

COLBUN S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Colbún S.A. and Subsidiaries

**Consolidated statements of financial position as of June 30, 2010,
December 31, 2009**

(In thousands of US dollars - ThUS\$)

	Notes	As of June 30, 2010	As of December 31, 2009
	N°	ThUS\$	ThUS\$
ASSETS			
Current assets:			
Cash and cash equivalents.....	7	611,736	484,748
Other current financial assets.....	8	20,351	5,424
Other non-financial assets, current.....	20	5,759	27,197
Trade and other receivables, current.....	9	272,769	231,862
Accounts receivable from related companies, current.....	11	4,922	4,876
Inventories.....	12	14,118	11,929
Current, tax assets.....	19	187,589	202,988
Total current assets.....		<u>1,117,244</u>	<u>969,024</u>
Non-current assets:			
Other financial assets, non-current.....	8	3,449	19,316
Other non-financial assets, non-current.....	20	19,282	6,417
Rights receivable, non-current.....	15	54,635	106,378
Accounts receivable from related companies, non-current.....	11	42,266	32,296
Investment in associates accounted under equity method.....	16	70,353	79,918
Intangible assets other than goodwill.....	17	36,183	33,428
Property, plant and equipment, net.....	18	4,281,549	4,184,750
Deferred taxes.....	21	18,473	8,976
Total non-current assets.....		<u>4,526,190</u>	<u>4,471,479</u>
TOTAL ASSETS.....		<u>5,643,434</u>	<u>5,440,503</u>

The accompanying notes are an integral part of these consolidated financial statements.

	Notes N°	As of June 30, 2010 ThUS\$	As of December 31, 2009 ThUS\$
LIABILITIES AND NET EQUITY			
Current liabilities:			
Other financial liabilities, current.....	22	51,845	45,921
Trade and other payables.....	23	163,408	162,454
Accounts payable to related companies.....	11	14,730	36,351
Other short-term provisions.....	24	2,746	4,004
Tax liabilities, current.....	-	5,476	10,648
Current provisions for employee benefits.....	24	5,560	8,066
Other non-financial liabilities, current.....	25	30,875	51,490
Total current liabilities.....		<u>274,640</u>	<u>318,934</u>
Non-current liabilities:			
Other financial liabilities, non-current.....	22	1,408,974	1,211,258
Non-current liabilities.....	26	3,000	3,000
Deferred taxes.....	21	450,744	442,805
Non-current provisions for employee benefits.....	24	11,398	11,558
Other non-financial liabilities, non-current.....	25	6,628	8,099
Total non-current liabilities.....		<u>1,880,744</u>	<u>1,676,720</u>
Net equity:			
Share issued capital.....	27	1,282,793	1,282,793
Share premiums.....	27	398,400	398,400
Other equity.....	27	672,573	672,573
Retained earnings (accumulated losses).....	27	971,239	920,971
Other reserves.....	27	144,854	151,469
Equity attributable to shareholders of the parent company.....		<u>3,469,859</u>	<u>3,426,206</u>
Minority interests.....		<u>18,191</u>	<u>18,643</u>
Total net equity.....		<u>3,488,050</u>	<u>3,444,849</u>
TOTAL LIABILITIES AND NET EQUITY.....		<u>5,643,434</u>	<u>5,440,503</u>

The accompanying notes are an integral part of these consolidated financial statements.

Colbún S.A. and Subsidiaries

Consolidated statements of integral income by nature
As of June 30, 2010 and 2009
(In thousands of US dollars - ThUS\$)

	Notes	Accumulated		Quarter	
		01.01.2010 30.06.2010	01.01.2009 30.06.2009	01.04.2010 30.06.2010	01.04.2009 30.06.2009
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Statement of Income					
Ordinary income.....	28	490,464	601,084	272,904	292,253
Raw materials and consumables used.....	29	(242,361)	(440,311)	(130,269)	(195,164)
Personnel expenses.....	30	(16,879)	(14,743)	(8,967)	(7,543)
Depreciation and amortization expenses.....	31	(61,772)	(60,035)	(30,914)	(30,726)
Other expense, by nature.....	-	(11,155)	(5,274)	(5,372)	(2,309)
Other income (losses).....	34	(23,363)	668	(2,740)	(573)
Financial income.....	32	6,083	11,574	2,672	4,297
Financial cost.....	32	(30,216)	(30,059)	(10,825)	(15,342)
Share of profit (loss) from equity-accounted associates.....	33	1,032	1,220	1,063	(258)
Exchange rate differences.....	32	(26,302)	45,965	(15,290)	15,866
Income for adjustment units.....	32	3,249	(4,227)	1,619	60
Profit before tax		88,780	105,862	73,881	60,561
Income tax expense.....	21	7,196	(24,660)	17,733	(32,508)
Profit after tax from continuing operations		81,584	130,522	56,148	93,069
Profit attributable to equity holders of parent and minority interest					
Profit attributable to equity holders of parent.....		78,328	127,475	55,500	92,771
Profit attributable to minority interest.....		3,256	3,047	648	298
Profit		81,584	130,522	56,148	93,069
Earnings per Share					
Earnings per common share					
Earnings (losses) per common share in continued operations.....		0.00447	0.00533	0.00317	0.00335
Basic earnings per share		0.00447	0.00533	0.00317	0.00335
Statement of comprehensive income					
Earning (losses)		81,584	130,522	56,148	93,069
Components of other integral income before taxes					
Earnings (losses) for translation differences before taxes		(6,319)	12,915	(4,531)	4,533
Earnings (losses) for cash flow hedges before taxes		(296)	34,998	(12,393)	21,921
Other components from other integral income before taxes		(6,615)	47,913	(16,924)	26,454
Total integral income.....		74,969	178,435	39,224	119,523
Integral income attributable to					
Integral income attributable to holders of parent.....		71,713	175,388	38,576	119,225
Integral income attributable to interest of non-parents.....		3,256	3,047	648	298
Total integral income.....		74,969	178,435	39,224	119,523

The accompanying notes are an integral part of these consolidated financial statements.

Colbún S.A. and Subsidiaries

Consolidated statements of changes in net equity
For the period ended as of June 30, 2010 and 2009
(In thousands of US dollars - ThUS\$)

	Note N° 27	Other reserves						Retained earnings (accumulated losses)	Equity attributable to shareholders of the parent company	Minority interests	Total equity	
		Shared issued capital	Share premiums	Other equity	Revaluation surplus	Reserves for exchange differences	Reserves for cash flow hedges					Total other reserves
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Beginning balance as of January 1, 2010.....		1,282,793	398,400	672,573	414,056	(238,404)	(24,183)	151,469	920,971	3,426,206	18,643	3,444,849
Changes:												
Integral income												
Profit.....		-	-	-	-	-	-	-	78,328	78,328	3,256	81,584
Other integral income.....		-	-	-	-	(6,319)	(296)	(6,615)	-	(6,615)	-	(6,615)
Dividends.....		-	-	-	-	-	-	-	(28,060)	(28,060)	-	(28,060)
Increase (decrease) for transfers and other changes		-	-	-	-	-	-	-	-	-	(3,708)	(3,708)
Ending balance as of June 30, 2010.....		1,282,793	398,400	672,573	414,056	(244,723)	(24,479)	144,854	971,239	3,469,859	18,191	3,488,050
Beginning balance as of January 1, 2009.....		1,282,793	-	1,070,973	414,056	(252,942)	(71,070)	90,044	750,645	3,194,455	17,385	3,211,840
Increase (decrease) for correction of errors (1).....		-	398,400	(398,400)	-	-	-	-	-	-	-	-
Restated beginning balance.....		1,282,793	398,400	672,573	414,056	(252,942)	(71,070)	90,044	750,645	3,194,455	17,385	3,211,840
Changes:												
Integral income												
Earnings (losses)		-	-	-	-	-	-	-	127,475	127,475	3,047	130,522
Other integral income		-	-	-	-	12,915	34,998	47,913	-	47,913	-	47,913
Dividends.....		-	-	-	-	-	-	-	(34,778)	(34,778)	-	(34,778)
Increase (decrease) for transfers and other changes		-	-	-	-	-	-	-	-	-	(3,552)	(3,552)
Ending balance as of June 30, 2009		1,282,793	398,400	672,573	414,056	(240,027)	(36,072)	137,957	843,342	3,335,065	16,880	3,351,945

(1) Corresponds to the reclassification of share premium (ThUS\$52,595) and negative goodwill of the shareholders' equity at fair value of Hidroeléctrica Cnelca S.A. (ThUS\$ 345,805)

The accompanying notes are an integral part of these consolidated financial statements.

Colbún S.A. and Subsidiaries

Consolidated statements of direct cash flows
For the period ended as of June 30, 2010 and 2009
(In thousands of US dollars - ThUS\$)

	Note	June 30,	June 30,
	N°	2010	2009
		ThUS\$	ThUS\$
Cash flows from (used in) operating activities			
Types of collections for operating activities			
Collections from sales of goods and rendering of services.....		569,880	745,878
Types of payments			
Payments to suppliers for supply of goods and services.....		(318,916)	(567,142)
Payments to and on account of employees.....		(21,709)	(13,903)
Other payments for operating activities.....		(7,878)	(14,531)
Dividends received.....		4,675	3,310
Interest paid.....		(35,322)	(42,966)
Interest received.....		2,836	17,202
Income taxes refunded (paid).....		(4,704)	-
Other cash flows.....		25,687	(3,156)
Net cash flows from (used in) operating activities		214,549	124,692
Cash flows from (used in) investing activities			
Payments to related companies.....		(11,205)	(14,183)
Purchases of property, plant and equipment.....		(208,739)	(222,311)
Other cash flows.....		7,944	445
Net cash flows from (used in) investing activities.....		(212,000)	(236,049)
Cash flows from (used in) financing activities			
Amounts from short-term loans.....		-	93,680
Payments of loans.....		(274,735)	(3,745)
Payments of dividends.....		(75,362)	(18,743)
Other cash flows - Issue of Bonds.....		490,782	(7,535)
Net cash flows from (used in) financing activities		140,685	63,657
Net increase (decrease) in cash and cash equivalents, before the effect of changes in the exchange rate.....		143,234	(47,700)
Effects of changes in foreign exchange rates on cash and cash equivalents			
Effects of changes in foreign exchange rates on cash and cash equivalents.....		(16,246)	65,019
Net increase (decrease) in cash and cash equivalents.....		126,988	17,319
Cash and cash equivalents at beginning of year.....		484,748	535,701
Cash and cash equivalents, ending balance.....		611,736	553,020

COLBUN S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS (In thousands of dollars)

1. General information

Colbún S.A. (hereinafter referred to as "the Company" or "Colbún") was formed by public deed dated on April 30, 1986, and registered with the Commerce Register of Real Estate Property of Talca, on May 30, 1986. The taxpayer number of the Company is 96.505.760-9.

The Company was registered as a publicly traded company in the Securities Register under number 0295, as of September 1, 1986. As such, the Company is subject to the regulations of the Superintendence of Securities and Insurance.

Colbún is a power generating company which as of June 30, 2010 has a group (hereinafter, the company of Colbún), composed of ten companies: Colbún S.A. parent and nine subsidiaries and four affiliated companies.

The commercial address of Colbún is Avenida Apoquindo 4775, 11th floor, district of Las Condes.

The corporate purpose of Colbún is the generation, transport and distribution of electric energy, as described in detail in Note 2.

The Company is controlled directly by Minera Valparaíso S.A., and indirectly through its subsidiary Forestal Cominco S.A.

2. Description of the business

Purpose of the Company

The corporate purpose of the Company is to generate, transmit, distribute and supply energy and electric power, and for such purposes it is allowed to obtain, acquire and exploit concessions. Likewise, it is entitled to transport, distribute, supply and trade natural gas for its sale to large industrial or electricity generating processes. In addition, it can also provide consulting services in the industry of engineering, both in the country and abroad.

Main assets

The generation facilities are composed of hydraulic power plants (reservoir and passage) and by thermal power plants (combined and open cycles), which in total contribute a maximum power of 2,620 MW to the Central Interconnected System (CIS).

The hydroelectric plants contribute in total with a capacity of 1,273 MW and are distributed in 15 plants: Colbún, Machicura, San Ignacio, Chiburgo and San Clemente, located in the Maule Region; Rucúe and Quilleco, in the Bío Bío Region; Carena, in the Metropolitan Region; Los Quilos, Blanco, Juncal, Juncalito, Chacabuquito and Hornitos, in the Valparaíso Region; and Canutillar, in the Los Lagos Region. The centrals Colbún, Machicura and Canutillar have their own reservoirs, while the other hydraulic facilities correspond to passage centrals.

The thermal plants add in total a capacity of 1,347 MW and are distributed in the Nehuenco site, located in the Valparaíso Region; the Candelaria central, in the O'Higgins Region; the Antihue central, in the Los Ríos Region; and central Los Pinos, located in the Bío Bío Region.

Commercial policy

The commercial policy attempts to achieve an adequate balance between the commitment level of electricity sale and the generation capacity, in order to increase and stabilize revenues, with an acceptable risk level in case of droughts. Therefore, it is necessary to maintain an adequate mix of thermal and hydraulic generation.

Consequently, the Company does not attempt to sell or purchase significant volumes in the spot market, as their prices suffer large variations, according to the hydrological conditions.

Main clients

The clients' portfolio is composed of publicly traded clients, as well as closely held corporations:

- The publicly traded clients with agreements at Node Price are Conafe S.A. and CGE Distribución S.A. for El Maule Region.
- The long-term publicly traded clients tendered at Node Price are CGE Distribución S.A. for the Metropolitan Region, CGE Distribución S.A. for O'Higgins, Maule, Bío Bío and La Araucanía Regions, Saesa S.A., Frontel S.A., Compañía Distribuidora de Energía Eléctrica Codiner Ltda., Cooperativa Eléctrica Los Ángeles Ltda., Cooperativa Regional Eléctrica Llanquihue Ltda., Cooperativa Eléctrica Paillaco Ltda., Cooperativa Eléctrica Charrúa Ltda., and Energía del Limarí S.A.
- The closely held corporations are Codelco for its Divisions Andina and El Teniente; Cartulinas CMPC S.A. for its Maule Plant, CMPC Celulosa S.A., Papeles Cordillera S.A. and CMPC Tissue S.A. for the factory in Puente Alto; Anglo American Sur S.A. (former Compañía Minera Disputada de Las Condes Ltda.) for its worksites of Los Bronces/Las Tórtolas, El Soldado and Chagres; Papeles Norske Skog Bío Bío Ltda. for its Concepción plant.

The electricity market

The Chilean electricity market has a regulatory framework with an age of almost 3 decades. This has allowed the development of a very dynamic industry with a high participation of private capital. The industry has been able to satisfy the growing energy demand, which has grown in average at an annual compound rate of 4.0% between 2000 and 2009.

The tariff system of the industry is based on a marginal cost schedule, which includes in turn the safety and efficiency criteria in the assignment of resources. The marginal costs of the energy result from the actual operation of the electricity system according to the economic programming performed by the CDEC (Centro de Despacho Económico de Carga, or "Center for Economic Dispatch of Charge"), and correspond to the variable production costs of the most expensive unit that is currently in operation. The remunerations of the power is calculated based on the final power of the centrals, this is, the level of the power that the central contributes to the system in the peak hours, considering a dry hydrological scenario and the probable unavailability of the generation units. In the Central Interconnected System (CIS), the final power of the generators is monitored during the May-September period each year and is determined based on the maximum demand of the system during peak hours as established in the procedure of the regulating entity. The price for the power is determined as an economic signal, representative of the investment in those units that are more efficient in absorbing the power demand, in the peak hours of supply of the system.

Chile has 4 interconnected systems and Colbún operates in the largest one, the Central Interconnected System (CIS), which covers the area from Taltal in the North to the Great Island of Chiloé in the South. The consumption of this area represents 75% of the total electricity demand in Chile. Colbún is the second largest electricity generator of the CIS, with a market participation of a 25%.

The generators can have 3 kinds of customers: Regulated, unregulated and spot market among generators.

- In the regulated customers' market, composed of distribution companies, the generators sell energy through long-term contracts at a regulated price, called Node Price or tendered price. The Node Price is calculated on a half-year basis by the National Energy Commission (NEC) through a methodology that calculates the average of the marginal costs or spot prices expected for the following 48 months, based on assumptions of new capacity, growth of demand, costs of fuels, among others.
- The unregulated customers are those that have a connected power over 2,000 KW, and who negotiate their prices freely with their suppliers.

Finally, the spot market is where the generators trade the surplus or deficit of energy and power. Surplus and deficit are generated between the production and the consumption of their customers, as the dispatch orders are exogenous to each generator.

Note that changes introduced to current regulations will allow the users with connected power between 500 KW and 2,000 KW to choose from an unregulated or regulated price system, with a minimum permanence period of four years in each system. On the other hand, as of January 1, 2010, the sales to the distribution companies will be made through contracts with prices obtained in open, competitive and transparent bid processes, which will turn the node price only into a reference. This change was stipulated in Law No. 20.018 published in May 2005, commonly called Ley Corta II.

In order to place its electricity into the system and supply energy and electrical power to its customers, Colbún uses its own transmission facilities and those of third parties, in conformity with the rights granted in the electricity regulations.

With the publication of Law No. 19.940, in March 2004, the so-called Ley Corta I, the concepts of Trunk Transmission System, Subtransmission System and Additional Transmission System were incorporated, and it established a transparent and participative methodology in the determination of the tariffs for the use of the Trunk and Subtransmission Systems.

3. Summary of significant accounting policies

3.1 Accounting principles

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), which have been adopted in Chile under the name of Chilean Financial Reporting Standards (CHFRS), and represent the complete, explicit and unreserved adoption of those international standards.

The consolidated financial statements of the Company relate to the period ended June 30, 2010 and were prepared according to the IFRS issued by the International Accounting Standards Board (hereinafter, "IASB"). These financial statements were approved by the Board of Directors in a meeting held on August 24, 2010.

The consolidated statements of financial position as of December 31, 2009 and the statements of comprehensive income, changes in net equity and of cash flows as of June 30, 2009, included for comparative purposes, have been prepared in conformity with IFRS, on a basis consistent with the policies used by the Company as of June 30, 2010.

The company complies with all applicable legal conditions; it presents normal operating conditions in each area in which it develops its activities; its projections show a profitable operation and it has the ability to access the financial markets in order to finance its operations, which according to management determines its capacity to continue as a going concern, as established in the accounting standards under which these financial statements are issued.

The following is a description of the principal accounting policies used in the preparation of these consolidated financial statements. As required by IFRS 1, these policies have been set out in accordance with the IFRS effective as of June 30, 2010, and they have been consistently applied to all periods presented.

a. Basis of preparation and period - These interim consolidated financial statements include the statements of financial position as of June 30, 2010 and December 31, 2009, the statements of income, changes in equity and cash flows as of June 30, 2010 and 2009.

These interim consolidated financial statements have been prepared on the historical cost basis.

The information included in these financial statements is the responsibility of Colbun's Management.

Preparation of these interim consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the amounts reported of assets, liabilities, income and expenses during the covered periods. These estimates are based on management's best knowledge of the amounts reported, events or actions.

b. Basis of consolidation - The interim consolidated financial statements incorporate the financial statements of the Company and companies controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits of its activities. The detail of the subsidiaries is set forth in the table below:

Taxpayer Number	Consolidated Company	Country	Functional Currency	Ownership percentage			12.31.2009 Total
				at June 30, 2010		Total	
				Direct	Indirect		
96854000-9	Empresa Eléctrica Industrial S.A.	Chile	US dollar	99.9999	-	99.9999	99.9999
0-E	Colbun International Limited	Cayman Islands	US dollar	99.9999	-	99.9999	99.9999
86856100-9	Sociedad Hidroeléctrica Melocotón Ltda.	Chile	US dollar	99.9000	0.1000	100.0000	100.0000
76293900-2	Río Tranquilo S.A.	Chile	US dollar	-	100.0000	100.0000	100.0000
86912000-6	Hidroeléctrica Guardia Vieja S.A.	Chile	US dollar	99.9999	-	99.9999	99.9999
96590600-2	Hidroeléctrica Aconcagua S.A.	Chile	US dollar	-	85.0000	85.0000	85.0000
96784960-K	Obras y Desarrollo S.A.	Chile	US dollar	-	99.9000	99.9000	99.9000
76528870-3	Termoeléctrica Nehuenco S.A.	Chile	US dollar	99.9999	0.0001	100.0000	100.0000
96009904-K	Termoeléctrica Antihue S.A.	Chile	US dollar	99.9999	0.0001	100.0000	100.0000

All intercompany balances and transactions have been eliminated on consolidation, and recognition has been given to minority interest, which relates to third parties' percentage ownership in the subsidiaries, which has been incorporated separately in the consolidated equity of Colbún.

The subsidiary Hidroeléctrica Guardia Vieja S.A. is the parent of the following subsidiaries: Hidroeléctrica Aconcagua S.A., Obras y Desarrollo S.A. and Río Tranquilo S.A., holding a 85%, 99.9%, and 99.9% of interest ownership, respectively.

c. Equity method accounted investments - Companies in which Colbún exercises joint control with another company or in which it has significant influence are recorded using the equity method of accounting. It is presumed to have significant influence where the Company has a 20 per cent or more of the voting power of the investee.

The equity method of accounting consists of initially recognizing the investment at cost and adjusted thereafter for post-acquisition changes in Colbún's share of the net assets of the investments.

If the Company's share of losses of an investment equals or exceeds its interest in that investment, it discontinues recognizing its share of further losses, and its interest is reduced to zero, additional losses are provided for, and a liability is recognized only to the extent that the Company has incurred in a legal or constructive obligations or made payments on behalf of the investment.

Dividends received from these investments are recorded as a reduction of the carrying amount of the investments. Colbun's share of profit or loss of the investees is recorded, net of any taxes, in the Statement of Comprehensive Income under the line item "Share of Profit (Loss) from Equity-Accounted Associates".

d. Effects of the variations in the foreign currency exchange rates - The interim consolidated financial statements have been prepared in US dollars, which is the functional and presentation currency of the Company.

Transactions in currencies, other than the entity's functional currency (foreign currencies), are translated to the functional currency using the exchange rates prevailing at the date of the transactions.

Exchange differences resulting from the settlement of these transactions and from the translation of monetary assets and liabilities in currencies other than the functional currency are recognized in profit or loss, except for certain items recorded in net equity as, for example, the cash flow hedges and the net investment hedges. Likewise, the conversion of accounts payable and receivable at the closing of each period is performed with the closing exchange rates during consolidation. The observed valuation differences are recognized in the Statement of Comprehensive Income in the line item "Exchange Differences".

e. Foreign currency conversion and indexation - Assets and liabilities denominated in Chilean pesos, Euros and in Unidades de Fomento are translated into US dollars at the closing exchange rates, as per the following detail:

	30.06.2010	31.12.2009
	Ch\$	Ch\$
Chilean peso per US Dollar	547.19	507.10
Euros per US Dollar	0.82	0.70
Unidades de fomento per US Dollar	0.02	0.02

f. Property, plant and equipment - Property, plant and equipment used in the generation of the electricity services or for administrative purposes, is stated at cost less depreciation and impairment losses. This cost value determined as such, includes the following concepts, as allowed under IFRS:

- The financial cost due to financed works in progress is capitalized during the construction period.
- The personnel expenses directly related with the works under execution.
- The works in progress are transferred to property, plant and equipment once the testing period has been completed, of which depreciation will commence.
- The costs related to extension, modernization or improvement representing an increase in the productivity, capacity or efficiency or an increase of the useful life of the assets are capitalized as part of the corresponding assets.
- The substitutions or renewals of elements that increase the useful life of the asset or their economic capacity are recorded as property, plant and equipment, with the subsequent accounting withdrawal of the substituted or renewed elements.
- The periodic expenses related to maintenance, preservation and repair are recognized in profit or loss as incurred.

Company management, based on the result of the impairment test explained in Note 5 b), believes that the accounting value of the assets does not exceed their recoverable value.

Fixed assets, net of residual value, are depreciated in conformity with the straight line method, considering the cost of the different elements that compose such fixed assets, utilizing the years of their estimated technical useful lives (Note 5 a (i)).

The residual value and the useful life of assets are reviewed and adjusted, if necessary, every year-end.

g. Intangibles - Easements and water rights acquired for the construction of power stations are stated in conformity with the criterion of historical cost.

The criteria for the recognition and recovery of impairment losses of these assets are explained in Note 5 b.

h. Financial instruments

h.1. Financial assets - The financial assets are classified into the following categories:

- a) Financial assets at fair value through profit and loss
- b) Held to maturity
- c) Available for sale
- d) Loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

h.1.1 Effective interest rate method - The effective interest method is a method for calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset. All bank and financial obligations of the Company are stated under this method.

Income is recognized on an effective interest basis for financial assets other than those financial assets classified as at fair value through profit and loss.

h.1.2 Loans and receivables - Trade and receivables, and interest-bearing borrowings that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

h.1.3 Held-up until-maturity investments - Held-up until maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are recorded at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

h.1.4 Financial assets at fair value through profit and loss ('FVTPL') -

Assets at fair value through profit and loss include financial assets either held for trading or that have been designated upon initial recognition as at fair value through profit and loss. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. Short-term investments in mutual funds have been classified in this category.

h.1.5 Available for sale financial assets - Available for sale financial assets are non-derivative financial assets designated as available for sale or not classified in any of the other financial assets categories. These investments are measured at fair value when it is possible to determine a reliable basis.

h.1.6 Impairment of financial assets - Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Colbún commercial counterparts are first class companies in terms of creditworthiness, and distribution companies who, due to their regulations and/or historical behavior, do not have impairment indicators or significant delays in the payment periods, therefore no impairment indicators are observed.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Considering that as of June 30, 2010, the total financial investments of the Company are with institutions with the highest possible creditworthiness and because they mature in the short term (less than 90 days), the impairment tests performed indicate no existing observable impairment.

h.2 Financial liabilities

h.2.1 Classification as debt or equity - Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

h.2.2 Equity instruments - An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Colbún are recognized as the proceeds received, net of direct issue costs. The Company currently has only issued single series shares.

h.2.3 Financial liabilities - Financial liabilities are classified as either financial liabilities at fair value through profit and loss (FVTPL) or 'other financial liabilities'.

h.2.4 Financial liabilities at FVTPL - Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

h.2.5 Other financial liabilities - Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method for calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, when appropriate, a shorter period.

Bonds payable debt stated at their net value, i.e. lowering them to the bonds' par value after subtracting the discounts and expenses associated to their placement.

h.2.6 Unsubscribing of financial liabilities - The Company unsubscribes financial liabilities only when the Company's obligations are annulled, cancelled or they expire.

i. Derivative financial instruments

The derivatives acquired by the Company correspond basically to hedging instruments. The effects that may arise from changes in the fair value of this type of instruments are recorded, depending on their value, in hedging assets or liabilities, as long as the hedge of this item has been declared highly effective according to its purpose. The corresponding unrealized gain or loss is recognized in the income for the period in which the contracts are liquidated or no longer meet the characteristics for them to be hedges.

Colbún maintains a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk.

Derivatives are initially recognized at fair value at the date a derivative contract is signed and are subsequently revalued to their fair value at the end of each period. The resulting gain or loss is recognized according to the effectiveness of the derivative instrument and its hedge nature. A hedging instrument is considered highly effective when changes in the reasonable value or in the cash flow attributed to the underlying risk are compensated with changes in the hedges' reasonable value or cash flow, and this effectiveness lies between an 80%-125%. The Company designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations. As to the date, a high number of the derivatives contracted by the Company have a cash flow hedge treatment for interest rate derivatives that were without hedged item when prepaying a syndicated credit in February 2010 and whose position has been open and its effect as a result of the mark-to-market valuation recognized as profit or loss within the Statements of Income. (See i.4).

A derivative is presented as a non-current asset ("hedging assets") or a non-current liability ("hedging liabilities") if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

i.1 Embedded derivatives

The Company is evaluating whether there are embedded derivatives in contracts of financial instruments to determine if their characteristics and risks are tightly linked to the main contract, as long as the set of financial instruments is not recorded at fair value. If they are tightly linked, they are recorded separately including the changes in the value in the consolidated income statement amount. To date Colbún has considered that there are no embedded derivatives in its contracts.

i.2 Hedge accounting

The Company designates certain hedging instruments, which may include derivatives or embedded derivatives, as fair value hedges, cash flow hedges or net investment in foreign operations hedges.

At the inception of the hedge relationship, Colbún documents the relationship between the hedge instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item. Note 13.1 sets out details of the fair values of the derivatives instruments used for hedging purposes.

i.3 Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. As of the date of these interim consolidated financial statements, the Company has no hedging relationships designated as fair value hedges.

i.4 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in equity, in a Net Equity reserve called "Cash Flow Hedges". The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the non-operating income (expense) line of the consolidated statement of comprehensive income. Amounts deferred in equity are recognized in profit or loss in the same period that the hedged item is recognized in profit or loss, and in the same line of the consolidated statement of comprehensive income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognized immediately in profit or loss.

j. Inventories - Inventories correspond to: gas and oil stock, which are valued at the weighted average cost; and warehouse supplies, which are valued at their cost. These values do not surpass the net value of realization.

k. Cash flows statement - For the purpose of preparing the cash flow statements, the Company and subsidiaries have defined the following considerations:

Cash and cash equivalents include cash on hand and in banks, time deposits and other highly liquid short-term investments with a maturity of three months or less from the date of acquisition. Bank overdrafts are classified as external resources in the current liabilities section.

Operating activities: they are the principal revenue-producing activities of the Company and include other activities that are not investing or financing activities.

Investment activities: they are the acquisition or disposal of long-term assets and other investments not included in cash equivalents.

Financing activities: they are activities that produce changes in the size and composition of the net equity and in the financial liabilities.

I. Income taxes - The Company and its subsidiaries calculate their payable income taxes based on taxable profit for the year determined in accordance with the Income Tax Law regulations. The Company, for each period presented, has determined taxable losses, so no income tax provision has been recognized.

Differed taxes originated by temporal differences and other events that create differences between the accountable and taxable booking of assets and liabilities, are registered according the rules established in the IAS 12 "Profit tax".

The tax imposed over companies is registered or in the consolidated results account, or in the net equity account of the consolidated situation balance, according to where the profit or loss that generated it, was registered. Differences between the book value and the tax value of the assets and liabilities generate the asset or liability differed tax residues, and they are calculated using the fiscal rates which are expected to be in rule when the assets and liabilities are carried out.

Variations produced in the exercise of deferred taxes of both assets and liabilities are either registered in the result account of the consolidated Comprehensive Income Statement, or directly in the equity account of the Financial Statement, whichever is applicable.

Deferred tax assets are solely recognized when it is expected to have enough future tax utilities to recover deductions because of temporal differences.

Taxable (non monetary) assets and liabilities are determined in Chilean pesos are converted to the company's functional currency, at the corresponding exchange rate at each period closing. Variations in the exchange rate lead to temporal differences.

m. Severance payments - The obligations recognized as severance payments arise from the collective effort agreements between the Company and its workers. The Company recognizes the personnel's benefit cost according to an acting calculation, as required by IAS 19, "Personnel benefits". This includes variables such as life expectancy, salary increase, etc. and uses an annual discount rate of 5.5%.

The net actuarial liability amounts at the end of the period are presented in the item non-current liabilities provision, of the consolidated Financial Situation Balance.

n. Provisions - The existing obligations up to the balance date that arise from past events that could have equity losses for the Company, whose amounts and maturity rates are undetermined, are stated as provision at current value that most probably could be estimated to be paid for the Company to cancel the obligation.

Provisions are revised periodically and are quantified considering the best available information on the date of each period closing.

o. Revenue recognition - Revenue from the sale of electric energy is valued at the fair value of the amount received or receivable, and represents the amount for the rendered services during the normal course of business, reduced for any discount or related tax.

The following is a description of the Company's major revenue recognition policies, for each type of customer:

- Regulated customers - distribution companies: revenue from the sale of electric energy is recorded based on the physical delivery of energy and capacity, in accordance to long-term contracts at a regulated price stipulated by the National Energy Commission (NEC) or at a tendered price, as appropriate.
- Non-contracted regulated customers - distribution companies: until December 2009 the Company accounts for the unbilled sales of energy to distributors on an accrual basis at the marginal cost, as established in transitory article 3 of Law 20,018. This regulation establishes that "power generating companies will receive the current node price from distributors subject to price regulation not covered by contracts, crediting or charging the positive or negative differences, respectively, between the marginal cost and the current node price". From 2010 this special sales system is not in effect.
- Non-regulated customers - connected capacity of more than 2,000 KW: revenue from the sale of electric energy is recorded based on the physical delivery of energy and capacity at the rates specified in the respective contracts.
- Spot market customers - other generation companies: revenue from the sale of electric energy is recorded based on the physical delivery of energy and capacity, among other generating companies, at its marginal cost. The spot market is where the generators trade the surplus or deficit of energy and power capacity. Surplus of energy and capacity are recorded as revenues and deficits are recorded as expenses within the statement of income.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue.

The Company records the net consideration of the purchase or sales contracts of non-financial elements that are liquidated for the net consideration in cash, or in another financial instrument. The contracts that have been established or maintained in order to receive or deliver such non-financial elements are recorded according to the contract terms of the purchase, sale or usage requirements expected by the entity. The revenues for interest are recorded according to the reference period of the pending capital and consider the actual applicable interest rate.

Additionally any taxes collected from customers and remitted to governmental authorities (i.e. VAT, sales taxes) are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of income.

o.1 Dividend and interest revenue

Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

p. Dividends - The Ordinary Meeting of Shareholders agreed that the dividend policy will be the distribution of 30% of net income for the year.

The Company establishes a dividend provision of 30% of net income at each year-end.

q. Environment - The Company, in its condition as a supplier of electric energy, adheres to the principles of Sustainable Development, which combines the economic development while safekeeping the environment and the health and safety of its collaborators.

The Company recognizes that these principles are key factors for the wellbeing of its collaborators, the care of its environment and to succeed in its operations.

Through the application of its comprehensive administration system, it is Company policy to:

- Comply with the requirements established in the applicable legislation for its activities and adhere to the adequate standards when there are no laws or regulations.
- Promote among its collaborators concern and respect for the environment and in relation to occupational health and safety, emphasizing personal responsibility, and provide in turn the use of adequate practices and training.

- Design, operate and maintain its facilities so to avoid incidents and control the emissions and residue handling to ensure they are below the levels that are considered dangerous.
- Respond quickly and effectively and with adequate care, in the emergencies or accidents that occur in its operations, together with the corresponding authorities and entities.
- Identify and assess the risks related to facilities and operations, which could possibly affect the environment, and/or safety and health of its collaborators and/or public.
- Implement adequate programs and protection measures to control the identified risks.
- Integrate in the company administration the variables related to environment and occupational health and safety, in order to avoid and mitigate the adverse environmental impact and the labor risks associated to its activities.
- Use of renewable natural resources so that they do not lose their capacity of self-purging or regeneration.
- Use of fossil fuels, trying to maximize the energetic efficiency and minimize the environmental impact as much as possible.
- Promote the study and implementation of clean and friendly technologies with the environment for the development of their activities.
- Perform adequate reviews and assessments of its operations in order to measure the progress and ensure the compliance of this policy.

The compliance of these commitments is the responsibility of the entire Company.

r. Vacations - Vacation expense is recorded in the period when such right is accrued, in conformity with IAS No. 19.

s. Classification of current and non-current balances - In the accompanying consolidated statement of financial position, assets and liabilities maturing within 12 months are classified as current items and those maturing within more than 12 months as non-current items.

t. Reclassifications - For comparative purposes, certain reclassifications have been made in the 2009 financial statements, in accordance with the 2010 information model and circular 1975 of the Superintendence of Securities and Insurance.

Also, as of June 30 2010 the following reclassifications were made:

The portion of the legal minimum dividend for controlling shareholders was reclassified from other non-financial current liabilities to accounts payable due to related companies current for ThUS\$35,977.

The share premiums were reclassified from other equity to share premiums for ThUS\$398,400 in accordance with the Superintendence of Securities and Insurance.

3.2 New accounting pronouncements

- a) The following Standards and Interpretations have been adopted in these financial statements. Their adoption has had no significant impact on the amounts reported in these financial statements; however, they could affect the accounting for future transactions or agreements.

Standards and interpretations with effective application from January 1, 2010

IFRS Amendments	Obligatory application date
IFRS 1 (Revised) - <i>First Time Adoption of International Financial Reporting Standards</i>	Annual periods started on July 1, 2009
IFRS 2 - <i>Share-Based Payments</i>	Annual periods started on or after January 1, 2010
IFRS 3 (Revised) - <i>Business Combinations</i>	Annual periods started on July 1, 2009
IAS 27 (Revised) - <i>Consolidated and Separate Financial Statements.</i>	Annual periods started on July 1, 2009
IAS 39 - <i>Financial Instruments: Recognition and Measurement - Eligible Hedged Items</i>	Retrospective application for annual periods started on or after July 1, 2009
Improvements to IFRS - <i>collection of amendments to twelve International Financial Reporting Standards</i>	Annual periods started on or after January 1, 2010
New Interpretations	Obligatory application date
CIIFRS 17 - <i>Distribution of Non-Cash Assets to Owners</i>	Annual periods started on or after July 1, 2009

- b) The following new Standards and Interpretations have been issued, but their application date is not effective yet:

New IFRS	Obligatory application date
IFRS 9 - <i>Financial Instruments</i>	Annual periods started on or after January 1, 2013

IFRS Amendments	Obligatory application date
IAS 24, <i>Related Party Disclosures</i>	Annual periods started on or after January 1, 2011
IAS 32 - <i>Classification of Rights Issues</i>	Annual periods started on or after February 1, 2010
Improvements to IFRS May 2010 - <i>collection of amendments to seven International Financial Reporting Standards</i>	Annual periods started on or after January 1, 2011

New Interpretations	Obligatory application date
CIIFRS 19 - <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Annual periods started on or after July 1, 2010

Amendments to Interpretations	Obligatory application date
CIIFRS 14 - <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Annual periods started on or after January 1, 2011

The Companies' and its subsidiaries' Management believes that the adoption of the amended Standards and interpretations described above, will not have a significant impact on the interim consolidated financial statements of the Group in the period of its initial application.

4. Administration of financial risk

4.1 Risk administration Policy

The Risk Administrations' strategy is intended to safeguard the Companies' stability and sustainability principles, eliminating or mitigating the uncertain variables that affect or could affect it.

Administering the risks implies the identification, measurement, analysis and control of the different risks incurred in by the different managements of the Company, as well as estimating the impact to its consolidated results and continued impact over time. This process involves both the Senior Management of Colbún as well as the risk policy areas.

The limits of bearable risks, the metrics for the risk measurement and the frequency of the risk analysis are policies standardized by the Board of the Company.

The risk control function is performed by an Risk Committee with the support of the Risk Management and Control Management (belonging to Energy Business and Management Division) and together with the rest of the Company's areas.

4.2 Risk factors

The Company's activities are exposed to several risks that have been classified as Risks of the Electricity Business and Financial Risks.

4.2.1 Risks of the Electricity Business:

These represent the risks of a strategic nature due to the external and internal factors of the Company, such as the economic cycle, hydrology, competence level, demand patterns, industry structure, changes in the regulation and fuels price levels. Also within this category are the risks of project administration and failures to equipment and maintenance.

Regarding the risks of the Electricity Business, for 2010 the main risks are associated with Hydrology and the fuel prices, which are outlined as follows:

a. Hydrological risk

50% of the installed capacity of Colbún corresponds to hydraulic centrals which allow meeting the Company's commitments at low operating costs. However, in case of dry hydrological conditions, Colbún has to operate its combined cycle or open cycle thermal plants mainly with diesel fuel or purchase energy in the spot market in order to comply with its commitments with direct clients.

This situation increases the Colbún's operating costs, and increases the variability of its results according to the hydrological conditions.

The Company's exposure to the hydrological risk with 95% reliability is reasonably mitigated through some sales agreements that are indexed at spot price. However, in the event of extreme hydrological conditions the variability in results could increase. This situation is under permanent supervision in order to take the required mitigation actions on a timely basis.

b. Risk of fuel prices

As mentioned in the hydrological risk description, in case of low currents to the hydraulic plants, Colbún uses its thermal plants or purchases energy in the spot market at marginal cost. In these scenarios the production cost of Colbún or its marginal costs are directly affected by the fuel prices.

For 2009, Colbún has developed hedges with low risk derivative instruments acquired at several financial institutions to mitigate these kinds of risks. For 2010, and considering the less number of risks in this item, the Company has not taken hedges. However, these hedges, as well as the need for these products, are reviewed periodically in order to mitigate the risks encountered by the Company, or which the Company could encounter.

For year 2010, this type of exposure can be monitored by considering that the generation with thermal centrals has been approximate 220 GWh per month (year 2010). A variation in the international oil prices of US\$10/bbl would imply, under the current market conditions, an impact of approximately US\$3.6 million per month in the production costs of the Company. However, due to the existence of new contracts whose selling prices are also indexed with the variations in fuel prices, this kind of risk is reasonably mitigated.

4.2.2 Financial Risks:

These relate to those risks linked to the inability to perform transactions or to the non-compliance of obligations due to the lack of funds, and also due to variations in the interest rates, exchange rates, bankruptcy of the counterparty or other financial market variables that could affect the equity of Colbún.

a. Exchange Rate Risk

The risk of exchange rate is mainly due to the payments in currencies other than the US dollar for the energy generation process, for the investments in already existing energy generation plants or new plants under construction, and due to the debt acquired in a currency other than the functional currency of the Company.

The instruments used to control the exchange rate risk correspond to currency swaps and forwards.

In terms of currencies, the current balance sheet of the Company presents an excess of assets over liabilities in Chilean pesos. This "long" position in Chilean pesos creates an exchange rate difference of approximately US\$4.6 million for each \$10 variation in the parity of Chilean peso to US dollar.

b. Interest Rate Risk

It relates to variation of interest rates that affect the value of future flows stated at a variable exchange rate, and to the variations in the fair value of assets and liabilities stated at a fixed interest rate that are recorded at fair value.

The purpose of risk administration is to achieve a balance in the debt structure, decrease the impacts in cost due to fluctuations in the interest rate and therefore reduce the volatility in the profit or loss of the Company.

In order to mitigate these risks, hedge derivatives are acquired. The instruments utilized are fixed interest rate swaps and collars.

The Company's financial debt, incorporating the effect of the acquired interest rate derivatives, is as follows:

Interest rate	30.06.2010	31.12.2009
Fixed	100%	100%
Variable	0%	0%
Total	100%	100%

Also, Colbún has a remaining position of derivatives that covered the interest rate risk of the credit that was partially prepaid last February. These instruments for a notional amount of US\$319 million result in an active exposure to Libor rate. This position will be managed in accordance with the Company's policies in order to minimize the financial impact of undoing these positions.

c. Credit Risk

The Company could be exposed to credit risk due to the possibility that a counterparty could fail to comply with its contractual obligations, creating an economic or financial loss. Historically, all counterparties with whom Colbún has signed agreements regarding the delivery of energy have adequately responded to their payment obligations. In addition, most of the collections performed by Colbún are from members of the Chilean Central Interconnected System, which are entities with a high solvency.

Regarding the treasury and derivative placements, Colbún performs these transactions with entities with a high credit rating, recognized both nationally and internationally, in order to reduce the Company's credit risk. Furthermore, the Company has established participation limits of the counterparty, which are approved by the Board of the Company and are reviewed periodically.

As of June 30, 2010 the total investments of cash surplus are invested in local banks, with a credit classification equal or higher than AA-. Regarding the existing derivatives, all of the Company's international counterparties have a risk equivalent to investment level and 90% of these have an international risk rating of A+ or higher.

d. Liquidity risk

This risk is generated by the different funding requirements to comply with investment commitments and business expenses, debt maturities, etc.

The necessary funds to comply with these cash flows disbursements are obtained from resources generated in the ordinary operations of the Company, and by credit lines that ensure sufficient funds to meet the needs expected for a certain period.

As of June 30, 2010, Colbún had a cash surplus of US\$612 million invested in Mutual Funds with daily liquidity and time deposits with an average length of less than 90 days. The Company has as additional liquidity source available today: (i) a credit line with local entities in the amount of UF 5 million, (ii) two bonds lines in the local market in the amount of UF 7 million, (iii) a line of commercial bills in the local market in the amount of UF 2.5 million and (iv) two non committed bank lines in the amount of approximately US\$150 million.

4.3 Risk Measurement

The Company performs regular analysis and measurements of its exposure to the different risk variables, as stated in the previous paragraphs.

In order to measure its exposure, Colbún uses methodologies widely used in the market to perform sensibility analysis over each risk variable, so that the management can mitigate the exposure to the Company according to the different variables and their economic impact.

5. Critical Accounting policy

The Company makes estimates and judgments that have significant effects on the figures presented in the financial statements. Changes in assumptions and estimates could have a significant impact on the financial statements. The following are the estimates and critical judgments used by Management:

a. Calculation of depreciation and amortization, and estimate of related useful lives:

Both fixed assets and intangible assets with a defined lifetime are depreciated and amortized using the straight-line method over their estimated lifetime. Lifetimes have been estimated and determined, considering technical aspects, nature of the asset and conditions of the products. The lifetimes estimated as of June 30, 2010, December 31, 2009, are as follows:

(i) Useful lives of property, plant and equipment:

The detail of the useful lives of the significant property, plant and equipment are as follows:

Useful lives	Estimated useful lives	
	30.06.2010	31.12.2009
Construction and infrastructure work	30 - 50	30 - 50
Machinery and equipment	20 - 40	20 - 40
Other assets	10- 20	10- 20

(ii) Useful lives of intangible assets (with defined lifetimes):

The useful lives of the Company's intangible assets correspond to software and other similar items, which are amortized according to the length of each contract.

(iii) Useful lives of intangible assets (with undefined lifetimes):

The Company performed an analysis of the water rights' useful lives and rights of ways, concluding that there is no foreseeable limit to the period of time in which such assets will generate net revenues from net cash flows. For such intangible assets it has been determined that their useful lives are indefinite.

b. Impairment of tangible and intangible assets, excluding goodwill

At each period closing, or on such date on which it is considered necessary, the assets' value is analyzed to determine whether there exists any sign that such asset has suffered deterioration. In cases where there are any signs of deterioration, an estimation of the recoverable amount of such asset will be performed to determine, in each case, the amount of the necessary deterioration. In the case of identifiable assets that do not generate independent cash flows, the recovery of the Cash Generating Unit to which the asset belongs is estimated.

In the case of the Cash Generating Units to which tangible or intangible assets have been assigned indefinite useful lives, the recovery analysis is performed automatically by the system at year-end or under circumstances considered necessary to perform such analysis.

The recoverable amount of an asset is the higher of its fair value minus the necessary cost for its sale and its value in use, and the actual value of the estimated future cash flows. For the calculation of the recovery value of property plant and equipment, the value in use is utilized by the Company.

To estimate the value in use, the Company prepares the future cash flows before taxes utilizing the most recent budgets approved by Company Management. These budgets incorporate the best available estimations of income and expenses of the Cash Generating Units using the best estimates, the prior year experiences and the future expectations.

These cash flows are discounted at a certain rate to calculate the current value, before taxes, considered as the cost of business capital in which the Company operates. For this calculation, the current cost of money and risk premiums generally used by the business are considered.

In the cases where the recoverable amount is lower than the net carrying amount of the assets, an impairment loss is recorded for the difference, which is included in Profit or Loss.

The impairment losses recognized in prior years are reversed when a change occurs in the estimates of the recoverable amount, increasing the value of the assets with an offset to Profit or Loss up to the extent of the original value of the asset before impairment.

Company management, based on the result of the impairment test, considers that there are no impairment indicators for tangible and intangible assets, as these values do not exceed their own recoverable value.

c. Financial assets held to maturity

The Directors have reviewed the Company's financial assets held up until maturity considering the liquidity requirements and capital maintenance and have confirmed the positive intention and the capacity of the Company to hold such assets up until maturity.

d. Fair value of derivatives and other financial instruments

As described in Note 4, Management utilizes various criteria to choose an adequate valuation technique for financial instruments that are not publicly traded. The Company applies the valuation techniques commonly used by other industry professionals. For derivative financial instruments, the assumptions are based on the quoted market rates, adjusted in conformity with the specific features of the instruments. Other financial instruments are valued using an updated analysis of the cash flows based on the supported assumptions, when possible, for the observable market prices or rates.

6. Operating segments

Colbúns' principal business is the generation and sale of electric energy. For such purposes, the Company use assets that produce such energy and sells the energy to several customers via supply contracts and to others without contracts in conformity with the established by law, which was in effect until December 31, 2009.

The administration control system of Colbún analyzes the business from the hydraulic/thermal assets point of view, by their producing electric energy to meet customers' portfolio. Consequently, the assignment of resources and the performance measures are analyzed in aggregated terms.

Regardless of the above, internal management considers classification criteria for the assets and for the customers for descriptive purposes and not for business segment classification.

Some of the classification criteria are, for example, the production technology: Hydro-electrical plants (which can be passage centrals or reservoir) and thermal plants (which can be used as combined cycle, open cycle, etc.) The customers, in turn, are classified following concepts contained in the regulation for non-regulated clients, regulated clients and spot market (see Note 2).

There are no direct relationships between each of the generating plants and the supply contracts; these are established according to Colbúns' total capacity, and they can be supplied with the generation of any of the plants or with energy purchases from other generating plants.

Colbún is part of the CDEC-CIS dispatch system, and therefore the generation of each of these plants is defined by this dispatch system, according to the definition of economic optimum for the total CIS.

As Colbún operates only in the CIS, no geographic segmentation is applicable.

The electrical regulation in Chile contemplates a conceptual separation between energy and power, not because they are two different physical elements but for purposes of an efficient economic tariff system. Therefore, there is a difference between energy whose tariff is established in monetary units per energy unit (KWh, MWh, etc.) and power whose tariff is established in monetary units per power unit - time unit (KW - month).

Consequently, for the purposes of the application of IFRS 8, there is only one operating segment for Colbún, relating to the aforementioned business.

Information regarding products and services

	Accumulated 30.06.2010	Accumulated 30.06.2009	Quarter 01.04.2010 30.06.2010	Quarter 01.04.2009 30.06.2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sale of energy	372,434	511,898	208,899	244,863
Sale of power	71,197	76,657	36,591	41,281
Other income	46,833	12,529	27,414	6,109
Total sales	<u>490,464</u>	<u>601,084</u>	<u>272,904</u>	<u>292,253</u>

Information on major customers

	Accumulated 30.06.2010		Accumulated 30.06.2009		Quarter 01.04.2010 30.06.2010		Quarter 01.04.2009 30.06.2009	
	ThUS\$	%	ThUS\$	%	ThUS\$	%	ThUS\$	%
Chilectra	32,771	7%	173,729	29%	11,927	4%	66,284	23%
Codelco	59,864	12%	45,199	8%	31,093	11%	12,269	4%
Angloamerican	77,302	16%	58,725	10%	39,712	15%	21,659	7%
CGE	141,957	29%	38,753	6%	72,995	27%	14,147	5%
Otros	178,570	36%	284,678	47%	117,177	43%	177,894	61%
Total Sales	<u>490,464</u>	<u>100%</u>	<u>601,084</u>	<u>100%</u>	<u>272,904</u>	<u>100%</u>	<u>292,253</u>	<u>100%</u>

7. Cash and cash equivalents

a. The composition of cash and cash equivalents as of June 30 2010 and December 31, 2009, is as follows:

	<u>30.06.2010</u>	<u>31.12.2009</u>
	ThUS\$	ThUS\$
Cash in banks	37	48
Bank balances	2,333	560
Short-term deposits	492,016	336,254
Mutual Funds	<u>117,350</u>	<u>147,886</u>
Cash and cash equivalents	<u><u>611,736</u></u>	<u><u>484,748</u></u>

The short-term deposits mature in a period less than three months from its original investment date and accrue the market interest for short - term investments. There are no significant restrictions for cash availability.

The Mutual Funds correspond to fixed income funds in Chilean pesos, Euros and US dollars, which are recorded at the year - end unit value.

All the cash and cash equivalents have no use restrictions.

The Company has not performed any investment or financing transactions that do not require the use of cash or cash equivalents.

b. The details of cash and cash equivalents, per type of currency, considering the effect of derivatives, are as follows:

Details of cash and cash equivalents	Currency	<u>30.06.2010</u>	<u>31.12.2009</u>
		ThUS\$	ThUS\$
Cash and cash equivalents	EUR	12,260	4,366
Cash and cash equivalents	CLP	93,990	120,295
Cash and cash equivalents	USD (3)	<u>505,486</u>	<u>360,087</u>
Total		<u><u>611,736</u></u>	<u><u>484,748</u></u>

(3) Considers the effect of exchange rate forwards signed to dollarize short - time deposits.

8. Other Current Financial Assets

	Total current		Total non-current	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
TGN Trust (1)	411	391	2,835	3,120
Hedge derivative instruments (2) *	19,940	5,033	243	15,849
Investment in CDEC	-	-	371	347
Total	20,351	5,424	3,449	19,316

(1) These correspond to debt instruments issued by Financial Trust Transportadora de Gas del Norte Series 2.

(2) These correspond to current and non current positive mark-to-market value of hedge derivatives in effect at each period-end.

*See Note 13.1

9. Trade and other receivables, current

	Total current	
	30.06.2010	31.12.2009
	ThUS\$	ThUS\$
Trade debtors with contract	126,603	85,080
Unbilled non-contracted trade debtors	84,700	106,032
Sundry debtors	61,466	40,750
Total long-term debtors	272,769	231,862

The average collection period is 30 days.

Considering the solvency of the debtors, current regulations and invoice collection time, the Company believes that it does not require an uncollectible provision at the closure of each period.

The fair values of trade debtors and other receivables correspond to the same commercial values.

10. Financial instruments

a. Financial instruments per category

The accounting policies related to the financial instruments have been applied to the following categories:

	Held to maturity	Loans and accounts receivable	Trading	Hedge derivatives	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
June 30, 2010					
Derivative financial instruments	-	-	-	20,183	20,183
Trade debtors and accounts receivable	-	327,404	-	-	327,404
Financial assets - Trading	-	-	117,350	-	117,350
Other financial assets	3,246	-	-	-	3,246
Total	3,246	327,404	117,350	20,183	468,183
December 31, 2009					
Derivative financial instruments	-	-	-	20,882	20,882
Trade debtors and accounts receivable	-	338,240	-	-	338,240
Financial assets - Trading	-	-	147,886	-	147,886
Other financial assets	3,511	-	-	-	3,511
Total	3,511	338,240	147,886	20,882	510,519

b. Credit rating of the financial assets

The credit rating of financial assets that have not yet reached maturity and have not incurred a impairment loss can be assessed according to the credit rating granted to the counterparties of the Company by credit rating agencies with national and international prestige.

	30.06.2010	31.12.2009
	ThUS\$	ThUS\$
Customers with local risk rating		
AAA	12,937	12,754
AA	42,833	-
A	825	48,378
AA-	31,308	15,740
A+	297	-
A-	-	354
Total	<u>88,200</u>	<u>77,226</u>
Customers without local risk rating	<u>49,534</u>	<u>15,941</u>
Distributors without energy sales contract	<u>128,214</u>	<u>204,323</u>
Cash in banks and short-term bank deposits		
AAA	253,507	171,451
AA+	101,493	-
AA	90	110,399
AA-	139,296	55,012
Total	<u>494,386</u>	<u>336,862</u>
Derivative financial assets local market		
AAA	7,071	1,140
AA+	1,366	14,392
AA	4,264	1,769
AA	2,365	3,581
Total	<u>15,066</u>	<u>20,882</u>
Derivative financial assets- International Market		
AA-	339	-
A+ or lower	4,779	-
Total	<u>5,117</u>	<u>-</u>

None of financial assets with pending maturities were renegotiated during the period.

11. Related party information

The operations between the Company and its dependent subsidiaries, which are related parties, are part of the habitual transaction of the Company in relation to its purpose and conditions, and have been eliminated in consolidation. The relationship between the controller and subsidiary has been detailed in Note 3, letter b.

a. Majority shareholders

The detail of the shareholders of the Company as of June 30, 2010, is as follows:

Shareholders	<u>Ownership</u> %
Minera Valparaíso S.A.	37.17
Forestal Cominco S.A.	14.00
Antarchile S.A.	9.58
AFP Provida S.A.	3.92
AFP Habitat S.A.	3.09
AFP Capital S.A.	3.07
Larrain Vial S.A. Corredora de Bolsa	2.86
AFP Cuprum S.A.	2.48
Banchile Corredores de Bolsa	1.53
Celfin Capital S.A. Corredores de Bolsa	1.40
Other shareholders	<u>20.90</u>
Total	<u>100.00</u>

b. Balances and transactions with related companies:

b.1. Due from related companies

Taxpayer Number	Company	Country of origin	Relation ship	Type of currency	Total current		Total non-current	
					30.06.2010 ThUS\$	31.12.2009 ThUS\$	30.06.2010 ThUS\$	31.12.2009 ThUS\$
96.529.310-8	CMPC Tissue S.A.	Chile	Member of controlling group	CLP	441	428	-	-
96.731.890-6	Cartulinas CMPC S.A.	Chile	Member of controlling group	CLP	1,815	1,833	-	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Member of controlling group	CLP	1,316	1,229	340	348
76.652.400-1	Hidroeléctrica Aysén S.A.	Chile	Affiliate	CLP	-	-	41,926	31,948
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Affiliate	CLP	1,350	1,386	-	-
Total					<u>4,922</u>	<u>4,876</u>	<u>42,266</u>	<u>32,296</u>

b.2. Due to related companies

Taxpayer Number	Company	Country of origin	Relation ship	Type of currency	Total current	
					30.06.2010 ThUS\$	31.12.2009 ThUS\$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Affiliate	US\$	373	374
90.412.000-6	Minera Valparaíso S.A.	Chile	Shareholder	CLP	10,430	26,134
79.621.850-9	Forestal Cominco S.A.	Chile	Shareholder	CLP	3,927	9,843
Total					<u>14,730</u>	<u>36,351</u>

b.3. Significant transactions and their impact on profit or loss

Taxpayer number	Company	Country of origin	Relationship	Type of currency	Description of the transaction	Accumulated 30.06.2010		Accumulated 30.06.2009		Quarter 01.04.2010 30.06.2010		Quarter 01.04.2009 30.06.2009	
						Amount	(Charge) credit or profit or loss	Amount	(Charge) credit or profit or loss	Amount	(Charge) credit or profit or loss	Amount	(Charge) credit or profit or loss
77.017.930-0	Transmisora Eléctrica de Quillota Lt	Chile	Affiliate	CLP	Toll for use of facilities	1,238	1,040	891	(748)	800	673	447	(375)
				UF	Interest on loan	50	50	89	89	25	25	89	89
76.652.400-1	Centrales Hidroeléctricas Aysén	Chile	Affiliate	UF	Loans granted	11,817	-	17,297	-	-	-	-	-
				UF	Interest on loan	1,091	1,091	340	340	599	599	254	254
96.731.890-6	Cartulinas CMPC S.A.	Chile	Member of controlling group	CLP	Sale of energy and power and transportation of ener	10,173	8,549	10,210	8,580	5,404	4,541	5,046	4,240
96.529.310-8	CMPC Tissue S.A.	Chile	Member of controlling group	CLP	Sale of energy and power and transportation of ener	2,967	2,493	2,674	2,247	248	1,308	1,367	1,149
96.806.130-5	Electrogas S.A.	Chile	Affiliate	CLP	Gas transportation service	4,311	(3,623)	6,030	(5,067)	2,203	(1,851)	3,049	(2,562)
96.806.130-5	Electrogas S.A.	Chile	Affiliate	CLP	Diesel transportation service	495	(416)	498	(418)	245	(206)	250	(210)
96.853.150-6	Papeles Cordillera S.A.	Chile	Member of controlling group	CLP	Sale of energy and power and transportation of ener	7,186	6,039	7,446	6,257	3,701	3,110	3,720	3,126
90.412.000-6	Minera Valparaíso S.A.	Chile	Accionista mayoritario	CLP	Dividends	10,430	-	26,134	-	10,430	-	26,134	-
79.621.850-9	Forestal Cominco S.A.	Chile	Accionista mayoritario	CLP	Dividends	3,927	-	9,843	-	3,927	-	9,843	-

There is no guarantee, granted or received for the transactions with related parties.

There are no doubtful accounts with pending balances that require an allowance or need to be written off to profit or loss.

All transactions with related parties were performed in conformity with market terms and conditions.

c. Administration and Senior Management

The members of the senior management and other persons assuming the administration of Colbún, as well as its shareholders or natural or legal persons which they represent, have not participated as of June 30, 2010 and December 31, 2009, in unusual and/or relevant transactions with the Company.

The Company is administered by a board of 9 directors' members, which remain for a period of three years with the possibility of reelection.

d. Directors' Committee

In conformity with Article 50 of law No. 18.046 on Publicly Traded Companies, Colbún and subsidiaries have a directors' committee composed of three members, who have the responsibilities outlined in such article.

On April 29, 2009, during the extraordinary meeting, the Board of Directors of the Company assigned Mr. Emilio Pellegrini Ripamonti, Mr. Sergio Undurraga Saavedra and Mr. Fernando Franke García as members of the directors' committee of Colbún.

e. Compensation and other service renderings

In conformity with Article 33 of Law No. 18.046 on Publicly Traded Companies, on April 23, 2010, the ordinary general shareholders' meeting determined the compensation of the board of directors of Colbún for 2010. The detail of the amount paid as of June 30, 2010 and 2009 including for the members of the directors' committee and the directors of the subsidiaries, are as follows:

e.1 Directors' compensation:

Name	Position	Year to date 30.06.2010			Year to date 30.06.2009			Quarter 01.04.2010 30.06.2010			Quarter 01.04.2009 30.06.2009				
		Board of Colbún TRUSS	Board of subsidiaries TRUSS	Directors Committee TRUSS	Board of Colbún TRUSS	Board of subsidiaries TRUSS	Directors Committee TRUSS	Board of Colbún TRUSS	Board of subsidiaries TRUSS	Directors Committee TRUSS	Board of Colbún TRUSS	Board of subsidiaries TRUSS	Directors Committee TRUSS		
Bernardo Matte Larrain	Chairman	60	-	-	64	-	-	24	-	-	34	-	-		
Emilio Pellegrini Ripamonti	Vice Chairman	48	-	5	55	-	2	18	-	4	28	-	1		
José Pedro Undurraga Izquierdo	Director	-	-	-	8	-	1	-	-	-	3	-	-		
Demetrio Zañartu Sacarza	Director	21	-	-	12	-	-	12	-	-	8	-	-		
Luis Felipe Gazitúa Achondo	Director	21	-	-	16	-	-	12	-	-	8	-	-		
Fernando Franke García	Director	21	-	5	17	-	2	12	-	4	8	-	1		
Juan Hustedo Vicuña	Director	20	-	-	13	-	-	12	-	-	8	-	-		
Eduardo Navarro Beltran	Director	21	-	-	16	-	-	12	-	-	8	-	-		
Arturo Mackenna Ifiguez	Director	21	-	-	15	-	-	12	-	-	8	-	-		
Sergio Undurraga Saavedra	Director	21	-	5	-	-	1	12	-	4	-	1	1		
Carlos Campino Guzmán	Director	-	7	-	6	3	-	-	-	-	6	1	-		
Total		254	7	15	222	3	6	126	#	#	12	119	#	1 #	3

e.2 Advisory expenses of the Board of Directors

During the period ended June 30, 2010 and 2009, the board of directors did not have any advisory expenses.

e.3 Compensation of the members of the senior management, who are not directors.

Members of Senior Management

Name	Position
Bernardo Larraín Matte	General Manager
Juan Eduardo Vásquez Moya	Manager of Business Division and Energy Administration
Enrique Donoso Moscoso	Manager Generation Division
Patricia Gamboa Castelblanco	Manager Organization and Human Resources
Eduardo Morel Montes	Manager of Engineering and Project Division
Cristián Morales Jaureguiberry	Manager of Finance and Administration Division
Carlos Abogabir Ovalle	Manager of Corporate Issues
Rodrigo Pérez Stieповic	Legal Manager

The accrued compensation for members of senior management adds to ThUS\$1,592, for the period ended on June 30, 2010, and ThUS\$1,393 for the period ended on June 30, 2009. This compensation includes the regular monthly salary and an estimate of short-term (annual bonus) and long-term benefits (mainly provision for severance payments).

e.4 Receivable and payable accounts and other transactions

There are no accounts receivable and payable between the Company and its directors and officers.

e.5 Other transactions

There are no other transactions between the Company and its directors and officers.

e.6 Guarantees constituted by the Company in favor of the directors

During the periods ended June 30, 2010 and 2009, the Company has not performed such operations.

e.7 Incentive plans for the main executives and managers

The Company has established annual bonuses for its management group in relation to the evaluation of their individual performance, and their goal compliance at a company level, as well as regarding the group and individual performance of each executive.

e.8 Indemnities paid to other main executives and officers

During the periods ended June 30, 2010 and December 31, 2009, there were no payments related to this item.

e.9 Guarantee clauses: board of directors and Company management

The Company has no guarantee clauses with its directors or officers.

e.10 Stock plans linked to quoted share price

The Company does not have these types of plans.

12. Inventory

Inventory measurement policy

Inventory represents the stock of gas and oil, which are measured at their average weighted costs and inventory at warehouse stock that will be used during the period, in the maintenance of property plant and equipment Company, which are valued at cost, amounts that shall not exceed their realizable net value.

The detail of inventory is as follows:

	<u>30.06.2010</u>	<u>31.12.2009</u>
	ThUS\$	ThUS\$
Inventory at warehouse	9,299	7,350
Gas Line Pack	274	644
Oil	<u>4,545</u>	<u>3,935</u>
Total	<u><u>14,118</u></u>	<u><u>11,929</u></u>

Cost of inventories recognized as expenses during the period:

The consumption recognized as expenses during the periods ended June 30, 2010 and 2009, respectively, are as follows:

	<u>Accumulated</u>	<u>Accumulated</u>	<u>Quarter</u>	<u>Quarter</u>
	<u>30.06.2010</u>	<u>30.06.2009</u>	<u>01.04.2010</u>	<u>01.04.2009</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Inventory at warehouse	1,489	13,444	759	7,850
Gas Line Pack	53,363	5,440	13,393	2,219
Oil	<u>124,176</u>	<u>187,801</u>	<u>87,525</u>	<u>130,519</u>
Total	<u><u>179,028</u></u>	<u><u>206,685</u></u>	<u><u>101,677</u></u>	<u><u>140,588</u></u>

13. Derivative instruments

The Company, in compliance with their financial risk management policy described in Note 4, acquires financial derivatives to hedge its exposure to interest rate variations, currency (foreign currency exchange rate) and fuel prices.

The interest rate derivatives are used to establish or limit the variable interest rate of the financial obligations and correspond to interest rate swaps and zero-cost collars.

The foreign currency derivatives are used to hedge the exchange rate of the US dollar in comparison to the Chilean peso (CLP), Unidad de Fomento (UF) and Euros (EUR), among others, due to investments or existing obligations in currencies other than the US dollar. These instruments correspond mainly to Forwards and Cross Currency Swaps.

The derivatives to hedge fuel prices are used to mitigate the risk of variation in the energy production costs of the Company, due to a change in fuel prices and in supplies used in construction projects of electricity generating companies. The instruments utilized correspond mainly to options and forwards.

As of June 30, 2010, the Company classified all its hedges as "cash flow hedges", except for US\$319 million (nominal value) of interest rate derivatives that were without hedged item when prepaying a syndicated credit in February 2010 and whose position has been open and the mark-to-market valuation of these derivatives is recorded as profit or loss in the Statements of Integral Income.

13.1 Hedge Instruments

The detail of hedge instruments as of June 30, 2010 and December 31, 2009, which includes the valuation of financial instruments as of such dates, is as follows:

Hedge assets	30.06.2010		31.12.2009		
	Current	Non-current	Current	Non-current	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Exchange rate hedge					
Cash flow hedge	14,823	243	5,033	15,849	
Fuel price hedge					
Cash flow hedge	5,117	-	-	-	
Total	19,940	243	5,033	15,849	
Hedge liabilities					
		30.06.2010		31.12.2009	
		Current	Non-current	Current	Non-current
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Exchange rate hedge					
Cash flow hedge		4,392	13,103	3,487	7,256
Interest rate hedge					
Cash flow hedge		2,572	22,945	-	33,912
Total		6,964	36,048	3,487	41,168

The detail of Colbún hedge portfolio is as follows:

Hedge instrument	Fair Value of Hedge Instrument		Hedged item	Covered risk	Hedge type
	30.06.2010	31.12.2009			
	ThUS\$	ThUS\$			
Forwards	(5,870)	(751)	Disbursement future projects	Exchange rate	Cash flow
Forwards	14,823	1,793	Financial investments	Exchange rate	Cash flow
Swaps	(12,200)	(24,927)	Bank loans	Exchange rate	Cash flow
Swaps	(13,316)	(6,439)	Bonds payable	Exchange rate	Cash flow
Zero Cost Collars	-	(2,545)	Bank loans	Exchange rate	Cash flow
Cross Currency Swaps	(10,798)	1,027	Bonds payable	Exchange rate	Cash flow
Cross Currency Swaps	(585)	8,069	Bank loans	Exchange rate	Cash flow
Oil calls	5,117	-	Purchases of Oil	Purchases of oil	Cash flow
Total	<u>(22,829)</u>	<u>(23,773)</u>			

In relation to the cash flow hedges recorded as of June 30, 2010, the Company has not recognized income or losses due to hedge ineffectiveness.

13.2 Hierarchy of Fair Value

The fair value of the financial instruments recognized in the Statement of Financial Position has been determined utilizing the following hierarchy according to the input data utilized during the valuation.

Level 1: Prices quoted in active markets for identical instruments.

Level 2: Prices quoted in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data.

Level 3: Valuation techniques for which all relevant inputs are not based on observable market data.

As of June 30, 2010, the fair value calculation of all financial instruments subject to valuation has been determined based on Level 2 of the previously presented hierarchy.

14. Investments in subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and the companies under its control (see Note 3b). The following table includes detailed information of the Subsidiaries as of June 30, 2010 and December 31, 2009.

30.06.2010										
Taxpayer number	Company	Country of Origin	Relationship	Type of Currency	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Ordinary Income	Net amount of Income (Loss)
					ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
96.854.000-9	Empresa Eléctrica Industrial S.A	Chile	Subsidiary	US Dollar	574	10,958	4,524	622	863	(513)
E-0	Colbún International Limited	Cayman Islands	Subsidiary	US Dollar	542	-	5	-	-	(4)
86.856.100-9	Sociedad Hidroel. Melocotón Ltda	Chile	Subsidiary	US Dollar	-	676	145	-	-	(2)
76.293.900-2	Río Tranquilo S.A.	Chile	Subsidiary	US Dollar	1,429	81,416	22,831	5,503	9,258	2,306
86.912.000-6	Hidroeléctrica Guardia Vieja S.A.	Chile	Subsidiary	US Dollar	94,316	267,392	10,402	9,593	29,577	20,227
96.590.600-2	Hidroeléctrica Aconcagua S.A.	Chile	Subsidiary	US Dollar	40,256	111,838	12,586	18,637	36,364	21,719
96.784.960-K	Obras y Desarrollo S.A.	Chile	Subsidiary	US Dollar	11,823	37,711	20,430	9,546	19,962	(1,585)
76.528.870-3	Termoeléctrica Nehuenco S.A.	Chile	Subsidiary	US Dollar	130	1,756	8,598	888	815	(1,243)
76.009.904-K	Termoeléctrica Antihue S.A.	Chile	Subsidiary	US Dollar	116	57,840	29,993	5,564	-	(1,428)

31.12.2009										
Taxpayer number	Company	Country of Origin	Relationship	Type of Currency	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Ordinary Income	Net amount of Income (Loss)
					ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
96.854.000-9	Empresa Eléctrica Industrial S.A	Chile	Subsidiary	US Dollar	513	11,092	4,119	591	1,942	70
E-0	Colbún International Limited	Cayman Islands	Subsidiary	US Dollar	550	-	2	-	-	(2)
86.856.100-9	Sociedad Hidroel. Melocotón Ltda	Chile	Subsidiary	US Dollar	1	678	146	-	-	(8)
76.293.900-2	Río Tranquilo S.A.	Chile	Subsidiary	US Dollar	2,418	83,651	29,980	4,008	26,891	20,475
86.912.000-6	Hidroeléctrica Guardia Vieja S.A.	Chile	Subsidiary	US Dollar	115,584	284,839	17,171	43,491	136,291	70,180
96.590.600-2	Hidroeléctrica Aconcagua S.A.	Chile	Subsidiary	US Dollar	42,671	113,403	13,356	19,107	55,829	31,957
96.784.960-K	Obras y Desarrollo S.A.	Chile	Subsidiary	US Dollar	28,421	36,989	7,108	10,518	48,318	16,334
76.528.870-3	Termoeléctrica Nehuenco S.A.	Chile	Subsidiary	US Dollar	520	1,678	7,726	828	1,130	(2,158)
76.009.904-K	Termoeléctrica Antihue S.A.	Chile	Subsidiary	US Dollar	139	58,771	29,992	5,092	-	(813)

15. Non-current rights receivable

The detail of this item as of June 30, 2010 and December 31, 2009, is as follows:

Item	Total non-current	
	30.06.2010	31.12.2009
	<u>ThUS\$</u>	<u>ThUS\$</u>
Trade receivables with agreement	4,973	8,087
Trade receivables without agreement (1)	<u>49,662</u>	<u>98,291</u>
Total rights receivable	<u><u>54,635</u></u>	<u><u>106,378</u></u>

- (1) Regulated customers without contracts - distributing companies: Until December 2009 the Company had unbilled sales of energy to distributors on an accrual basis at their marginal cost in accordance with Article No.3 of Law 20,018 (See Note 3o).

16. Investments in associates accounted under equity method

a. Equity Method:

The following table is a detail of the significant companies in which Colbún has a percentage ownership, recorded according to the equity method of accounting as of June 30, 2010 and December 31, 2009:

	Number of shares	Ownership percentage 30.06.2010 %	Balance as of 01.01.2010 ThUS\$	Additions ThUS\$	Profit (loss) for the year ThUS\$	Dividends ThUS\$	Equity reserve ThUS\$	Subtotal 30.06.2010 ThUS\$	Unrealized income ThUS\$	Total 30.06.2010 ThUS\$
Centrales Hidroeléctricas Aysén S.A.	2000000	49%	56,220	-	(2,894)	-	(4,364)	48,962	-	48,962
Transmisora Eléctrica de Quillota Ltda.	0	50%	8,952	-	662	-	(609)	9,005	-	9,005
Electrogas S.A.	85	0.02%	8	-	1	-	-	9	-	9
Inversiones Electrogas S.A.	425	43%	15,570	-	3,263	(4,675)	(933)	13,225	(848)	12,377
Total			80,750	-	1,032	(4,675)	(5,906)	71,201	(848)	70,353

	Number of shares	Ownership percentage 31.12.2009 %	Balance as of 01.01.2009 ThUS\$	Additions ThUS\$	Profit (loss) for the year ThUS\$	Dividends ThUS\$	Equity reserve ThUS\$	Subtotal 31.12.2009 ThUS\$	Unrealized income ThUS\$	Total 31.12.2009 ThUS\$
Centrales Hidroeléctricas Aysén S.A.	2000000	49%	45,715	-	(5,528)	-	16,033	56,220	-	56,220
Transmisora Eléctrica de Quillota Ltda.	0	50%	7,424	-	1,053	-	475	8,952	-	8,952
Electrogas S.A.	85	0.02%	6	-	3	(2)	1	8	-	8
Inversiones Electrogas S.A.	425	43%	13,625	-	5,503	(4,391)	833	15,570	(831)	14,739
Total			66,770	-	1,031	(4,393)	17,342	80,750	(831)	79,919

The Company applies the equity method of accounting for Electrogas S.A. as it has significant influence from having two members on its Board, and also because Colbún owns 42.5% of Inversiones Electrogas S.A., its Parent Company.

b. Financial information of companies under joint control

The financial statement as of June 30, 2010 and December 31, 2009 for companies in which the Company has joint control is as follows:

30.06.2010

Company	Non-current assets	Current assets	Non-current liabilities	Current Liabilities	Ordinary income	Ordinary expenses
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Centrales Hidroeléctricas Aysén S.A.	169,086	24,763	(1,404)	(92,267)	-	(3,383)
Transmisora Eléctrica de Quillota Ltda	17,851	4,602	(1,656)	(2,847)	2,327	(656)
Total	<u>186,937</u>	<u>29,365</u>	<u>(3,060)</u>	<u>(95,114)</u>	<u>2,327</u>	<u>(4,039)</u>

31.12.2009

Company	Non-current assets	Current assets	Non-current liabilities	Current Liabilities	Ordinary income	Ordinary expenses
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Centrales Hidroeléctricas Aysén S.A.	167,750	19,629	(1,422)	(71,760)	-	(10,371)
Transmisora Eléctrica de Quillota Ltda	20,109	2,542	(1,729)	(2,919)	4,589	(1,564)
Total	<u>187,859</u>	<u>22,171</u>	<u>(3,151)</u>	<u>(74,679)</u>	<u>4,589</u>	<u>(11,935)</u>

17. Intangible assets other than goodwill

The detail and activity of intangible assets for the periods ending on June 30, 2010 and December 31, 2009 is as follows:

	30.06.2010	31.12.2009		
	ThUS\$	ThUS\$		
Intangible Assets, Net				
Intangible Assets, Net	36,183	33,428		
Water rights	15,709	13,864		
Rights-of-ways	14,237	13,467		
Software	6,237	6,097		
Intangible Assets, Gross				
Intangible Assets, Gross	36,468	33,514		
Water rights	15,709	13,864		
Rights-of-ways	14,255	13,475		
Software	6,504	6,175		
Accumulated amortization				
Accumulated amortization	(285)	(86)		
Water rights	-	-		
Rights-of-ways	(18)	(8)		
Software	(267)	(78)		
Movements in 2010				
	Water rights	Rights-of-ways	Software	Intangibles, Net
Beginning balance as of December 31, 2009	13,864	13,467	6,097	33,428
Additions	1,845	780	329	2,954
Amortization		(10)	(189)	(199)
Total June 30, 2010	15,709	14,237	6,237	36,183
Movements in 2009				
	Water rights	Rights-of-ways	Software	Intangibles, Net
Beginning balance as of January 1, 2009	13,864	7,481	5,377	26,722
Additions		5,993	763	6,756
Amortization		(7)	(43)	(50)
Total December 31, 2009	13,864	13,467	6,097	33,428

The useful life of software, which is used in the calculation of the amortization, is an average of 36 months.

As explained in note 5b), the Company's management considers that there are no indications of impairment of the book value of intangible assets.

The Company does not have intangible assets that are considered as guarantees for the compliance with obligations.

18. Property, plant and equipment, net

The detail of the Property, plant and equipment as of June 30, 2010 and December 31, 2009, as well as the activity in each period is as follows:

	30.06.2010	31.12.2009
	ThUS\$	ThUS\$
Class Property, plant and equipment, net		
Property, plant and equipment, net	<u>4,281,549</u>	<u>4,184,750</u>
Land	260,020	259,049
Construction and infrastructure	1,784,110	1,815,775
Machinery and equipment	1,256,066	1,285,070
Other fixed assets	49,126	48,415
Works in progress	932,227	776,441
Class Property, plant and equipment, gross		
Property, plant and equipment, Gross	<u>4,580,140</u>	<u>4,421,769</u>
Land	260,020	259,049
Construction and infrastructure	1,941,345	1,941,375
Machinery and equipment	1,391,367	1,391,642
Other fixed assets	55,181	53,262
Works in progress	932,227	776,441
Depreciation Accumulated and Impairment Property, Plant and Equipment		
Total Depreciation Accumulated and Impairment Property, Plant and Equipment	<u>(298,591)</u>	<u>(237,019)</u>
Construction and infrastructure	(157,235)	(125,600)
Machinery and equipment	(135,301)	(106,572)
Other fixed assets	(6,055)	(4,847)

Movements in 2010	Land	Construction and infrastructure	Machinery and equipment	Other fixed assets	Works in progress	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Assets						
Beginning balance	259,049	1,815,775	1,285,070	48,415	776,441	4,184,750
Divestitures	971	503	717	1,919	175,897	180,007
Transfers	-	(533)	(991)	-	(20,111)	(21,635)
Depreciation	-	-	-	-	-	-
	-	(31,635)	(28,730)	(1,208)	-	(61,573)
Subtotal	971	(31,665)	(29,004)	711	155,786	96,799
Total	<u>260,020</u>	<u>1,784,110</u>	<u>1,256,066</u>	<u>49,126</u>	<u>932,227</u>	<u>4,281,549</u>
Movements in 2009	Land	Construction and infrastructure	Machinery and equipment	Other fixed assets	Works in progress	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Assets						
Beginning balance	251,002	1,861,868	1,237,381	47,577	376,516	3,774,344
Divestitures	8,050	1,666	24,919	3,183	502,121	539,939
Transfers	(3)	-	(9,472)	-	-	(9,475)
Depreciation	-	14,866	87,330	-	(102,196)	-
	-	(62,625)	(55,088)	(2,345)	-	(120,058)
Subtotal	8,047	(46,093)	47,689	838	399,925	410,406
Total	<u>259,049</u>	<u>1,815,775</u>	<u>1,285,070</u>	<u>48,415</u>	<u>776,441</u>	<u>4,184,750</u>

The recognizing policy for costs related to dismantling, removing and restoring of property, plant and equipment is based on the contractual obligation for each project. As such, the Company has not recorded a related provision as it does not have a legal or contractual obligation in this regard.

The Company does not own property, plant and equipment that are guarantees for the compliance of obligations.

Works in progress include: the project Central Térmica de Carbón Santa María, with a MW 372 capacity; the Central Hidráulica San Clemente, with a MW 5.4 capacity; and the construction of the Transmission Line Santa María - Charrúa with a 900 MVA capacity, Central Hidráulica San Pedro with a MW 150 capacity and the Central Hidráulica Angostura with a MW 316 capacity.

In regards to Santa María Project, the Company estimates the power plant will start operating in the second six-month period of 2011, taking into consideration the delays of the Contractor and the impact of the 2/27 earthquake. As of June 2010 the Company recorded a US\$16.6 million as write-offs of assets equivalent to expenses for repairs as a result of the 2/27 earthquake, of which 10% (which is the all risk construction insurance deductible) has been recognized as loss in the statement of income. Notwithstanding the above, Colbún S.A. in conjunction with its consultants and the insurance liquidator are still calculating the final total costs associated with the claim, including physical and extension repair expenses, and the expected benefit loss for the delay in the commissioning. For this purpose, Colbún S.A. has an existing "construction and assembly all risk" insurance policy, which includes a special coverage of ALOP (advanced loss of profit). The respective adjustment procedure is in progress.

As of June 30, 2010 and December 31, 2009, the Company has acquisition commitments of assets of immobilized material derived from construction contracts under the property, plant and equipment method for ThUS\$81,226.59 and ThUS\$719.77, respectively. The companies with whom these operations are performed are: Besalco Dragados S.A., Ingeniería y Construcción Tecnimont, Constructora CVV Compax Ltda., B.Bosh S.A., Tecnimont SPA, Salfa Montajes S.A., and Andritz Chile S.A.

Colbún and its subsidiaries have insurance policies to cover any potential risks to which several elements of its property, plant and equipment are subject to, as well as any potential claims that could be filed in connection with their use. The Company considers that these policies are enough to cover any potential risks.

In addition, the loss of benefits which could occur as a consequence of a stoppage is covered.

The following is a detail of the capitalized interests included within Property, plant and equipment.

	30.06.2010	31.12.2009
	ThUS\$	ThUS\$
Interest expense capitalized within Property, Plant and Equipment		
Interest and exchange difference	7,929	60,479
Total	7,929	60,479

The effective average interest rate of the debt of the Company is 6.12% and 6.99% as of June 30, 2010 and December 31, 2009, respectively.

19. Current tax assets

The income tax receivable as of June 30, 2010 and December 31, 2009 are as follows:

	30.06.2010	31.12.2009
	ThUS\$	ThUS\$
Monthly provision payments	5,378	11,234
VAT Fiscal credits	145,357	182,503
Specific diesel tax	10,837	3,428
PPUA for withheld revenues	6,137	5,662
SENCE credits	41	161
Request of VAT surplus from projects	19,839	-
Total	187,589	202,988

20. Other non - financial assets current

Other current assets as of June 30, 2010 and December 31, 2009 are as follows:

	Total current		Total non-current	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Insurance in facilities and public liability	1,231	6,318	-	-
Advance payments	4,392	2,298	11,140	-
Escrow account of Argentine Gas producers	-	18,228	-	-
Patent water rights	-	-	6,216	4,563
Other sundry assets	136	353	1,926	1,854
Total	5,759	27,197	19,282	6,417

21. Income taxes

a. Income tax expense (income)

	Accumulated		Quarter	
	01.01.2010	01.01.2009	01.04.2010	01.04.2009
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Current income tax expense				
Current income tax expense	5,249	8,784	754	400
Prior period adjustment	(1,032)	(829)	(1,032)	(829)
Current tax expense, net, total	4,217	7,955	(278)	(429)
Deferred income tax expense				
Deferred expense (income) for taxes related to the generation and reversal of temporary differences	(4,824)	9,105	6,008	9,641
Other deferred tax expenses (income) (1)	7,803	(41,720)	12,003	(41,678)
Deferred tax expense (income), net, total	2,979	(32,615)	18,011	(32,037)
Income tax expense (income)	7,196	(24,660)	17,733	(32,466)

	Accumulated		Quarter	
	01.01.2010	01.01.2009	01.04.2010	01.04.2009
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Income tax expense (income) by foreign and local parties (presentation)				
Current income tax expense by foreign and local parties, net				
Current tax expense, net, national	4,217	7,955	(278)	(429)
Current tax expense, net, total	4,217	7,955	(278)	(429)
Deferred tax expense by foreign and local parties, net				
Deferred tax expense (income), net, national	2,979	(32,615)	18,011	(32,037)
Deferred tax expense (income), net, total	2,979	(32,615)	18,011	(32,037)
Income tax expense (income)	7,196	(24,660)	17,733	(32,466)

(1) Deferred tax (income) expense for the temporary difference created when comparing tax basis of fixed assets in Chilean pesos translated into US dollars at closing exchange rate and the accounting basis of fixed assets stated in accordance with functional currency US dollar.

The total income tax expense for the year could be reconciled to financial net income, as follows:

	Accumulated		Quarter	
	01.01.2010	01.01.2009	01.01.2010	01.01.2009
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Profit before tax	88,780	105,862	73,881	60,520
Tax expense using statutory rate (17%)	15,093	17,997	12,560	10,288
Tax effect of benefit not recognized previously in the statement of income	-	(829)	-	(930)
Other increase (decrease) in charge for statutory taxes	(1,032)	(108)	(1,032)	(146)
Adjustments to expenses for taxes using the statutory rate, total	(1,032)	(937)	(1,032)	(1,076)
Tax expense using the effective rate	14,061	17,060	11,528	9,212
Deferred tax expense (income) due to the permanent differences-exchange rates differences (2)	(6,865)	(41,720)	6,205	(41,678)
Income tax expense	7,196	(24,660)	17,733	(32,466)
	30.06.2010	31.06.2009		
	ThUS\$	ThUS\$		
Statutory tax rate	0.17	0.17		
Other increase (decrease) in statutory tax rate	(0.01)	0.00		
Adjustments to the statutory tax rate, total	(0.08)	0.00		
Effective tax rate	0.08	0.17		

The tax rate used for 2010 and 2009 corresponds to the corporate tax rate of 17% in accordance with current legislation.

(2) Deferred tax (income) expense due to the permanent difference resulting from the effects of the price-level restatement and the exchange difference of the balance sheet in Chilean pesos for the calculation of the tax result.

b. Deferred taxes

The deferred tax assets and liabilities for each period are as follows:

Deferred tax assets	30.06.2010	31.12.2009
	ThUS\$	ThUS\$
Deferred tax assets related to provisions	1,236	1,294
Deferred tax assets related to tax losses	11,542	6,155
Deferred tax assets related to other	1,158	1,528
Tax assets - Hedge Reserve	4,537	-
Deferred tax assets	18,473	8,977
Deferred tax liabilities	30.06.2010	31.12.2009
	ThUS\$	ThUS\$
Deferred tax liabilities related to depreciation	439,839	432,330
Deferred tax liabilities related to obligations for retirement benefits	893	911
Deferred tax liabilities related to other	10,012	9,564
Deferred tax liabilities	450,744	442,805

The assets and liabilities for deferred taxes can only be offset if the right to offset assets and liabilities for deferred taxes have been legally recognized and if these do not differ from the same fiscal authority.

As of June 30, 2010, the Company together with its subsidiaries Sociedad Hidroeléctrica Melocotón Ltda., Termoeléctrica Antihue S.A., Empresa Eléctrica Industrial, Termoeléctrica Nehuenco S.A., Río Tranquilo S.A. and Obras y Desarrollo S.A. determined a tax loss of ThUS\$67,893 (as of December 31, 2009 a tax loss of ThUS\$36,206).

According to IAS 12, deferred tax assets are recognized as tax losses, Management has determined that the existence of future taxable income is probable, over which these losses will be utilized.

Also, Hidroeléctrica Guardia Vieja S.A. and Hidroeléctrica Aconcagua S.A. recorded an income tax provision of ThUS\$5,274.

c. Deferred taxes

The deferred tax assets/(liabilities) are derived from the following activity:

Fluctuations of deferred taxes	Assets	Liabilities
	30.06.2010	30.06.2010
	ThUS\$	ThUS\$
Liabilities for deferred taxes, beginning balance	8,976	442,805
Deferred Tax	4,959	7,939
Increases (decreases) to equity	4,537	-
Total Changes in Deferred Taxes	9,497	7,939
Deferred taxes, final balance	18,473	450,744

22. Other financial liabilities

For the periods ending on June 30, 2010 and December 31, 2009, the detail of interest bearing loans is as follows:

a. Liabilities with financial institutions

	Current		Non-Current	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Loans with financial entities	14,681	5,974	215,113	475,990
Bonds payable (bonds, shares) (1)	21,784	29,623	1,144,495	691,728
Obligations and other loans	3,413	6,837	-	-
Hedge Derivatives	6,963	3,487	36,048	43,540
Financial liabilities at fair value with change in income	5,004	-	13,318	-
Total	51,845	45,921	1,408,974	1,211,258

(1) Includes bond discounts, stamp taxes, commissions, etc.

b. Maturity and currency of the obligations with financial entities:

The details of bank loans, which are at face value, are as follows:

As of June 30, 2010:

Loans with Financial Entities												30-06-2010					
RUT	Debtor Company	Country	Creditor	RUT	Country	Currency	Exchange Rate type	Base	Nominal Rate	Effective Tax Rate	Type of Amortization	Maturity					
												Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
96,505,760-9	Colbún S.A.	Chile	BBVA Bancomer	0-E	México	US\$	Variable	Libor 6M	2.74%		Semiannual	1,618	-	146,144	-	-	147,762
96,505,760-9	Colbún S.A.	Chile	Corpbanca	97.023.000-9	Chile	CLP	Variable	TAB 6M	2.02%		Annual	727	12,336	68,969	-	-	82,032
												2,345	12,336	215,113	-	-	229,794

Bonds payables (Bonos Share)												30-06-2010					
RUT	Debtor Company	Country	Creditor	RUT	Country	Currency	Exchange Rate type	Base	Nominal Rate	Effective Tax Rate	Type of Amortization	Maturity					
												Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
96,505,760-9	Colbún S.A.	Chile	Bono Serie C 234		Chile	UF	Fixed	Fixed	7.00%		Semiannual	-	5,951	15,615	18,109	32,727	72,402
96,505,760-9	Colbún S.A.	Chile	Bono Serie E 500		Chile	UF	Fixed	Fixed	3.20%		Semiannual	-	605	-	109,717	-	110,322
96,505,760-9	Colbún S.A.	Chile	Bono Serie F 499		Chile	UF	Fixed	Fixed	3.40%		Semiannual	-	1,295	-	29,231	190,005	220,531
96,505,760-9	Colbún S.A.	Chile	Bono Serie G 537		Chile	UF	Fixed	Fixed	3.80%		Bullet	-	170	-	72,817	-	72,987
96,505,760-9	Colbún S.A.	Chile	Bono Serie H 537		Chile	US\$	Variable	Libor +2.10%	2.85%		Bullet	-	128	-	-	75,928	76,056
96,505,760-9	Colbún S.A.	Chile	Bono Serie I 538		Chile	UF	Fixed	Fixed	4.50%		Semiannual	-	302	-	-	109,226	109,528
96,505,760-9	Colbún S.A.	Chile	Bono 144/RegS		EE.UU.	US\$	Fixed	Fixed	6.00%		Bullet	13,333	-	-	-	491,120	504,453
												13,333	8,451	15,615	229,874	899,006	1,166,279

Obligations and other loans												30-06-2010					
RUT	Debtor Company	Country	Creditor	RUT	Country	Currency	Exchange Rate type	Base	Nominal Rate	Effective Tax Rate	Type of Amortization	Maturity					
												Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
96,505,760-9	Colbún S.A.	Chile	KFW (1)	0-E	Alemania	US\$	Variable	Libor 6M	1.29%		Semiannual	3,413	-	-	-	-	3,413
Total												3,413	-	-	-	-	3,413

As of December 31, 2009:

Loans with Financial Entities													31-12-2009				
RUT	Debtor Company	Country	Creditor	RUT	Country	Currency	Exchange Rate type	Base	Nominal Rate	Effective Tax Rate	Type of Amortization	Up to 3 months ThUS\$	3 to 12 months ThUS\$	1 to 3 years ThUS\$	Maturity 3 to 5 years ThUS\$	More than 5 years ThUS\$	Total ThUS\$
96,505,760-9	Colbún S.A.	Chile	BBVA Bancomer	0-E	México	US\$	Variable	Libor 6M	3.26%	4.04%	Semiannual	5,178	-	233,022	155,348	-	393,548
96,505,760-9	Colbún S.A.	Chile	Corpbanca	97,023,000-9	Chile	CLP	Variable	TAB 6M	2.02%	2.36%	Annual	796	-	35,048	52,572	-	88,416
												5,974	-	268,070	207,920	-	481,964

Bonds payables (Bonos Share)													31-12-2009				
RUT	Debtor Company	Country	Creditor	RUT	Country	Currency	Exchange Rate type	Base	Nominal Rate	Effective Tax Rate	Type of Amortization	Up to 3 months ThUS\$	3 to 12 months ThUS\$	1 to 3 years ThUS\$	Maturity 3 to 5 years ThUS\$	More than 5 years ThUS\$	Total ThUS\$
96,505,760-9	Colbún S.A.	Chile	Ef. de Com. serie B 30		Chile	CLP	Fixed	1,03				20,699	-	-	-	-	20,699
96,505,760-9	Colbún S.A.	Chile	Bono serie C 234		Chile	UF	Fixed	Fixed	7.00%	7.76%	Semiannual	-	6,271	10,542	11,637	51,096	79,546
96,505,760-9	Colbún S.A.	Chile	Bono serie E 500		Chile	UF	Fixed	Fixed	3.20%	3.82%	Semiannual	-	652	87,273	29,091	-	117,016
96,505,760-9	Colbún S.A.	Chile	Bono serie F 499		Chile	UF	Fixed	Fixed	3.40%	4.20%	Semiannual	-	1,385	-	23,273	209,454	234,112
96,505,760-9	Colbún S.A.	Chile	Bono serie G 537		Chile	UF	Fixed	Fixed	3.80%	4.14%	Bullet	-	179	-	77,446	-	77,625
96,505,760-9	Colbún S.A.	Chile	Bono serie H 537		Chile	US\$	Variable	Libor + 2.10%	2.56%	3.00%	Bullet	-	119	-	-	75,748	75,867
96,505,760-9	Colbún S.A.	Chile	Bono serie I 538		Chile	UF	Fixed	Fixed	4.50%	4.89%	Semiannual	-	318	-	-	116,168	116,486
												20,699	8,924	97,815	141,447	452,466	721,351

Obligations and other loans													31-12-2009				
RUT	Debtor Company	Country	Creditor	RUT	Country	Currency	Exchange Rate type	Base	Nominal Rate	Effective Tax Rate	Type of Amortization	Up to 3 months ThUS\$	3 to 12 months ThUS\$	1 to 3 years ThUS\$	Maturity 3 to 5 years ThUS\$	More than 5 years ThUS\$	Total ThUS\$
96,505,760-9	Colbún S.A.	Chile	KFW (1)	0-E	Alemania	US\$	Variable	Libor 6M	1.73%	1.90%	Semiannual	3,441	3,396	-	-	-	6,837
												3,441	3,396	-	-	-	6,837

(1) A US\$79,840,916 credit was financed by foreign supplier Siemens on October 14, 1996 to finance the purchase of Central Nehuenco I.

The value of Colbúns' financial debt (bank liabilities and bonds or their face value) considering the effect of derivatives instruments, is as follows:

Financial debt per currency	30.06.2010	31.12.2009
	ThUS\$	ThUS\$
US dollar	1,076,736	802,700
Unidades de Fomento	384,083	433,780
CLP	-	20,699
Total	<u>1,460,819</u>	<u>1,257,179</u>

Committed and uncommitted credit lines are as follows:

The Company has a committed credit line with local financial entities for UF 5 millions, which can be used until 2013, with subsequent maturity in 2016.

In addition, Colbún has uncommitted credit lines for approximately US\$150 millions.

Other lines:

The Company has a credit line of UF 2.5 million for the issuance of securities, recorded with the Superintendence of Securities and Insurances during July 2008, with an expiration date of 10 years.

Furthermore, the Company register with the Superintendence of Securities and Insurances, two lines of bonds for a total of up to UF 7 million, effective for ten and thirty years, respectively, for which no placements have been performed up to date.

23. Trade payables and other accounts payable

The payable trades and other payable accounts as of June 30, 2010 and December 31, 2009, respectively, are as follows:

The average time period for the payment to suppliers is 30 days in 2010 and therefore the fair value of accounts payable is not significantly different from its accounting value.

	Current	
	30.06.2010	31.12.2009
	ThUS\$	ThUS\$
Trade creditors	161,989	161,576
Other accounts payable	1,419	878
Total	<u>163,408</u>	<u>162,454</u>

24. Provisions

Classes of Provisions

	Current		Non-Current	
	30.06.2010	31.12.2009	30.06.2010	31.12.2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other provisions				
Gas provision	2,511	2,360	-	-
Other provisions, current	235	1,644	-	-
Total	2,746	4,004	-	-
Provisions for employee benefits				
Provision for legal holidays and vacation bonus	5,560	8,066	-	-
Provision for IPAS reserve (Note 24.e)	-	-	11,398	11,558
Total	5,560	8,066	11,398	11,558

Fluctuation in provisions as of 30.06.2010	Legal holidays and vacation bonus	Gas provisions	Trial SEC provisions	Other provisions	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Total provision, beginning balance as of 31.12.2009	8,066	2,360	1,308	336	12,070
Increase (decrease) in existing provisions	2,776	151	-	(101)	2,826
Use of provision	(5,282)	-	(1,308)	-	(6,590)
Total provision, final balance	5,560	2,511	-	235	8,306

Fluctuation in provisions as of 31.12.2009	Legal holidays and vacation bonus	Gas provisions	Trial SEC provisions	Other provisions	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Total provision, beginning balance as of 31.12.2009	3,747	2,711	-	2,720	9,178
Increase (decrease) in existing provisions	7,969	-	1,308	(745)	8,532
Use of provision	(3,650)	(351)	-	(1,639)	(5,640)
Total provision, final balance	8,066	2,360	1,308	336	12,070

a. Environmental restoring

The Company has no provisions for this concept.

b. Restructuring

The Company has no provisions for this concept.

c. Litigation

The Company has no provisions for this concept in the year 2010.

d. Employees bonuses

The Company recognizes benefits and bond provisions for its employees, such as vacation provision and production incentives.

	<u>30.06.2010</u> ThUS\$	<u>31.12.2009</u> ThUS\$
Employees bonuses		
Performance incentive, current	2,766	5,375
Vacation provision, current	<u>2,794</u>	<u>2,691</u>
Total	<u>5,560</u>	<u>8,066</u>

e. Long - term provisions and other liabilities

The Company and some subsidiaries have an allowance for severance payments that will be paid to its personnel, in conformity with the collective agreements signed with employees. This allowance represents the total of the accrued provisions (see Note 3m).

The main concepts included in the benefits provision of personnel as of June 30, 2010 and December 31, 2009 is as follows:

	<u>30.06.2010</u> ThUS\$	<u>31.12.2009</u> ThUS\$
Provision for personnel benefits		
Severance payments	<u>11,388</u>	<u>11,558</u>
Total long-term liability	<u>11,388</u>	<u>11,558</u>
	<u>30.06.2010</u> ThUS\$	<u>31.12.2009</u> ThUS\$
Present value of obligations of defined benefit plan	11,558	7,899
Cost of service current obligation of defined benefits	<u>402</u>	<u>1,787</u>
Foreign currency translation difference	(375)	2,134
Increase in exchange rate	-	-
Payments	<u>(187)</u>	<u>(262)</u>
Present value of obligations of defined benefit plan	<u>11,398</u>	<u>11,558</u>

The provision for personnel benefits is determined according to an actuarial calculation with a discount rate of 5.5%.

The principal assumptions used for the actuarial calculation are the following:

	<u>30.06.2010</u>	<u>31.12.2009</u>
Actuarial bases		
Discount rate	5.50%	5.50%
Expected rate of salary increases	2.00%	2.00%
Turnover rate	0.50%	0.50%
Turnover rate - termination due to Company needs	1.50%	1.50%
Retirement age:		
Male	65	65
Female	60	60
Mortality chart	RV-2004	RV-2004

25. Other non - financial liabilities

Other liabilities as of June 30, 2010 and December 31, 2009 are as follows:

	<u>Current</u>		<u>Non-Current</u>	
	<u>30.06.2010</u>	<u>31.12.2009</u>	<u>30.06.2010</u>	<u>31.12.2009</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Withholdings	14,859	15,670	-	-
Minimum legal dividend	13,704	34,333	-	-
Unearned income (1)	1,958	880	6,628	8,099
Other liabilities	354	607	-	-
Total	<u>30,875</u>	<u>51,490</u>	<u>6,628</u>	<u>8,099</u>

(1) Corresponds to advances received related to operating and maintenance services. Revenue is recognized when services are performed.

26. Non-current liabilities

The detail as of June 30, 2010 and December 31, 2009, is as follows:

	<u>Non-Current</u>	
	<u>30.06.2010</u>	<u>31.12.2009</u>
	ThUS\$	ThUS\$
Other accounts payable	3,000	3,000
Total	<u>3,000</u>	<u>3,000</u>

27. Equity

a. Subscribed and paid-in capital and number of shares - At the general shareholders' meeting of Colbún, held on April 29, 2009, the change of currency in which paid-in capital is stated as of December 31, 2008 was agreed upon. The United States dollar will be utilized and divided in the same number of shares, using the closing exchange rate of December 31, 2008.

As of June 30, 2010, subscribed and paid in capital is ThUS\$1,282,793 and is represented by 17,536,167,720 registered non-par value shares, all of them subscribed and paid for.

b. Paid-in capital - Paid-in capital corresponds to the paid-in capital discussed in section a).

c. Share premium - As of June 30, 2010, the item share premiums includes a total of ThUS\$30,700, related to the share premium obtained during the subscription period of the share issuance approved at the extraordinary shareholders' meeting held on March 14, 2008, plus the share premium of ThUS\$21,896 resulting from capital increases prior to 2008, and ThUS\$345,805 corresponding to the excess of the fair value over the carrying amount of the equity of Hidroeléctrica Cenelca S.A. that was merged with Colbún in 2005.

d. Reserve for proposed dividends - According to the general policy and the dividend distribution procedures agreed to at the shareholders' meeting held on April 29, 2009, which approved the distribution of a minimum dividend of 30% of the net income. In conformity with IFRS, there is a legal and agreed obligation that requires the accounting of a liability at each period end; therefore, as of June 30, 2010 and December 31, 2009 respectively the Company recorded a provision for the minimum dividend established, in the amount of ThUS\$28,060 and ThUS\$34,778, respectively, which are presented in the item accumulated profits and loss.

e. Final dividend - The ordinary shareholders' meeting held on April 29, 2009, agreed to distribute a final dividend, legal minimum and an additional charge to equity for the year ended December 31, 2008, payable in cash and amounting up to ThUS\$14,829 (historical) corresponding to US\$0.001 (CLP\$0.493233798) per share. Such dividend per share corresponds to a minimum mandatory dividend. The payment of this dividend occurred on May 13, 2009.

The ordinary shareholders' meeting held on April 23, 2010 agreed to distribute a final legal minimum dividend out of income for the year ended December 31, 2009, payable in cash and amounting to ThUS\$45,970, corresponding to US\$0.00262147 per share.

f. Provisory dividend - The ordinary shareholders' meeting held on November 24, 2009, agreed to distribute a provisory dividend, charged to income profit related to December 31, 2009, up to the amount of US\$0.00134 per share. The dividend payment was made in January 13, 2010.

Number of shares

Series	Number of subscribed shares	Number of paid shares	Number of voting shares
Single	17,536,167,720	17,536,167,720	17,536,167,720

Capital (Amount - US\$)

Series	Subscribed capital ThUS\$	Paid-in capital ThUS\$
Single	1,282,793	1,282,793

g. Other equity - The following is the detail of the other reserves in each period:

	<u>30.06.2010</u> ThUS\$	<u>31.12.2009</u> ThUS\$
Price-level restatement (1) (Other Sundry Reserves)	517,617	517,617
Other (2)	154,956	154,956
Total	<u><u>672,573</u></u>	<u><u>672,573</u></u>

- (1) As established in Circular No. 456 dated June 20, 2008 issued by the Superintendence of Securities and Insurance, price-level restatement is not applicable to paid-in capital.
- (2) Corresponds mainly to the assigning of the division for the Empresa Nacional de Electricidad S.A. as of April 30, 1986 and by the merger of Cenelec in 2005.

h. Change in other reserves - The following is the detail of the other reserves in each period:

	30.06.2010	31.12.2009
	<u>ThUS\$</u>	<u>ThUS\$</u>
Fixed assets at revalued cost	535,466	535,466
Deferred tax at historical cost	(91,030)	(91,030)
Adjustment of amortization of intangible	(13,010)	(13,010)
Deferred tax for adjustment of intangible	2,212	2,212
Employee benefit, actuarial value	(5,931)	(5,931)
Deferred tax for adjustment of employee benefits	1,008	1,008
Adjustment of derivatives at fair value	682	682
Investments in related companies	<u>(15,341)</u>	<u>(15,341)</u>
Revaluation surplus	<u>414,056</u>	<u>414,056</u>
Reserve for foreign exchange difference	(238,404)	(252,942)
Result of integral income and expenses	<u>(6,319)</u>	<u>14,538</u>
Reserve for foreign exchange difference	<u>(244,723)</u>	<u>(238,404)</u>
Reserve for cash flow hedge	(24,183)	(71,070)
Result of integral income and expenses	<u>(296)</u>	<u>46,887</u>
Reserve for cash flow hedge	<u>(24,479)</u>	<u>(24,183)</u>
Total changes in other reserves	<u><u>144,854</u></u>	<u><u>151,469</u></u>

The revaluation of properties is derived from the criterion adopted by the Company regarding the revaluation of land and constructions to determine the cost assigned for the adoption of IFRS in Other reserves. When revalued land or constructions are sold, the portion of the revaluation reserve of properties related with such asset is transferred directly to retained earnings.

i. Retained earnings (accumulated losses)

The fluctuation of the reserve for retained earnings (accumulated losses) is as follows:

	30.06.2010	31.12.2009
	<u>ThUS\$</u>	<u>ThUS\$</u>
Beginning balance	920,971	756,914
Income (loss) for the year	78,328	234,367
Provisory dividends	<u>(28,060)</u>	<u>(70,310)</u>
Final balance	<u><u>971,239</u></u>	<u><u>920,971</u></u>

j. Capital administration

Colbún administrates its capital in order to assure the access to financial markets in a competitive way, to count sufficient resources, to achieve its objectives in the medium and long term, to maintain a solid financial position and to optimize the return of the shareholders of the Company.

k. Restrictions to the availability of funds of the subsidiaries

There are no restrictions on the availability of funds of Colbún subsidiaries.

l. Earnings per share

Earnings per share were obtained by dividing net income for the year attributed to the shareholders of the controlling company by the weighted average of ordinary shares in circulation during the periods.

	<u>30.06.2010</u> ThUS\$	<u>31.12.2009</u> ThUS\$
Gain attributable to holders of ownership instruments in net equity of the controlling company	<u>78,328</u>	<u>234,367</u>
Available result for common shareholders, basic	<u>78,328</u>	<u>234,367</u>
Weighted average of number of shares, basic	<u>17,536,167,720</u>	<u>17,536,167,720</u>
Basic gain per share	<u>0.00447</u>	<u>0.01336</u>
	<u>30.06.2010</u> ThUS\$	<u>31.12.2009</u> ThUS\$
Available result for common shareholders, basic	<u>78,328</u>	<u>234,367</u>
Available result for common shareholders, diluted	<u>78,328</u>	<u>234,367</u>
Weighted average of number of shares, basic	<u>17,536,167,720</u>	<u>17,536,167,720</u>
Weighted average of number of shares, diluted	<u>17,536,167,720</u>	<u>17,536,167,720</u>
Diluted gain per share	0.00447	0.01336

The Company has no possibly diluted ordinary shares in circulation during these periods.

28. Ordinary income

The ordinary income as of June 30, 2010 and 2009, respectively is as follows:

	Accumulated 30.06.2010	Accumulated 30.06.2009	Quarter 01.04.2010 30.06.2010	Quarter 01.04.2009 30.06.2009
	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>
Sales distribution customers	201,704	249,938	98,728	120,310
Sales industrial customers	180,617	188,285	96,446	91,772
Sales non contracted customers	603	131,894	(41)	57,786
Sales to other generators	60,706	18,438	50,357	16,276
Tolls	35,423	12,529	16,110	6,109
Other sales ordinary	11,411	-	11,304	-
Total	<u>490,464</u>	<u>601,084</u>	<u>272,904</u>	<u>292,253</u>

29. Consumption of raw material and consumables used

The consumption of raw material and secondary material as of June 30, 2010 and 2009, respectively, is as follows:

	Accumulated 30.06.2010	Accumulated 30.06.2009	Quarter 01.04.2010 30.06.2010	Quarter 01.04.2009 30.06.2009
	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>
Tolls	(34,758)	(16,168)	(16,680)	(4,688)
Purchase of energy and power	(8,141)	(169,445)	(954)	(21,684)
Gas consumption	(53,363)	(5,440)	(13,393)	(2,219)
Diesel consumption	(124,176)	(187,801)	(87,525)	(130,519)
Third party works and supplies	(21,922)	(61,457)	(11,716)	(36,054)
Total	<u>(242,360)</u>	<u>(440,311)</u>	<u>(130,268)</u>	<u>(195,164)</u>

30. Employee expenses

The personnel expenses as of June 30, 2010 and 2009, respectively, are presented as follows (see Note 3r and 3m):

	Accumulated 30.06.2010	Accumulated 30.06.2009	Quarter 01.04.2010 30.06.2010	Quarter 01.04.2009 30.06.2009
	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>
Wages and salaries	(12,679)	(8,387)	(6,481)	(3,989)
Short-term benefits to employees	(1,728)	(1,120)	(972)	(619)
Severance payments	(827)	(649)	(688)	(438)
Other personnel expenses	(1,645)	(4,587)	(826)	(2,497)
Total	<u>(16,879)</u>	<u>(14,743)</u>	<u>(8,967)</u>	<u>(7,543)</u>

31. Depreciation and amortization

The depreciation and amortization as of June 30, 2010 and 2009, respectively is as follows:

	Accumulated 31.03.2010	Accumulated 31.03.2009	Quarter 01.04.2010 30.06.2010	Quarter 01.04.2009 30.06.2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	(61,573)	(60,010)	(30,800)	(30,704)
Amortization of intangibles	(199)	(25)	(114)	(22)
Total	<u>(61,772)</u>	<u>(60,035)</u>	<u>(30,914)</u>	<u>(30,726)</u>

32. Financial income/(loss)

The financial result as of June 30, 2010 and 2009, respectively, is as follows:

Financial income

	Accumulated 30.06.2010	Accumulated 30.06.2009	Quarter 01.04.2010 30.06.2010	Quarter 01.04.2009 30.06.2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Income from investments				
Income from cash and cash equivalents	6,083	11,577	2,672	4,386
Other income financial	-	(3)	-	(89)
Total financial income	<u>6,083</u>	<u>11,574</u>	<u>2,672</u>	<u>4,297</u>
Financial expenses				
Expense for bank loans	(5,321)	(11,280)	(2,181)	(5,642)
Expense for bonuses	(27,777)	(16,520)	(14,751)	(6,474)
Expense/income due to valuation of financial derivatives, net	(6,604)	(8,017)	(2,736)	(4,406)
Expenses from financial provisions	(11,527)	(4,401)	(2,204)	(3,589)
Expense from other (bank expenses)	(30)	(115)	(17)	(98)
Capitalized financial expenses	21,043	10,004	11,064	4,867
Total financial expense	<u>(30,216)</u>	<u>(30,059)</u>	<u>(10,825)</u>	<u>(15,342)</u>
Income for adjustment units	<u>3,249</u>	<u>(4,227)</u>	<u>1,619</u>	<u>60</u>
Foreign currency exchange rate difference	<u>(26,302)</u>	<u>45,965</u>	<u>(15,290)</u>	<u>15,866</u>
Total financial income	<u>(47,186)</u>	<u>23,253</u>	<u>(21,824)</u>	<u>4,881</u>

33. Income (loss) for investment accounted for under the equity method of accounting

The income as of June 30, 2010 and 2009, respectively is as follows:

	Accumulated 30.06.2010	Accumulated 30.06.2009	Quarter 01.04.2010 30.06.2010	Quarter 01.04.2009 30.06.2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Participation in revenues from affiliated companies	<u>1,032</u>	<u>1,220</u>	<u>1,063</u>	<u>(258)</u>
Total	<u>1,032</u>	<u>1,220</u>	<u>1,063</u>	<u>(258)</u>

34. Other income/(losses) - net

The other net income/ (losses) as of June 30, 2010 and 2009, respectively is as follows:

	Accumulated 30.06.2010	Accumulated 30.06.2009	Quarter 01.04.2010 30.06.2010	Quarter 01.04.2009 30.06.2009
	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>
Other non-operating income				
Indemnity received	3,850	2,700	3,850	179
Other income	<u>97</u>	<u>-</u>	<u>36</u>	<u>-</u>
Total Other income	<u><u>3,947</u></u>	<u><u>2,700</u></u>	<u><u>3,886</u></u>	<u><u>179</u></u>
Other non-operating expenses				
Loss from derivative contracts	(16,300)	-	(630)	-
Legal fees	(3,368)	(708)	(291)	(370)
Assets diverfitures	(5,645)	-	(5,398)	-
Other expense	<u>(1,997)</u>	<u>(1,324)</u>	<u>(307)</u>	<u>(382)</u>
Total Other expenses	<u><u>(27,310)</u></u>	<u><u>(2,032)</u></u>	<u><u>(6,626)</u></u>	<u><u>(752)</u></u>
Total other earnings (losses)	<u><u>(23,363)</u></u>	<u><u>668</u></u>	<u><u>(2,740)</u></u>	<u><u>(573)</u></u>

35. Guarantees with third parties, contingent assets and liabilities

Direct guarantees

Creditor of the guarantee	Debtor		Committed assets			Pending balances at 30.06.2010		Redemption of guarantees			
	Name	Relationship	Guarantee	Currency	Book value	Currency	2010	2011	2012	2099	
						ThUS\$					
Chilectra S.A.	Colbun S.A.Matriz	Creditor	Performance bond	UF	4,240	MUSD	8	-	-	8	
Dirección de Vialidad VII Región	Colbun S.A.Matriz	Creditor	Performance bond	UF	2,544	MUSD	5	5	-	-	
Director Regional de Vialidad Región Bío Bío	Colbun S.A.Matriz	Creditor	Performance bond	CLP	1,500,000	MUSD	2,741	2,741	-	-	
Director Regional de Vialidad VIII Región	Colbun S.A.Matriz	Creditor	Performance bond	UF	25,973	MUSD	48	48	-	-	
Endesa	Colbun S.A.Matriz	Creditor	Performance bond	UF	2,120	MUSD	4	-	-	4	
Ministerio de Obras Públicas	Colbun S.A.Matriz	Creditor	Performance bond	UF	6,900,196	MUSD	12,610	-	12,610	-	
MOP Dirección General de Aguas	Colbun S.A.Matriz	Creditor	Performance bond	UF	4,469,712	MUSD	8,168	8,186	-	-	
Transelec S.A.	Colbun S.A.Matriz	Creditor	Performance bond	UF	4,240	MUSD	8	-	-	8	

Current guarantees in Chilean pesos

Deposited by	Relationship	Total ThUS\$
Abengoa Chile S.A.	Supplier	250
Aga S.A.	Supplier	228
Arrigoni Metalurgica S.A.	Supplier	193
Asesorias Energeticas Conelse Ltda.	Supplier	185
B. Bosch S.A.	Supplier	183
Centro de Ecologia Aplicada Ltda.	Supplier	183
Constructora Valdes Tala y Cia. Ltda.	Supplier	183
Constructora y Movimiento De Tierra Nuble S.A.	Supplier	99
Cristian Augusto Muñoz Valero	Supplier	95
Empresa Constructora Belfi S.A.	Supplier	71
Empresa de Ingenieria Dessau Ingentra S.A.	Supplier	48
Empresa de Ingenieria Ingendesa S.A.	Supplier	34
Empresa de Montajes Industriales Salfa S.A.	Supplier	24
Glg Construcciones Ltda.	Supplier	22
Golder Associates S.A.	Supplier	20
Ingendesa S.A.	Supplier	17
Ingeniera y Construccion Tecnimont Chile y Cia. Ltda.	Supplier	13
Ingenieria y Computacion S.A.	Supplier	12
Ingespro E.I.R.L.	Supplier	11
Ivan Pavez	Supplier	11
Jaime Harcha Lashen	Supplier	10
Kipreos Ingenieros y Cia. Ltda.	Supplier	10
N.R.C. Ingenieria S.A.	Supplier	9
Pablo Alvarez Galarce	Supplier	9
Pares y Alvarez Ingenieros Asociados Ltda.	Supplier	9
Proyectos De Ingenieria y Montaje Industrial Limitada	Supplier	7
Renato Zelada y Cia.Ltda.	Supplier	5
Said Pereira Norma Del Carmen	Supplier	4
Skanska Chile S.A.	Supplier	4
Soc. Transredes Servicios Electricos	Supplier	4
Soc. de Servicios Ingeocorp Limitada	Supplier	2
Soc.Trans Redes Servicios Electricos	Supplier	2
Transportes Castro Limitada	Supplier	2
Universidad de Concepcion	Supplier	2
Vapor Industrial S.A.	Supplier	2
Total		<u><u>1,963</u></u>

Guarantees in Euros

Deposited by	Relationship	Total ThUS\$
Abb S.A.	Supplier	39
Alstom Hydro France S.A.	Supplier	14,050
Andritz Hydro Gmbh-Andritz Chile Ltda.	Supplier	2,002
Areva T y D Sas - Francia	Supplier	10
Areva T y D Chile S.A.	Supplier	17
Egic Sas	Supplier	2
S.T.E. Energy S.P.A.	Supplier	158
Va Tech Escher Wyss S.R.L.	Supplier	116
Total		<u>16,394</u>

Guarantees in Unidades de Fomento

Deposited by	Relationship	Total ThUS\$
Sociedad Forestal y Ambiental Aliwen Ltda.	Supplier	57,542
Empresa Constructora Fe Grande Sa	Supplier	22,797
Impregilo S.P.A.	Supplier	15,951
Emp.Ferrocarriles del Estado	Supplier	12,559
Empresa Constructora Angostura Ltda.	Supplier	10,526
Alstom Hydro France S.A.	Supplier	7,213
Besalco Dragados S.A.	Supplier	6,074
Besalco Construcciones S.A.	Supplier	4,590
Constructora Cvv Conpax Ltda.	Supplier	2,775
Constructora Vcc Conpax Ltda.	Supplier	2,775
Empresa de Montajes Industriales Salfa S.A.	Supplier	1,962
B. Bosch S.A.	Supplier	1,751
Dragados S.A. Agencia En Chile	Supplier	1,581
Andritz Hydro Gmbh-Andritz Chile Ltda.	Supplier	1,420
Empresa Constructora Agua Santa S.A.	Supplier	1,384
Construcciones y Montajes Com S.A.	Supplier	1,239
Subsecretaria del Ministerio De Minería	Supplier	752
Vapor Industrial S.A.	Supplier	626
Soc. Metalurgica Arrigoni Hnos. S.A.	Supplier	480
Ingenieria y Construccion Incolur S.A.	Supplier	440
Acciona Infraestructuras S.A. Agencia en Chile	Supplier	387
Empresa Constructora Tecsa S.A.	Supplier	387
Obrascon Huarte Lain S.A.	Supplier	387
Zublin International Gmhb Chile Ltda.	Supplier	387
Empresa de Ingenieria Ingendesa S.A.	Supplier	313
Empresa Constructora Belfi S.A.	Supplier	279
Areva Tyd Chile S.A.	Supplier	250
Instrumentacion Menchaca, Amadori	Supplier	214
Dragados S.A.	Supplier	194
Empresa Constructora Bcf S.A.	Supplier	194
R & Q Ingenieria S.A.	Supplier	143
Puente Alto Ingenieria y Servicios Ltda	Supplier	136
Hidromont Chile S.A.	Supplier	106
Cooperativa Electrica Los Angeles Ltda.	Supplier	104
Empresa Constructora Bfc S.A.	Supplier	97
Empresa Constructora Brotec S.A.	Supplier	97
Cia.Americana De Multiservicios Ltda	Supplier	93
Emec Montajes Electricos	Supplier	86
Gallmax S.A.	Supplier	84
Cmf Sondajes Ltda.	Supplier	54
Constructora Izquierdo Ltda.	Supplier	54
Edic Ingenieros S.A.	Supplier	49
Constructora del Valle Ltda.	Supplier	46
Daniel Valenzuela Ingen	Supplier	46
Servicios y Proyectos Ambientales	Supplier	44
Lopatin y Fourcade Ltda.	Supplier	43
Dictuc S.A.	Supplier	42
Gestion De Infraestructura S.A.	Supplier	36

Guarantees in Unidades de Fomento, continued

Deposited by	Relationship	Total ThUS\$
Len y Asociados Ingenieros Consultores Ltda.	Supplier	29
Ghd S.A.	Supplier	25
Mcf Sondajes Ltda.	Supplier	22
Aseital Limitada	Supplier	17
Ce Arquitectura Ltda.	Supplier	11
Rhona S.A.	Supplier	10
Sistemas Contra Incendios Eurocomercial	Supplier	10
Imelsa S.A.	Supplier	6
G.A. Colaciones Ltda.	Supplier	4
Rodriguez Veloz Jaime Alejandro	Supplier	4
Bimar Aseo Industrial Ltda.	Supplier	3
Alto Verde Paisajismo S.A.	Supplier	2
Conyser Limitada	Supplier	2
Extingueplaga Limitada	Supplier	1
Inspectorate Griffith Chile S.A.	Supplier	1
Jose Castro Rodriguez	Supplier	1
Stp Logitica Chile S.A.	Supplier	1
Total		<u>158,938</u>

Guarantees in Dollars

Deposited by	Relationship	Total ThUS\$
Tecnimont S.P.A.	Supplier	70,271
Slovenske Energeticke Strojarne A.S.	Supplier	41,833
Posco Engineering And Construction Co.	Supplier	17,000
Ingeniera y Construccion Tecnimont Chile y Cia. Ltda.	Supplier	9,659
Alstom Hydro France S.A.	Supplier	4,407
Industrias Metalurgicas Pescarmona S.A.I.C. Y F.	Supplier	2,250
Andritz Hydro Gmbh-Andritz Chile Ltda.	Supplier	1,102
Siemens Ltda.	Supplier	924
B. Bosch S.A.	Supplier	400
Andritz Hidro Gmbh	Supplier	200
Empresa de Montajes Industriales Salfa S.A.	Supplier	104
Weg Chile S.A.	Supplier	90
Invensys Systems Chile Ltda.	Supplier	81
Eucomsa	Supplier	80
Areva Tyd Chile S.A.	Supplier	65
Dollinger Corporation	Supplier	55
Electrovidrio S.A.	Supplier	30
Vulco S.A.	Supplier	15
Abb S.A.	Supplier	5
Areva T &D Sas	Supplier	5
Siemens Ag Energy	Supplier	5
Total		<u><u>148,581</u></u>

Detail of litigation and others

- a. Public law annulment filed by Maderas Condor S.A. against the Dirección General de Aguas (“Water General Board”) and Sociedad Hidroeléctrica Melocotón Limitada.

On December 31, 2008, Maderas Cóndor S.A. filed a lawsuit for public law annulment with the Ninth Civil Court of Santiago against the Dirección General de Aguas and Sociedad Hidroeléctrica Melocotón Limitada, a subsidiary of Colbún S.A., in order to declare public law annulment for Resolution DGA N0112, of 2006, which granted water use rights to Sociedad Hidroeléctrica Melocotón Limitada in the Bío Bío River and for Resolution DGA N0 475, of 2006, which rectified the above.

The petition is based, in general terms, on the fact that at the date the water use rights were requested (1980), the requirements established in the Código de Aguas (the “Water Code”) were not complied with.

Up to date the starting of the discovery period is pending.

- b. Fine of 1,120 UTA by the SEC

Under exempt resolution 1,111, dated on July 4, 2005, the SEC fined Colbún S.A. an amount of 1,120 UTA as part of an investigation into the causes of the operational failure that occurred in the Central Interconnected System “Sistema Interconectado Central” on November 7, 2003.

On November 23, 2008 an appeal was filed at the Court of Appeals of Santiago against the SEC resolution that rejected the appeal filed at the SEC.

As of June 30, 2010 up to date the claim has not been processed by the Court of Appeals of Santiago.

- c. Indemnity payment claim by Huertos Familiares S.A.

Related to the lawsuit filed against Colbún S.A. by Huertos Familiares S.A. in 1999 in the First Instance Court of Colina, claiming for the indemnification amount paid for the “Polpaico - Maitenes” electric energy transmission line crossing its property, the first instance sentence ruled made Colbún S.A. pay several concepts as indemnification, which in aggregate amounts up to ThCh\$572,897, plus interest and legal expense amounting up to ThCh\$156,496. Such amounts were timely deposited by Colbún S.A. in the checking account of the court.

Both parties appealed the first instance sentence, which are currently pending resolution by the Santiago Court of Appeals.

- d. Arbitration proceeding for termination of contract and indemnification for damages resulting from non-compliance of energy and capacity supply contract.

Colbún S.A. and Compañía General de Electricidad Distribución S.A. (CGED) appointed Mr. Miguel Luis Amunátegui M. as arbitrator to hear and rule on a discrepancy arising between the parties regarding the application and interpretation of the terms of the Energy and Capacity Supply Contract for Region VII, subscribed by the parties on August 8, 2003.

On March 9, 2009, an arbitration proceeding was brought to the Arbitrator, requesting the anticipated termination of the contract arguing non-performance of the contractual obligations and ruling for CGED to pay an indemnification for damages caused to Colbún as a result of non-compliance of such contract.

On September 30, 2009, the arbitrator called the parties for a reconciliation hearing, which did not occur. As of June 30 the evidential period has expired.

- e. Accident at thermoelectrical plant of combined cycle Nehuenco I

On December 29, 2007, the 368 MW Nehuenco I combined cycle thermoelectric energy plant, owned by Colbún, suffered a fire inside the main turbine building due to a diesel fuel leak in the unit's fuel system. The power station was disconnected from the Central Interconnected System and the fire was extinguished using its own firefighting equipment provided for this kind of emergency. The power station has been repaired and was available for operation for the CDEC-SIC on August 30, 2008.

At the date of the accident, the Company had an "All Risk" insurance policy, which includes coverage of fire, machinery breakdowns and losses from business interruptions. The corresponding liquidation procedure with the insurance companies, Chilena Consolidada Seguros Generales S.A., Penta Security Seguros Generales S.A. and Mapfre Seguros Generales as co-insurers, has concluded.

The final liquidation report, subsequently appealed for by the parties, was published on May 5, 2009, establishing a net loss for Material Damage of US\$14.5 million deductible and for Losses from Business Interruption a loss of US\$76.2 million, discounting the deductible of the first 30 days. This report acknowledges that the parties differ regarding the limit of the applicable indemnity regarding the Losses from Business Interruption, matter on which the Liquidator did not establish a sentence as he claimed this topic was out of his expertise. In the opinion of Colbún, the policy contemplates a single indemnity level of US\$250 million per event and combined with Physical Damage and Losses from Business Interruption.

Colbún S.A. had received the payment of the amount of US\$33.7 million, corresponding to the amounts which are not in dispute included in the mentioned final liquidation. Regardless of the above, as differences exist between Colbún and its insurers, the parties are using arbitration as established in the policy, and Colbún has presented a claim for compliance of insurance contract and damage indemnity in the total amount of US\$101.5 million plus damages and interests. The insurers have filed the answer to the lawsuit, against which Colbún filed a retort. On the other hand, the insurers have filed the statutory duplicate; therefore, the discussion period has ended and then the period of evidence will start.

The evidence was submitted on June 30. Both parties filed appeals for reconsideration of that resolution. The reconsiderations were solved on July 14 and the period of evidence started on July 20. This period takes 40 working days in accordance with the arbitrage conditions.

36. Commitments

Commitments with financial entities and others

The credit contracts signed by Colbún S.A. with financial entities and the contracts of bond issuance and shares, make the Company subject to several additional obligations in addition to the payment obligations, including different financial indicators during the validity of such contracts, which are typical for this financing.

The Company has to report quarterly on the compliance with such obligations. As of June 30, 2010 the Company is in compliance with all financial indicators established in such contracts.

37. Events after the reporting period

In the period between the year-end date and the issuance of the financial statements to the Superintendence of Securities and Insurance, the following significant subsequent events have occurred.

- a) Law No. 20,455 "changes in several laws to obtain funds intended for financing the country's reconstruction" was enacted on July 29, 2010 and published in the Official Gazette on July 31, 2010. Such law states a temporary increase in the income tax rate for fiscal years 2011 and 2012 (20% and 18%, respectively). We consider that the effects on assets and deferred taxes that will be reversed in such years compared with the effects calculated at the current rate of 17% at June 30, 2010 are not significant for the Company.
- b) On August 24, 2010 a "transactional agreement" was signed by Colbún S.A. and Transportadora de Gas del Norte S.A. (TGN), which allows them to terminate their binding natural gas transport agreement in advance (the "TGN" Agreement) and the binding transport agreement between HSBC Bank Argentina S.A. and TGN (hereinafter the "HSBC Agreement").

The TGN Agreement was signed on August 25, 1995 and had to expire on December 31, 2022 for a contractual volume up to 1,516,000 m³/day in effect at the signing of the transactional agreement. The HSBC Agreement was entered into on March 22, 2004 and had to expire on December 31, 2027 for a volume up to 247,000 m³/day.

In summary, the Transactional Agreement states that:

1. The TGN Agreement and the HSBC Agreement are terminated in advance.
2. Colbún promises TGN to pay for the termination of the TGN Agreement and the HSBC Agreement (i) a compensation of US\$5.06 million, which was already paid by Colbún; (ii) a fixed compensation, which was subject to the signing of the transactional agreement, for US\$36.65 million plus interest, payable in twelve months; and (iii) a variable compensation payable based on the effective use of a transport agreement that may be discontinued for a thirty six (36) month-period starting from July 15, 2010 with a maximum compensation of US\$5.65 million.

The termination in advance of these Agreements results in saving of costs for Colbún on account of the annual payment for the rest of the duration of the transport service, which was not being rendered, due to reasons beyond its control. Notwithstanding the above, on accounting terms, the payment of these compensations has an effect on Colbún's income for US\$41.71 million to be reflected in fiscal year 2010, in order to terminate the aforementioned binding transport agreements, whose annual payments were US\$14.1 million for the TGN Agreement and US\$1.3 million for the HSBC Agreement (initially with termination date in December 2027).

- c) On August 9, 2010 the Company signed a refinancing of its international syndicated credit for US\$150 million with a number of international banks. This reduced financial costs, extended the term and improved the terms and conditions of the credits.
- d) On August 24 Colbún S.A. signed a "Share Purchase-Sale Contract" with International Finance Corporation ("IFC") to purchase 15% of shares that IFC had in our subsidiary Hidroeléctrica Aconcagua S.A. ("HASA"). With this purchase, Colbún S.A. has 100% of the direct and indirect ownership of HASA now. The purchase-sales price of the shares was US\$31,292,000 (thirty one million two hundred and ninety two thousand US dollars). In accordance with accounting standards, this transaction does not have an effect on income, but only on the shareholders' equity due to the difference between the amount paid and the accounting investment.

HASA is the owner and operator of 3 hydroelectric units known as Blanco, Juncal and Juncalito located in the watershed of the river Aconcagua with a total installed power of 91 MW.

The Board of Directors' meeting held on August 24, 2010 approved the interim financial statements as of June 30, 2010 prepared in accordance with IFRS.

There have been no others significant subsequent events between the year-end date and the issuing date of the interim consolidated financial statements that could significantly affect the Company's income and shareholders' equity.

38. Environment

The group of companies in which disbursements have been made associated with the environment are the following: Colbún S.A., Río Tranquilo S.A., H. Guardia Vieja S.A., H. Aconcagua S.A., Obras y Desarrollo S.A. and Termoeléctrica Antihue S.A.

The disbursements associated to environment made by the Company are the following:

Concept	30.06.2010	30.06.2009
	<u>ThUS\$</u>	<u>ThUS\$</u>
Monitoring quality of air and meteorology	199	217
Environmental Impact Studies and other	106	347
Environmental Follow - up	327	119
Environmental Administration System	<u>89</u>	<u>110</u>
Total	<u><u>721</u></u>	<u><u>793</u></u>

The disbursements made for environment are mainly associated to facilities; therefore these will be recorded according to their useful lives, except that these are prior to the construction stage.

The following are the main projects in progress and a brief description:

Termoeléctrica Santa María de Coronel: A coal-fueled thermo-electrical power station, it will feature a modern system for control and dejection of sulphur dioxide and particle-like material. It is located in the district of Coronel, in Chile's Bío Bío Region.

Hidroeléctrica San Clemente: Mini-hydro-electrical passage power station in the Maule Region, it corresponds to a NCRE (non-conventional renewable energy) station.

Hidroeléctrica San Pedro: A dam-type hydroelectric power station, it is located in the Los Ríos Region and regulates minimally the river stream, maintaining intact the hydrological conditions of the river downstream of the power station.

Santa María Charrúa High voltage Lines: it makes the connection of the Santa María Complejo Termoeléctrico facility with the Charrúa substation in the Bío Bío Region.

Angostura hydroelectric power station: Dam thermo-electrical power station, projected of the function of the Bío Bío and Huenquecura rivers in the Bío Bío Region, it will minimally regulate the river stream.

39. Effect of variations in the exchange rates of the foreign currency

Assets	Foreign currency	Type of currency	30.06.2010	31.12.2009
			ThUS\$	ThUS\$
Total current assets				
Cash and cash equivalents	Chilean Pesos	US Dollar	93,990	148,250
Cash and cash equivalents	EURO	US Dollar	12,260	24
Other current financial assets	Chilean Pesos	US Dollar	411	391
Other non-financial assets, current	Chilean Pesos	US Dollar	4,447	6,318
Trade receivables and other receivables, current	Chilean Pesos	US Dollar	316,168	231,862
Due from related companies, current	Chilean Pesos	US Dollar	4,905	4,876
Inventories	Chilean Pesos	US Dollar	14,118	24,923
Current tax assets	Chilean Pesos	US Dollar	187,589	202,988
Total current assets			<u>633,888</u>	<u>619,632</u>
Non-current assets				
Other financial assets, non-current	Chilean Pesos	US Dollar	3,449	3,120
Other non-financial assets, non-current	Chilean Pesos	US Dollar	7,942	6,764
Rights receivable, non-current	Chilean Pesos	US Dollar	54,635	106,378
Due from related companies, non-current	UF	US Dollar	41,800	31,948
Due from related companies, non-current	Chilean Pesos	US Dollar	-	347
Investments accounted for under equity method of accounting	Chilean Pesos	US Dollar	70,344	79,910
Total non-current assets			<u>178,170</u>	<u>228,467</u>
Total assets			<u>812,058</u>	<u>848,099</u>
Liabilities	Foreign currency	Type of currency	30.06.2010	31.12.2009
			ThUS\$	ThUS\$
Total current liabilities				
Other current financial liabilities	Chilean Pesos	US Dollar	-	53,157
Other current financial liabilities	UF	US Dollar	9,812	8,805
Trade payables and other payables	Chilean Pesos	US Dollar	136,937	80,816
Due to related companies, current	Chilean Pesos	US Dollar	373	374
Other short-term provisions	Chilean Pesos	US Dollar	2,746	4,004
Current tax liabilities	Chilean Pesos	US Dollar	5,476	10,646
Current provisions for employee benefits	Chilean Pesos	US Dollar	5,560	8,066
Other non-financial liabilities, current	Chilean Pesos	US Dollar	16,817	87,467
Total current liabilities			<u>177,721</u>	<u>253,335</u>
Non-current liabilities				
Other non-current financial liabilities	UF	US Dollar	350,853	374,412
Non-current provisions for employee benefits	Chilean Pesos	US Dollar	11,398	11,558
Other non-current non-financial liabilities	Chilean Pesos	US Dollar	6,628	8,099
Total non-current liabilities			<u>368,879</u>	<u>394,069</u>
Total liabilities			<u>546,600</u>	<u>647,404</u>

Non-current non-financial liabilities

June 30, 2010	Foreign Currency	Functional Currency	Up to 91 days ThUS\$	From 91 days to 1 year ThUS\$	From 1 year to 3 years ThUS\$	More than 3 years up to 5 years ThUS\$	More than 5 years ThUS\$	Total ThUS\$
Other non-current financial liabilities	UF	US Dollar	-	6,796	14,264	41,020	288,773	350,853

December 31, 2009	Foreign Currency	Functional Currency	Up to 91 days ThUS\$	From 91 days to 1 year ThUS\$	From 1 year to 3 years ThUS\$	More than 3 years up to 5 years ThUS\$	More than 5 years ThUS\$	Total ThUS\$
Other non-current financial liabilities	UF	US Dollar	-	4,931	16,343	41,682	311,456	374,412

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