 2015. CTH achieved a minimum participation in sales to the spot market in 4Q16, while it reported no spot sales in 4Q15. 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).

Small quantities of gas sales have been reported in 2016, as opposed to 2015, when the company recorded gas sales of US$32.7 million in the fourth quarter. The most relevant items in the Other operating revenue account are sub-transmission tolls and regulatory transmission revenues, which accounted for 62% of the total amount in the 4Q16. In addition, this account includes port and maintenance services, among others.

Operating Costs

Quarterly Information (In US$ millions)

	4Q 2015		3Q 2016		4Q 2016		% Variation	
Operating Costs	Amount	% of total	Amount	% of total	Amount	% of total	QoQ	YoY
Fuel and lubricants………………………………	(99.9)	*41%*	(75.4)	*37%*	(79.6)	*36%*	*6%*	*-20%*
Energy and capacity purchases on the spot market……………………………	(28.2)	*12%*	(32.4)	*16%*	(38.4)	*18%*	*19%*	*36%*
Depreciation and amortization attributable to cost of goods sold…………………………….	(34.0)	*14%*	(33.6)	*16%*	(34.3)	*16%*	*2%*	*1%*
Other costs of goods sold…………………….	(67.8)	*28%*	(55.3)	*27%*	(57.4)	*26%*	*4%*	*-15%*
Total cost of goods sold………………..	**(230.0)**	*94%*	**(196.8)**	*96%*	**(209.8)**	*96%*	***7%***	***-9%***
Selling, general and administrative expenses…	(16.6)	*7%*	(8.4)	*4%*	(10.5)	*5%*	*24%*	*-37%*
Depreciation and amortization in selling, general and administrative expenses…………	(0.9)	*0%*	(1.2)	*1%*	(1.6)	*1%*	*32%*	*81%*
Other operating revenue/costs……………………….	3.1	*-1%*	1.2	*-1%*	2.7	*-1%*		
Total operating costs…..………………	**(244.3)**	*100%*	**(205.2)**	*100%*	**(219.1)**	*100%*	***7%***	***-10%***
Physical Data (in GWh)								
Gross electricity generation								
Coal…………………………………………	1,927	*83%*	1,660	*80%*	1,651	*89%*	*-1%*	*-14%*
Gas…………………………………………..	373	*16%*	401	*19%*	183	*10%*	*-54%*	*-51%*
Diesel Oil and Fuel Oil…………………….	9	*0%*	7	*0%*	4	*0%*	*-41%*	*-50%*
Hydro/Solar…………………………………….	14	*1%*	14	*1%*	16	*1%*	*18%*	*14%*
Total gross generation………………….	**2,324**	*100%*	**2,082**	*100%*	**1,854**	*100%*	***-11%***	***-20%***
Minus Own consumption………………..	(190)	*-8%*	(152)	*-7%*	(160)	*-9%*	*6%*	*-15%*
Total net generation…………………….	**2,134**	***87%***	**1,930**	***82%***	**1,694**	***73%***	***-12%***	***-21%***
Energy purchases on the spot market………..	328	***13%***	414	***18%***	637	***27%***	*54%*	*94%*
Total energy available for sale before transmission losses………………………	**2,462**	***100%***	**2,344**	***100%***	**2,331**	***100%***	***-1%***	***-5%***

Gross electricity generation showed a double-digit decrease in percentage terms both year-on-year and when compared to the third quarter of 2016. Lower gas availability and the U16 CCGT outage explained the decrease in gas generation compared to the third quarter of 2016. The 20% year-on-year decrease in total gross generation is also explained by the commissioning of cost-efficient coal and gas-fired plants in the system, which displaced older plants in terms of dispatch priority given their higher variable cost. The contribution of coal generation in EECL's fuel mix (89% in 4Q16) increased when compared to both the 3Q16 and the 4Q15.

The fuel cost item increased slightly in the fourth quarter, as compared to the third quarter, mainly due to the price-driven increase in coal costs, which was partly offset by lower LNG costs. The US$20.2 million year-on-year fuel cost decrease was composed of lower use of coal and gas (-US$25.2 million), partially offset by higher hydrated lime purchases to reduce gas emissions. Hydrated lime began to be used in Mejillones (CTM1 & CTM2) since July 2016, in addition to the Tocopilla complex, which began to use hydrated lime in July 2015 for its U12, U13, U14 and U15 coal-fired plants.

The spot electricity purchase cost item increased by US$6 million compared to 3Q16 because of higher physical purchases. This account also includes EECL's share of system over-costs; however, their significance has decreased substantially since December 2015. The US$10.2 million year-on-year increase in the spot electricity and capacity purchases item resulted mainly from a US$14.6 million increase in spot energy purchases, in part offset by a US$4.3 million decrease in over-costs. The decrease in EECL's average realized spot purchase price was insufficient to offset the increase in energy purchase volumes.

Depreciation costs remained flat compared to 3Q16 and 4Q15.

Other direct operating costs included, among others, operating and maintenance costs, transmission tolls, and cost of fuels sold. The US$2.1 million increase in this item as a whole, when compared to the third quarter, was explained by higher non-recurrent personnel costs related to an early retirement plan, partly offset by lower toll payments. The comparison with the fourth quarter of 2015 shows a US$10.4 million reduction primarily explained by lower costs of re-gassed LNG sold, as this business decreased significantly in 2016. Higher transmission tolls in 4Q16, after reporting reliquidations in favor of the company in 4Q15, and higher severance payments related to the early retirement plan partially offset this cost reduction.

SG&A expenses, excluding depreciation, increased by US$2.1 million compared to the third quarter mainly due to project development costs, which were expensed during the last quarter. The year-on-year comparison shows cost cuts of US$6.1 million explained by lower project development costs, lower third-party services, and lower operating and maintenance expenses, among others.

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)

	2015					2016				
	1Q15	2Q15	3Q15	4Q15	12M15	1Q16	2Q16	3Q16	4Q16	12M16
Electricity Margin										
Total revenues from energy and capacity sales………	**243.4**	**239.4**	**243.4**	**220.1**	**946.3**	**212.6**	**222.5**	**217.3**	**225.7**	**878.1**
Fuel and lubricants…………………..	(96.5)	(84.4)	(87.2)	(99.9)	(367.9)	(85.9)	(74.4)	(75.4)	(79.6)	(315.3)
Energy and capacity purchases on the spot market……	(30.2)	(33.9)	(44.8)	(28.2)	(137.2)	(21.0)	(41.0)	(32.4)	(38.4)	(132.9)
Gross Electricity Profit	**116.7**	**121.0**	**111.4**	**92.0**	**441.2**	**105.7**	**107.1**	**109.4**	**107.6**	**429.9**
Electricity Margin	*48%*	*51%*	*46%*	*42%*	*47%*	*50%*	*48%*	*50%*	*48%*	*49%*

The electricity margin, or the gross profit from the electricity generation business, decreased by US$1.8 million when compared to the immediately preceding quarter, reaching 48%. This was mainly due to a slight reduction in physical sales volumes and higher electricity purchase costs largely driven by the U16 outage. When compared to the fourth quarter of 2015, the electricity margin improved significantly, by US$15.6 million, due to a non-recurrent provision related to the resolution of the Codelco arbitration, which negatively impacted the electricity margin in the last quarter of 2015.

In general, revenues from energy and capacity sales have remained relatively stable throughout 2016, although they have stayed below the levels reported in 2015, and so have fuel costs given the decline in fuel prices and lower generation. However, costs have not always decreased as much as revenues. The lower gross electricity profit is explained by (i) higher electricity purchase costs on the spot market at higher than expected prices due to plant outages; (ii) narrower margins on some contracts with unregulated clients due to lower tariff indexation factors, such as PPI and Brent; and (iii) the need to use hydrated lime to comply with new emissions standards since late June 2015 in the Tocopilla complex and since July 2016 in Mejillones.

Operating Results

Quarterly Information (in US$ millions)

EBITDA	**4Q 2015**		**3Q 2016**		**4Q 2016**		**% Variation**	
	Amount	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Total operating revenues………………………	273.5	*100%*	246.8	*100%*	249.6	*100%*	*1%*	*-9%*
Total cost of goods sold……………………	(230.0)	*-84%*	(196.8)	*-80%*	(209.8)	*-84%*	*7%*	*-9%*
Gross income…………………………	**43.5**	*16%*	**50.0**	*20%*	**39.8**	*16%*	***-20%***	***-9%***
Total selling, general and administrative expenses and other operating income/(costs).	(14.3)	*-5%*	(8.4)	*-3%*	(9.3)	*-4%*	*11%*	*-35%*
Operating income…………………….	**29.2**	*11%*	**41.6**	*17%*	**30.5**	*12%*	***-27%***	***4%***
Depreciation and amortization……...…………	34.9	*13%*	34.8	*14%*	35.9	*14%*	*3%*	*3%*
EBITDA………………….……………….	**64.2**	*23.5%*	**76.4**	*31.0%*	**66.4**	*26.6%*	***-13%***	***3%***

4Q16 EBITDA reached US$66.4 million, US$10 million below the 3Q16 figure, due mainly to (i) the above-explained US$1.8 million decrease in the electricity margin and (ii) an increase in operating costs, which included the non-recurring personnel costs associated to severance payments and early retirement plans. EBITDA climbed 3% year-on-year due to lower SG&A expenses, which reflected the company's cost-cutting efforts and completely offset the combined effect of (i) a US$10 million reduction in gas sales, (ii) an US$11 million decrease in transmission income, which was exceptionally high in the last quarter of 2015 due to a toll re-liquidation process; and (iii) the increase in hydrated lime requirements, which partially offset the decrease in fuel costs.

Financial Results

Quarterly Information (In US$ millions)

	4Q 2015		**3Q 2016**		**4Q 2016**		**% Variation**	
Non-operating results	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**QoQ**	**YoY**
Financial income………..………………………	1.0	*0%*	0.5	*0%*	0.4	*0%*	*-20%*	*-59%*
Financial expense…………..…………………	(9.6)	*-4%*	(6.8)	*-3%*	(4.1)	*0%*	*-40%*	*-57%*
Foreign exchange translation, net……………	1.9	*1%*	1.3	*1%*	(0.2)	*0%*		
Share of profit (loss) of associates accounted for using the equity method	-		0.3		0.3	*0%*		
Other non-operating income/(expense) net…	0.4	*0%*	0.9	*0%*	(19.5)	*-2%*		
Total non-operating results…………….	**(6.2)**	*-3%*	**(3.7)**	*-2%*	**(23.2)**	*-2%*		
Income before tax……………………. ………	23.0	*10%*	37.9	*16%*	7.3	*1%*	***-81%***	***-68%***
Income tax………………………………………	0.5	*0%*	(10.2)	*-4%*	(11.2)	*-1%*		
Net income from continuing operations after taxes …	23.6	*10%*	27.7	*12%*	(3.8)	*0%*	*-114%*	*-116%*
Net income attributed to controlling shareholders…….	**21.8**	*9%*	**27.0**	*11%*	**(5.7)**	*-1%*	***-121%***	***-126%***
Net income attributed to minority shareholders……….	1.8	*1%*	0.7	*0%*	1.9	*0%*		
Net income to EECL's shareholders	**21.8**	*9%*	**27.0**	*11%*	**(5.7)**	*-1%*	***-121%***	***-126%***
Earnings per share……………………..	**0.021**		**0.026**		**(0.005)**			

Interest expense dropped by US$2.7 million as compared to 3Q16 due to capitalization of interest expense in the IEM project. For the same reason, interest expense decreased by US$5.5 million compared to the fourth quarter of 2015.

Foreign-exchange losses reached US$0.2 million, which compares negatively with the US$1.3 million gain in the 3Q16 and a US$1.9 million gain in 4Q15. This is explained by the effect of certain exchange rate volatility on 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 account labelled 'Share of profit (loss) of associates accounted for using the equity method' showed a small gain due to the proportional result in the jointly-controlled TEN project company. TEN reported moderate income due to foreign-exchange results, which offset SG&A expenses that cannot be accounted for as capital expenditures. It should be noted that TEN was de-consolidated from EECL's accounts in the first quarter of 2016; hence, no account comparison against the 4Q15 can be provided.

The 'Other net non-operating income' account showed a US$19.5 million loss in the fourth quarter, mainly due to (i) an US$8.8 million asset write-down resulting from the U16 gas turbine failure; (ii) a US$6 million write-off of spare parts; (iii) a US$2.5 million expense related to project development costs, and (iv) a US$1.8 million write-down of intangible assets. This compares negatively to both the third quarter of 2016 and the fourth quarter of 2015.

Net Earnings

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

In the fourth quarter of 2016, the company reported a US$5.7 million after-tax net loss, down from the 3Q15's US$27 million net income, due to an US$11.1 million decrease in operating income and the above-explained US$19.4 million non-operating result.

The comparison with 4Q15's net income is also negative due mainly to non-operating losses, which could be partially offset by lower financial expenses.

Minority interest corresponding to CTH's 40%-owner improved compared to 3Q16 as CTH came back to service following a maintenance outage in 2Q16. CTH's net results were similar to those reported in 4Q15.

12M 2016 compared to 12M2015

Operating Revenues

For the 12-month period ended December 31 (in US$ millions)

	12M 2015		12M 2016		Variation	
Operating Revenues	Amount	% of total	Amount	% of total	Amount	%
Unregulated customers sales…………………..	715.0	*76%*	653.4	*74%*	*-61.7*	*-9%*
Regulated customers sales…………………….	205.2	*22%*	176.4	*20%*	*-28.7*	*-14%*
Spot market sales……………………………..	26.1	*3%*	48.3	*5%*	*22.2*	*85%*
Total revenues from energy and capacity sales……	**946.3**	*83%*	**878.1**	*91%*	***-68.2***	*-7%*
Gas sales…………………………..	104.6	*9%*	10.3	*1%*	*-94.3*	*-90%*
Other operating revenue……………………….	91.9	*8%*	79.1	*8%*	*-12.7*	*-14%*
Total operating revenues………………….	**1,142.7**	*100%*	**967.4**	*100%*	***-175.3***	*-15%*
Physical Data (in GWh)						
Sales of energy to unregulated customers (1)……	7,098	*76%*	6,795	*74%*	*-303.2*	*-4%*
Sales of energy regulated customers……	1,884	*20%*	1,901	*21%*	*16.6*	*1%*
Sales of energy to the spot market…………….	397	*4%*	470	*5%*	*73.0*	*18%*
Total energy sales………………………….	**9,380**	*100%*	**9,166**	*100%*	***-213.7***	*-2%*
Average monomic price unregulated customers(U.S.$/MWh)(2)	**98.9**		**96.6**		***-2.3***	*-2%*
Average monomic price regulated customers (U.S.$/MWh)(3)	**108.9**		**92.8**		***-16.1***	*-15%*

(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$878.1 million in 2016, a 7.2% decrease compared to 2015, due to a 2% decrease in physical sales and a decrease in prices to distribution companies explained by the low Henry Hub index. Spot energy sales increased, as opposed to sales to both regulated and unregulated clients, which exhibited a decrease owed to prices, in the case of regulated clients, and to physical sales, in the case of unregulated customers.

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

Sales to distribution companies, or regulated clients, amounted to US$176.4 million, a 14% decrease compared to 2015, 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, effective between November 2014 and April 2015, to US$3.33/MMBtu, effective between May 2015 and October 2015, US$2.80/MMBtu between November 2015 and April 2016, and US$2.05/MMBtu between May 2016 and March 2017. However, the EMEL calculated tariff increased by more than 10% in November 2016, triggering a tariff review that became effective in December 2017. The referential Henry Hub index used in this tariff adjustment is US$2.52/MMBtu.

In 2016 physical sales to the spot market corresponded primarily to our CTA subsidiary, whereas CTH's spot sales decreased from 51 GWh in 2015 to a minimal contribution in 2016 due to the plant's outage in the second quarter and increased demand from its clients. 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 2016. Although these increased in the last quarter due to the U16 outage, gas sales do not compare with 2015, when the company recorded more than US$104 million in gas sales, largely attributed to 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 65% of this item. In addition, this item includes port services and connection rights, among others.

Operating Costs

For the 12-month period ended December 31 (in US$ millions)

	12M 2015		12M 2016		Variation	
Operating Costs	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**%**
Fuel and lubricants………………………………	(367.9)	38%	(315.3)	38%	-52.6	-14%
Energy and capacity purchases on the spot market……………………………	(137.2)	14%	(132.9)	16%	-4.3	-3%
Depreciation and amortization attributable to cost of goods sold…………………………….	(135.6)	14%	(135.0)	16%	-0.6	0%
Other costs of goods sold…………………….	(284.0)	29%	(207.5)	25%	-76.5	-27%
Total cost of goods sold………………..	**(924.7)**	96%	**(790.7)**	96%	***-134.0***	***-14%***
Selling, general and administrative expenses…	(49.6)	5%	(30.8)	4%	-18.7	-38%
Depreciation and amortization in selling, general and administrative expenses………..	(2.5)	0%	(4.5)	1%	2.0	79%
Other operating revenue/costs……………………….	8.9	-1%	3.8	0%	5.0	-57%
Total operating costs…………………..	**(967.9)**	100%	**(822.2)**	100%	***-145.7***	***-15%***
Physical Data (in GWh)						
Gross electricity generation						
Coal………………………………………….	7,369	81%	6,953	82%	-416.4	-6%
Gas…………………………………………..	1,571	17%	1426	17%	-144.7	-9%
Diesel Oil and Fuel Oil…………………….	69	1%	30	0%	-39.5	-57%
Hydro/Solar……………………………………….	51	1%	52	1%	1.2	2%
Total gross generation………………….	**9,060**	100%	**8,460**	100%	***-599.4***	***-7%***
Minus Own consumption………………..	(701)	-8%	(665)	-8%	36.0	-5%
Total net generation…………………….	**8,359**	***87%***	**7,796**	***82%***	***-563.4***	***-7%***
Energy purchases on the spot market……….	1,222	***13%***	1,697	***18%***	475.0	39%
Total energy available for sale before transmission losses………………………	**9,581**	***100%***	**9,492**	***100%***	***-88.4***	***-1%***

Gross electricity generation decreased in 2016, with a relatively stable fuel mix as compared to 2015. Two relevant generation plants were commissioned through 2016, AES Gener's coal-fired Cochrane complex, and BHP's Tamakaya (Kelar) CCGT, which reduced the dispatch priority of some of our older units as the system coordinator dispatches the different generation plants in order of ascending variable cost. Therefore, EECL has increased its spot energy purchases to meet its sales commitments. It should be noted that a reduction in EECL's own generation owed to lower cost generation available in the system is beneficial to the company.

The contraction of international fuel prices, particularly in the first months of the year, as well as the company's lower generation in the last quarter, resulted in a 14% drop (US$52.6 million) in the fuel cost item, mainly due to the coal and, to a lesser extent, the LNG items, which together accounted for fuel cost savings of approximately US$72 million. This was partially offset by the use of hydrated lime in the gas emission reduction processes in the Tocopilla complex since mid-2015 and in the Mejillones CTM1 and CTM2 plants since mid-2016.

The spot electricity purchase costs item decreased slightly despite an almost 40% increase in physical purchases, largely because this item includes payments of system over-costs, which have fallen sharply since the last quarter of 2015. Indeed, after excluding system over-costs, spot energy and capacity purchases increased by US$43 million due to increases in both average spot prices (+11%) and physical purchases (+39%).

Depreciation costs remained virtually unchanged.

Other direct operating costs included, among others, salaries and severance payments, which accounted for 24% of this item in 2016, followed by sub-transmission tolls related to the EMEL contract, which accounted for 22% and are covered by revenues from sub-transmission tolls. Other items in this account relate to insurance premiums, operating and maintenance expenses, and cost of fuels sold. This account, as a whole, decreased by US$77 million from 2015, mainly due to an almost US$60 million cost reduction related to the discontinuation of re-gassed LNG sales to other generation companies. Of note, the company's cost control efforts proved fruitful and accounted for the remainder of the reduction in Other direct operating costs.

SG&A expenses, excluding depreciation, decreased by a significant US$18.7 million, attributed to (i) US$4.7 million of project development costs expensed in 2015; (ii) US$4.5 million in procurement costs reclassified from SG&A expenses to Operating costs; (iii) provision reversals, and (iv) lower advisory and third-party services associated to the cost control program currently in effect at the company.

The Other operating revenue/cost item includes water sales, office rentals and miscellaneous income, with low values reported in 2016. In 2015, the company had reported a US$4.5 million provision reversal associated to the end of an arbitration proceeding with SQM.

Operating Results

For the 12-month period ended December 31 (in US$ millions)

EBITDA	12M 2015		12M 2016		Variation	
	Amount	% of total	Amount	% of total	Amount	%
Total operating revenues………………………	1,142.7	100%	967.4	100%	-175.3	-15%
Total cost of goods sold……………………	(924.7)	81%	(790.7)	82%	-134.0	-14%
Gross income…………………………	**218.0**	19%	**176.8**	18%	***-41.2***	***-19%***
Total selling, general and administrative expenses and other operating income/(costs).	(43.2)	4%	(31.5)	3%	-11.7	-27%
Operating income…………………	**174.8**	15%	**145.2**	15%	***-29.5***	***-17%***
Depreciation and amortization……..…………	138.2	12%	139.5	14%	1.4	1%
EBITDA……………….………………	**312.9**	27.4%	**284.8**	29.4%	***-28.2***	***-9%***

2016 EBITDA reached US$284.8 million, 9% below 2015's figure, due to (i) the sharp decrease in gas sales revenue (US$32.7 million); (ii) a US$15.7 million reduction in net transmission toll re-liquidation revenue, which was exceptionally high in 2015; and, (iii). an US$11.3 million decrease in gross electricity profits. The factors that put pressure on margins, such as lower tariffs on the regulated segment, higher costs related to emission reduction processes, and higher spot energy purchases, were completely offset by lower over-costs and the lack of provisions related to the resolution of the Codelco arbitration, which had negatively impacted 2015's EBITDA. The EBITDA margin exhibited a 2.1 percentage-point improvement due to the reduction in O&M and SG&A expenses resulting from ongoing cost-control efforts, which have contributed to soften the impact of lower revenues.

Financial Results

For the 12-month period ended December 31 (in US$ millions)

	12M 2015		12M 2016		Variation	
Non-operating results	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**%**
Financial income……….……………………….	2.5	*1%*	2.1	*0%*	*-0.4*	*-16%*
Financial expense…………….………………	(37.2)	*-15%*	(26.7)	*-3%*	*10.5*	*-28%*
Foreign exchange translation, net……………	(7.8)	*-3%*	2.1	*0%*	*9.9*	
Share of profit (loss) of associates accounted for using the equity method	-		54.1	*6%*		
Other non-operating income/(expense) net…	1.8	*1%*	161.1	*17%*		
Total non-operating results…………….	**(40.7)**	*-17%*	**192.8**	*20%*		
Income before tax……………………. ………	134.1	*56%*	338.0	*35%*	***203.9***	***152%***
Income tax………………………………………	(33.5)	*-14%*	(79.4)	*-8%*	*-45.9*	
Net income from continuing operations after taxes …	100.5	*42%*	258.6	*27%*	*158.0*	*157%*
Net income attributed to controlling shareholders…….	**94.2**	*39%*	**254.8**	*26%*	***160.7***	***171%***
Net income attributed to minority shareholders……….	6.4	*3%*	3.7	*0%*	*-2.6*	*-41%*
Net income to EECL's shareholders	**94.2**	*39%*	**254.8**	*26%*	***160.7***	***171%***
Earnings per share……………………..	**0.089**		**0.242**			

The US$10.5 million decrease in financial expenses was owed mainly to the capitalization of interest expense in the IEM project.

Foreign-exchange gains reached US$2.1 million due to a 5.7% appreciation of the Chilean peso, a turnaround from the US$7.8 million foreign-exchange loss reported in 2015. The 2015 FX loss was explained by 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 to TEN in local currency 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 caused a US$54 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 of US$161.1 million 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 and other spare parts impairment (US$24 million); (iv) US$8.8 million write-down of certain U16 assets related to the turbine failure and, (iv) expensing of project development costs (US$8.3 million).

Net Earnings

The applicable income tax rate for 2016 is 24%, up from 22.5% in 2015. The US$45.9 million increase in income taxes in 2016 is mainly attributed to the income on the sale of 50% of TEN.

In 2016, net income after taxes reached an exceptional US$254.8 million, aided by income on the sale of 50% of TEN, which largely offset a US$29.5 million reduction in operating income.

Liquidity and Capital Resources

As of December 31, 2016, EECL reported strong liquidity, with consolidated cash balances of US$278.8 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$50 million, and a US$270 million revolving credit facility (with maximum maturity date of June 30, 2020) with five international banks: Mizuho, BBVA, Citibank, Caixabank, and HSBC. These facilities remained undrawn as of the end of 2016.

For the 12-month period ended December 31 (in US$ millions)

Cash Flow	**2015**	**2016**
Net cash flows provided by operating activities…	292.1	231.9
Net cash flows used in investing activities………	(373.2)	(4.0)
Net cash flows provided by financing activities..	(45.3)	(91.2)
Change in cash……………….....………….	**(126.3)**	**136.7**

Cash Flow from Operating Activities

In 2016, cash flows generated from operating activities reached approximately US$273.7 million, which after income tax payments (US$15.6 million) and interest expense (US$26.2 million), amounted to US$231.9 million. It should be noted that interest payments on the 144-A notes amounted to US$39 million, US$13.2 million of which were capitalized and accounted for as investments in fixed assets.

Cash Flow Used in Investing Activities

In 2016, cash flows from investing activities amounted to a net cash expenditure of US$4.0 million, despite the current heavy investment program. This is explained by the fulfillment of two key milestones in the company's financial plan: (1) the sale of 50% of the shares in the TEN project and (2) the limited-recourse TEN project financing closed on December 6. In the aggregate, both items generated US$474 million in cash resources for EECL during 2016, with which the company has been financing its capital expenditure plan, leaving US$278.8 million in available cash at year end to finance part of the capital expenditures scheduled for 2017. Cash flows used or generated in investing activities during 2016 break down as follows:

i. Proceeds from the sale of 50% of TEN's shares: US$ +217.56 million;
ii. Proceeds from the net recovery of loans made to TEN: US$126.2 million explained by the following cash movements: (i) sale of 50% of the loans made to TEN at the time of the sale of the TEN shares to Red Eléctrica (+US$85.7 million), (ii) proceeds from the TEN project financing that were used to repay shareholder loans made by EECL (+US$171 million); (iii) cash advances

(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.

made to TEN during 2016 (-US$129.6 million) and (iv) a US$0.9 million equity injection into TEN;

iii. Proceeds from asset sales (SQM substation and the former offices in Santiago): +US$19.54 million;

iv. Capital expenditures: -US$369.9 million including US$13.2 million of capitalized interest;

v. Net interest and investments: +US$2.3 million.

Capital Expenditures

Cash used in capital expenditures included US$252.1 million in the Infraestructura Energética Mejillones ("IEM") coal-fired plant project; US$62 million in the new port project; US$10 million in the Pampa Camarones solar PV plant, and US$45.7 million in major maintenance of generation and transmission assets and environmental improvement works among others.

Our capital expenditures in 2016 amounted to US$369.9 million, slightly above 2015's US$356.8 million, as shown in the following table.

For the 12-months period ended December 31 (in US$ millions)

CAPEX	**2015**	**2016**
CTA ……………………………………………….	-	1.5
CTA (New Port) ……………………………………..	14.3	62.1
CTH …………………………………………………	0.3	0.2
Central Tamaya……………………………………….	0.5	-
IEM ………………………………………………….	94.9	252.1
TEN ………………………………………………….	160.1	-
Overhaul power plants & equipment maintenance and refurbishing…………………	47.5	11.4
Environmental improvement works………………	12.4	2.4
Solar plant………………………………………………..	15.7	10.0
Overhaul equipment & transmission lines …………………	-	12.7
Others……………………………………………	11.2	17.5
Total capital expenditures……………………….	**356.8**	**369.9**

Cash Flow from Financing Activities

In addition to the fulfillment of the two key milestones in EECL's 2016 financial plan explained in the 'Cash Flow Used in Investing Activities' section, the main financing cash flows in 2016 were related to 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).

v. Exchange differences and retentions in favor of the Company for US$0.8 million

Contractual Obligations

The following table sets forth the maturity profile of our debt obligations as of December 31, 2016.

Contractual Obligations as of 12/31/16

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	-	-	400.0	350.0
Deferred financing cost…………..	(21.6)	(2.2)	-	-	(19.4)
Accrued interest…………………	16.9	16.9	-	-	-
Mark-to-market swaps	3.5	2.7	-	-	0.8
Total	**748.9**	**17.4**	**-**	**400.0**	**331.4**

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$50 million) to support the company's liquidity. As of December 31, 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 December 31, 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 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. 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. 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 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 December 31, 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 December 31, 2016

Contractual maturity date (in US$ millions)

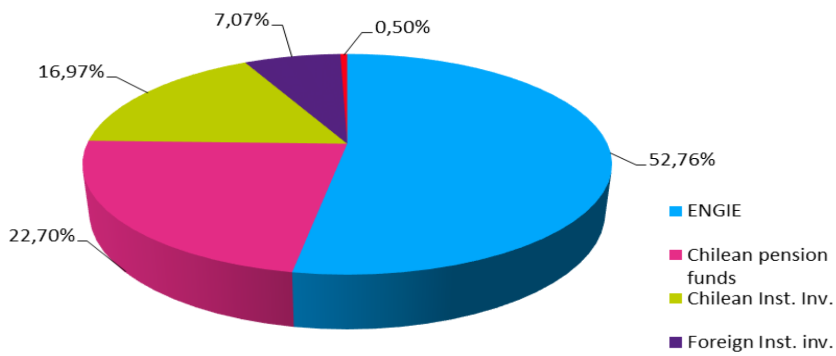
	Average interest rate	2016	2017	2018	2019	Thereafter	Grand Total
Fixed Rate							
(US$)	5.625% p.a.	-	-	-	-	400.0	400.0
(US$)	4.500% p.a.	-	-	-	-	350.0	350.0
Total		**-**	**-**	**-**	**-**	**750.0**	**750.0**

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 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 DECEMBER 31, 2016

Number of shareholders: 1,866



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**	**3Q15**	**4Q15**	**12M15**	**1Q16**	**2Q16**	**3Q16**	**4Q16**	**12M16**
Physical Sales										
Sales of energy to unregulated customers.	1,724	1,749	1,786	1,839	7,098	1,737	1,691	1,685	1,682	6,795
Sales of energy to regulated customers	463	466	478	477	1,884	483	476	471	471	1,901
Sales of energy to the spot market………	149	42	109	97	397	109	168	91	102	470
Total energy sales………………………….	**2,335**	**2,258**	**2,373**	**2,414**	**9,380**	**2,328**	**2,336**	**2,247**	**2,255**	**9,166**
Gross electricity generation										
Coal………………………………………….	1,826	1,825	1,791	1,927	7,369	1,893	1,749	1,660	1,651	6,953
Gas…………………………………………..	404	407	386	373	1,571	499	343	401	183	1,426
Diesel Oil and Fuel Oil…………………….	23	31	6	9	69	7	11	7	4	30
Renewable……………………………………….	13	11	12	14	51	12	10	14	16	52
Total gross generation………………….	**2,267**	**2,274**	**2,195**	**2,324**	**9,060**	**2,411**	**2,114**	**2,082**	**1,854**	**8,460**
Minus Own consumption……………….	(168)	(181)	(163)	(190)	(701)	(191)	(162)	(152)	(160)	(665)
Total net generation…………………….	**2,099**	**2,093**	**2,032**	**2,134**	**8,359**	**2,220**	**1,952**	**1,930**	**1,694**	**7,796**
Energy purchases on the spot market………..	291	216	387	328	1,222	178	468	414	637	1,697
Total energy available for sale before transmission losses………………………	**2,390**	**2,309**	**2,419**	**2,462**	**9,581**	**2,397**	**2,420**	**2,344**	**2,331**	**9,492**

Quarterly Income Statement

Quarterly Income Statement (in US$ millions)

IFRS										
Operating Revenues	1Q15	2Q15	3Q15	4Q15	12M15	1Q16	2Q16	3Q16	4Q16	12M16
Regulated customers sales………………………	55.4	51.6	50.8	47.4	205.2	47.7	43.9	41.5	43.3	176.4
Unregulated customers sales…………………..	181.9	180.4	186.3	166.5	715.0	156.7	165.9	162.9	167.9	653.4
Spot market sales………………………………..	6.2	7.3	6.3	6.3	26.1	8.2	12.8	12.8	14.4	48.3
Total revenues from energy and capacity sales……………………………	**243.4**	**239.4**	**243.4**	**220.1**	**946.3**	**212.6**	**222.5**	**217.3**	**225.7**	**878.1**
Gas sales…………………………..	18.4	23.1	30.3	32.7	104.6	0.1	2.2	3.7	4.2	10.3
Other operating revenue……………………….	25.8	19.5	25.8	20.7	91.9	18.2	15.4	25.8	19.7	79.1
Total operating revenues………………….	**287.6**	**282.0**	**299.6**	**273.5**	**1,142.7**	**230.9**	**240.2**	**246.8**	**249.6**	**967.4**
Operating Costs										
Fuel and lubricants………………………………	(96.5)	(84.4)	(87.2)	(99.9)	(367.9)	(85.9)	(74.4)	(75.4)	(79.6)	(315.3)
Energy and capacity purchases on the spot	(30.2)	(33.9)	(44.8)	(28.2)	(137.2)	(21.0)	(41.0)	(32.4)	(38.4)	(132.9)
Depreciation and amortization attributable to cost of goods sold..	(31.4)	(32.9)	(37.3)	(34.0)	(135.6)	(33.8)	(33.3)	(33.6)	(34.3)	(135.0)
Other costs of goods sold…………………….	(69.5)	(75.0)	(71.6)	(67.8)	(284.0)	(45.8)	(48.9)	(55.3)	(57.4)	(207.5)
Total cost of goods sold……………….	**(227.6)**	**(226.3)**	**(240.9)**	**(230.0)**	**(924.7)**	**(186.5)**	**(197.6)**	**(196.8)**	**(209.8)**	**(790.7)**
Selling, general and administrative expenses…	(11.4)	(12.8)	(8.7)	(16.6)	(49.6)	(6.8)	(5.1)	(8.4)	(10.5)	(30.8)
Depreciation and amortization in selling, general and administrative expenses…	(0.6)	(0.6)	(0.5)	(0.9)	(2.5)	(0.6)	(1.2)	(1.2)	(1.6)	(4.5)
Other revenues………..……………………….	0.2	4.8	0.8	3.1	8.9	(0.7)	0.6	1.2	2.7	3.8
Total operating costs…………………..	**(239.4)**	**(234.9)**	**(249.3)**	**(244.3)**	**(967.9)**	**(194.6)**	**(203.3)**	**(205.2)**	**(219.1)**	**(822.2)**
Operating income…………………..	**48.2**	**47.1**	**50.2**	**29.2**	**174.8**	**36.3**	**36.9**	**41.6**	**30.5**	**145.2**
EBITDA………………..………………	**80.1**	**80.6**	**88.0**	**64.2**	**312.9**	**70.7**	**71.3**	**76.4**	**66.4**	**284.8**
Financial income………..………………………	0.3	0.6	0.6	1.0	2.5	0.6	0.6	0.5	0.4	2.1
Financial expense…………….…………………	(10.9)	(8.7)	(8.1)	(9.6)	(37.2)	(7.8)	(8.0)	(6.8)	(4.1)	(26.7)
Foreign exchange translation, net……………	1.9	(6.2)	(5.5)	1.9	(7.8)	0.8	0.2	1.3	(0.2)	2.1
Share of profit (loss) of associates accounted for using the equity method	-	-	-	-	-	53.9	(0.4)	0.3	0.3	54.1
Other non-operating income/(expense) net………………………	0.0	(0.1)	1.5	0.4	1.8	179.3	0.5	0.9	(19.5)	161.1
Total non-operating results……………	**(8.7)**	**(14.4)**	**(11.5)**	**(6.2)**	**(40.7)**	**226.8**	**(7.2)**	**(3.7)**	**(23.2)**	**192.8**
Income before tax…………………..………	39.5	32.8	38.8	23.0	134.1	263.1	29.7	37.9	7.3	338.0
Income tax………………………………………	(9.8)	(14.4)	(9.9)	0.5	(33.5)	(49.8)	(8.3)	(10.2)	(11.2)	(79.4)
Net income from continuing operations after taxes …….	29.7	18.4	28.8	23.6	100.5	213.3	21.4	27.7	(3.8)	258.6
Net income attributed to controlling shareholders……………….	**27.3**	**17.7**	**27.4**	**21.8**	**94.2**	**212.0**	**21.6**	**27.0**	**(5.7)**	**254.8**
Net income attributed to minority shareholders……………….	2.5	0.7	1.5	1.8	6.4	1.3	(0.2)	0.7	1.9	3.7
Net income to EECL's shareholders……	**27.3**	**17.7**	**27.4**	**21.8**	**94.2**	**212.0**	**21.6**	**27.0**	**(5.7)**	**254.8**
Earnings per share…………………….. (US$/share)	**0.026**	**0.017**	**0.026**	**0.021**	**0.089**	**0.201**	**0.020**	**0.026**	**(0.005)**	**0.242**

Quarterly Balance Sheet

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

	2015	2016
	31/Dec/15	**31/Dec/16**
Current Assets		
Cash and cash equivalents (1)	147.0	278.8
Other financial assets	1.5	2.7
Accounts receivable	125.9	104.6
Recoverable taxes	39.1	36.1
Current inventories	173.5	177.1
Other non financial assets	24.2	34.8
Current assets for sale	247.9	-
Total current assets	**758.9**	**634.2**
Non-Current Assets		
Property, plant and equipment, net	1,972.7	2,206.8
Other non-current assets	379.0	472.1
TOTAL ASSETS	**3,110.6**	**3,313.1**
Current Liabilities		
Financial debt	19.0	17.4
Other current liabilities	219.2	274.8
Liabilities included in assets for sale	35.3	-
Total current liabilities	**273.5**	**292.2**
Long-Term Liabilities		
Financial debt	741.1	731.4
Other long-term liabilities	270.6	283.3
Total long-term liabilities	**1,011.7**	**1,014.7**
Shareholders' equity	1,729.0	1,922.5
Minority' equity	96.3	83.6
Equity	**1,825.4**	**2,006.2**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,110.6**	**3,313.1**

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

APPENDIX 2

Financial Ratios

	FINANCIAL RATIOS				
			Dec/15	Dec/16	Var.
LIQUIDITY	Current ratio (current assets / current liabilities)	(times)	2.77	2.17	***-22%***
	Quick ratio ((current assets - inventory) / current liabilities)	(times)	2.14	1.56	***-27%***
	Working capital (current assets – current liabilities)	MMUS$	485.4	342.0	***-30%***
LEVERAGE	Leverage ((current liabilities + long-term liabilities) / networth)	(times)	0.70	0.65	***-7%***
	Interest coverage * ((EBITDA / interest expense))	(times)	8.41	10.66	***27%***
	Financial debt –to- LTM EBITDA*	(times)	2.43	2.63	***8%***
	Net financial debt – to - LTM EBITDA*	(times)	1.96	1.65	***-16%***
PROFITABILITY	Return on equity* (LTM net income attributed to the controller / net worth attributed to the controller)	%	5.4%	13.3%	***143%***
	Return on assets* (LTM net income attributed to the controller / total assets)	%	3.0%	7.7%	***154%***

CONFERENCE CALL 4Q16

Engie Energía Chile is pleased to inform you that it will conduct a conference call to review its results for the period ended December 31, 2016, on Thursday, February 2nd, 2017, at 10:00 a.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.: 10099144, a conference call replay will be available until Feb 14, 2017.