



August 14th, 2009

Colbún 2Q09 results were driven by a similar level of Operating Revenues as compared to 1Q09 and lower Operating Costs reduced by higher hydro generation (10% up QoQ) and higher output from its efficient combined cycle facilities. Additionally, Financial Results and Income Taxes were positively affected by the USD/CLP FX rate decrease (8.8% QoQ).

2009

Financial Report

- Starting 2009, Colbún has adopted IFRS (International Financial Reporting Standards) and changed its functional currency to US dollar.
- Colbún reported 2Q09 Operating Revenues of USD 292.3 mn, representing a 5% decrease compared to 1Q09 and a 20% decrease compared to 2Q08.
- EBITDA reached USD 87.2 mn, versus USD 53.5 mn during 1Q09 and USD 80.2 mn during 2Q08.
- 2Q09 Net Income was USD 92.7 mn, higher compared to the USD 34.7 mn of 1Q09 and last year's 45 mn.
- Colbún's improved results as compared to 1Q09 are led by the seasonal increase in hydro generation (1st quarter of rainy season); higher output of the efficient combined cycle facilities reducing thermal production costs QoQ; and the positive effect of 8.8% depreciation of the USD on the Company's CL\$ denominated assets.
- During the 2Q09, the Santa María thermoelectric coal project (343 MW) reached important milestones such as the completion of the 66 kV substation and the start of erection of the condenser.
- The San Pedro hydroelectric project (144MW) was approved by the Regional Environmental Commission (Corema) in October 2008 and obtained the permits to initiate the hydraulic works in May 2009. Access roads are completed and works on the deviation tunnel are starting.

Summary

USD million

	2Q08	1Q089	2Q09	Variance	
				QoQ	YoY
Operating Revenues	365.2	308.8	292.3	-5%	-20%
EBITDA	80.2	53.5	87.2	63%	9%
Net income	48.6	34.7	92.7	167%	91%
Net debt	575.0	709.1	794.0	12%	38%
Energy sales (GWh)	2,819	2,951	2,970	1%	5%
Hydraulic generation (GWh)	1,654	1,449	1,596	10%	-4%
E-o-Q exchange rate (CLP/USD)	526.1	583.3	531.8	-9%	1%

Note: 1Q09 and 2Q09 results are in IFRS. 2Q08 results are Chilean GAAP numbers converted to IFRS.

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Colbún is the second largest Generator of the SIC (the Sistema Interconectado Central is the main electricity grid covering 75% of Chilean demand). The Company has 2,615 MW of installed capacity (52% thermal and 48% hydraulic) spread over 21 plants. The facilities are located in 4 different basins and 7 regions. Colbún sells energy and capacity to regulated customers (Distribution Companies), to free customers (Industrial Companies) and its surplus is sold to other Generators on the spot market. Please find more details on our website www.colbun.cl

INCOME STATEMENT ANALYSIS

Net Income amounted USD 92.7 mn during 2Q09 which compares favorably with previous quarter Net Income of USD 34.7 mn and last year's USD 48.6 mn.

QoQ increase is explained by an improved EBITDA and an income tax gain, slightly reduced by a lower Financial Result:

- *Higher EBITDA* as a result of 10% higher hydraulic output in line with seasonal conditions and a higher output from the Nehuenco combined cycle facilities since both were down for maintenance most of 1Q09.
- *Income tax effect.* Under IFRS, the "Income tax" item includes the effects of exchange differences that arise from keeping financial accounting in USD and tax accounting in CLP. The appreciation of the CLP versus the USD caused a favorable effect on Colbún's deferred tax which exceeded the income tax.
- *Lower Financial Result.* Mainly due to lower financial income led by lower rates on time deposits and lower gains from exchange differences. Gains from exchange differences (as a result of 8.8% appreciation of local exchange rate) were lower due to a minor excess of CLP denominated assets over liabilities as compared to previous quarter.

EBITDA rose to USD 87.2 mn during 2Q09, from the USD 53.5 mn of 1Q09 and the USD 80.2 mn recorded for 2Q08.

Higher 2Q09 EBITDA is mainly explained by:

- Higher hydro generation of 147 GWh as compared to 1Q09 (up 10% QoQ), in line with seasonal trends (beginning of rainy season). 2Q09 hydro output reflects slightly unfavorable hydrologic conditions as compared to the same period of 2008 (lower output of 59 GWh YoY). The registered precipitation between April and June this year (current hydrologic year started in April and ends in March 2010) in the Company's 3 most relevant basins (Aconcagua Basin, Maule Basin and Chapo Lake) shows a shortfall of 56%, 9% and 22% respectively as compared to average historical conditions.
- Higher thermal production of 1,340 GWh as compared to previous quarter (up 179% QoQ) is due to the reactivation, at the end of March, of the two Nehuenco combined cycle plants which were down for major maintenance works. This reincorporation helped to put a cap on Colbún's costs, avoiding the dispatch of less efficient facilities or buying on the spot market at higher prices as it did during 1Q09. The positive effect of higher output from combined cycles more than offset the rise in average diesel prices during 2Q09 (average WTI index rose from 43 USD/bbl during 1T09 to 60 USD/bbl during 2Q09). YoY comparison shows higher 2Q09 thermal production as compared to 2Q08, mainly due to the unavailability of the Nehuenco I plant last year affected by fire damage.
- Lower transmission tolls of USD 6.8 mn as compared to 1Q09 are explained by higher "tariff revenues" (revenues collected by transmission companies each time the CDEC performs the energy balance of the system. These revenues have to be returned periodically to generators). 2Q09 "tariff revenues" reflect, among others, higher capacity saturation on some sections of the transmission trunk line. Such disturbances generate distortion between marginal costs when injecting in the central system (Southern part) and marginal costs when taking out from the central system (Northern part).

INCOME STATEMENT ANALYSIS

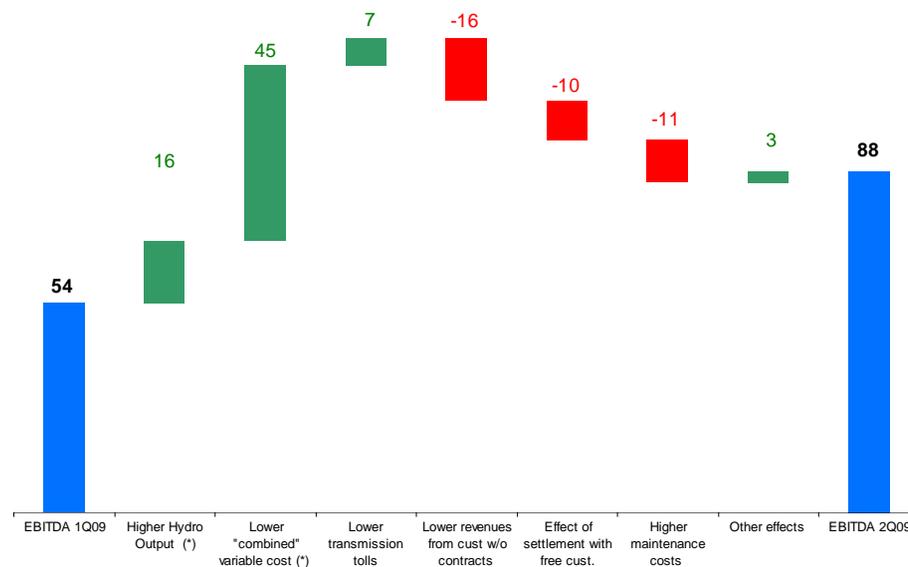
- Lower other operating income given previous quarter includes an extraordinary income of USD 9 mn arising from a settlement of natural gas exchanges with Metrogas.

Those positive effects were partially offset by:

- Lower revenues from regulated customers without contract compared to 1Q09 as a result of: (i) 13% lower physical sales and (ii) 10% decrease of the average sales price. The latter is due to the decrease of the marginal cost of the system (= energy spot price) from an average of 135 USD/MWh during the 1Q09 to an average of 111 USD/MWh during 2Q09. YoY comparison is more notorious since average marginal cost reached 243 USD/MWh during the 2Q08 largely reflecting peak diesel prices of last year's 2Q.
- Lower revenues from non-regulated customers (also called free customers) given previous quarter included extraordinary income of USD 9.8 mn arising from a settlement with Anglo American. 2Q08 revenues from free customers also include an extraordinary income of USD 9.4 mn related with a favorable arbitrage ruling regarding a price dispute with a free customer.
- Higher maintenance costs of USD 11 mn during 2Q09 versus 1Q09 explained by the costs associated with major maintenance works carried out in February and March registered under 2Q09.

EBITDA variance analysis (1Q09 v/s 2Q09)

USD million



(*) Higher 2Q09 hydro production vs 1Q09 (147 GWh) was valorized at the "average combined variable cost" of the 2Q09 assuming that a variation of hydro production does not modify spot market prices. The "average combined variable cost" refers to the Company's variable cost per unit (per MWh), combining the cost of fuel purchases and the cost of energy purchases on the spot market.

INCOME STATEMENT ANALYSIS

EBITDA

USD million

	2Q08	1Q089	2Q09	Variance	
				QoQ	YoY
Operating Revenues	365.2	308.8	292.3	-5%	-20%
Sales to regulated customers	127.3	129.6	120.3	-7%	-5%
Sales to free customers	95.6	96.5	91.8	-5%	-4%
Sales to regulated customers w/o contracts	114.2	74.1	57.8	-22%	-49%
Spot market sales	15.1	2.2	16.3	653%	7%
Other operating income	13.0	6.4	6.1	-5%	-53%
Operating Costs	(278.6)	(248.6)	(199.0)	-20%	-29%
Transmission tolls	(11.3)	(11.5)	(4.7)	-59%	-59%
Energy and capacity purchases	(41.6)	(147.8)	(21.7)	-85%	-48%
Gas	(13.3)	(3.2)	(2.2)	-31%	-83%
Diesel	(186.7)	(57.3)	(130.5)	128%	-30%
Other operating expenses	(25.7)	(28.8)	(39.9)	38%	55%
SG&A	(6.3)	(6.7)	(6.0)	-11%	-5%
EBITDA	80.2	53.5	87.2	63%	9%

The balance of sales volume v/s generation evidences that:

- 66% of 2Q09 commercial commitments were met by hydraulic output versus 77% the previous quarter.
- The remaining 34% and the sales to regulated customers without contracts were mainly met by Colbún's own thermal generation.
- Energy purchased on the spot market decreased considerably as compared to previous quarter due to the completion at the end of March of the major maintenance works at the Nehuenco complex.
- The availability of natural gas at competitive prices compared to diesel has been low during the 2 first quarter of 2009.

Sales Volume v/s Generation

GWh

	2Q08	1Q089	2Q09	Variance	
				QoQ	YoY
Sales					
Regulated customers	1,180	1,270	1,170	-8%	-1%
Free customers	1,163	1,200	1,248	4%	7%
Regulated customers w/o contracts	430	480	416	-13%	-3%
Spot market sales	46	0	137	n.m.	199%
Total energy sales	2,819	2,951	2,970	1%	5%
Generation					
Hydraulic	1,654	1,449	1,596	10%	-4%
Thermal - Gas	52	29	15	-50%	-72%
Thermal - Diesel	1,030	481	1,340	179%	30%
Total own generation	2,736	1,958	2,951	51%	8%
Energy purchases (spot market)	168	1,038	106	-90%	-37%

INCOME STATEMENT ANALYSIS

Analysis of the Financial Result, other non operating income and expenses and income taxes

- **Financial income:** 2Q09 financial income amounted to USD 4.3 mn, lower than the USD 7.3 mn of 1Q09 mainly due to lower rates on time deposits. Under IFRS, this item also includes the effects of hedging derivatives (purchase of USD through forward contracts to synthetically build dollarized investments). In Chilean GAAP, those effects were recorded in the items “other non-operating income and expenses”.
- **Financial expenses:** Financial expenses during 2Q09 were USD 15.3 mn, slightly higher than 1Q09 due to increased gross financial debt. Under IFRS, this item represents the all-in cost of financial debt including the effects of interest rate hedging derivatives, and excluding the portion of expenses associated with capital expenditures which are capitalized (USD 5 mn were capitalized during 1Q09).
- **Other non-operating income and expenses:** as mentioned before, under IFRS, those items do not include the effects of cash flow hedging derivatives anymore (reason why 2008 figures register large amounts). Lower income for 2Q09 is due to the indemnification pay of USD 2.3 mn associated with physical damage of the Nehuenco I plant compressor, occurred in July 2007 which was registered in 1Q09. The other non-operating expenses mainly include legal costs associated with ongoing lawsuits, fines, penalties and remuneration of the Board of Directors.
- **Exchange differences:** since the adoption of IFRS, the Company changed its functional currency to US dollar. Since then, this item registers the FX effects of monetary stocks denominated in currencies different from the US dollar. The positive FX differences of USD 15.9 mn for the 2Q09 are the result of 8.8% appreciation of the local exchange rate (CLP vs. USD) applied to a balance sheet with an excess of assets over liabilities denominated in pesos. Even though this excess of assets was lower during 2Q09 as compared to 1Q09. Recall Colbún owns important assets denominated in Chilean pesos such as tax receivable and account receivable associated with sales to regulated customers without contracts.
- **Income Tax:** the income tax item registers a gain of USD 24.6 mn as of June 2009. This positive amount is the result of temporary differences generated by exchange differences that arise from keeping financial accounting in USD and tax accounting in CLP (converted to USD at end-of-period FX rate). The appreciation of the CLP versus the USD caused a favorable effect on Colbún’s tax liabilities which exceeds the income tax as of June 2009.

BALANCE SHEET ANALYSIS

For balance sheet analysis the following accounts should be highlighted:

Current Tax receivable:

Current Tax Receivable reached USD 252 mn at 2Q09 closing. The increase during the 2Q09 is due to a lower exchange rate given that these assets are denominated in CLP, and due to additional VAT credits associated with capital expenditures. It is worth mentioning that the high balance of this account is due to the VAT fiscal credit accumulated during the 1st half of 2008 when operating results were poor, on top of the VAT credits associated to Colbún's capital expenditure purchases. The diesel oil tax levied on fuel consumption also contributed to the increase of tax receivable, especially during the first quarter of 2008 when Colbún's consumption was highest. Up to March 2008, this specific fuel tax had to be recovered through the usual VAT mechanism. Since March 2008, this tax is recovered independently and on a monthly basis.

Accounts Receivable from sales to regulated customers without contracts:

Current Assets include the short-term portion of the accounts receivable from sales to distribution companies without contracts which amounted USD 101 mn at 2Q09 closing. Long-term Liabilities include the long-term portion which amounted USD 134 mn, meaning that total accounts receivable from sales to regulated customers without contracts reached USD 235 mn at 2Q09 closing versus USD 232 mn at 1Q09 closing. This expansion is due to the lower exchange rate as compared to previous quarter closing (accounts receivable are denominated in CLP) since approximately USD 18 mn (CLP cash flow converted to USD) were recovered during 2Q09.

As explained in previous Press Releases, based on current regulation, Colbún has to supply energy to distribution companies with no supply contract with generators (called "distribution companies without contracts"). Those sales are registered at marginal cost (energy spot market price), but are collected (invoiced) at the Node Price plus a surcharge. The spread between the energy spot market price and the collected price (Node Price plus surcharge) defines Colbún's working capital investment, and is registered as an account receivable. This account receivable will be recovered by generators through the surcharge of up to 20% of the Node Price. The surcharge will be added to the Node Price until complete recovery of the account receivable.

Property, Plant and Equipment:

This account increased by USD 91 mn during the 2Q09 explained by the Company's intensive capital expenditure program.

Current Liabilities:

Current Liabilities increased by USD 82 mn during 2Q09. This expansion is mainly the effect of the issuance of commercial papers (USD 19.6 mn) and reverse factoring (USD 74.8 mn).

Shareholders' Equity:

The increase of shareholders' equity as compared to 1Q09 closing is the result of the gain generated by the 2Q09 and the effects of hedging derivatives which are to be recorded in this equity account according to IFRS. Also, according to the new accounting standards, a Minimum Dividend Provision of USD 38.2 mn has been registered, based on the minimum obligatory dividend calculated on the total gain as of June 2009.

BALANCE SHEET ANALYSIS

Summarized Balance Sheet

USD million

	1Q089	2Q09	Variación QoQ
Current Assets	1,125	1,157	32
Cash and equivalents	512	553	42
Accounts receivable	305	256	-49
<i>Normal sales</i>	125	102	-23
<i>Sales to regulated customers w/o contracts</i>	124	101	-23
<i>Others</i>	56	53	-3
Recoverable taxes	223	252	29
Other current assets	85	96	10
Non-Current Assets	4,106	4,232	126
Property, Plant and Equipment	3,832	3,923	91
Other non-current assets	274	309	35
Total Assets	5,231	5,389	158
Current Liabilities	303	385	82
Long-Term Liabilities	1,655	1,653	-3
Shareholders' Equity	3,273	3,352	79
Total Liabilities and Shareholders' Equity	5,231	5,389	158

CASH FLOW AND NET DEBT ANALYSIS

Cash flow analysis:

Cash flow from operation generated USD 21 mn during 2Q09, mainly explained by an EBITDA of USD 87.2 mn offset by increased working capital requirements due to increased VAT credits associated with capital expenditures and a reduction of supplier payment terms as compared to 1Q09. Supplier payment term reduction was caused by higher levels of fuel purchases whose suppliers demand shorter payment terms as compared to the CDEC who coordinates the energy purchases on the spot market.

Financing activities generated a positive cash flow of USD 74 mn during 2Q09 mainly explained by new short term financing for USD 94 mn (commercial papers and reverse factoring) and dividend payments of USD 17 mn.

Investment activities generated a negative cash flow of USD 94 mn mainly associated with capital expenditures for the Santa María I coal project and the San Pedro hydro project.

Cash Flow

USD million

	2Q08	1Q089	2Q09	Variance	
				QoQ	YoY
Cash and equivalents at beginning of period	102	515	506	(9)	404
Effects of exchange differences on initial cash	(15)	13	8	(6)	23
Cash Flow from Operating Activities	(104)	104	21	(83)	125
Cash Flow from Financing Activities	467	(11)	74	85	(393)
Cash Flow from Investing Activities	(51)	(142)	(94)	49	(43)
Net Cash Flow increase (decrease) of period	312	(49)	1	51	(311)
Effects of exchange differences on cash flows of period	(11)	27	38	11	49
Cash and equivalents at end of period	389	506	553	47	164

Net debt and liquidity:

Net debt increased by USD 85 million during 2Q09, reaching USD 794 mn at closing. The increase mainly reflects the cash flow requirements to implement the capex program and the investment in working capital mentioned in the Cash Flow from Operation analysis.

Liquidity Analysis

USD million

	2Q08	1Q089	2Q09	Variance	
				QoQ	YoY
Gross financial debt	967	1,196	1,334	138	367
Financial investments	392	487	540	53	148
Net financial debt	575	709	794	85	219

Outstanding Financial Investments reached USD 553 mn at 2Q09 closing (this amount includes Time Deposits and Mutual Funds). Including the quarterly effect of the forward contracts subscribed to dollarize the Time Deposits, Financial Investments amount USD 540 mn.

Gross financial debt reached USD 1,255 mn at the end of 2Q09 (USD 1,334 mn net of hedging derivative effects). During the 2Q09, Colbún obtained new short term financing for USD 94 mn through the issuance of commercial papers and reverse factoring.

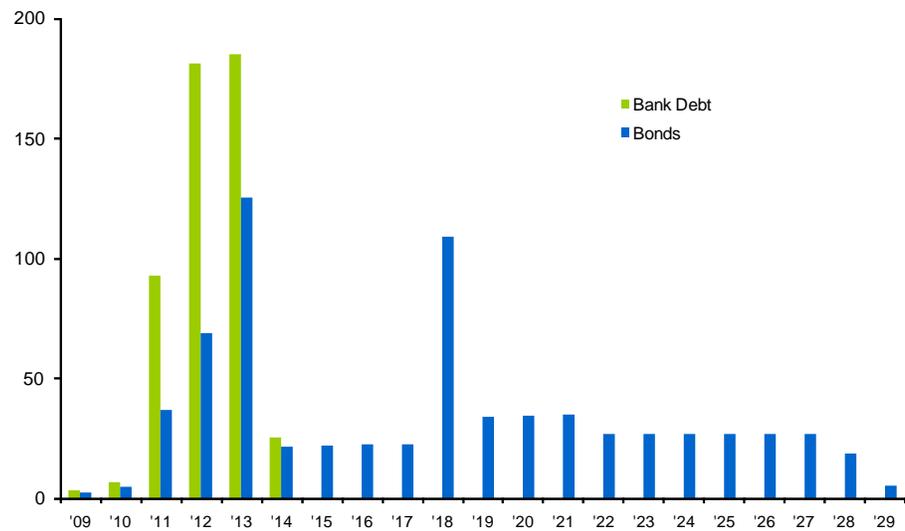
CASH FLOW AND NET DEBT ANALYSIS

Long Term Bank debt:

Colbún implemented a financial plan during 2008 aimed at restructuring the amortization schedule and the financial covenants of its international bank debt. The rescheduling postponed important installments until the end of 2010 and included a waiver of cash flow related *covenants* also until the end of 2010.

Long Term Bank debt amortization schedule at 2Q09 closing

USD million

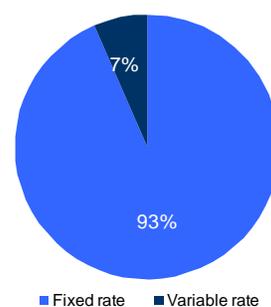
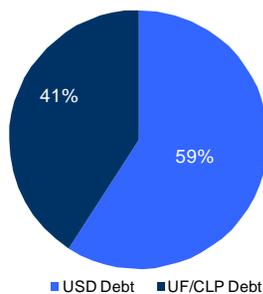


Note: does not include short term financing (commercial papers and reverse factoring)

The average maturity of Colbún's bank debt is 6.7 years.

Debt breakdown by currency and interest rate

As a % of total debt



CASH FLOW AND NET DEBT ANALYSIS

The average interest rate of USD denominated debt is 6.9%, while the UF denominated debt has an average interest rate of 4.4% and CLP denominated debt has an average interest rate of 7.3%.

DISCLAIMER

This document provides information about Colbún SA. In no case this document constitutes a comprehensive analysis of the financial, production and sales situation of the company. To evaluate whether to purchase or sell securities of the company, the investor must conduct its own independent analysis.

In compliance with the applicable rules, Colbún SA. publishes this document on its Web Site (www.colbun.cl) and sends the financial statements of the Company and its corresponding notes to the Superintendencia de Valores y Seguros, which are available for consultation and review.

APPENDIX 1: SALES VOLUME & GENERATION

Quarterly Sales and Production

	2008					2009	
	1Q	2Q	3Q	4Q	FY2008	1Q	2Q
Sales							
Regulated customers (GWh)	1,210	1,180	1,188	1,199	4,777	1,270	1,170
Free customers (GWh)	1,255	1,163	1,274	1,277	4,968	1,200	1,248
Regulated customers w/o contracts (GWh)	489	430	421	472	1,812	480	416
Spotmarket sales (GWh)	0	46	0	0	46	0	137
Total energy sales (GWh)	2,953	2,819	2,883	2,948	11,603	2,951	2,970
Capacity sales (MW)	1,645	1,607	1,595	1,550		1,497	1,552
Generation							
Hydraulic (GWh)	1,091	1,654	2,163	1,914	6,822	1,449	1,596
Thermal - Gas (GWh)	79	52	2	209	342	29	15
Thermal - Diesel (GWh)	<u>1,378</u>	<u>1,030</u>	<u>349</u>	<u>686</u>	<u>3,442</u>	<u>481</u>	<u>1,340</u>
Total own generation	2,548	2,736	2,514	2,809	10,606	1,958	2,951
Energy purchases (spot market)	457	168	480	235	1,340	1,038	106

APPENDIX 2: INCOME STATEMENT

Quarterly Income Statement

USD million

	2008		2009	
	1Q	2Q	1Q	2Q
	IFRS	IFRS	IFRS	IFRS
Operating revenues	394.4	365.2	308.8	292.3
Operating costs	(430.6)	(278.6)	(248.6)	(199.0)
GROSS MARGIN	(36.2)	86.6	60.3	93.2
SG&A	(5.1)	(6.3)	(6.7)	(6.0)
Depreciation & amortizations	(28.9)	(29.4)	(29.3)	(30.7)
OPERATING INCOME	(70.2)	50.9	24.2	56.5
EBITDA	(41.3)	80.2	53.5	87.2
FINANCIAL RESULT				
Financial income	1.8	1.4	7.3	4.3
Financial expenses	(12.3)	(18.2)	(14.7)	(15.3)
Income from adjustment items	(5.9)	(12.5)	(4.3)	0.1
Net Exchange Differences	54.8	(7.9)	30.1	15.9
Net Income from Related Comp. consolidated by Prop. Equity Method	1.0	0.4	1.5	(0.3)
Other non-operating Income	4.2	65.1	2.5	0.2
Other non-operating expenses	(52.9)	(3.0)	(1.2)	(0.8)
NET INCOME BEFORE TAX	(79.4)	76.2	45.3	60.6
INCOME TAX	36.6	(27.1)	(7.8)	32.5
NET INCOME	(42.8)	49.1	37.5	93.0
NET INCOME	(42.8)	49.1	37.5	93.0
Net Income attributable to stockholders of the parent company	(45.0)	48.6	34.7	92.7
Net Income attributable to minority interest	2.2	0.5	2.7	0.3

APPENDIX 3: BALANCE SHEET

Summarized Balance Sheet

USD million

	2008	2009	
	4Q	1Q	2Q
	IFRS	IFRS	IFRS
<u>Current Assets</u>	1,065	1,125	1,157
Cash and equivalents	522	512	553
Accounts receivable	238	305	256
<i>Normal sales</i>	91	125	102
<i>Sales to regulated customers w/o contracts</i>	109	124	101
<i>Others</i>	38	56	53
Recoverable taxes	196	223	252
Other current assets	109	85	96
<u>Non-Current Assets</u>	4,012	4,106	4,232
Property, Plant and Equipment	3,750	3,832	3,923
Other non-current assets	262	274	309
TOTAL ASSETS	5,077	5,231	5,389
Current Liabilities	215	303	385
Long-Term Liabilities	1,650	1,655	1,653
Shareholders' Equity	3,212	3,273	3,352
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,077	5,231	5,389