

Santiago, August 24, 2010
GL No. 065/2010

Mr.
Fernando Coloma Correa
Superintendent
Superintendence of Securities and Insurance
Avda. Libertador Bernardo O'Higgins N° 1449, 9th floor

Ref.: Essential Fact - Colbún S.A.
Inscription in the Securities Registry No. 295

Dear Sir:

In accordance with Article 9 and paragraph two of Article 10 of Law 18,045 on the Securities Market and with the instructions contained in the General Norm No.30 of that Superintendence and being duly empowered, I would hereby like to inform you of the following essential fact:

On August 24, 2010, Colbún S.A. and Transportadora de Gas del Norte S.A. (TGN) completed the "Transactional Agreement" previously entered into, which allows canceling or early terminating the Natural Gas Firm Transportation Contract binding on the parties (the "TGN Contract"), and the Firm Transportation Contract that bound it with HSBC Bank Argentina S.A. and TGN (hereinafter "the HSBC Contract").

On the one hand, the TGN Contract was subscribed on August 25, 1995 for a term expiring on December 31, 2022 for an applicable contractual volume of up to 1,516,000 m³/day at the time of subscription of the Transactional Agreement. On the other, the HSBC Contract was subscribed on March 22, 2004 for a term expiring on December 31, 2027 and for an applicable volume of up to 247,000 m³/day.

In summary, the Transactional Agreement provides the following:

1. The TGN and the HSBC Contracts are cancelled or early terminated.
2. Additionally, Colbún S.A. committed with TGN to pay as indemnity for the termination of TGN and HSBC Contracts (i) a compensation of US\$ 5.06 million dollars that was already paid by Colbún; (ii) a fixed compensation that was dependant on the completion of the Transactional Agreement in the amount of US\$ 36.65 million dollars plus interests, payable over a maximum term of twelve months; and (iii) a variable compensation payable on the basis of the effective utilization of an interruptible transportation contract over a term of thirty-six (36) months as from July 15, 2010 with an indemnity limit of US\$ 5.65 million.

The cancellation or early termination of these long-term Contracts provides Colbún a cost savings corresponding to the annual payment over the remaining enforcement period of a transportation service that was actually unavailable due to reasons beyond its control. Notwithstanding the above, in accounting terms, the payment of these indemnities implies for Colbún an loss effect on results of US\$ 41.71 million to be reflected in the 2010 business year from the termination of the firm transportation contracts indicated above, whose annual estimated payments were US\$ 14.1 million for the TGN Contract (whose original termination date was December of 2022) and US\$ 1.3 million for the HSBC Contract (whose original termination date was December 2027).

Kind regards,

COLBUN S.A.

Rodrigo Pérez Stiepovic
Legal Manager

c.c.: Stock Exchange of Santiago, Securities' Exchange
Electronic Stock Exchange of Chile, Securities' Exchange
Brokers' Exchange, Securities' Exchange
Risk Rating Commission