Consolidated Financial Statements

COLBUN S.A. AND SUBSIDIARIES

Santiago, Chile
As of December 31, 2012 and 2011

Consolidated
Financial Statements
As of December 31, 2012 and 2011
(Translation of Consolidated Financial Statements originally issued in Spanish- See note 3.1)

COLBÚN S.A. AND SUBSIDIARIES
Thousands of US dollars – ThUS$

This document is composed of:
- Report of Independent Auditors
- Consolidated Statements of Financial Position
- Explanatory Notes to the Consolidated Financial Statements

Report of Independent Auditors

(Translation of Consolidated Financial Statements originally issued in Spanish- See note 3.1)

Report of the Independent Auditor

Sirs
Shareholders and Directors
Colbún S.A.:

We have audited the accompanying consolidated financial statements of the Colbún S.A. Company and subsidiaries, which comprise the consolidated statements of financial position at December 31, 2012 and the related statements of comprehensive income, changes in equity and cash flow for the year ending on that date and the corresponding notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with International Financial Reporting Standards; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of significant incorrect representations of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colbún S.A. Company and subsidiaries as of December 31, 2012 and the results of its operations and cash flows for the year ended in accordance with International Financial Reporting Standards.

Report on Other Auditors on December 31, 2011 Financial Statements

The consolidated financial statements of Colbún S.A. Company and subsidiaries for the year ended December 31, 2011, were audited by other auditors who expressed an unmodified opinion on those statements on January 31, 2012.

Miguel Angel Salinas B. ERNST & YOUNG LTDA.

Santiago, January 29, 2013

(Translation of Consolidated Financial Statements originally issued in Spanish- See note 3.1)

Colbún S.A. and Subsidiaries
Consolidated Classified Statements of Financial Position
As of December 31, 2012 and 2011
(In thousands of US dollars – ThUS$)

ASSETS	Note No.	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Current assets			
Cash and cash equivalents	7	217,740	295,826
Other financial assets, current	8	24,702	4,528
Other non-financial assets, current	19	23,460	11,127
Trade and other receivables, current	9	202,762	214,052
Accounts receivable from related companies, current	11	15,193	16,750
Current inventory	12	46,370	46,265
Current tax assets	18	258,403	182,672
Total current assets		**788,630**	**771,220**
Non-current assets			
Other financial assets, non-current	8	10,478	11,341
Other non-financial assets, non-current	19	29,083	22,964
Accounts receivable from related companies, non-current	11	400	10,398
Investment in associates accounted for using equity method	15	164,646	139,837
Intangible assets other than goodwill	16	73,385	59,322
Property, plant and equipment	17	4,904,151	4,594,721
Deferred taxes	20	32,631	9,698
Total non-current assets		**5,214,774**	**4,848,281**
TOTAL ASSETS		**6,003,404**	**5,619,501**

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

Colbún S.A. and Subsidiaries
Consolidated Classified Statements of Financial Position
As of December 31, 2012 and 2011
(In thousands of US dollars – ThUS$)

NET LIABILITIES AND NET EQUITY	Note No.	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Current liabilities			
Other financial liabilities, current	21	329,618	153,007
Trade and other payables, current	22	133,256	126,507
Accounts payable to related entities, current	11	27,268	32,121
Other provisions, current	23	18,859	2,838
Tax liabilities, current	20	18,194	10,350
Provision for employee benefits, current	23	14,103	9,938
Other non-financial liabilities, current	24	9,492	4,187
Total current liabilities		**550,790**	**338,948**
Non-current liabilities			
Other financial liabilities, non-current	21	1,393,321	1,340,609
Other account payables, non-current	-	3,000	3,000
Deferred tax	20	514,746	451,458
Provision for employee benefits, non-current	23	19,784	14,815
Other non-financial liabilities, non-current	24	8,981	8,429
Total non-current liabilities		**1,939,832**	**1,818,311**
Total liabilities		**2,490,622**	**2,157,259**
Shareholders' equity			
Issued capital	25	1,282,793	1,282,793
Retained earnings	25	1,439,452	1,404,182
Share premiums	25	52,595	52,595
Other reserves	25	737,942	722,626
Shareholders’ equity attributable to owners of the parent company		3,512,782	3,462,196
Minority Interest		-	46
Total Net Equity		**3,512,782**	**3,462,242**
TOTAL LIABILITIES AND NET EQUITY		**6,003,404**	**5,619,501**

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

(Translation of Consolidated Financial Statements originally issued in Spanish- See note 3.1)

Colbún S.A. and Subsidiaries
Consolidated Statements of Comprehensive Income by Segment
For the periods ended December 31, 2012 and 2011
(In thousands of US dollars – ThUS$)

STATEMENTS OF COMPREHENSIVE INCOME BY SEGMENT	Note N°	January -December 2012 ThUS$	2011 ThUS$
Net income from ordinary activities	26	1,408,756	1,332,776
Raw materials and consumables used	27	(1,047,391)	(1,061,381)
Personnel expenses	28	(55,865)	(45,732)
Depreciation and amortization expenses	29	(136,048)	(124,643)
Other expenses, by segment	-	(21,650)	(20,951)
Other profit (losses)	33	(30,624)	(28,915)
Profit (loss) from operating activities		**117,178**	**51,154**
Financial income	30	5,032	8,893
Financial expenses	30	(32,541)	(27,718)
Share in the profit (losses) of associates and joint ventures accounted for using the equity method	32	8,340	4,272
Exchange rate differences	31	10,432	(14,228)
Income for adjustment units	31	4,519	6,832
Profit before taxes		**112,960**	**29,205**
Income tax expense	20	(64,150)	(24,002)
Profit from continuing activities		**48,810**	**5,203**
Profit (loss)		**48,810**	**5,203**
Profit (loss) attributable to			
Profit attributable to parent company		48,795	5,201
Profit attributable to non-controlling interests		15	2
Profit		**48,810**	**5,203**
Earnings per share			
Common shares			
Basic earnings (losses) per share from continuing operations	25	0.00278	0.00030
Basic earnings (losses) per share		**0.00278**	**0.00030**

Statements of other comprehensive income	Note N°	January - December 2012 ThUS$	2011 ThUS$
Profit (loss)		**48,810**	**5,203**
Components of other integral income, before taxes			
Profit (loss) from exchange rate differences before taxes	15	11,050	(10,747)
Profit (loss) for cash flow hedges, before taxes		(1,184)	(8,533)
Other components of other comprehensive income, before taxes		**9,866**	**(19,280)**
Tax income attributable to other comprehensive income			
Tax income attributable to cash flow hedge	20	5,450	-
Other comprehensive income (loss)		**15,316**	**(19,280)**
Total comprehensive income (loss)		**64,126**	**(14,077)**
Comprehensive income attributable to			
Owners of the controlling entity		64,111	(14,079)
Non-controlling interests		15	2
TOTAL COMPREHENSIVE INCOME (LOSS)		**64,126**	**(14,077)**

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

Colbún S.A. and Subsidiaries
Consolidated Statements of Cash Flows
For the ended December 31, 2012 and 2011
(In thousands of US dollars – ThUS$)

DIRECT CASH FLOW STATEMENTS	Note No.	December 31, 2012 ThUS$	December 31, 2011 ThUS$
Cash flows provided by (used in) operating activities			
Type of collections for operating activities			
Collection provided by sale of goods and providing services		1,734,991	1,642,701
Receipts provided by premiums and benefits, annuities and other benefits of subscribed policies		2,019	3,233
Other receipts provided by operating activities		28,992	22,732
Types of payments			
Payments to suppliers for supplying goods and services		(1,317,761)	(1,325,943)
Payments to and on account of employees		(58,979)	(51,210)
Payments for premiums and claims, annuities and other policy benefits derived		-	(15,974)
Other operating activity payments		(29,006)	(17,368)
Net cash flows provided by (used in) operating activities		**360,256**	**258,171**
Dividends received	14	8,759	8,562
Interest paid		(82,745)	(78,436)
Interest received		7,348	13,677
Income taxes reimbursed (paid)		(14,887)	(58,571)
Other cash inflows (outflows)		(40,792)	(35,935)
Net cash flows provided by (used in) operating activities		**237,939**	**107,468**
Cash flows provided by (used in) investing activities			
Other payments to acquire equity in joint ventures	15	(14,178)	(11,906)
Payments to related companies		-	(9,244)
Additions to property, plant and equipment		(476,049)	(420,666)
Other cash inflows (outflows)		(1,079)	135,668
Net cash flows provided by (used in) investing activities		**(491,306)**	**(306,148)**
Cash flows provided by (used in) financing activities			
Proceeds provided by loans		**422,135**	**103,659**
Amounts provided by long term loans		160,000	103,659
Amounts provided by short term loans		262,135	-
Loan payments		(255,863)	(117,717)
Dividends payments		(14)	(37,617)
Net cash flows provided by (used in) financing activities		**166,258**	**(51,675)**
Net increase (decrease) in cash and cash equivalents, before the effect of changes in the exchange rate		**(87,109)**	**(250,355)**
Effects of changes in exchange rate on cash and cash equivalents			
Effects of changes in foreign exchange rate on cash and cash equivalents		9,023	(8,341)
Net decrease in cash and cash equivalents		**(78,086)**	**(258,696)**
Cash and cash equivalents at beginning of period		295,826	554,522
Cash and cash equivalents at end of period	7	**217,740**	**295,826**

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

(Translation of Consolidated Financial Statements originally issued in Spanish- See note 3.1)

Colbún S.A. and Subsidiaries
Statements of Changes in Equity, Net
For the periods ended December 31, 2012 and 2011
(In thousands of US dollars – ThUS$)

Statements of Changes in Net Equity	Note	Equity attributable to holders of the parent company									
				Changes in other reserves							
		Shared issued capital ThUS$	Share premiums ThUS$	Reserves for Exchange differences ThUS$	Cash flows hedge reserves ThUS$	Other miscellaneous reserves ThUS$	Other reserves ThUS$	Retained earnings (losses) ThUS$	Equity attributable to owners of the parent company ThUS$	Non-controlling interests ThUS$	Total equity ThUS$
Beginning balance as of 01/01/2012		1,282,793	52,595	(241,544)	(26,063)	990,233	722,626	1,404,182	3,462,196	46	3,462,242
Increase (decrease) due to correction of errors		-	-	-	-	-	-	-	-	-	-
Restated beginning balance		1,282,793	52,595	(241,544)	(26,063)	990,233	722,626	1,404,182	3,462,196	46	3,462,242
Changes in equity											
Integral income											
Profit (loss)								48,795	48,795	15	48,810
Other comprehensive income				11,050	4,266	-	15,316		15,316	-	15,316
Dividends								(13,525)	(13,525)		(13,525)
Increase (decrease) due to transfers and other changes		-	-	-	-	-		-	-	(61)	(61)
Total changes in equity		**-**	**-**	**11,050**	**4,266**	**-**	**15,316**	**35,270**	**50,586**	**(46)**	**50,540**
Ending balance as of 12/31/2012	**25**	**1,282,793**	**52,595**	**(230,494)**	**(21,797)**	**990,233**	**737,942**	**1,439,452**	**3,512,782**	**-**	**3,512,782**

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

(Translation of Consolidated Financial Statements originally issued in Spanish- See note 3.1)

Statements of Changes in Equity	Note	Shared issued capital	Share premiums	Reserves for Exchange differences	Cash flows hedge reserves	Other Miscellaneous reserves	Other reserves	Retained earnings (losses)	Equity attributable to owners of the parent	Non-controlling interests	Total equity
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Beginning balance as of 01/01/2011		1,282,793	52,595	(230,797)	(17,530)	990,233	741,906	1,398,981	3,476,275	58	3,476,333
Increase (decrease) due to correction of errors		-	-	-	-	-	-	-	-	-	-
Restated beginning balance		1,282,793	52,595	(230,797)	(17,530)	990,233	741,906	1,398,981	3,476,275	58	3,476,333
Changes in equity											
Comprehensive income (loss)											
Profit (loss)								5,201	5,201	2	5,203
Other comprehensive income				(10,747)	(8,533)	-	(19,280)		(19,280)	-	(19,280)
Dividends								-	-		-
Increase (decrease) due to transfers and other changes		-	-	-	-	-	-	-	-	(14)	(14)
Total changes in equity		**-**	**-**	**(10,747)**	**(8,533)**	**-**	**(19,280)**	**5,201**	**(14,079)**	**(12)**	**(14,091)**
Ending balance as of 12/31/2011		**1,282,793**	**52,595**	**(241,544)**	**(26,063)**	**990,233**	**722,626**	**1,404,182**	**3,462,196**	**46**	**3,462,242**

Header grouping: "Equity attributable to owners of the parent company" spans the capital through equity-attributable columns; "Changes in other reserves" spans the reserve columns.

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

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

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1. General information

Colbún S.A. (the "Company") was formed by public deed dated April 30, 1986, signed in Santiago by Public Notary, Mr. Mario Baros G., and is registered in the Commercial Registry of the Talca Real Estate Register, on sheet 86, on May 30, 1986. The Company's taxpayer number is 96.505.760-9.

The Company is registered as a public company in the Securities Registry under 0295, since September 1, 1986 and therefore is subject to the supervision of the Superintendency of Securities and Insurance ("SVS").

Colbún is an electric energy generating company, that as of December 31, 2012, has a group (hereinafter, the "Company" or "Colbún"), composed of eight companies: Colbún S.A., the Parent Company and seven Subsidiaries, in addition to four Associates (See Note 3.3).

The commercial domicile of Colbún is: Avenida Apoquindo 4775, 11th Floor, Las Condes, Santiago, Chile.

The Company's line of business is the generation, transportation and distribution of power energy, as explained in Note 2.

The Company is directly controlled by Minera Valparaíso S.A. and indirectly through its subsidiaries Forestal Cominco S.A. and Inversiones Coillanca Ltda. Control is exercised by having more than half the voting shares.

2. Business description

Purpose of the Company

The Company's line of business is to produce, transport, distribute and supply energy and electric power, and to obtain, acquire and exploit concessions and use the rewards and rights obtained. Likewise it is empowered to transport, distribute, supply and commercialize natural gas for sale to industrial or generating processes. It can provide advisories in the field of engineering both domestically and abroad.

Main assets

Generating assets are composed of hydraulic power plants (reservoir and run-of-river) and thermoelectric power plants (combined cycle and open cycle), which altogether contribute maximum capacity of 2,962 MW to the Central Interconnected System (SIC) ("Sistema Interconectado Central").

Hydroelectric power plants cumulatively reach a capacity of 1,273 MW distributed in 15 plants: Colbún, Machicura, San Ignacio, Chiburgo and San Clemente, located in the Maule Region; Rucúe and Quilleco, in the Biobío Region; Carena, in the Metropolitan Region; Los Quilos, Blanco, Juncal, Juncalito, Chacabuquito and Hornitos, in the Region of Valparaíso; and Canutillar, in Los Lagos Region. The Colbún, Machicura and Canutillar power plants have their own reservoirs, whereas the remaining hydraulic facilities correspond to run-of-the-river power plants.

Thermal power plants cumulatively reach a capacity of 1,689 MW and are distributed in the Nehuenco Complex, located in the Region of Valparaíso; the Candelaria Power Plant, in the O'Higgins Region; the Antilhue Power Plant in the Los Rios Region; the Los Pinos Power Plant located in the Biobío Region; and the new Santa María I coal power plant situated in the Biobío Region, which was declared under commercial operations to the CDEC on August 15, 2012.

Commercial policy

The Company's commercial policy is to achieve an adequate balance between the level commitments of electricity sales and the generation capacity, in order to obtain an increase in and stabilize operating margins, with an acceptable level of drought risks. This also requires maintaining an adequate mix of thermoelectric and hydroelectric generation.

As a consequence of this policy, the Company tries to ensure that spot market sales or purchases do not reach significant volumes, since prices in this market experience significant variations, mostly according to hydrological conditions.

Main clients

The client´s portfolio is composed of regulated and unregulated clients:

- Regulated clients with Tendered Node Price Contracts are: Chilectra S.A., CGE Distribución S.A. for the Metropolitan Region, CGE Distribución S.A. for the O'Higgins, Maule, Biobío and La Araucanía Regions; Saesa S.A., Frontel S.A., Compañía Eléctrica de Osorno S.A., Cooperativa Eléctrica de Curicó Ltda., Compañía Distribuidora de Energía Eléctrica Codiner Ltda., Cooperativa de Consumo de Energía Eléctrica Chillán Ltda., Cooperativa Eléctrica Los Ángeles Ltda., Cooperativa Regional Eléctrica Llanquihue Ltda., Cooperativa Eléctrica Paillaco Ltda., Cooperativa Eléctrica Charrúa Ltda., Energía del Limarí S.A. and Cooperativa Rural Eléctrica Río Bueno Ltda.

- Conafe S.A., which is a regulated client with a Short-term Node Price contract.

- Unregulated clients are Cartulinas CMPC S.A. for its Maule Plant, CMPC Celulosa S.A., Papeles Cordillera S.A. and CMPC Tissue S.A. for the Puente Alto manufacturing plant; Anglo American Sur S.A. (formerly Compañía Minera Disputada de Las Condes Ltda.) for its Los Bronces/Las Tórtolas sites; and the unregulated clients of Chilectra S.A., Metro S.A. and the Aguas Andinas S.A. La Farfana Plant, located in the Metropolitan Region.

Additionally, as of September 1, 2011 and as a consequence of the financial insolvency situation of Campanario Generación S.A., the Superintendency of Electricity and Fuel (SEC) ("Superintendencia de Electricidad y Combustibles") issued an Exempt Resolution No. 2,288 dated August 26, 2011, amended by Exempt Resolution No. 239 dated February 9, 2012, instructing all generating companies of the Central Interconnected System (SIC) to supply the consumption of regulated clients whose supply was awarded to Campanario Generación S.A., at the prices and conditions stated in the respective tenders.

The electric market

The Chilean electric sector has a regulatory framework with almost 3 decades of operation. This has allowed the development of a very dynamic industry with a high level of participation from the private sector. The sector has been capable of satisfying growing energy demands, with average growth at a rate of 5% in the last 10 years whereas the GDP grew by 3% in the same period.

Chile has 4 interconnected systems and Colbún operates in the largest one, the Central Interconnected system (SIC), which extends from Taltal in the north up to the Large Island of Chiloé in the south. The consumption of this zone represents 75% of Chile's electric demand. Colbún is the second largest electric generator in the SIC with a market share of around 22%.

The tariff system distinguishes between different mechanisms for the short and long-term. As for the short-term tariffs, the sector is based on a marginal cost scheme, which in turn includes security criteria and efficiency in the allocation of resources. Marginal energy costs result from the operation of the electricity system in accordance with programming based on economic merit carried out by the Center for Economic Capacity Dispatch (CDEC) ("Centro de Despacho Económico de Carga") and which corresponds to the variable production cost of the most expensive unit that is operating at any given time. Power remuneration is calculated on the basis of the firm power of the power plants, i.e. the level of capacity that the power plant can contribute to the system at peak hours, considering a dry hydrological scenario and the probable unavailability of its generating units. In the Central Interconnected System (SIC), the firm power of generators is monitored during the period from May to September each year and is determined on the basis of maximum demand at peak hours in accordance with the procedure established by the regulating authority. The price of power is determined as an economic signal, representative of investments in the most efficient units to absorb the demand for power, at the system's peak hours of demand for supply.

For long-term tariff purposes, generators can have 2 types of clients: regulated and unregulated.

Since the effectiveness of Law No. 20,018 (Short Law II), since January 1, 2010, in the regulated clients market, made up of distribution companies, generators sell energy at a price resulting from public competitive tenders, denominated Long-term Node Price. There is still a small volume of supply contracts to regulated clients, whose price is given by the Short-term Node Price. This price is calculated biannually by the National Energy Commission (CNE) ("Comisión Nacional de Energía") as the average of marginal costs expected for the following 48 months, on the basis of assumptions of new capacity, demand growth, and cost of fuel, among others.

Unregulated clients are those that have a connected power over 2,000 kW, and freely negotiate their prices with their suppliers.

In the spot market generators trade energy and power surpluses or deficits among themselves at marginal costs (at an hourly level) that result from the net commercial position of their production capacity, since dispatch orders are based on the economic and exogenous merits of each generator.

The regulation allows users with connected power between 500 KW and 2,000 KW, to opt for an unregulated or regulated price regime, with a minimum period of permanence of four years in each regime.

To inject its electricity to the system and supply energy and electric power to its clients, Colbún uses its own and third party transmission facilities, in accordance with the rights granted to it by electric legislation.

In this aspect, on determination of rates, legislation establishes the concepts of the Trunk Transmission System, Sub-transmission and Additional Transmission.

3. Summary of significant accounting policies

3.1 Accounting principles

These financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standard Board (hereinafter the "IASB").

The Company's consolidated financial statements as of December 31, 2012 have been prepared in accordance with IFRS. These financial statements have been approved by its Board of Directors at the meeting held on January 29, 2013.

For the convenience of the reader, these financial statements have been stranslated from Spanish to English.

The Consolidated Statements of Financial Position and the Statements of Comprehensive Income, Changes in Net Equity and Cash Flows, as of December 31, 2011, have been prepared in accordance with IFRS, on a consistent basis with the criteria used as of December 31, 2012.

The Company fulfills all the legal conditions to which it is subject, shows normal operating conditions in each area in which its activities are developed, its projections show a profitable operation and it has the capacity to access the financial system to finance its operations, which in Management's judgment determines its capacity to continue as an ongoing company, as established in the accounting standards under which these financial statements are issued.

The following are the accounting principles adopted in the preparation of these consolidated financial statements. As required by IAS 1, these policies have been defined in function of current IFRS as of December 31, 2012, applied in a uniform manner to all periods presented in these consolidated financial statements.

a. Basis of preparation and period covered – These consolidated financial statements of Colbún S.A. comprise the Statements of Financial Position, Statements of Comprehensive Income, Statement of Changes in Net Equity and Statement of Cash Flows in thousands of US dollars for the years ended December 31, 2012 and 2011.

The Company is responsible for the information contained in these financial statements.

The consolidated financial statements have been prepared using historical cost criteria with the exception (in accordance with IFRS) of assets and liabilities that are recorded at fair value (Note 3.h).

b. Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Parent Company and the companies controlled by the Company. Control is reached when the Parent Company has the power to govern the financial and operating policies of an entity and therefore, obtains benefits from its activities. Subsidiaries are detailed as follows:

Consolidated company	Country	Functional currency	Taxpayer #	Percentage of interest as of			
				12.31.2012			12.31.2011
				Direct	Indirect	Total	Total
Empresa Eléctrica Industrial S.A.	Chile	US Dollar	96854000-9	99.9999	-	99.9999	99.9999
Colbún International Limited	Cayman Is.	US Dollar	0-E	99.9999	-	99.9999	99.9999
Sociedad Hidroeléctrica Melocotón Ltda.	Chile	US Dollar	86856100-9	99.9000	0.1000	100	100
Río Tranquilo S.A.	Chile	US Dollar	76293900-2	100	-	100	100
Termoeléctrica Nehuenco S.A.	Chile	US Dollar	76528870-3	99.9999	0.0001	100	100
Termoeléctrica Antilhue S.A.	Chile	US Dollar	76009904-K	99.9999	0.0001	100	100
Colbún Transmisión S.A.	Chile	US Dollar	76218856-2	99.9999	0.0001	100	-
Hidroeléctrica Guardia Vieja S.A.*	Chile	US Dollar	86912000-6	-	-	-	99.9999
Hidroeléctrica Aconcagua S.A.*	Chile	US Dollar	96590600-2	-	-	-	100
Obras y Desarrollo S.A.*	Chile	US Dollar	96784960-K	-	-	-	99.9000

* During 2012 there was a dissolution under a undue merger of the following companies with Colbún S.A.: i) Sociedad Hidroeléctrica Guardia Vieja S.A. on December 3 and ii) Obras y Desarrollo S.A. and Hidroeléctrica Aconcagua S.A. on December 14.

On July 12, 2012 the inscription and publication of the extract of incorporation of Sociedad Colbún Transmisión S.A. was signed at the notary office of Raúl Undurraga Lazo, under repertoire 3994/2012, with capital of US$ 2,000. The Company is a direct subsidiary of Colbún S.A. who has an interest of 99.9%.

All significant intercompany transactions and balances have been eliminated upon consolidation and non-controlling interests corresponding to third party interests in subsidiaries have been recognized and are incorporated in a separate manner in Colbún's consolidated equity.

b.1 Special purpose entities

On May 17, 2010, in accordance with D.E. No. 3,024, the Ministry of Justice provided legal status to the Colbún Foundation and approved its bylaws. The fundamental objectives of the foundation include:

Promoting, encouraging and supporting all types of work and activities tending to perfect and improve the living conditions of the sectors of the population with the greatest needs.

Research, development and dissemination of culture and arts. The Foundation can participate in the formation, organization, management and support of all entities, institutions, associations, groups and organizations, whether public or private, that have the same purposes.

The Foundation shall support all entities whose purpose is the dissemination, investigation, encouragement and development of culture and the arts.

The Foundation can finance the acquisition of real estate, equipment, furniture, laboratories, classrooms, museums and libraries, finance readjustment of infrastructure to support academic training. In addition, it can finance development of research, develop and implement instruction programs, provide development training or coaching and finance the edition and distribution of books, leaflets and any type of publication.

As of December 31, 2012, Colbún and subsidiaries provided ThUS $5,150 to the Foundation for compliance of its objectives, an amount that has been included in the Company's consolidated financial statements.

c. Investments accounted by using the equity method – Interests in companies over which Colbún exercises joint control with another company or in which it has significant influence are recorded using the equity method.

The equity method consists of recording the participation by the fraction of net equity represented by Colbún's interest over the adjusted capital of the investee.

If the resulting amount is negative, the participation would be recorded at zero unless there is a commitment on the part of the Company to improve the Company's equity situation, in which case the corresponding accrual is recorded.

Dividends received from these companies are recorded reducing the value of the interest and income obtained by these companies corresponding to Colbún based on its interest are incorporated, net of their tax effects to the income statement account "Participation in the profits (losses) of associates and joint ventures accounted for using the equity method".

Companies accounted for using the equity method are detailed as follows:

Associated company	Country	Functional currency	Taxpayer Number	Percentage of interest as of	
				12.31.2012 Direct	12.31.2011 Direct
Centrales Hidroeléctricas de Aysén S.A.	Chile	Chilean Pesos	76.652.400-1	49.0	49.0
Electrogas S.A. (1)	Chile	US Dollar	96.806.130-5	42.5	42.5
Transmisora Eléctrica de Quillota Ltda.	Chile	Chilean Pesos	77.017.930-0	50.0	50.0

d. Effects of variations in foreign currency exchange rates – The consolidated financial statements have been prepared in United States dollars, which is the functional and formal currency of the Parent Company, Colbún S.A.

Transactions in local and foreign currency, other than the functional currency, are converted to the functional currency using exchange rates from the transaction dates.

Loss and profits in foreign currency resulting from liquidation of these transactions and of the conversion of monetary assets and liabilities denominated in currencies other than the functional currency at closing exchange rates are recognized in the Statement of Income, except for when they are deferred in net equity as cash flow hedges and net investment hedges. Likewise, the conversion of accounts receivable or payable as of each closing period are performed with the closing exchange rate during consolidation. Valuation differences produced are recorded as "Exchange rate differences" in the Statement of Comprehensive Income.

e. Basis of conversion – Assets and liabilities in Chilean pesos, Euros and UF (Unidades de Fomento – a Chilean peso-dominated inflation-indexed monetary unit) have been converted into US Dollars at current exchange rates as of the closing date of the interim financial statements, detailed as follows:

Equivalency per one US Dollar	12.31.2012	12.31.2011
Chilean Pesos	479.96	519.20
Euros	0.7565	0.7715
UF	0.0210	0.0233

f. Property, plant and equipment - Property, plant and equipment items maintained for use in the generation of electricity services or for management purposes are recorded at cost, net of accumulated depreciation and impairment, if applicable. This cost includes the following concepts, as allowed by IFRS:

- Financial cost of loans destined to finance the work in progress; this is capitalized during the construction period.
- Employee expenses related directly to work in progress.
- Work in progress is transferred to material assets in exploitation once the testing period is ended, moment at which their depreciation begins.
- Expansion, modernization or improvement costs that represent an increase in productivity, capacity or efficiency or an increase in the useful lives of the assets are capitalized as higher cost of the corresponding assets.
- Substitutions or renewals of complete elements that increase the useful lives of the asset, or their economic capacity, are recorded as higher value of property, plant and equipment, with the consequent accounting withdrawl of the substituted or renovated elements.
- Periodic maintenance expenses, conservation and repairs are accounted for in profit or losses, as costs for the year in which they are incurred.
- The costs of decomissioning withdrawing or rehabilitating property, plant and equipment are based on the contractual obligation of each project and are therefore provisioned in accordance with IAS 16 (see Note 23).

Based on the results of the impairment test explained in Note 5.b), the Company's management considers that the book value of the assets does not exceed their recoverable value.

Property, plant and equipment items, net of their residual value are depreciated using the straight-line method distributing the cost of the different elements that compose the asset over their estimated technical useful lives (Note 5.a.(i)).

The residual value and useful lives of assets are reviewed and adjusted as necessary, as of each Statement of Financial Position closing date.

g. Intangibles other than goodwill – Intangibles other than goodwill correspond to easements and rights acquired for the construction and operation of power plants, in addition to software purchased from others, which is valued using the historical cost criteria.

Criteria for recognition of impairment losses on these assets and if applicable, recovery of impairment losses recorded are explained in Note 5.b.

h. Financial instruments

h.1. Financial assets – Financial assets are classified into the following categories:

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

Classification depends on the nature and purpose of financial assets and is determined at the initial recognition.

h.1.1 Effective interest rate method – The effective interest rate method corresponds to the method for calculating the amortized cost of a financial asset and the allocation of interest income during the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash flows receivable (including all charges on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the financial asset.

All of the Company's bank liabilities and financial obligations are recorded using this method.

Income is recognized on the basis of effective interest in the case of debt instruments other than financial assets classified at fair value through income.

h.1.2 Loans and receivables – Loans and receivables are recorded at amortized cost, which is the cash provided, less principal returned, plus uncharged interest accrued in the case of loans and at the current value of the consideration in the case of receivables. This includes current assets, except for those expiring more than 12 months from the date of the Statement of Financial Position, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

h.1.3 Investments held to maturity – Investments held to maturity are investments where the Company has the intention and capacity to hold the investment to maturity, and which are also accounted for at their amortized cost. In general investments in current instruments such as Fixed Time Deposits are recognized in this category.

h.1.4 Financial assets recorded at fair value through profit and loss – Financial assets recordad at fair value through profit and loss include the trading portfolio and financial assets that are managed and evaluated using the fair value criteria. Changes in value are recorded directly in the Statement of Income when they occur. Investments in current Mutual Funds are recognized in this category.

h.1.5 Available-for-sale investments – correspond to the rest of investments assigned specifically as available for sale or those that do not qualify for any of the previous three categories. These investments are recorded at their fair value when it is possible to determine this in a reliable manner.

h.1.6 Impairment of financial assets – Financial assets other than those valued at fair value through income, are evaluated as of the date of each statement of position to establish the presence of impairment indicators. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the investment have been affected as a result of one or more events occurred after initial recognition.

The commercial counterparts of Colbún are top level companies in terms of credit standing, and distribution companies which have not shown signs of impairment, relevant payment issues, nor delays due to the regulations governing the industry; therefore no impairment has been found in this regard. A provision for doubtful accounts is established when there is objective evidence that the Company will not be able to collect the amounts owed in accordance with the original terms of the receivables. The existence of significant financial difficulties on the part of the debtor, the probability that the debtor will declare bankruptcy or a financial reorganization and default or delay in payments, are considered indicators that the receivables has been impaired. The value of the provision is the difference between the book value of the asset and the current value of estimated future cash flows, discounted at the effective interest rate. The book value of the asset is reduced to the extent that the allowance is used and the loss is recognized in the statement of income.

When a receivable finally becomes uncollectable, i.e. all reasonable pre-judicial and judicial collection instances have been exhausted, based on the respective legal regulations; and their financial write-off is applicable, it is regularized against the allowance established for impaired receivables.

In the case of financial assets valued at amortized cost, the impairment loss corresponds to the difference between the book value of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial asset.

When the fair value of an asset is lower than its acquisition cost and there is objective evidence that the asset has suffered impairment that cannot be considered temporary, the difference is recorded directly in losses for the year.

Considering that, as of December 31, 2012, all the Company’s financial investments have been made in institutions of the highest credit quality and which mature in the short-term (less than 90 days), impairment tests indicate that there is no 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 equity, depending on the substance of the contractual agreement.

h.2.2 Equity instruments – An equity instrument is any contract that manifests a residual interest in the entity’s assets once all its liabilities have been deducted. Equity instruments issued by Colbún S.A. are recorded when the compensation is received, net of direct issuance costs. The Company currently has only issued single series shares.

h.2.3 Financial liabilities – Financial liabilities are classified either as financial liabilities at 'fair value through income' or as 'other financial liabilities'.

h.2.4 Financial liabilities at fair value through profit or loss (FVTPL)– Financial liabilities are classified at fair value through profit or loss when they are held for trading or designated at fair value through income.

h.2.5 Other financial liabilities - Other financial liabilities, including loans, are initially valued for the effective amount received, net of transaction costs. Other financial liabilities are subsequently valued at amortized cost using the effective interest rate method, recognizing interest expenses on the basis of effective profitability.

The effective interest rate method corresponds to the method of calculating the amortized cost of a financial liability and the allocation of interest expenses during the entire corresponding period. The effective interest rate corresponds to the rate that exactly discounts estimated future cash flows payable during the expected life of the financial liability or, when applicable, a shorter period when the associated liability has a prepayment option that is believed will be exercised.

Bond placement and bank loan obligations are presented at net value, i.e. reducing issuance expenses and discounts to their value.

h.2.6 Disposal of financial liabilities – The Company only disposes financial liabilities when the obligations are paid, void or expired.

i. Derivative financial instruments – Derivative contracts signed by the Company fundamentally correspond to hedge instruments. The effects that arise as a product of changes in the fair value of this type of instruments are recorded depending on their value in hedge assets or liabilities, to the extent that this item's hedge has been declared as highly effective based on its purpose. The corresponding unrealized net income or loss is recognized in income for the period in which the contracts are liquidated or stop fulfilling the characteristics of a hedge.

The Company has currency and interest rate derivative contracts.

Derivatives initially are recognized at fair value as of the date of signing of the derivative contract and are subsequently revalued at their fair value as of the financial statement closing date. Resulting profits or losses are recognized in profits or losses in function of the effectiveness of the derivative instrument and based on the nature of the hedge relationship.

A hedge is considered highly effective when changes in the fair value or in cash flows of the underlying attributable to the risk hedged, are offset with changes in fair value or in effective cash flows of the hedge instrument, with effectiveness in the range of 80% - 125%. The Company denominates certain derivatives as hedge instruments for the fair value of recognized assets or liabilities or firm commitments (fair value hedge instruments), hedge instruments on highly probable foreseen transactions or exchange rate risk hedge instruments on firm commitments (cash flows hedge instruments), or hedge instruments on net investments in foreign operations. To date, a high percentage of the Company's derivatives are treated as cash flow hedges, with the only exception being interest rate hedges, which were left without a hedged item when a syndicated loan was prepaid in February 2010 and whose position has been kept open and their effect product of the valuation at market is recognized as profit or loss in the Statement of Income (see point i.4).

A derivative instrument is presented as a non-current asset or non-current liability if the remaining maturity period of the instrument exceeds 12 months and its realization or payment within the 12 subsequent months is not expected. The rest of the derivative instruments are presented as current assets or current liabilities.

i.1 Embedded derivatives – The Company evaluates the existence of embedded derivatives in financial instrument contracts to determine whether their characteristics and risks are tightly related to the main contract, as long as the whole is not accounted for at fair value. Should it not be closely related, they are recorded separately accounting for changes in value in the Consolidated Income account.

To date, Colbún has determined that there are no embedded derivatives in their contracts.

i.2 Hedge accounting – The Company denominates certain instruments as hedge instruments, which can include derivatives or embedded derivatives, either as fair value hedge instruments, cash flows hedge instruments, or net investments in foreign operations hedge instruments.

At the beginning of the hedge relationship, Colbún documents the relationship between the hedge instruments and the hedged item together with the objectives of its risk management and strategy to carry out different hedge transactions. In addition, at the beginning of the hedge, and in an ongoing manner, the Company documents whether the hedge instrument used in a hedge relationship is highly effective in compensating changes in fair value or cash flows of the hedged item. Note 13.1 shows the detail of fair values of derivative instruments used for hedge purposes.

i.3 Fair value hedge – The change in fair value of denominated derivative instruments which qualify as fair value hedge instruments, is accounted for in profits and losses in an immediate manner, together with any change in the fair value of the hedged item that is attributable to the hedged risk. To date, the Company has not classified hedges as being of this type.

i.4 Cash flow hedges – The effective portion of changes in the fair value of derivative instruments, which are denominated and qualify as cash flow hedge instruments is deffered in equity, in a net equity reserve called "Cash Flow Hedge". The profit or loss related to the ineffective portion is recognized immediately in profits or losses, and is included in the "other profits or losses" line of the statement of income. Amounts deferred in equity are recognized as profits or losses in the period in which the hedged item is recognized in profits or losses, on the same line that the hedged item was recognized in the statement of income. However, when the foreseen hedged transaction results in recognition of a non-financial asset or liability, profits and losses previously deferred in equity are transferred from equity and are included in the initial valuation of the cost of that asset or liability.

Hedge accounting is discontinued when the Company annuls the hedge relationship, when the hedge instrument matures or is sold, ends or is exercised or when it no longer qualifies for hedge accounting. Any profit or loss deferred in equity at this time is maintained in equity and recognized when the foreseen transaction is finally recognized in profits or losses. When it is no longer expected that a foreseen transaction will occur, the accumulated profit or loss that was deferred in equity is recognized immediately in profits or losses.

j. Inventory – Inventory records stock of gas, petroleum and coal, valued at weighted average price, and inventory in warehouse and in transit is valued at cost. Values do not exceed net realization values.

k. Statement of cash flows – the Company and subsidiaries have determined the following considerations for the purpose of preparing the Statement of Cash Flows:

Cash and cash equivalents includes cash, time deposits with credit entities and other current money market investments with 3-month original maturities. In the Statement of Financial Position, bank overdrafts are classified as current liabilities.

Operating activities: correspond to activities that constitute the Company's main source of ordinary income, as well as other activities that cannot be qualified as from investing or financing.

Investing activities: correspond to activities involving acquisition, alienation or disposal by other means of non-current assets and other investments not included in cash and cash equivalents.

Financing activities: correspond to activities that produce changes in the size and composition of net equity and of liabilities of a financial segment.

l. Income taxes – the Company and its subsidiaries determine the taxable base and calculate their income taxes in accordance with the valid legal provisions for each period.

Deferred taxes arising from temporary differences and other events that create differences between the accounting and tax base of assets and liabilities are recorded in accordance with the standards established in IAS 12 "Income taxes".

Corporate taxes are recorded in the consolidated statement of income or in net equity accounts of the consolidated statement of financial position depending on where the profits or losses that originate them were recorded. Differences between the accounting value of assets and liabilities and their tax base generate balances of deferred tax assets or liabilities that are calculated using the tax rates expected to be effective when the assets and liabilities are realized.

Changes produced in deferred tax assets or liabilities in the period are recorded in the income statement account of the Consolidated Statement of Comprehensive Income or in total equity accounts in the statement of financial position, based on where the gains or losses that generated it have been recorded.

Deferred tax assets are only recognized when it is expected that there will be sufficient taxable net income to recover deductions due to temporary differences.

Non-monetary taxable assets and liabilities are determined in Chilean Pesos and are converted to the functional currency of Colbún and its subsidiaries at the exchange rate, as of each period closing date. Changes in the exchange rate result in temporary differences.

At each accounting close deferred tax assets and liabilities are recorded in order to verify that they are still current, making timely corrections in accordance with the results of the mentioned analysis.

m. Termination Benefits– obligations recognized for the concept of termination benefits arise as a consequence of agreements of a collective nature signed with the Company's employees, which establish the Company's commitment. The Company recognizes the cost of employee benefits in accordance with an actuarial calculation as required by IAS 19 "Employee Benefits", which includes variables such as life expectancy, salary increases, etc. A 3.0% annual discount rate has been used in that calculation on December 31, 2012.

The amount of net actuarial liabilities accrued, as of year end is shown under the Provisions item of non-current liabilities in the Consolidated Statement of Financial Position.

Actuarial losses and gains arising from valuation of liabilities subject to these plans are recorded directly in income under "Employee benefits expenses".

n. Provisions – obligations existing as of the date of the Statement of Financial Position, arising as a consequence of past events which can probably affect the Company equity and whose amount and time of payment are undetermined, are recorded as provisions for the current value of the estimated most probable amount that the Company will have to disburse to pay the obligation.

Provisions are reviewed periodically and are quantified considering the best information available as of the financial statement closing date.

o. Recognition of income - income from the sale of electric energy is valued at the fair value of the amount received or receivable and represents the amounts for the services rendered during normal commercial activities, reduced by any related tax or discount.

The following is a description of the Company's main policies for recognizing income for each type of client:

- Regulated clients - distribution companies: income from the sale of electric energy is recorded on the basis of physical delivery of the energy and power, in conformity with long-term contracts at a tendered price in accordance with Law No. 20,018 of 2005 or at a regulated price stipulated by the National Energy Commission (CNE), as applicable.

- Unregulated clients – connected capacity greater than 2,000 KW. Income from sale of electric energy for these clients is recorded on the basis of physical delivery of energy and power at the rates specified in the respective contracts.

- Spot market clients - income from sale of electric energy and power are recorded on the basis of physical delivery of the energy and power, to other generating companies, at the marginal cost of the energy and power. By law the spot market is organized through the "Centro Económico de Despacho de Carga" (CDEC), which generation companies belong to as coordinated together with transmission and distribution companies and large unregulated clients and is where the surplus or deficit of electric energy and power is commercialized. Surplus energy and power is recorded as income and deficits are recorded as expenses in the Consolidated Statement of Comprehensive Income.

When goods or services are exchanged for other goods or services of a similar nature and value, the exchange is not considered to be a transaction that generates income.

In addition, any tax received from clients and sent to the government authorities (for example VAT, sales tax or duties) is recorded on a net basis and therefore is excluded from income in the Consolidated Statement of Comprehensive Income.

o.1 Income from dividends and interest - income from investment dividends is recognized when the right to receive the payment has been established.

Interest income is accrued based on time, by reference to the equity payable and the applicable effective interest rate, which is the rate that exactly reduces future and estimated cash income throughout the expected useful life of the financial asset at the net book value of that asset.

p. Dividends - the Ordinary Shareholders' Meeting agreed that the dividends policy will distribute 30% of distributable net income for the year.

As of year end the Company provisions 30% of distributable net income.

q. Environment – in the event of environmental liabilities, they are recorded on the basis of the current interpretation of environmental laws and regulations, when it is probable that a real obligation will be produced and the amount of that liability can be reliably calculated.

Investments in infrastructure destined to complying with environmental requirements are capitalized following the general accounting criteria for property, plant and equipment.

r. Vacation accrual – vacation expenses are recorded in the period in which the right accrues, in accordance with IAS 19.

s. Classification of balances as current and non-current - in the Consolidated Statement of Financial Position, balances are classified based on their expiration, i.e. as current those expiring in twelve months or less and as non-current those expiring in excess of that period.

t. Leases – The Company applies IFRIC 4 to assess whether an agreement is or contains a lease. Leases where substantially all risks and benefits inherent to ownership are transferred, are classified as financial leases. The rest of the leases are classified as operating leases.

3.2 New accounting pronouncements

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

New IFRS	Date of mandatory application
IFRS 9, Financial Instruments. Classification and measurement	January 1, 2015
IFRS 10, Consolidated Financial Statements.	January 1, 2013
IFRS 11, Joint Agreements.	January 1, 2013
IFRS 12, Disclosure of Participations in Other Entities.	January 1, 2013
IFRS 13, Fair Value Measurements.	January 1, 2013
IFRS 20, stripping costs in the production phase of a surface mine.	January 1, 2013

The application of these accounting pronouncements has not had a significant effect for the Company. The rest of the accounting criteria applied in 2012 have not varied in respect to those used in 2011.

Amendments to IFRS	Date of mandatory application
IFRS 7, Financial Instruments. Disclosures.	January 1, 2013
IFRS 10, Consolidated Financial Statements.	January 1, 2013 January 1, 2014
IFRS 11, Joint Agreements.	January 1, 2013
IFRS 12, Disclosure of Participations in Other Entities.	January 1, 2013 January 1, 2014
IAS1, Financial Statements	January 1, 2013
IAS 16, Property, plant and equipment	January 1, 2013 January 1, 2014
IAS 19, Employee benefits.	January 1, 2013
IAS 27, Separate Financial Statements	January 1, 2013 January 1, 2014
IAS 28, Investments in associates and joint business	January 1, 2013
IAS 32 Financial Instruments Presentation– Clarification of requirement for netting financial assets and liabilities.	January 1, 2013 January 1, 2014
IAS 34 Interim financial reporting.	January 1, 2013

The Company is evaluating the impact that IFRS 9, IFRS 10, IFRS 11, IFRS 12 and IFRS 13 will have as of the date of their effective application. The management of the Company believes that the rest Standards, Interpretations and Amendments pending application will not have a significant effect on the Group's Consolidated Financial Statements.

3.3 Responsibility for information and estimates performed

The information contained in these consolidated financial statements is the responsibility of the Company's Board of Directors, which expressly manifests that they have fully applied principles and criteria in conformity with IFRS.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts of assets and liabilities as of the date of the financial statements and the amounts of income and expenses during the reported year. These estimates are based on management's best knowledge of the amounts, events or actions reported.

In the preparation of the consolidated financial statements estimates such as the following have been used:

- Useful lives of property, plant and equipment and intangibles (see Note 3.1.f and 5.a).
- Residual asset values (see Note 3.1.f).
- Impairment losses (see Note 5.b).
- Hypothesis used to calculate the fair value of financial instruments (see Note 3.1.h and 5.d).
- Hypothesis used in the actuarial calculation of liabilities and obligations with employees (see Note 3.1.m).
- Probability and occurrence and the amount of uncertain or contingent liabilities (see Note 3.1.n).
- The energy supplied to clients and pending billing as of each period closing (see Note 3.1.h.1.6 and 9).

Although these estimates have been performed using the best information available on the date of issuance of these consolidated financial statements, it is possible that events that might take place in the future could result in modification (upward or downward) in future periods, which would be applied prospectively when the change becomes known, recognizing the effects of the change in estimate in the corresponding future consolidated financial statements in accordance with IAS 8.

4. Financial Risk Management

4.1 Risk management policy

The risk management strategy is oriented to safeguarding the Company's stability and sustainability, eliminating or mitigating the uncertainty variables that do or might affect it.

Fully managing risks assumes the identification, measurement, analysis, mitigation and control of the different risks incurred by the Company's different management departments, as well as estimating the impact on its consolidated position, follow up and control throughout time. This process involves the intervention of Colbún's senior management and the risk taking areas.

Tolerable risk limits, metrics for measuring risk and periodicity of risk analysis are policies established by the Company's Board of Directors.

The risk management function is carried out by a Risk Committee with support of the Risk Management and Control Management Area (belonging to the Business and Energy Management Division) and in coordination with the rest of the Company's divisions.

4.2 Risk factors

The activities of the Company are exposed to various risks, which have been classified into electricity business risks and financial risks.

4.2.1 Electricity business risks

These are the risks of a strategic nature due to external and internal Company factors such as the economic cycle, hydrology, demand patterns, structure of the industry in respect to supply in generation and transmission, changes in regulation and levels of prices of fuel. This category also includes risks arising from project management, equipment failure and maintenance.

Regarding electrical business risks, for 2012 the main risks are associated with hydrology and prices of fuels, which are detailed as follows:

a. Hydrological risk

Approximately 55% of Colbún's installed capacity corresponds to efficient hydroelectric and thermoelectric power plants, which allow it to comply with the Company's commitments at low operating costs. However, under dry weather conditions, Colbún must operate its combine cycle thermoelectric plants, mainly powered with diesel or with purchased natural gas, which allows it to compensate for the lower hydraulic generation and complement efficient coal generation. Under very extreme conditions it might be necessary to use open cycle power plants operating with diesel.

This situation increases Colbún's costs, increasing the variability of its income in function of hydrological conditions. The Company's exposure to hydrological risk is reasonably mitigated through a commercial policy whose purpose is to maintain a balance between competitive base generation (hydraulic in a medium dry year and coal powered thermal generation) and commercial commitments. In addition our sales to customers are agreed upon on the basis of indexes that reflect the Company's cost structure (price of fuel, marginal costs and inflation indexes). However, in case of extreme hydrological conditions the variability of income could increase. This situation is being constantly monitored in order to adopt the required mitigating actions in a timely manner.

In this sense, due to the hydrological conditions of the last three years, during 2012 natural gas supply agreements have been signed with Enap Refinerías S.A. for the operation of a combined cycle unit of the Nehuenco complex with gas from the GNL Quintero terminal. Additionally an agreement was reached with Enap Refinerías S.A. to supply one Nehuenco combined cycle unit for the period from January to April 2013.

On the other hand, in order to cover unfavorable thawing conditions for the end of 2012 and beginning of 2013, two new agreements were completed for the supply of natural gas with Metrogas S.A. The first contemplates supply for one combined cycle unit of the Nehuenco Complex for the period from September to December 2012 and the second, for the period from January to April 2013 (contract that in addition contemplates options to nominate supply for certain months of 2014 and 2015).

It should be noted that these gas contracts will not allow the supply of contractual commitments under more competitive conditions than the gas contracts for previous periods (due to the commercial conditions stipulated in them).

b. Fuel price risk

As mentioned in the description of hydrological risk, in situations with low flows to the hydroelectric plants, Colbún must use its thermoelectric plants or purchase energy from the spot market at marginal cost.

In these scenarios, Colbún’s production cost or marginal costs are directly affected by fuel prices, existing a risk of variation in international fuel prices.

Part of this risk is mitigated with contracts whose sales prices are also indexed to the variations in fuel prices, both diesel and coal.

To complement the above, and in accordance with the policy of periodically reviewing the Company’s risks, in October 2012, once the agreements to operate with natural gas during the first months of 2013 materialized, hedge instruments were entered into (call options on Henry Hub) in order to limit the increase in the Company’s costs due to increase in the international prices of natural gas.

c. Fuel supply risk

Regarding the supply of liquid fuel, the Company has contracts with suppliers and its own storage capacity that allows it to adequately rely on the availability of this type of fuel.

Regarding coal purchases for the Santa María thermoelectric plant, tenders have been called inviting important international suppliers, awarding supply to competitive and supported companies. This is in compliance with an early purchase policy in order to prevent any risk of not having this fuel.

4.2.2 Financial risks

Financial risks are those connected to the impossibility of making transactions or non-compliance with obligations arising from activities due to lack of funds, as well as variations in interest rate, foreign currency exchange rates, bankruptcy of a counterpart or other market financial variables that might affect Colbún’s equity.

a. Exchange rate risk

Exchange rate risk results mainly by payments that must be made in currencies other than the US Dollar for the process of generating energy, from investments in already existing energy generating plants or new plants under construction, and from debt that is in currencies other than the Company’s functional currency.

Instruments used to manage exchange rate risk are currency swaps and forwards.

As of December 31, 2012, the balance of Colbún shows a mostly balanced position of assets over liabilities in Chilean pesos.

b. Interest rate risk

Refers to changes in interest rate that affect the value of future cash flows referenced at variable interest rate and variations in the fair value of assets and liabilities referenced to fixed interest rate which are accounted for at fair value.

The purpose of risk management for this risk is to reach a balance in the debt structure, decrease the impact on cost resulting from fluctuations in the interest rate and in this manner be able to reduce the volatility of the Company's income statement account.

In order to comply with the objectives and in accordance with Colbún's estimates, hedge derivatives are entered into in order to mitigate these risks. Instruments used are fixed interest rate swaps and collars.

The Company's financial debt, incorporating the effect of interest rate derivatives entered into, has the following profile:

Interest rate	12.31.2012	12.31.2011
Fixed	90%	100%
Variable	10%	0%
Total	**100%**	**100%**

Colbún has a remaining derivatives position that covered the interest rate risk of the loan that was partially prepaid in February 2010. These instruments amounting to US$100 million generate an active exposure to the Libor rate, a position that will be managed in accordance with the Company's policies, in order to minimize the economic impact of eliminating these positions.

c. Credit risk

The Company is exposed to this risk due to the possibility that a counterpart fails to comply with its contractual obligations and produces an economic or financial loss. Historically, all counterparts, with whom Colbún has had energy delivery commitments, have made their corresponding payments in a correct manner. Additionally, a large part of the amounts collected by Colbún are from members of the Chilean Central Interconnected System, which are entities that are highly solvent.

Regarding placements in treasury and derivatives, Colbún performs transactions with entities with high credit ratings, recognized nationally and internationally, therefore minimizing the Company's credit risk. In addition, the Company has established limits of participation by counterpart, which are approved by the Company's Board and reviewed periodically.

As of December 31, 2012, all cash surplus investments are invested in local banks with local risk rating equal to or higher than AA-, and in international banks with investment grade classification. In relation to the existing derivatives, all international counterparts of the company are rated internationally BBB or higher and the risk classification of local counterparts is AA- or higher.

d. Liquidity risk

This risk results from the different needs for funds to cover investment commitments and business expenses, debt expirations, etc.

The funds necessary to cover these cash outflows are obtained from resources generated by Colbún's ordinary activities and lines of credit that ensure sufficient funds to cover the needs foreseen for a period.

As of December 31, 2012, Colbún has a cash surplus of US$ 217.7 million, invested almost completely in time deposits with an average term of less than 90 days. Likewise, the Company has the following additional liquidity sources available to date:(i) a committed credit line with local entities for UF 8 million, (ii) two lines of bonds registered in the local market for a combined amount of 7 million, (iii) a line of commercial papers registered in the local market for UF 2.5 million and (iv) uncommitted bank lines for approximately US$ 150 million.

As of December 31, 2012 Colbún has national risk rating of A+ from Fitch Ratings and AA- from Humphreys, both with stable perspectives. At an international level the Company is rated BBB with stable perspective by Fitch Ratings and BBB- with negative perspective by Standard & Poor's.

4.3 Risk measurement

The Company periodically analyzes and measures its exposure to the different risk variables, in accordance with the previous paragraphs.

For the purpose of measuring its exposure Colbún uses methodologies widely used in the market to analyze the sensitivity of each risk variable, so that the Company is able to manage the exposure to the different variables and their economic impact.

5. Critical accounting criteria

Management must necessarily use its judgment and make estimates that have a significant effect on the figures presented in the financial statements. Changes in assumptions and estimates might have a significant impact on the financial statements. Critical estimates and judgments used by management to prepare these financial statements are detailed as follows:

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

Both the property, plant and equipment and intangible assets other than goodwill with definite useful lives are depreciated and amortized using the straight-line method over their estimated useful lives. Useful lives have been estimated and determined taking into consideration technical aspects, nature of the asset, and condition of the goods. Estimated useful lives as of December 31, 2012 and December 31, 2011 are detailed as follows:

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

The useful lives of the main property, plant and equipment items are detailed as follows:

Classes of property, plant & equipment	Range of estimated useful lives
Buildings and infrastructure	30 - 50
Machinery and equipment	20 - 50
Other property, plant & equipment	10 - 20

For further information the following is an additional breakdown by type of plant:

Classes of plants	Range of estimated useful lives
Generating facilities	
Hydraulic power plants	
Civil works	30 - 50
Electromechanical equipment	20 - 50
Thermoelectric power plants	
Civil works	20 - 50
Electromechanical equipment	20 - 35

(ii) Useful lives of intangible assets other than goodwill (with definite useful lives)

Useful lives of the Company's intangible assets correspond to software and similar and temporary easements, which are amortized in accordance with the term of the respective contract.

(iii) Useful lives of intangible assets other than goodwill (with indefinite useful lives)

The Company analyzed the useful lives of intangible assets other than goodwill, easements and water rights, among other items, concluding that there is no foreseeable limit to the period, in which the asset will generate net cash inflows. For these intangible assets it was determined that their useful lives are of an indefinite nature.

b. Impairment of tangible and intangible assets, excluding goodwill

As of each year end, or on the dates considered necessary, the value of assets is analyzed to determine whether there is any indication that those assets have suffered and impairment loss. Should there be any indication that an estimate is made of the recoverable amount of that asset, to the amount of the necessary write-down will be determined. Should these be identifiable assets that do not generate cash flows in an independent manner, the recoverability of the Cash Generating Unit to which the asset belongs is estimated.

In the case of Cash Generating Units to which tangible or intangible assets with indefinite useful lives have been allocated, the analysis of their recoverability is performed systematically as of each year-end or under circumstances considered necessary to perform such an analysis.

The recoverable amount is the higher between the market value discounting the cost necessary for its sale and value in use, understanding this to be the current value of estimated future cash flows. In order to calculate the recovery value of material real estate, the Company uses the value in use criteria.

In order to estimate value in use, the Company prepares future cash flows provisions before taxes using the most recent budgets approved by the Company's management. These budgets incorporate the best estimates available of income and costs of Cash Generating Units using the best information available as of that date, past experience and future expectations.

These cash flows are discounted to calculate their current value at a rate, before taxes, which covers the cost of capital of the business in which it operates. To calculate it, one takes into account the current cost of money and risk premiums used in a general manner for the business.

Should the recoverable amount be less than the net book value of the asset, the corresponding impairment loss provision is recorded for the difference with a charge to "Amortization" in the statement of income.

Impairment losses, recognized on an asset in previous years, are reverted when there is a change in the estimates of the recoverable amount increasing the value of the asset with a credit to income with the limit of the book value that the asset would have had, had no write-down been recognized.

On the basis of the results of the previously explained impairment testing, the Company's management considers that there are no indications of impairment of the book value of tangible and intangible assets; since they do not exceed their recoverable value.

c. Financial assets held to maturity

Directors have reviewed the Company's financial assets held to maturity considering the liquidity and capital maintenance requirements and have confirmed the Company's intention and capacity to hold those assets to maturity.

d. Fair value of derivatives and other financial instruments

As described in Note 4, Management uses its criteria to select an appropriate valuation technique for financial instruments that are not traded in an active market using valuation techniques commonly used by market professionals. In the case of derivative financial instruments, assumptions are formed on the basis of quoted market rates, adjusted in accordance with the specific characteristics of the instrument. Other financial instruments are valued using an analysis of the restatement of cash flows based on support assumptions, whenever possible, by observable market prices or rates.

6. Operations by segments

Colbún's business is the generation and sale of electric energy. For this it has assets that produce that energy, which is sold to various clients, with whom it has supply contracts and others without contracts, in accordance with what is stipulated by Law.

Colbún's management control system analyzes the business from the perspective of a mix of hydraulic / thermoelectric assets that produce electrical energy to serve a portfolio of clients. Consequently, the allocation of resources and performance measures are analyzed in aggregate terms.

Notwithstanding the above, internal management considers classification criteria for assets and clients, for merely descriptive purposes, but in no case for business segmentation.

Some of these classification criteria are, for example production technology: hydroelectric plants (which in turn can be run-of-river or reservoir type) and thermoelectric plants (which in turn can be combined cycle, open cycle, etc.). In turn, clients are classified following the concepts contained in the regulation. The classifications are as follows: unregulated clients, regulated clients and spot market (see Note 2).

There is no direct relationship between each of the generating plants and the supply contracts, but rather these are established based on Colbún's total capacity, and it is supplied with the generation of any of the plants, or else with the purchase of energy from other generating companies.

Colbún is part of the CDEC-SIC dispatch system; therefore the generation of each of the plants is defined by this dispatch system, in accordance with the definition of economic optimum for the entire SIC.

Since Colbún S.A. operates only in the Central Interconnected System, no geographic segmentation is applicable.

Electrical regulation in Chile contemplates a conceptual distinction between energy and power, not because they are different physical elements, but rather for the purpose of an economically efficient rate. Hence, the distinction between energy is valued in monetary units per unit of energy (KWh, MWh, etc.) and power that is valued in monetary units per unit of power – unit of time (KW-month).

Consequently, for the purpose of application of IFRS 8, the entire aforementioned business is defined as the only operating segment for Colbún S.A.

Information on products and services

Services	January – December	
	2012 ThUS$	2011 ThUS$
Energy sales	981,856	1,022,871
Power sales	155,864	149,085
Other income	271,036	160,820
Total sales	**1,408,756**	**1,332,776**

Information on sales to main clients

Main Clients	January – December 2012 ThUS$	2012 %	2011 ThUS$	2011 %
CGE	338,173	24%	345,545	26%
Chilectra	263,520	19%	248,010	19%
AngloAmerican	133,185	9%	175,873	13%
Saesa	134,925	10%	112,791	8%
Codelco	44,304	3%	146,350	11%
Other	494,649	35%	304,207	23%
Total sales	**1,408,756**	**100%**	**1,332,776**	**100%**

7. Classes of cash and cash equivalents

a. Account composition

As of December 31, 2012 and December 31, 2011, cash and cash equivalents are detailed as follows:

Cash and cash equivalents	12.31.2012 ThUS$	12.31.2011 ThUS$
Cash	55	56
Bank balances	306	333
Time deposits	216,877	192,788
Other net instruments	502	102,649
Total	**217,740**	**295,826**

Time deposits mature in a term of less than three months and accrue market interest for this type of current investment.

The Other Net Instruments correspond to fixed income funds in Chilean pesos, Euros and in US dollars, of very low risk, which are recorded at the value of the respective unit as of the closing date of these consolidated financial statements.

b. Details by type of currency

Cash and cash equivalents, organized by type of currency, considering the effect of derivatives are detailed as follows:

Currency	12.31.2012 Currency of origin ThUS$	12.31.2012 Currency with derivative (1) ThUS$	12.31.2011 Currency of origin ThUS$	12.31.2011 Currency with derivative (1) ThUS$
EUR	3,979	14,819	13,858	52,874
CLP	200,720	136,920	221,553	81,061
USD	13,041	66,541	60,415	161,100
Total	**217,740**	**218,280**	**295,826**	**295,035**

(1) Considers the effect of foreign exchange forwards signed to re-denominate certain time deposits in Chilean Pesos to US dollars or Euros.

8. Other financial assets

Other financial assets are detailed as follows:

	Current		Non-current	
	12.31.2012 ThUS$	12.31.2011 ThUS$	12.31.2012 ThUS$	12.31.2011 ThUS$
Hedge derivative instruments (1)	24,702	4,528	10,164	11,052
Investment in the CDEC	-	-	314	289
Total	**24,702**	**4,528**	**10,478**	**11,341**

(1) Corresponds to positive current and non-current mark-to-market of hedge derivatives current as of year end (see Note 13.1).

9. Trade and other receivables

Trade and other receivables are detailed as follows:

Description	Current	
	12.31.2012 ThUS$	12.31.2011 ThUS$
Trade receivables with contract	121,742	157,031
Trade receivables without contract	-	418
Miscellaneous debtors (1)	81,020	56,603
Total	**202,762**	**214,052**

(1) Corresponds mainly to advances to suppliers and receivables related to insurance claims.

The average client collection period is 30 days without considering sales to distribution clients without contracts (RM88), whose amount was charged in accordance with what is established in Exempt Resolution No. 933 issued by the National Energy Commission and mentioned in Law 20,018 (Short Law II).

Considering the solvency of the debtors, the quality of the receivables, and the current regulations in accordance with the policy on allowance for doubtful accounts declared in our accounting policies (see Note 3.h.1.6); the Company believes that there is no objective evidence of impairment of trade and other receivables requiring the need for an allowance as of each reported period, therefore it does not require an uncollectible provision.

The fair values of trade receivables and other receivables are the same as their commercial values.

As of December 31, 2012 and December 31, 2011, the analysis of Trade Receivables is detailed as follows:

a) Portfolio distribution by profit, overdue but not impaired.

The detail, as of December 31, 2012, is as follows:

Trade receivables	Invoiced					
	12.31.2012					
	Current ThUS$	1-30 days ThUS$	31-60 ThUS$	61-90 ThUS$	91-more ThUS$	Total ThUS$
Regulated trade receivables	-	3,115	2	145	104	3,366
Unregulated trade receivables	-	588	-	-	169	757
Other trade receivables	459	2,112	33	6	3,400	6,010
Subtotal	**459**	**5,815**	**35**	**151**	**3,673**	**10,133**

(Translation of Consolidated Financial Statements originally issued in Spanish- See note 3.1)

Trade receivables	Invoices to be Issued 12.31.2012					
	Current ThUS$	1-30 days ThUS$	31-60 ThUS$	61-90 ThUS$	91-more ThUS$	Total ThUS$
Regulated trade receivables	-	72,091	7,767	-	-	79,858
Unregulated trade receivables	301	9,336	-	-	-	9,637
Other trade receivables	20,914	843	357	-	-	22,114
Subtotal	**21,215**	**82,270**	**8,124**	**-**	**-**	**111,609**
Total Trade receivables	**21,674**	**88,085**	**8,159**	**151**	**3,673**	**121,742**
Number of clients	**5**	**73**	**56**	**33**	**52**	

The detail, as of December 31, 2011, is as follows:

Trade receivables	Invoiced 12.31.2011					
	Current ThUS$	1-30 days ThUS$	31-60 ThUS$	61-90 ThUS$	91-more ThUS$	Total ThUS$
Regulated trade receivables	6,460	495	-	-	-	6,955
Unregulated trade receivables	354	-	-	-	-	354
Other trade receivables	26,394	585	7	45	4,319	31,350
Subtotal	**33,208**	**1,080**	**7**	**45**	**4,319**	**38,659**

Trade receivables	Invoices to be issued 12.31.2011					
	Current ThUS$	1-30 days ThUS$	31-60 ThUS$	61-90 ThUS$	91-more ThUS$	Total ThUS$
Regulated trade receivables	71,749	6,847	5,986	2,156	1,194	87,932
Unregulated trade receivables	28,922	6	6	53	84	29,071
Other trade receivables	1,319	18	22	9	419	1,787
Subtotal	**101,990**	**6,871**	**6,014**	**2,218**	**1,697**	**118,790**
Total Trade receivables	**135,198**	**7,951**	**6,021**	**2,263**	**6,016**	**157,449**
Number of clients	**117**	**45**	**22**	**12**	**81**	

b) Receivables in judicial collection

There are no trade receivables or other receivables recorded in the accounting in judicial collection.

10. Financial instruments

a. Financial instruments by category

Accounting policies related to financial instruments have been applied to the categories detailed below:

December 31, 2012	Held to maturity ThUS$	Loans and receivables ThUS$	Assets at fair value with changes in income ThUS$	Hedge derivatives ThUS$	Total ThUS$
Mutual Funds and Time Deposits (see Note 7)	216,877		502	-	217,379
Trade receivables and other receivables (see Note 9)	-	202,762	-	-	202,762
Financial derivative instruments (see Note 13)	-	-	-	34,866	34,866
Other financial assets (see Note 8)	314	-	-	-	314
Total	**217,191**	**202,762**	**502**	**34,866**	**455,321**

December 31, 2011	Held to maturity ThUS$	Loans and receivables ThUS$	Assets at fair value with changes in income ThUS$	Hedge derivatives ThUS$	Total ThUS$
Mutual Funds and Time Deposits (see Note 7)	192,788	-	102,649	-	295,437
Trade and other receivables (see Note 9)	-	214,052	-	-	214,052
Financial derivative instruments (see Note 13)	-	-	-	15,580	15,580
Other financial assets (see Note 8)	289	-	-	-	289
Total	**193,077**	**214,052**	**102,649**	**15,580**	**525,358**

b. Credit Quality of Financial Assets

The credit rating of financial assets that have not matured yet and which have not suffered impairment losses can be evaluated on the basis of the credit rating granted to the counterparts of the Company by risk rating agencies with renowned national and international prestige.

Financial assets credit rating	12.31.2012 ThUS$	12.31.2011 ThUS$
Clients with local risk rating		
AAA	1,194	12,420
AA	43,764	51,976
A+	38,718	61,424
A	4,237	910
A-	47	96
Total	**87,960**	**126,826**
Clients without local risk rating		
Total	**33,782**	**30,205**
Distributors without energy sales contract		
Total	**-**	**418**
Cash and current bank deposits, local market		
AAA	102,251	109,033
AA+	41,702	54
AA	8,947	58,494
AA-	60,985	25,511
Total	**213,885**	**193,092**
Cash and current bank deposits, international market (*)		
BBB- or higher	3,353	85
Total	**3,353**	**85**
Counterpart derivative financial assets, local market		
AAA	9,387	8,941
AA+	1,268	206
AA-	18,998	4,342
Total	**29,653**	**13,489**
Counterpart derivative financial assets, international market (*)		
BBB- or higher	5,213	2,091
Total	**5,213**	**2,091**

(*) International risk rating

11. Related party information

Operations between the Company and its dependent subsidiaries, which are related parties form part of the Company's regular transactions related to their line of business and conditions and have been eliminated in the process of consolidation. The connection between the Controller, Subsidiary and Associates is detailed in Note 3.1 letter b.

a. Majority shareholders

The distribution of the Company's shareholders, as of December 31, 2012, is detailed as follows:

Name of Shareholders	Interest %
Minera Valparaíso S,A, (*)	35.17
Forestal Cominco S,A, (*)	14.00
Antarchile S,A,	9.58
AFP Habitat S,A, (**)	5.16
AFP Provida S,A, (**)	5.13
AFP Capital S,A, (**)	4.51
AFP Cuprum S,A, (**)	3.36
Banco Itaú on behalf of investors	2.48
Banco de Chile on behalf of third parties	2.44
Larraín Vial S.A. Corredora de Bolsa	1.60
Other shareholders	16.57
Total	**100.00**

(*) The Company is directly controlled by Minera Valparaíso S.A. (35.17%), and through its subsidiaries Forestal Cominco S.A. (14.00%) and Inversiones Coillanca Ltda. (0.09%).
(**) Corresponds to the consolidated participation of each pension fund administrator.

b. Balances and transactions with related entities

b.1. Receivables from related entities

Receivables from related entities are detailed as follows:

Taxpayer Number	Company	Country of origin	Nature of relationship	Currency	Current 12.31.2012 ThUS$	Current 12.31.2011 ThUS$	Non-current 12.31.2012 ThUS$	Non-current 12.31.2011 ThUS$
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common corporate group	US Dollar	10,000	10,000	-	10,000
				CLP	1,687	1,806	-	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Common corporate group	CLP	1,190	1,312	400	398
96.532.330-9	CMPC Celulosa S.A.	Chile	Common corporate group	CLP	-	1,639	-	-
96.529.310-8	CMPC Tissue S.A.	Chile	Common corporate group	CLP	449	453	-	-
96.806.130-5	Electrogas S.A.	Chile	Affiliate	US Dollar	1,456	1,308	-	-
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Affiliate	CLP	411	232	-	-
				Total	**15,193**	**16,750**	**400**	**10,398**

b.2. Payables to related entities

Payables to related entities are detailed as follows:

Taxpayer Number	Company	Country of origin	Nature of relationship	Currency	Current 12.31.2012 ThUS$	Current 12.31.2011 ThUS$
90.412.000-6	Minera Valparaíso S.A.	Chile	Shareholder	Dollar	4,796	-
79.621.850-9	Forestal Cominco S.A.	Chile	Shareholder	Dollar	1,854	-
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Affiliate	Chilean Pesos	-	220
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Common Director	Chilean Pesos	20,475	31,901
97.080.000-k	Banco Bice	Chile	Common Director	Chilean Pesos	1	-
96.565.580-8	Leasing Tattersall S.A.	Chile	Common Director	Chilean Pesos	142	-
				Total	**27,268**	**32,121**

b. 3 Most significant transactions and their effects on income

Most significant transactions and their effects on income are detailed as follows:

						January - December			
						2012		2011	
Taxpayer number	**Company**	**Country of origin**	**Nature of relationship**	**Type of currency**	**Transaction Description**	**Amount** ThUS$	**(Charge)/ Credit to Income** ThUS$	**Amount** ThUS$	**(Charge)/ Credit to income** ThUS$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Associate	Pesos	Facility use fee	2,549	(2,142)	3,472	(2,918)
				UF	Interest on loan	-	-	69	69
				UF	Revenue from services rendered	163	163	232	232
76.652.400-1	Centrales Hidroeléctricas de Aysén S.A.	Chile	Associate	UF	Loan [1]	-	-	9,244	-
				UF	Interest on loan	-	-	101	101
				Pesos	Appropriated capital [1]	14,178	-	12,921	-
96.806.130-5	Electrogas S.A.	Chile	Associate	Pesos	Gas transportation service	9,921	(8,337)	9,802	(8,237)
				Pesos	Diesel transportation service	1,107	(930)	1,064	(894)
				US Dollar	Declared dividends [3]	8,759	-	1,308	-
				US Dollar	Dividendo recibido	7,302	-	1,286	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Common corporate group	Pesos	Sale of energy, power and transportation of energies.	16,268	13,671	16,039	13,478
96.532.330-9	CMPC Celulosa S.A.	Chile	Common corporate group	Pesos	Sale of energy, power and transportation of energies.	7,003	5,885	40,459	33,999
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common corporate group	Pesos	Sale of energy and power	26,036	21,879	23,855	20,046
				Dollar	Sale of energy and power	-	-	23,800	20,000
96.529.310-8	CMPC Tissue S.A.	Chile	Common corporate group	Pesos	Sale of energy, power and transportation of energies.	6,018	5,057	5,766	4,845
79.621.850-9	Forestal Cominco S.A.	Chile	Majority shareholder	Dollar	Dividend	1,854	-	5,192	-
99.520.000-7	Compañía de Pétroleos de Chile Copec S.A.	Chile	Subsidiary	Pesos	Diesel supply service	476,943	(358,346)	258,802	(194,639)
96.806.980-2	Entel Pcs Telecomunicaciones S.A.	Chile	Common corporate group	Pesos	Phone service	450	(378)	277	(233)
96.565.580-8	Leasing Tattersall S.A.	Chile	Common corporate group	Pesos	Operating leases as leases	1,582	(1,329)	1,844	(1,550)
96.722.460-k	Metrogas S.A.	Chile	Common corporate group	Pesos	Purchase of natural gas	117,595	(98,819)	-	-
96.697.410-9	Entel Telefonia Local S.A.	Chile	Common corporate group	Pesos	Phone service	299	(251)	295	(248)
97.080.000-K	Banco Bice	Chile	Common corporate group	Pesos	Received services	13	(11)	23	(19)
90.412.000-6	Minera Valparaíso S.A.	Chile	Majority shareholder	Dollar	Declared dividend [2]	4,796	-	13,043	-

(1) At the Extraordinary Shareholders' Meeting of Centrales Hidroeléctricas de Aysén S.A., held on April 8, 2011, the shareholders agreed to increase that company's capital. Colbún participated through the capitalization of loans granted to this Company.

(2) At Board of Directors Meeting held on November 25, 2011, associate Electrogas S.A. declared an interim dividend with a charge to 2011 net income.

(3) Corresponds to the provision for 30% minimum mandatory dividend to our controller.

There are no guarantees, granted or received on transactions with related parties.

There are no doubtful account engagements related to pending balances meriting accrual or expenses recognized for this concept.

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

c. Administration and Senior Management

Senior management and other people that assume the management of Colbún, as well as the shareholders, individuals or companies, which they represent, have not participated in unusual and/ or relevant Company transactions, as of December 31, 2012 and December 31, 2011.

The Company is managed by a Board of Directors composed of 9 members, who serve for a 3-year term with possibility of reelection.

At the Ordinary Shareholders' Meeting held on April 26, 2012 the shareholders' renewed the Company's Board of Directors.

d. Directors Committee

In conformity with Article 50 bis of Companies Law 18,046, Colbún and its subsidiaries have a Directors Committee composed of 3 members, with the faculties contemplated in that article.

At the Board of Directors Meeting, held on May 3, 2012, the directors appointed the following directors to sit on the Directors Committee: Luis Felipe Gazitúa Achondo, Sergio Undurraga Saavedra and Vivianne Blanlot Soza, the latter two as independent directors.

e. Payroll and other services

In conformity with Article 33 of Companies Law 18,046, the remuneration of the Board is determined at the Company's Ordinary Shareholders' Meeting.

Amounts paid during the periods ended as of December 31, 2012 and 2011, include the members of the Directors Committee and the directors of subsidiaries.

They are detailed as follows:

e.1 Board fees

Name	Role	January - December			
		2012		2011	
		Colbún Board ThUS$	Directors Committee ThUS$	Colbún Board ThUS$	Directors Committee ThUS$
Bernardo Larraín Matte	President (1)	75	-	-	-
Luis Felipe Gazitúa Achondo	Vice-president (1)	62	20	55	13
Arturo Mackenna Iñiguez	Director (1)	55	-	55	-
Bernardo Matte Larraín	Director (1)	74	-	-	-
Eduardo Navarro Beltrán	Director (1)	55	-	55	-
Eliodoro Matte Larraín	Director (1)	55	-	37	-
Juan Hurtado Vicuña	Director (1)	52	-	55	-
Sergio Undurraga Saavedra	Director (1)	55	20	55	13
Vivianne Blandot Soza	Director (1)	37	14	-	-
Bernardo Larraín Matte	President	-	-	109	-
Emilio Pellegrini Ripamonti	Director	-	-	20	-
Demetrio Zañartu Bacarreza	Director	-	-	18	-
Fernando Franke García	Director	20	6	55	13
Jorge Larraín Bunster	Director	14	-	37	-

e.2 Board advisory expenses

During the period ended December 31, 2012 and 2011, the Board had no advisory expenses.

e.3 Remuneration of members of Senior Management who are not Directors

Members of Upper Management

Name	Title
Ignacio Cruz Zabala	General Manager
Juan Eduardo Vásquez Moya	Business and Energy Management Division Manager
Mauricio Cabello Cadiz	Generation Division Manager
Cristián Morales Jaureguiberry	Finance & Administration Division Manager
Eduardo Lauer Rodríguez	Engineering & Projects Division Manager
Vacant	Corporate Matters Manager
Rodrigo Pérez Stiepovic	Legal Manager
Paula Martínez Osorio	Organization and People Manager
Juan Andrés Morel Fuenzalida	Audit Intern Manager

Remunerations accrued for key management employees, including managers and main executives (see Note 39) are detailed as follows:

Concept	January - December	
	2012 ThUS$	2011 ThUS$
Current employee benefits	3,571	3,725
Other non-current benefits	190	186
Termination benefits	102	20
Total	**3,863**	**3,931**

e.4 Receivables, payables and other transactions

There are no receivables or payables between the Company and its Directors and Management.

e.5 Other transactions

There are no other transactions between the Company and its Directors and the Group's Management.

e.6 Guarantees established by the Company in favor of Directors

During the periods ended December 31, 2012 and 2011, the Company has not performed this type of operation.

e.7 Incentive plans for executives and managers

The Company has established bonuses for its entire executive staff on the basis of evaluation of their individual performance and achievement of goals at a company level, as well as the group and individual performance of each executive.

e.8 Indemnities paid to executives and managers

Termination benefits paid to the main executives and managers during the year ended as of December 31, 2011 amounted to ThUS$487.There were no payments for this concept for the year ended as of December 31, 2012.

e.9 Guarantee clauses: Company Board of Directors and Management

The Company has not agreed upon guarantee clauses with its directors and management.

e.10 Retribution plans associated with shares traded

The Company does not engage in this type of operation.

12. Inventory

Inventory measurement policy

Inventory records i) stock of gas, petroleum and coal, which are valued at weighted average price, ii) coal imports in transit valued at cost and iii) warehouse inventory that will be used during the year, in the maintenance of the Company's property, plant and equipment, which are valued at cost, amounts that do not exceed their net realization value.

Inventory is detailed as follows:

Classes of inventory	12.31.2012 ThUS$	12.31.2011 ThUS$
Warehouse inventory	24,990	9,923
Coal	9,800	27,122
Petroleum	8,418	3,913
Gas Line Pack	274	274
Inventory in transit [(1)]	2,888	5,033
Total	**46,370**	**46,265**

[(1)] Corresponds to coal inventory for use at the Santa María power plant.

No inventory items have been delivered as debt guarantees.

Cost of inventory recognized as expense

Consumption, recognized as expense during the periods ended as of December 31, 2012 and 2011 respectively, is detailed as follows:

Inventory cost	January - December	
	2012 ThUS$	2011 ThUS$
Warehouse supplies	5,421	7,569
Petroleum (see Note 27)	420,079	357,262
Gas Line Pack (see Note 27)	299,219	303,563
Coal (see Note 27)	40,095	-
Total	**764,814**	**668,394**

13. Derivative instruments

Following the financial risk management policy described in Note 4, the Company enters into financial derivatives to hedge its exposure to changes in interest rate, currency (exchange rate) and prices of fuel.

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

Currency derivatives are used to set the exchange rates of the US dollar in respect to the Chilean Peso (CLP), Unidad de Fomento (U.F.) and Euro (EUR), among others, due to existing obligations or investments in currencies other than the US Dollar. These instruments correspond mainly to Forwards and Cross Currency Swaps.

Fuel price derivatives are used to mitigate the risk of changes in the Company's energy production costs due to changes in the price of fuel used for that purpose and in supplies to be used in electrical generation power plant construction projects. Instruments used correspond mainly to options and forwards.

As of December 31, 2012, the Company classifies all its hedges as "Cash Flow Hedges", except for US$100 million nominal value interest rate derivatives that were left without a hedged item upon partial prepayment of a syndicated loan in February 2010, whose position has been kept open and the market valuation of these derivatives is recorded as profit or loss in the Statement of Income.

13.1 Hedge instruments

As of December 31, 2012 and December 31, 2011, hedge instruments, which include valuation of financial instruments, are detailed as follows:

Hedge Assets		Current		Non-current	
		12.31.2012 ThUS$	12.31.2011 ThUS$	12.31.2012 ThUS$	12.31.2011 ThUS$
Exchange rate hedge	Cash flows hedge	24,702	4,528	10,164	11,052
	Total (see Note 8)	**24,702**	**4,528**	**10,164**	**11,052**

Hedge Liabilities		Current		Non-current	
		12.31.2012 ThUS$	12.31.2011 ThUS$	12.31.2012 ThUS$	12.31.2011 ThUS$
Interest rate hedge	Cash flows hedge	1,536	1,714	17,487	23,597
	Total (see Note 21.a)	**1,536**	**1,714**	**17,487**	**23,597**

The hedge instrument portfolio of Colbún S.A. is detailed as follows:

Hegel instrument	Fair value hedge instrument		Hedged underlying	Hedged risk	Type of hedge
	12.31.2012 ThUS$	12.31.2011 ThUS$			
Currency forwards	-	2,123	Future project disbursements	Exchange rate	Cash flows
Currency forwards	486	(572)	Financial investments	Exchange rate	Cash flows
Interest rate swaps	(10.582)	(11,644)	Bank loans	Interest rate	Cash flows
Interest rate swaps	(8.441)	(13,667)	Obligations with the public (Bonds)	Interest rate	Cash flows
Cross currency swaps	8,225	5,950	Bank loans	Exchange rate	Cash flows
Cross currency swaps	26,085	8,079	Obligations with the public (Bonds)	Exchange rate	Cash flows
Gas Option	70	-	Gas Purchases	Gas Price	Cash flows
Total	**15,843**	**(9,731)**			

The Company has not recognized profits or losses due to hedge ineffectiveness on the cash flow hedges presented as of December 31, 2012.

13.2 Fair value hierarchy

The fair value of financial instruments recognized in the Statement of Financial Position, has been determined using the following hierarchy, according to the entry data used to perform 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 December 31, 2012, the calculation of fair value of all financial instruments subject to valuation has been determined on the basis of Level 2 of the aforementioned hierarchy.

14. Investments in subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and controlled companies (see Note 3b). The following table includes detailed information of Subsidiaries, as of December 31, 2012 and December 31, 2011.

Subsidiary	12.31.2012						
	Current assets ThUS$	Non-current assets ThUS$	Current liabilities ThUS$	Non-current liabilities ThUS$	Equity ThUS$	Ordinary income ThUS$	Net profit (loss) ThUS$
Empresa Eléctrica Industrial S.A.	1,050	12,803	9,020	506	4,327	1,814	(1,172)
Colbun International Limited	511	-	1	-	510	-	(17)
Sociedad Hidroeléctrica Melocotón Ltda.	884	2,966	6,662	-	(2,812)	876	(3,343)
Río Tranquilo S.A.	38,027	69,070	28,023	8,055	71,019	15,086	6,498
Termoeléctrica Nehuenco S.A.	6,039	5,266	26,839	1,858	(17,392)	2,860	(3,109)
Termoeléctrica Antilhue S.A.	9,712	51,945	32,247	6,207	23,203	2,050	(899)
Colbún Transmisión S.A. (1)	2,417	112,982	2,835	18,335	94,229	2,310	17,104

Subsidiary	12.31.2011						
	Current assets ThUS$	Non-current assets ThUS$	Current liabilities ThUS$	Non-current liabilities ThUS$	Equity ThUS$	Ordinary income ThUS$	Net profit (loss) ThUS$
Empresa Eléctrica Industrial S.A.	1,104	11,456	6,547	514	5,499	3,625	(530)
Colbun International Limited	532	-	5	-	527	-	(9)
Sociedad Hidroeléctrica Melocotón Ltda.	1	1,161	632	-	530	-	-
Río Tranquilo S.A.	23,343	73,647	26,356	6,113	64,521	14,534	4,769
Hidroeléctrica Guardia Vieja S.A.	155,422	247,526	82,677	8,824	311,447	55,941	15,116
Hidroeléctrica Aconcagua S.A.	109,856	107,210	95,343	17,753	103,970	49,033	30,514
Obras y Desarrollo S.A.	49,828	37,027	29,283	11,248	46,324	23,132	1,551
Termoeléctrica Nehuenco S.A.	2,035	3,186	18,319	1,184	(14,282)	1,191	(5,055)
Termoeléctrica Antilhue S.A.	6,196	53,088	2,043	33,139	24,102	6,000	1,740

(1) On July 12, 2012, the inscription and publication of extract of incorporation of Sociedad Colbún Transmisión S.A. was signed before Notary Public.

(2) During 2012 the merger with Colbún S.A. with the following companies was dissolved: (i) Sociedad Hidroeléctrica Guardia Vieja S.A. on December 3, 2012 (ii) Obras y Desarrollo S.A. and Hidroeléctrica Aconcagua S.A. on December 14, 2012.

15. Investments Accounted for Using the Equity Method

a. Equity method

As of December 31, 2012 and December 31, 2011 the companies accounted for using the equity method and their movements are detailed as follows:

Company	Number of shares	Percentage interest 12.31.2012 %	Balance as of 01.01.2012 ThUS$	Additions ThUS$	Income for the year ThUS$	Dividends ThUS$	Equity reserve ThUS$	Subtotal 12.31.2012 ThUS$	Unearned net income 12.31.2012 ThUS$	Total 12.31.2012 ThUS$
Centrales Hidroeléctricas de Aysén S.A. (1)	3,237,675	49.00%	110,700	14,178	(1,085)	-	10,196	133,989	-	133,989
Electrogas S.A.	175,076	42.50%	18,741	-	8,810	(8,759)	69	18,861	-	18,861
Transmisora Eléctrica de Quillota Ltda.	0	50.00%	10,396	-	615	-	785	11,796	-	11,796
		Total	**139,837**	**14,178**	**8,340**	**(8,759)**	**11,050**	**164,646**	**-**	**164,646**

Company	Number of shares	Percentage interest 12.31.2011 %	Balance as of 01.01.2011 ThUS$	Additions ThUS$	Income for the year ThUS$	Dividends ThUS$	Equity reserve ThUS$	Subtotal 12.31.2011 ThUS$	Unearned net income 12.31.2011 ThUS$	Total 12.31.2011 ThUS$
Centrales Hidroeléctricas de Aysén S.A. (1)	3,237,675	49.00%	104,004	24,837	(5,051)	-	(13,090)	110,700	-	110,700
Inversiones Electrogas S.A. (2)	0	0.00%	15,814	(21,568)	7,400	(7,276)	4,783	(847)	847	-
Electrogas S.A. (2)	175,076	42.50%	9	20,269	1,210	(1,286)	(1,461)	18,741	-	18,741
Transmisora Eléctrica de Quillota Ltda.	0	50.00%	10,662	-	713	-	(979)	10,396	-	10,396
		Total	**130,489**	**23,538**	**4,272**	**(8,562)**	**(10,747)**	**138,990**	**847**	**139,837**

(1) See Note 11.b.3.
(2) On November 16, 2011, the formalization of the merger between Electrogas S.A. and Inversiones Electrogas S.A. through absorption of the latter was completed.

b. Financial information on associates and companies under joint control

The following table includes information, as of December 31, 2012 and December 31, 2011, from the financial statements of associates or companies under joint control in which the Company has an interest:

As of 12.31.2012

Company	Current assets ThUS$	Non-current assets ThUS$	Current liabilities ThUS$	Non-current liabilities ThUS$	Ordinary income ThUS$	Ordinary expenses ThUS$	Profit (loss) ThUS$
Electrogas S.A. (see Note 15.a)	5,199	81,012	16,584	25,248	38,073	(2,809)	20,729
Centrales Hidroeléctricas de Aysén S.A.	21,005	264,640	11,935	517	259	(15,898)	(2,375)
Transmisora Eléctrica de Quillota Ltda.	6,896	20,672	1,302	2,645	4,721	(1,488)	1,259
Total	**33,100**	**366,324**	**29,821**	**28,410**	**43,053**	**(20,195)**	**19,613**

As of 12.31.2011

Company	Current assets ThUS$	Non-current assets ThUS$	Current liabilities ThUS$	Non-current liabilities ThUS$	Ordinary income ThUS$	Ordinary expenses ThUS$	Profit (loss) ThUS$
Electrogas S.A. (see Note 15.a)	5,176	86,203	18,312	28,973	35,640	(2,670)	20,260
Centrales Hidroeléctricas de Aysén S.A.	19,743	223,187	14,153	1,994	-	(15,277)	(10,309)
Transmisora Eléctrica de Quillota Ltda.	2,841	20,289	596	1,862	4,521	(1,727)	1,426
Total	**27,760**	**329,679**	**33,061**	**32,829**	**40,161**	**(19,674)**	**11,377**

16. Intangible assets other than goodwill

a. Details by class of intangibles

As of December 31, 2012 and December 31, 2011, intangible assets other than goodwill are detailed as follows:

Intangible Assets, Net	12.31.2012 ThUS$	12.31.2011 ThUS$
Water rights	16,680	16,680
Easements	47,053	36,906
Software	5,352	5,736
Particulate Matter Emission Rights	4,300	-
Total	**73,385**	**59,322**

Intangible Assets, Gross	12.31.2012 ThUS$	12.31.2011 ThUS$
Water rights	16,680	16,680
Easements	47,124	36,922
Software	8,170	7,794
Particulate Matter Emission Rights	4,300	-
Total	**76,274**	**61,396**

Accumulated Amortization	12.31.2012 ThUS$	12.31.2011 ThUS$
Easements	(71)	(16)
Software	(2,818)	(2,058)
Total	**(2,889)**	**(2,074)**

b. Movement of intangibles during the period

As of December 31, 2012 and December 31, 2011, intangible assets are detailed as follows:

Movements in 2012	Water rights ThUS$	Easements ThUS$	Software ThUS$	Particulate Matter Emission Rights ThUS$	Intangibles. net ThUS$
Beginning balance as of 01.01.2012	16,680	36,906	5,736	-	59,322
Additions	-	2,218	359	1,031	3,608
Additions in progress	-	2,976	-	2,569	5,545
Transfers	-	5,008	17	700	5,725
Amortization for the year (see Note 29)	-	(55)	(760)	-	(815)
Ending balance as of 12.31.2012	**16,680**	**47,053**	**5,352**	**4,300**	**73,385**

Movements in 2011	Water rights ThUS$	Easements ThUS$	Software ThUS$	Particulate Matter Emission Rights ThUS$	Intangibles. net ThUS$
Beginning balance as of 01.01.2011	15,709	17,322	6,587	-	39,618
Additions	971	3,764	614	-	5,349
Transfers		15,820	96	-	15,916
Amortization for the year		-	(1,561)	-	(1,561)
				-	
Ending balance as of 12.31.2011	**16,680**	**36,906**	**5,736**	**-**	**59,322**

In accordance with what was explained in Note 5b) in its evaluation the Company's management considered that there is no impairment of the carrying amount of intangible assets. The Company does not have intangible assets that guarantee compliance with these obligations.

17. Classes of Property, Plant and Equipment

a. Details by classes of property, plant and equipment

As of December 31, 2012 and December 31, 2011; property, plant and equipment items are detailed as follows:

Classes of property, plant & equipment, net	12.31.2012 ThUS$	12.31.2011 ThUS$
Land	279,717	272,842
Buildings and infrastructure	2,110,167	1,785,605
Machinery and equipment	1,616,938	1,086,706
Other property, plant, & equipment	52,157	50,719
Work in progress	845,172	1,398,849
Total	**4,904,151**	**4,594,721**

Classes of property, plant & equipment, gross	12.31.2012 ThUS$	12.31.2011 ThUS$
Land	279,717	272,842
Buildings and infrastructure	2,436,876	2,040,950
Machinery and equipment	1,898,072	1,305,871
Other property, plant, & equipment	63,196	59,858
Work in progress	845,172	1,398,849
Total	**5,523,033**	**5,078,370**

Classes of accumulated depreciation and impairment of property, plant & equipment	12.31.2012 ThUS$	12.31.2011 ThUS$
Buildings and infrastructure	(326,709)	(255,345)
Machinery and equipment	(281,134)	(219,165)
Other property, plant, & equipment	(11,039)	(9,139)
Total	**(618,882)**	**(483,649)**

b. Movement of property, plant and equipment

As of December 31, 2012 and December 31, 2011; property, plant and equipment composition and movements are detailed as follows:

Movements for 2012	Land ThUS$	Buildings and infrastructure ThUS$	Machinery and equipment ThUS$	Other property, plant and equipment ThUS$	Work in progress ThUS$	Property, plant & equipment, net ThUS$
Beginning balance as of 01.01.2012	272,842	1,785,605	1,086,706	50,719	1,398,849	4,594,721
Additions	4,250	2,524	4,232	2,999	433,792	447,797
Additions in progress	2,667	-	-	-	-	2,667
Expropriations	-	-	(74)	(2)	-	(76)
Transfers	(42)	393,402	588,043	341	(987,469)	(5,725)
Depreciation expenses (see Note 29)	-	(71,364)	(61,969)	(1,900)	-	(135,233)
Total movement	**6,875**	**324,562**	**530,232**	**1,438**	**(553,677)**	**309,430**
Ending balance as of 12.31.2012	**279,717**	**2,110,167**	**1,616,938**	**52,157**	**845,172**	**4,904,151**

Movements for 2011	Land	Buildings and infrastructure	Machinery and equipment	Other property, plant and equipment	Work in progress	Property, plant & equipment, net
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Beginning balance as of 01.01.2011	259,421	1,776,963	1,238,242	49,646	1,107,296	4,431,568
Additions	9,593	331	1,657	3,499	290,052	305,132
Expropiations	-	(4)	(2,977)	-	-	(2,981)
Transfers	3,828	74,897	(95,503)	(639)	1,501	(15,916)
Depreciation expenses	-	(66,582)	(54,713)	(1,787)	-	(123,082)
Total movement	**13,421**	**8,642**	**(151,536)**	**1,073**	**291,553**	**163,153**
Ending balance as of 12.31. 2011	**272,842**	**1,785,605**	**1,086,706**	**50,719**	**1,398,849**	**4,594,721**

c. Other disclosures

The Company does not have property, plant and equipment which are treated as guarantees for the compliance with its obligations.

The following projects form part of Work in Progress: construction of the Angostura Hydroelectric Power Plant with power of 316 MW and the San Pedro Hydroelectric Power Plant with power of 150 MW.

Santa María I power plant (342 MW) and Transmission Line Santa María - Charrúa with a capacity of 900 MVA was declared to be in full commercial operations on August 15, 2012, therefore it began being accounted for in September. The power plant has been reliably operating and the third quarter generated 1,853 GWh during period 2012.

In connection with the turn key and lump sum construction contract involving the construction of Santa María I coal power plant in Coronel executed in 2007 by Colbún S.A. and a foreign Syndicate, on May 9 Colbún terminated the contract as it exercised the rights granted therein. Previously in November and December 2011, Colbún received a total US$102.7 million for the guarantee bonds. Collection of these amounts had no effects on income as they were used to reduce the costs and expenses Colbún was forced to incur as a result of the referred noncompliance and that were activated in the Project. These payments were required by Colbún, because the Syndicate did not comply with various obligations under the Contract, generating fines and restitutory and compensatory obligations in favor of Colbún. In November 2012 an agreement was reached that finally ended the arbitration and other judicial processes pending between Colbún and the Syndicate.

Regarding the impact of the earthquake which occurred on February 27, 2010 Colbún S.A. has a current "All Risk Construction and Erection" insurance policy, which includes property damages ("ALOP" advanced loss of profit). The settlement process concluded and on December 28, 2012 Colbún and the insurance companies accepted the Adjustment Report prepared by Graham Miller Liquidadores de Seguros Ltda.

By virtue of the report, Colbún was indemnified for a total of US$ 65 million: US$ 25.4 million for property damages and US$ 39.6 million for delay in start-up. Since, in April 2012 Colbún received US$ 9 million as an advance on property damages, the balance to be received is US$ 56 million. The sum of US$ 39.6 million for the concept of delay in start-up was recorded as operating income in 2012.

As of December 31, 2012 and 2011, the Company had commitments for the acquisition of tangible property, plant and equipment derived from EPC construction contracts in the amount of ThUS$ 96,738 and ThUS$ 250,979, respectively. The companies which it operates with are: Alstom Chile S.A., Andritz Chile Ltda., and Constructora CVV Conpax Limitada. Andritz Hydro S.R.L., Alstom Hydro France S.A., Emp. Alstom Hydro España S.L., Constructora Angostura Ltda., Carpi Tech S.A. e Ingeniería y Construcción Sigdo Koppers S.A.

Colbún and subsidiaries have signed insurance policies to cover possible risks, to which the different elements of its tangible property, plant and equipment is exposed, as well as possible claims that might be filed against them for carrying out its line of business, in the understanding that such policies adequately cover the risks to which they are exposed.

In addition, through insurance entered into by the Company, it is covered for loss of benefits that might occur as a consequence of a shutdown.

Capitalized interest costs (IAS23) for the year ended as of December 31, 2012 and 2011, correspond to ThUS$ 61,111 and ThUS$ 64,257, respectively. The Company's average financing rate is 5.06% in 2012 and 5.48% as of December 31, of each year.

18. Deferred tax assets

Tax receivables, as of December 31, 2012 and December 31, 2011, respectively are detailed as follows:

	12.31.2012 ThUS$	12.31.2011 ThUS$
Remaining tax credit	120,727	115,553
Specific tax on diesel	102,913	39,962
Monthly provisional payments	12,382	21,804
PPUA on retained earnings	3,321	5,144
SENCE credit	161	209
Article 27 Bis VAT	18,899	-
Total	**258,403**	**182,672**

The Company estimates that the period of recovery of these assets is 12 months.

19. Other Non-financial Assets

Other assets, as of December 31, 2012 and December 31, 2011, are detailed as follows:

	Current		Non-current	
	12.31.2012 ThUS$	12.31.2011 ThUS$	12.31.2012 ThUS$	12.31.2011 ThUS$
Installations and civil responsibility premiums	13,168	10,565	-	-
Prepayments	9,711	-	18,202	12,670
Patents on non-use of water rights (1)	-	-	8,965	8,277
Other miscellaneous assets	581	562	1,916	2,017
Total	**23,460**	**11,127**	**29,083**	**22,964**

(1) Loan in accordance with article No. 129 bis 20 of the Water Code DFL No. 1,122. As of December 31, 2012 ThUS$5,383 have been recognized for the concept of impairment of licenses for non-use of water rights. Payment of these licenses is associated to the implementation of projects that will use this water; therefore it is an economic variable that the Company evaluates on an ongoing basis. In this context, the Company adequately controls payments made and recognizes estimates for project start-ups, in order to record impairment of the asset if it projects that the use will be subsequent to the period where it can take advantage of the tax credit.

20. Income taxes

a. Income taxes

Income tax results	January - December 2012 ThUS$	2011 ThUS$
Results provided by current income taxes		
Current income taxes	(18,194)	(10,350)
Income for Profits absorption		2,279
Adjustments to previous period current taxes	(152)	(489)
Total net current tax expense	**(18,346)**	**(8,560)**
Results provided by (used in) deferred income taxes		
Results provided by (used in) deferred taxes arising from temporary differences (1)	(25,536)	10,209
Other deferred income tax expenses (2)	39,450	(25,651)
Effect of change in 1st cagetory tax rate (3)	(74,409)	-
Goodwill effect(4)	14,691	
Total net deferred tax income	**(45,804)**	**(15,442)**
Total income tax expense (income)	**(64,150)**	**(24,002)**

(1) Mainly includes effects such as tax loss, capitalized work in progress, expenses and recognition of income from derivative operations (received and accrued).

[(2)] Effect produced by the temporary difference generated when comparing the balance of taxable property, plant and equipment converted to US Dollars at the closing exchange rate, versus the balance of property, plant and equipment at financial value.

[(3)] Prior to the enactment of the law that amends the first category income tax rate, deferred tax assets and liabilities were measured using the then effective 17% tax rate. However, as a result of the income tax rate increase to 20%, the rate difference has been adjusted as provided in IAS 12, recognizing the result as a tax expense amounting to ThUS$ 74,409, which results from the temporary difference in property, plant and equipment.

[(4)] Merger by concentration of 100% of the shares of Hidroeléctrica Guardia Vieja S.A., Hidroeléctrica Aconcagua S.A. and Obras y Desarrollo S.A. in Colbún S.A. This corporate reorganization process implied the incorporation of all assets and liabilities in Colbún S.A. and consequently the difference generated between the value of the investment and taxable capital (goodwill) of each of the mentioned companies, was incorporated to non-monetary assets generating a future benefit whose base implies a decrease in deferred tax liabilities as of December 2012 (IAS 12).

As of December 31, 2012 and 2011 the Company has not recorded income abroad.

a.1 Reconciliation of tax expense

	12.31.2012 %	12.31.2011 %
Legal tax rate	20%	20%
Other increase (decrease) in legal tax rate	66%	(6)%
Total adjustments to the legal tax rate [(2)]	(16)%	68%
Effective tax rate	**70%**	**82%**

The total charge for the period can be reconciled to accounting for net income in the following manner:

Income tax income	January - December 2012 ThUS$	2011 ThUS$
Income before taxes	112,960	29,205
Tax income using the legal rate (20%)	**(22,592)**	**(5,841)**
Expenses as a result of 2012 rate change	(74,409)	-
Other effects of legal tax charge (1)		1,790
Effect de goodwiil	14,691	
Subtotal adjustments to tax expense using the legal rate	**(59,718)**	**1,790**
Tax income using the effective rate	(82,310)	(4,051)
Differences between united states dollar and chilean pesos tax accounting , with effect in deferred taxes	18,160	(19,951)
Income tax expense	**(64,150)**	**(24,002)**

[(1)] Corresponds mainly to recording income generated by the absorption of net income, which generates recovery of tax paid by it in previous years.

[(2)] In accordance with IFRS, the Company records its operations in US Dollar functional currency and for tax purposes maintains accounting in local currency (Chilean pesos). Balances of assets and liabilities are converted as of each year end to compare them with accounting balances under IFRS in functional US Dollar currency, and in this manner, determine deferred taxes on differences existing between both amounts. The main accumulated impact is generated in property, plant and equipment and as of the end of this period, amounts to net income in the amount of ThUS$ 37,895. The main accumulated impact is generated in property, plant and equipment (ThUS$ 39,450 net income) and valuation due to CPI of non-monetary tax items (ThUS$ 20,936 expense).

b. Deferred taxes

Deferred tax assets and liabilities in each period are detailed as follows:

Deferred tax asset	12.31.2012 ThUS$	12.31.2011 ThUS$
Deferred taxes related to tax losses	20,474	5,050
Deferred taxes related to others	3,894	1,871
Deferred taxes related to provisions	2,813	1,657
Deferred taxes related to investment instruments	-	1,120
Deferred tax on hedging instruments	5,450	
Deferred tax assets	**32,631**	**9,698**

Deferred tax liabilities	12.31.2012 ThUS$	12.31.2011 ThUS$
Deferred taxes related to depreciation	506,110	443,004
Deferred taxes related to others	7,031	7,160
Deferred taxes related to retirement benefits obligations	1,605	1,294
Deferred tax liabilities	**514,746**	**451,458**

Deferred tax assets and liabilities can only be offset if there is a legally recognized right to offset current tax assets and liabilities.

As of December 31, 2012, the Company together with its subsidiaries Hidroeléctrica Melocotón Ltda., Termoeléctrica Antilhue S.A., Empresa Eléctrica Industrial S.A., Termoeléctrica Nehuenco S.A. and Rio Tranquilo S.A. recorded tax losses for a total of ThUS$ 102,372.

In accordance with IAS 12, the Company recognizes a deferred tax asset on tax losses when management has determined that it is probable that there will be future taxable net income to which these losses can be attributed.

As a result, its subsidiaries Hidroeléctrica Aconcagua S.A., Hidroeléctrica Guardia Vieja and Obras y Desarrollo S.A., at the time of the merger, and Colbún Transmisión S.A., recorded income tax reserves of ThUS$ 18,194.

21. Other Financial Liabilities

As of December 31, 2012 and December 31, 2011, other financial liabilities are detailed as follows:

a. Obligations with financial entities

Other financial liabilities	Current		Non-current	
	12.31.2012 ThUS$	12.31.2011 ThUS$	12.31.2012 ThUS$	12.31.2011 ThUS$
Loans with financial entities (1)	30,972	25,200	333,613	197,727
negotiable instruments (1)	160,305	87,101	1,041,423	1,115,521
Notes payable (2)	135,931	37,013	-	-
Hedge derivatives (3) (See Note 13.1)	1,536	1,714	17,487	23,597
Derivatives at fair value with an effect on income	874	1,979	798	3,764
Total	**329,618**	**153,007**	**1,393,321**	**1,340,609**

(1) Interest accrued on loans with financial entities and obligations with the public have been determined at an effective rate.
(2) Corresponds to confirming operations with Banco Estado, BBVA and Banchile.
(3) See detail in Note 13.1.

b. Maturity and currency of obligations with financial entities

Obligations with banks are detailed as follows:

	As of 12.31.2012						
Debtor's taxpayer No.	96505760-9	96505760-9	96505760-9	96505760-9	96505760-9	96505760-9	
Debtor's name	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	
Debtor's country	Chile	Chile	Chile	Chile	Chile	Chile	
Creditor's taxpayer No.	0-E	97023000-9	0-E	0-E	0-E	97023000-9	
Creditor's name	BBVA Bancomer	Corpbanca	The Banco de Tokyo-Mitsubishi UFJ. Ltd	HSBC Bank USA	Banco Estado NY	Scotiabank & Trust (Cayman) Ltd	
Creditor's country	Mexico	Chile	USA	USA	USA	Cayman	
Currency or readjustment unit	US$	CLP	US$	US$	US$	US$	
Type of amortization	Bullet	Annual	Bullet	Bullet	Bullet	Annual	
Interest rate	Variable	Variable	Variable	Variable	Variable	Variable	
Base	Libor 6M	TAB 6M	Libor 6M	Libor 6M	Libor 6M	Libor 6M	
Effective rate	2.84%	7.51%	2.46%	2.08%	2.59%	2.62%	
Nominal rate	2.22%	6.91%	2.15%	1.77%	2.27%	2.26%	
Nominal amounts ThUS$	**ThUS$**						**Totals ThUS$**
Up to 90 days	1,334	29,855	-	-	-	-	**31,189**
More than 90 days up to 1 year	-	-	50	42	53	28	**173**
More than 1 year up to 3 years	150,000	28,127	40,000	40,000	40,000	40,000	**338,127**
More than 3 years up to 5 years	-	-	-	-	-	-	**-**
More than 5 years	-	-	-	-	-	-	-
Subtotal nominal amounts	**151,334**	**57,982**	**40,050**	**40,042**	**40,053**	**40,028**	**369,489**
Book values ThUS$	**ThUS$**						**Totals ThUS$**
Up to 90 days	1,334	29,465	-	-	-	-	**30,799**
More than 90 days up to 1 year	-	-	50	42	53	28	**173**
Current bank loans	**1,334**	**50**	**50**	**42**	**53**	**28**	**30,972**
More than 1 year up to 3 years							**-**
More than 3 years up to 5 years	147,920	27,736	39,490	39,490	39,490	39,487	**333,613**
More than 5 years	-	-	-	-	-	-	**-**
Non-current bank loans	**147,920**	**27,736**	**39,490**	**39,490**	**39,490**	**39,487**	**333,613**
Bank loans total	**149,254**	**27,786**	**39,540**	**39,532**	**39,543**	**39,515**	**364,585**

As of 12.31.2011

Debtor's taxpayer No.	96505760-9	96505760-9	
Debtor's name	Colbún S.A.	Colbún S.A.	
Debtor's country	Chile	Chile	
Creditor's taxpayer No.	0-E	97023000-9	
Creditor's name	BBVA Bancomer	Corpbanca	
Creditor's country	Mexico	Chile	
Currency or readjustment unit	US$	CLP	
Type of amortization	Bullet	Annual	
Interest rate	Variable	Variable	
Base	Libor 6M	TAB 6M	
Effective rate	2.56%	7.87%	
Nominal rate	1.94%	7.27%	
Nominal amounts ThUS$	**ThUS$**		**Total**
Up to 90 days	1,166	24,034	**25,200**
More than 90 days up to 1 year	-	-	**-**
More than 1 year up to 3 years	-	52,003	**52,003**
More than 3 years up to 5 years	150,000	-	**150,000**
More than 5 years	-	-	
Total nominal amounts	**151,166**	**76,037**	**227,203**
Book values ThUS$	**ThUS$**		**Total**
Up to 90 days	1,166	24,034	**25,200**
More than 90 days up to 1 year	-	-	
Current bank loans	**1,166**	**24,034**	**25,200**
More than 1 year up to 3 years	-	50,595	**50,595**
More than 3 years up to 5 years	147,132	-	**147,132**
More than 5 years	-	-	**-**
Non-current bank loans	**147,132**	**50,595**	**197,727**
Bank loans	**148,298**	**74,629**	**222,927**

Obligations with the public

As of 12.31.2012							
Debtor's taxpayer No.	96505760-9	96505760-9	96505760-9	96505760-9	96505760-9	96505760-9	96505760-9
Debtor's name	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.
Debtor's country	Chile	Chile	Chile	Chile	Chile	Chile	Chile
Registration number	234	500	499	537	537	538	144/Reg s
Series	Series C Bond	Series E Bond	Series F Bond	Series G Bond	Series H Bond	Series I Bond	144/ Reg S Bond
Maturity date	10-15-2021	05-01-2013	05-01-2028	12-10-2013	06-10-2018	06-10-2029	01-21-2021
Currency or readjustment unit	UF	UF	UF	UF	US$	UF	US$
Periodicity of amortization	Biannually	Biannually	Biannually	Bullet	Bullet	Biannually	Bullet
Interest rate	Fixed	Fixed	Fixed	Fixed	Variable	Fixed	Fixed
Base	Fixed	Fixed	Fixed	Fixed	Libor 6M	Fixed	Fixed
Effective rate	7.95%	4.09%	4.46%	4.17%	3.10%	5.02%	6.26%
Nominal rate	7.00%	3.20%	3.40%	3.80%	2.62%	4.50%	6.00%

Nominal amounts ThUS$				**ThUS$**				**Totals ThUS$**
Up to 90 days	-	-	-	-	-	-	13,250	**13,250**
More than 90 days up to 1 year	7,876	35,883	11,097	95,392	118	353	-	**150,719**
More than 1 year up to 3 years	14,647	-	38,077	-	-	-	-	**52,724**
More than 3 years up to 5 years	16,168	-	38,077	-	-	-	-	**54,245**
More than 5 years	37,546	-	199,905	-	80,800	142,789	500,000	**961,040**
Total nominal amounts	**76,237**	**35,883**	**287,156**	**95,395**	**80,918**	**143,142**	**513,250**	**1,231,978**

Book values ThUS$				**ThUS$**				**Totals ThUS$**
Up to 90 days	-	-	-	-	-	-	13,250	**13,250**
More than 90 days up to 1 year	7,707	34,994	10,860	93,022	118	354	-	**147,055**
Current obligations with the public	**7,707**	**34,994**	**10,860**	**93,022**	**118**	**354**	**13,250**	**160,305**
More than 1 year up to 3 years	14,283	-	37,129	-	-	-	-	**51,412**
More than 3 years up to 5 years	15,766	-	37,129	-	-	-	-	**52,895**
More than 5 years	36,611	-	194,929	-	78,789	139,235	487,552	**937,116**
		-						
Non-current obligations with the public	**66,660**	**-**	**269,187**	**-**	**78,789**	**139,235**	**487,552**	**1,041,423**
Obligations with the public total	**74,367**	**34,994**	**280,047**	**93,022**	**78,907**	**139,589**	**500,802**	**1,201,728**

Obligations with the public

As of 12.31.2011								
Debtor's taxpayer No.	96505760-9	96505760-9	96505760-9	96505760-9	96505760-9	96505760-9	96505760-9	
Debtor's name	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	
Debtor's country	Chile	Chile	Chile	Chile	Chile	Chile	Chile	
Registration number	234	500	499	537	537	538	144/Reg s	
Series	Series C Bond	Series E Bond	Series F Bond	Series G Bond	Series H Bond	Series I Bond	144/RegS bond	
Maturity date	10-15-2021	05-01-2013	05-01-2028	12-10-2013	06-10-2018	06-10-2029	01-21-2021	
Currency or readjustment unit	UF	UF	UF	UF	US$	UF	US$	
Periodicity of amortization	Biannually	Biannually	Biannually	Bullet	Bullet	Biannual	Bullet	
Interest rate	Fixed	Fixed	Fixed	Fixed	Variable	Fixed	Fixed	
Base	Fixed	Fixed	Fixed	Fixed	Libor 6M	Fixed	Fixed	
Effective rate	7.95%	4.09%	4.46%	4.17%	3.35%	5.02%	6.26%	
Nominal rate	7.00%	3.20%	3.40%	3.80%	2.86%	4.50%	6.00%	
Nominal amounts ThUS$				**ThUS$**				**Totals ThUS$**
Up to 90 days	-	-	-	-	-	-	13,250	**13,250**
More than 90 days up to 1 year	6,893	64,908	1,424	180	128	318	-	**73,851**
More than 1 year up to 3 years	12,577	32,203	25,762	85,874	-	-	-	**156,416**
More than 3 years up to 5 years	17,572	-	34,350	-	-	-	-	**51,922**
More than 5 years	37,653	-	197,510	-	80,800	128,811	500,000	**944,774**
Total nominal amounts	**74,695**	**97,111**	**259,046**	**86,054**	**80,928**	**129,129**	**513,250**	**1,240,213**
Book values ThUS$				**ThUS$**				**Totals ThUS$**
Up to 90 days	-	-	-	-	-	-	13,250	**13,250**
More than 90 days up to 1 year	6,893	64,908	1,424	180	128	318	-	**73,851**
Current obligations with the public	**6,893**	**64,908**	**1,424**	**180**	**128**	**318**	**13,250**	**87,101**
More than 1 year up to 3 years	12,189	29,220	24,967	83,223	-	-	-	**149,599**
More than 3 years up to 5 years	17,030	-	33,289	-	-	-	-	**50,319**
More than 5 years	36,490	-	191,412	-	78,305	124,834	484,562	**915,603**
Non-current bonds	**65,709**	**29,220**	**249,668**	**83,223**	**78,305**	**124,834**	**484,562**	**1,115,521**
Obligations wih the public	**72,602**	**94,128**	**251,092**	**83,403**	**78,433**	**125,152**	**497,812**	**1,202,622**

b.1 Projected interest on obligations with financial entities detailed by currency:

Liability	Currency	Interest as of 12.31.2012		Capital	Maturity date	Maturity					Total interest	Total debt
		Accrued	Projected			Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years		
BBVA Bancomer Loan[1]	US$	1,333,890	8,818,495	150,000,000	08-10-2015	1,722,941	1,658,099	6,771,344	-	-	10,152,385	160,152,385
Corpbanca Loan [1]	CLP	829,200,000	1,070,186,250	27,000,000,000	01-24-2014	953,580,000	469,016,250	476,790,000	-	-	1,899,386,250	28,899,386,250
Crédito Bank of Tokio-Mitsubishi UFJ	US$	50,143	2,122,734	40,000,000	06-08-2015	-	869,151	1,303,727	-	-	2,172,878	42,172,878
HSBC Bank USA Loan	US$	41,393	1,752,318	40,000,000	06-08-2015	-	717,484	1,076,227	-	-	1,793,711	41,793,711
Banco del Estado de Chile Loan	US$	53,060	2,246,207	40,000,000	06-08-2015	-	919,707	1,379,560	-	-	2,299,267	42,299,267
Scotiabank Loan	US$	27,604	2,421,622	40,000,000	06-20-2015	505,873	456,719	1,512,090	-	-	2,474,682	42,474,682
Series C Bond	UF	22,639	529,529	1,579,112	04-15-2021	-	106,241	182,121	138,150	125,657	552,169	2,131,281
Series E Bond	UF	3,902	8,003	750,000	05-01-2013	-	11,906	0	-	-	11,906	761,906
Series F Bond	UF	33,154	1,635,788	6,000,000	05-01-2028	-	202,296	370,876	316,930	778,840	1,668,942	7,668,942
Series G Bond	UF	4,183	71,109	2,000,000	12-10-2013	-	75,292	0	-	-	75,292	2,075,292
Series H Bond (1)	US$	117,564	11,521,272	80,800,000	06-10-2018	-	2,116,152	4,232,304	4,232,304	1,058,076	11,638,836	92,438,836
Series I Bond	UF	7,417	1,494,593	3,000,000	06-10-2029	-	133,512	267,024	267,024	834,451	1,502,011	4,502,011
144A/RegS Bond	US$	13,250,000	211,750,000	500,000,000	01-21-2020	15,000,000	15,000,000	60,000,000	60,000,000	75,000,000	225,000,000	725,000,000

(1) Liabilities with variable rate, consider current set rate as of 12.31.2012 to calculate projected interest.

Liabilities	Currency	Interest as of 12.31.2011		Capital	Maturity date	Maturity					Total interest	Total Debt
		Accrued	Projected			Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years		
BBVA Bancomer loan (1)	US$	1,165,668	10,669,100	150,000,000	08-10-2015	1,489,465	1,473,275	5,925,479	2,946,550	-	11,834,770	161,834,770
Corpbanca loan (1)	CLP	1,228,175,625	3,176,081,250	38,250,000,000	01-24-2014	1,413,560,625	992,355,000	1,998,341,250	-	-	4,404,256,875	42,654,256,875
Series C Bond	UF	24,588	643,295	1,715,071	04-15-2021	-	115,714	202,530	160,678	188,961	667,883	2,382,954
Series E Bond	UF	11,707	59,727	2,250,000	05-01-2013	-	59,528	11,906	-	-	71,434	2,321,434
Series F Bond	UF	33,154	1,838,084	6,000,000	05-01-2028	-	202,296	394,477	343,903	930,562	1,871,238	7,871,238
Series G Bond	UF	4,183	146,401	2,000,000	12-10-2013	-	75,292	75,292	-	-	150,584	2,150,584
Series H Bond (1)	US$	128,472	14,902,752	80,800,000	06-10-2018	-	2,312,496	4,624,992	4,624,992	3,468,744	15,031,224	95,831,224
Series I Bond	UF	7,417	1,628,105	3,000,000	06-10-2029	-	133,512	267,024	267,024	967,963	1,635,523	4,635,523
144A/RegS Bond	US$	13,250,000	241,750,000	500,000,000	01-21-2020	15,000,000	15,000,000	60,000,000	60,000,000	105,000,000	255,000,000	755,000,000

(1) Liabilities with variable rate, consider setting current rate, as of 12.31.2011, for the calculation of projected interest.

c. Financial debt by type of currency

The value of Colbún´s financial debt (bank liabilities and bonds) considering the effect of derivative instruments is as follows:

FINANCIAL DEBT BY TYPE OF CURRENCY	12.31.2012 ThUS$	12.31.2011 ThUS$
US Dollar	1,269,340	1,149,392
Unidades de Fomento (UF)	377,315	344,224
Chilean Pesos	76,284	-
Total	**1,722,939**	**1,493,616**

d. Committed and uncommitted lines of credit

The Company has a committed financing line of credit with local financial entities for UF 8 million, with the possibility of drawing on the line up to 2013 until its subsequent expiration in 2016.

In addition, Colbún has uncommitted bank lines of credit amounting to US$150 million.

Other lines:

The Company has a line of credit for UF 2.5 million for the issuance of negotiable instruments, registered with the SVS in July 2008, for a 10-year period.

In addition, the Company has registered two bonds with the SVS. Together they amount to UF 7 million, with a term of 10 and 30 years, respectively (from its approval in August 2009), and against which no payments have been made to date.

22. Trade and Other Payables

Trade and other payables, as of December 31, 2012 and December 31, 2011, respectively are detailed as follows:

	Current	
	12.31.2012 ThUS$	12.31.2011 ThUS$
Trade payables	132,822	125,875
Other payables	434	632
Total	**133,256**	**126,507**

The average period for payments to suppliers is 30 days; therefore fair value does not significantly differ from book value.

23. Provisions

a. Classes of provisions

As of December 31, 2012 and December 31, 2011, provisions are detailed as follows:

Provisions	Current		Non- Current	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
	ThUS$	ThUS$	ThUS$	ThUS$
Other provisions				
Price differences provision	-	2,000	-	-
Other provisions, current	18,859	838	-	-
Total	**18,859**	**2,838**	**-**	**-**
Employee benefits accrual				
Holidays and vacation bonus accrual provision (Note 23.f)	14,103	9,938	-	-
Non-current severances accrual provision (Note 23.g)	-	-	19,784	14,815
Total	**14,103**	**9,938**	**19,784**	**14,815**
Total provisions	**32,962**	**12,776**	**19,784**	**14,815**

b. Movement of provisions

Movement of provisions, as of December 31, 2012 and December 31, 2011, is detailed as follows:

Movement in 2012 provisions	Holidays & vacation bonus ThUS$	Gas provisions ThUS$	SEC lawsuit Reserves (1) ThUS$	Insurance premiums 2012-2013 ThUS$	Other provisions ThUS$	Total ThUS$
Beginning balance as of 01.01.2012	9,938	2,000	838	-	-	12,776
Increase (decrease) in existing provisions	11,261	(2,000)	1,153	16,540	623	27,577
Provision used	(7,096)	-	(295)	-	-	(7,391)
Ending balance as of 31.12.2012	**14,103**	**-**	**1,696**	**16,540**	**623**	**32,962**

Movement in 2011 provisions	Holidays & vacation bonus ThUS$	Gas provisions ThUS$	SEC lawsuit reserves ThUS$	Insurance premiums 2012-2013 ThUS$	Other provisions ThUS$	Total ThUS$
Beginning balance as of 01.01.2011	8,164	2,000	-	-	2,606	12,770
Increase (decrease) in existing provisions	8,051	-	838	-	-	8,889
Provision used	(6,277)	-	-	-	(2,606)	(8,883)
Ending balance as of 12.31.2011	**9,938**	**2,000**	**838**	**-**	**-**	**12,776**

(1) Corresponds to fine imposed by the SEC, see Note 36.

c. Environmental restoration

The Company has not established a provision for this concept.

d. Restructuring

The Company has not established provisions for this concept.

e. Litigation

As of December 31, 2012 and December 31, 2011, the Company records a provision for litigation, in accordance with IAS 37 (see Note 34).

f. Employee bonuses

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

Employee bonuses	12.31.2012 ThUS$	12.31.2011 ThUS$
Performance incentive, current	3,502	7,127
Vacation provision accrual, current	10,601	2,811
Total	**14,103**	**9,938**

g. Non-current employee benefits accrual

The Company and certain subsidiaries have established a provision to cover the obligation for termination benefits that will be paid to its employees, in accordance with collective contracts signed with its employees. This provision represents the entire accrued provision (see Note 3.1 m).

The main concepts included in the employee benefits accrual, as of December 31, 2012 and December 31, 2011, are detailed as follows:

Employee benefits accrual	12.31.2012 ThUS$	12.31.2011 ThUS$
Severance benefits	19,784	14,815
Total	**19,784**	**14,815**

	12.31.2012 ThUS$	12.31.2011 ThUS$
Present value of defined benefits plan obligations	14,815	14,128
Defined benefits plan current cost of service obligation	4,206	2,880
Interest Costs	444	777
Foreign currency translation	1,323	(1,480)
Payments	(1,004)	(1,490)
Present value of defined benefits plan	**19,784**	**14,815**

The employee benefits accrual is determined using an actuarial calculation with a 3.0% real discount rate.

The main assumptions used for the purposes of the actuarial calculation are detailed as follows:

Actuarial basis used	12.31.2012	12.31.2011
Discount rate	3.00%	5.50%
Expected salary increase rate	2.65%	2.00%
Turnover index	4.50%	0.50%
Turnover index - Company retirement needs	1.80%	1.50%
Retirement age		
Men	65	65
Women	60	60
Mortality table	RV-2004	RV-2004

On an ongoing manner the Company evaluates the bases used to calculate actuarial calculation of obligations with employees. As a consequence of the above, during 2012 the Company updated certain indicators to better reflect current market conditions. Changes have been applied in 2012 in a prospective manner in accordance with IAS 8.

24. Other Non-financial Liabilities

As of December 31, 2012 and December 31, 2011, other non-financial liabilities are detailed as follows:

	Current		Non-current	
	12.31.2012 ThUS$	12.31.2011 ThUS$	12.31.2012 ThUS$	12.31.2011 ThUS$
Withholdings	1,733	3,355	-	-
Unearned income [(1)]	808	720	8,981	8,429
Dividends payable	6,941	-	-	-
Other liabilities	10	112	-	-
Total	**9,492**	**4,187**	**8,981**	**8,429**

[(1)] Corresponds to prepays received related to maintenance operations and services. Income is recognized when the services are provided.

25. Net Equity Information to be Disclosed

a. Subscribed and paid-in capital and number of shares

At the General Shareholders' Meeting of Colbún S.A. held on April 29, 2009, the shareholders approved a change in the currency in which stock capital is expressed, as of December 31, 2008, leaving it expressed in US Dollars and using the exchange rate used as of December 31, 2008, divided 17,536,167,720 into the same number of registered ordinary shares, each of the same value and without par value.

As of December 31, 2012, subscribed and paid-in capital and number of shares is detailed as follows:

Number of shares

Series	Number of subscribed shares	Number of paid shares	Number of shares with voting rights
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

a.1 Reconciliation of shares

The following table is a conciliation between the number of outstanding shares at the beginning and end of the reported periods:

Shares	**12.31.2012**	**12.31.2011**
Number of outstanding shares at beginning of period	17,536,167,720	17,536,167,720
Changes in number of outstanding shares		
Increase (decrease) in the number of outstanding shares	-	-
Number of outstanding shares at the end of the period	17,536,167,720	17,536,167,720

b. Social capital - Stock capital corresponds to paid-in capital indicated in letter a.

c. Share premiums – As of December 31, 2012 and December 31, 2011, issuance premiums amount to ThUS$ 52,595 and are generated by an amount of ThUS$ 30,700, corresponding to the surcharge received in the period of subscription from issuance of shares approved at the Extraordinary Shareholders' Meeting held on March 14, 2008, plus a contributed surplus of ThUS$ 21,895, product of capital increases prior to 2008.

d. Dividends – The general policy and procedure for distributing dividends agreed upon by the shareholders at the shareholders' meeting held on April 26, 2012, established the distribution of a minimum dividend of 30% of net income. In conformity with IFRS, there is a legal and assumed obligation that requires the recording of a liability at each year-end.

As of December 31, 2012 the Company determined a dividends provision of ThUS$13,525, whereas as of December 31, 2011 no dividends provision was determined since there was no net profit to be distributed.

At the Ordinary Shareholders' Meeting held on April 26, 2011, the shareholders agreed to distribute a final obligatory minimum dividend with a charge to net income corresponding to the year ended as of December 31, 2010, payable in cash amounting to the total amount of ThUS$19,117, which corresponds to US$0.00109 per share.

e. Composition of other reserves - the following is a detail of other reserves in each period:

Other reserves	12.31.2012 ThUS$	12.31.2011 ThUS$
Effect of first-time adoption deflation of paid-in capital. Official Circular No.456 SVS	517,617	517,617
Effect of first-time adoption, conversion IAS 21	(230,797)	(230,797)
Effect of conversion associates	(15,038)	(26,088)
Hedge reserves	(21,797)	(26,063)
Subtotal	**249,985**	**234,669**
Merger reserve, Hidroélectrica Cenelca S.A.	500,761	500,761
Acquisition reserve, 15% Hidroélectrica Aconcagua S.A.	(12,804)	(12,804)
Subtotal	**487,957**	**487,957**
Total	**737,942**	**722,626**

Effect of first-time adoption deflation of paid-in capital, Official Circular No. 456 issued by the SVS and effect of first-time adoption conversion IAS 21: Reserves generated by first-time adoption of IFRS, which are considered susceptible to being capitalized, if accounting standards and the law allow it.

Effect of associates: corresponds to foreign currency translation generated by variations in exchange rates on investments in associates and joint businesses, which maintain the Chilean peso as the functional currency.

Effect of hedge reserve: corresponds to waiting for the materialization of the hedged item (cash flow).

Subsidiaries reserve: corresponds to reserves originated from the merger and increased participation of subsidiaries, they are considered susceptible to being capitalized if accounting standards and the law allow.

f. Retained earnings, accumulated (losses)

The movement of retained earnings reserve has been as follows:

Distributable retained earnings	12.31.2012 ThUS$	12.31.2011 ThUS$
Beginning balance	982,511	968,369
Income for the year	48,795	5,201
Effect of adjustment performed on first-time application of IFRS	5,022	8,941
Provisional dividends	(13,525)	-
Total distributable retained earnings	**1,022,803**	**982,511**

Non-distributable adjustments on first-time application of IFRS	12.31.2012 ThUS$	12.31.2011 ThUS$
Revaluation of property. plant and equipment	501,987	513,196
Deferred tax revaluation	(85,338)	(87,244)
Actuarial value of employee benefits	-	(5,157)
Employee benefits adjustment deferred tax	-	876
Total non-distributable retained earnings	**416,649**	**421,671**
Total retained earnings	**1,439,452**	**1,404,182**

The following table shows the detail of adjustments on first-time adoption of IFRS, as required by Circular No. 1,945 issued by the SVS, to present the adjustment on first-time application of IFRS recorded as a credit on retained earnings and their corresponding realization in period 2012.

Realized amounts and amounts pending realization, as of December 31, 2012 and December 31, 2011 are detailed as follows:

Description		2012		2011	
		Amount realized in the year ThUS$	Realizable balance ThUS$	Amount realized in the year ThUS$	Realizable balance ThUS$
Revaluation of property, plant and equipment		(11,209)	501,987	(11,159)	513,196
Revaluation deferred tax		1,906	(85,338)	1,897	(87,244)
Actuarial value of employee benefits		5,157	-	387	(5,157)
Actuarial value of employee benefits deferred tax		(876)	-	(66)	876
Total		**(5,022)**	**416,649**	**(8,941)**	**421,671**

g. Capital management

Capital management is framed within the Company's Investing and Financing Policies, which establishes that investments must have appropriate financing, depending on the project, in accordance with the Financing Policy. Total investments for each year shall not exceed 100% of the Company's equity and must be in accordance with the Company's financial capacity.

The Company shall attempt to maintain sufficient liquidity to allow it to have adequate financial leeway to cover its commitments and the risks associated with its businesses. The Company's cash surpluses shall be invested in securities issued by financial institutions and marketable securities in accordance with the criteria for selection and diversification of portfolio determined by the Company's management.

Investments shall be controlled by the Board, who will approve specific investments, both their amount and financing, with a reference framework of what is stated in the Company's Bylaws and approval of the Shareholders' Meeting, should that be the case.

Financing must endeavor to provide the funds necessary for adequate operation of existing assets, as well as for making new investments in accordance with the Investing Policy. Internal resources and external resources available shall be used to a limit that does not compromise the Company's equity position or limit its growth.

Consistent with the above, the Company's consolidated debt is intended to be limited to a ratio of 1.2 times the Company's equity. For this purpose non-controlling interest shall be understood to form part of the Company's equity.

The Company shall endeavor to maintain multiple financing options open, for which the following sources of financing shall be preferred: bank loans (both national and international), non-current bond market (both international and domestic), supplier credit, retained earnings and capital increases.

As of December 31, 2012 and December 31, 2011, debt ratios are detailed as follows:

	12.31.2012 ThUS$	12.31.2011 ThUS$
Total liabilities	**2,490,622**	**2,157,259**
Total current liabilities	550,790	338,948
Total non-current liabilities	1,939,832	1,818,311
Total shareholders' equity	**3,512,782**	**3,462,288**
Shareholders' equity attributable to the parent company	3,512,782	3,462,242
Non-controlling interests	-	46
Debt ratio	**0.71**	**0.62**

On a quarterly basis, the company has to report compliance with its obligations with financial entities. As of December 31, 2012, the Company has complied with all the financial indicators specified in those contracts (See note 35).

h. Restrictions on disposal of funds of subsidiaries

There are no restrictions on disposal of funds of Colbún's subsidiaries.

i. Earnings per share and distributable net income

Earnings per share have been obtained by: dividing income for the year attributed to the shareholders of the controller by the weighted average of outstanding ordinary shares during the reported periods.

	12.31.2012	12.31.2011
Profit (loss) attributable to holders of equity instruments in the net equity of the parent (ThUS$)	48,795	5,201
Income (loss) available for common shareholders, basic (ThUS$)	48,795	5,201
Weighted average number of shares, basic (No. of shares)	17,536,167,720	17,536,167,720
Basic earnings (loss) per share (US Dollars per share)	**0.00278**	**0.00030**

The Company has not performed any type of operation with a dilutive effect that assumes diluted earnings per share other than basic earnings per share during the reported period.

By virtue of what is established in Circular No. 1,945 of September 29, 2009, Colbún S.A., agreed to establish a general policy for determining distributable net income. To effectively calculate Obligatory Minimum and Additional Dividend on the basis realized, one must purge relevant changes in the fair value of unrealized assets and liabilities, which must be reintegrated when calculating net income for the year in which those variations are realized.

Consequently, additions and deductions to be made from distributable net income due to changes in the fair value of unrealized assets or liabilities and which have been recognized in “profit (loss) attributable to holders of equity”, instrument in the net equity of the controller and non-controlling interest, correspond to the possible effects generated by variations in the fair value of derivative instruments held by the Company as of each year-end, net of the corresponding income tax.

As of December 31, 2012 and December 31, 2011, the mechanism to calculate the distributable net profit is detailed as follows:

Calculated distributable liquid net income (Cash flows)	**12.31.2012 ThUS$**	**12.31.2011 ThUS$**
Net income according to the Financial Statements	**48,795**	**5,201**
Cash flows in the year with a charge to prior years	(4,277)	(8,964)
Effect on unearned financial income that does not generate cash flows	565	1,040
Net cash flows for the period	**(3,712)**	**(7,924)**
Distributable net income	**45,083**	**(2,723)**
Provisional minimum dividend	**13,525**	**-**

26. Income from ordinary activities

The ordinary income, as of December 31, 2012 and 2011, are detailed as follows:

	January - December	
	2012 ThUS$	2011 ThUS$
Sale to distributor clients	742,023	675,924
Sale to industrial clients	261,043	454,325
Toll	149,722	142,148
Sale to other generators	134,653	41,708
Other income	121,315	18,671
Total	**1,408,756**	**1,332,776**

(1) Includes indemnity in the amount of ThUS$ 39,600 from business interruption insurance due to the delay in start-up of the Santa María I Power Plant due to the earthquake of February 2010 (see Note 17 c).

27. Raw Materials and Consumables Used

Consumption of raw materials and secondary materials, as of December 31, 2012 and 2011 respectively, is detailed as follows:

	January - December	
	2012 ThUS$	2011 ThUS$
Petroleum consumption (see Note 12)	(420,079)	(357,262)
Gas consumption (see Note 12)	(299,219)	(303,563)
Coal consumption (see Note 12)	(40,095)	-
Purchase of energy and power	(61,711)	(229,425)
Tolls	(144,262)	(110,169)
Third party work and supplies	(82,025)	(60,962)
Total	**(1,047,391)**	**(1,061,381)**

28. Employee Benefits Expenses

As of December 31, 2012 and 2011, employee benefits are detailed as follows (see Note 3.1.m and 3.1.r):

	January - December	
	2012 ThUS$	2011 ThUS$
Wages and salaries	(39,882)	(34,544)
Current benefits to employees	(4,426)	(4,061)
Termination benefits	(3,236)	(2,881)
Other employee expenses	(8,321)	(4,246)
Total	**(55,865)**	**(45,732)**

29. Depreciation and Amortization Expenses

As of December 31, 2012 and 2011, depreciation and amortization expenses are detailed as follows:

	January - December	
	2012 ThUS$	2011 ThUS$
Depreciation (see Note 17.b)	(135,233)	(123,082)
Amortization of intangibles (see Note 16.b)	(815)	(1,561)
Total	**(136,048)**	**(124,643)**

30. Financial Income and Financial cost

As of December 31, 2012 and 2011, financial income is detailed as follows:

Income (loss) from investments	January - December 2012 ThUS$	2011 ThUS$
Cash income and other equivalent means	5,032	8,893
Total financial income	**5,032**	**8,893**

Financial expenses	January - December 2012 ThUS$	2011 ThUS$
Bond expenses	(59,667)	(60,392)
Financial provision expense	(15,234)	(14,291)
Expense from valuation of net financial derivatives	(7,623)	(9,683)
Bank loan expenses	(11,020)	(7,425)
Other expenses (bank expenses)	(108)	(184)
Capitalized financial expenses	61,111	64,257
Total financial expenses	**(32,541)**	**(27,718)**
Total financial income	**(27,509)**	**(18,825)**

31. Price-level restatement and income from indexation units

The items that cause the effect on income by net foreign exchange items and results of indexed units are detailed as follows:

Foreign currency translation

Foreign Currency Translation	Currency	January - December 2012 ThUS$	January - December 2011 ThUS$
Cash and cash equivalents	CLP	11,603	2,319
Trade and other receivables	CLP	9,403	(20,776)
Current tax assets	CLP	13,065	(12,766)
Other non-current non-financial assets	CLP	39	(1,515)
Non-current receivables from related entities	CLP	445	(482)
Foreign currency translation asset		**34,555**	**(33,220)**
Other current financial liabilities	UF	(19,021)	17,454
Trade and other payables	CLP	(2,190)	795
Other non-financial liabilities	CLP	(758)	(271)
Employee benefits provision accrual	CLP	(3,417)	267
Other non-current financial liabilities	CLP	1,263	747
Foreign currency translation liabilities		**(24,123)**	**18,992**
Total foreign currency translation		**10,432**	**(14,228)**

Income from indexation units

Income from indexation units	Currency	January - December 2012 ThUS$	January - December 2011 ThUS$
Current tax assets	UTM	4,519	6,832
Total income from indexation units		**4,519**	**6,832**

32. Income (Loss) from Investments Accounted for Using the Equity Method

As of December 31, 2012 and 2011, income from investments accounted for using the equity method is detailed as follows:

	January - December	
	2012 ThUS$	**2011 ThUS$**
Net share in profits of associates (see Note 15)	8,340	4,272
Total	**8,340**	**4,272**

33. Other profits (losses)

The others profits (losses) as of December 31, 2012 and 2011 respectively, are detail as follows:

Income other than those from operation	January – December	
	2012 ThUS$	**2011 ThUS$**
Compensation received	-	2,030
Carbon bond Hornitos and Quilleco hydroelectric plants	741	
Other Income	1,351	1,886
Total other income	**2,092**	**3,916**

Other expenses not from operation activities	January – December	
	2012 ThUS$	**2011 ThUS$**
Gas transport contract termination option cost	(10,738)	(21,301)
Transactional contract	(5,300)	-
Impairment of unused wáter rights	(5,385)	-
Results from derivative contracts	(565)	(1,040)
Legal fees	(2,281)	(939)
Disposals of property, plant and equipment	(400)	(915)
Writeoffs and fines	(1,333)	(1,655)
Other	(6,714)	(6,981)
Total other expenses	**(32,716)**	**(32,831)**
Total other loss	**(30,624)**	**(28,915)**

34. Committed guarantees with third parties, contingent assets and liabilities

a. Third party guarantees

a. 1 Direct guarantees

Guarantee creditor	Debtor		Committed assets			Balances pending	Liberation of guarantees			
	Name	Relationship	Type of guarantee	Type of currency	Book value	12.31.2012 ThUS$	2013	2014	2015	2099
Coca Cola Embonor S.A.	Colbún S.A.	Creditor	Guar. deposit	CLP	2,000,000	4	4	-	-	-
Ministerio Obras Públicas	Colbún S.A.	Creditor	Guar. deposit	UF	324,134	15,425	-	15,425	-	-
Cementos Biobío del Sur S.A.	Colbún S.A.	Creditor	Guar. deposit	UF	15,525	739	-	-	739	-
Transelec S.A. (1)	Colbún S.A.	Creditor	Guar. deposit	UF	200	10	-	-	-	10
Transelec S.A.	Colbún Transmisión S.A.	Creditor	Guar. deposit	UF	250	12	12	-	-	-
Chilectra S.A. (1)	Colbún S.A.	Creditor	Guar. deposit	UF	200	10	-	-	-	10
Director Regional de Vialidad Metropolitana	Colbún S.A.	Creditor	Guar. deposit	UF	110	5	5	-	-	-
Endesa (1)	Colbún S.A.	Creditor	Guar. deposit	UF	100	5	-	-	-	5

(1) Guarantees with indefinite release date.

b. Guarantees obtained from third parties

Current guarantees in US dollars, as of December 31, 2012, are detailed as follows:

Deposited by	Relationship w/company	Total ThUS$
Posco Engineering And Construction Co.	Supplier	10,000
Alstom Hydro France S.A.	Supplier	3,085
Andritz Hydro Gmbh-Andritz Chile Ltda.	Supplier	2,727
Alstom Hydro España S.L.	Supplier	1,816
Cobra Chile Servicios S.A.	Supplier	458
Ingetec S.A.	Supplier	275
Carpi Tech S.A.	Supplier	275
Bicentenario S.A.	Supplier	224
Inerco Ingeniería, Tecnología y Consultoría S.A.	Supplier	119
Invensys Systems Chile Ltda.	Supplier	81
Hyosung Corporation	Supplier	75
Alstom Grid Chile S.A.	Supplier	65
Power Machines Agencia en Chile	Supplier	39
Electrónica e Industrial Schadler y Cia. Ltda.	Supplier	38
Distribuidora Perkins Chilena S.A.C.	Supplier	26
Ambiente y Tegnología Ltda.	Supplier	21
ABB S.A.	Supplier	5
BVQI Chile S.A.	Supplier	3
	Total	**19,332**

Current guarantees in Euros, as of December 31, 2012, are detailed as follows:

Deposited by	Relationship w/company	Total ThUS$
Alstom Hydro France S.A.	Supplier	16,504
Andritz Hydro Gmbh-Andritz Chile Ltda.	Supplier	4,207
Evonik Energy Services Gmbh, Ruettenscheider Strasse	Supplier	198
Power Machines Agencia en Chile	Supplier	40
ABB S.A.	Supplier	2
	Total	**20,951**

Current guarantees in CLP, as of December 31, 2012, are detailed as follows:

Deposited by	Relationship w/company	Total ThUS$
Ingeniería Mantención y Servicios Imasel Ltda.	Supplier	114
Universidad de Concepción	Supplier	108
Juan Salgado e Hijos Ltda.	Supplier	92
Constructora Santa María Ltda.	Supplier	85
Asesorías Informáticas y Automatización Oyaneder S.A.	Supplier	85
Glg Construcciones Ltda.	Supplier	70
Centro de Ecología Aplicada Ltda.	Supplier	66
Constructora Valdés Tala y Compañía Limitada	Supplier	55
G4S Security Services Regiones S.A.	Supplier	54
Soc. Inmobiliaria e Inversiones Los Avellanos Ltda.	Supplier	54
Max Control Spa	Supplier	51
Akroscan en Chile S.A.	Supplier	47
Eulen Seguridad S.A.	Supplier	43
Constructora del Valle Ltda.	Supplier	40
Daniel Mauricio Ponce Pinto	Supplier	39
Nicolaides S.A.	Supplier	37
Servicios y Proyectos Ambientales S.A.	Supplier	35
Fernando Enrique Berrios Martínez	Supplier	22
Asinpro S.A.	Supplier	21
Quezada Vasquez Ranulfo Antonio	Supplier	19
Exar Construcciones Ltda.	Supplier	17
Poch Ambiental S.A.	Supplier	16
Arcadis Chile S.A.	Supplier	11
Golder Associates S.A.	Supplier	10
Iss Servicios Generales Limitada	Supplier	8
Conelse Ingeniería y Equipos Ltda.	Supplier	7
Soc. Comercial Conyser Ltda.	Supplier	7
Leal Fernández Luis	Supplier	6
Mantención de Jardínes Arcoiris Ltda.	Supplier	6
Soc. Comercial Camin Ltda.	Supplier	5
Wfs Food Services S.A.	Supplier	5
Ortiz Soto Juan Angel	Supplier	5
Construcciones Eléctricas S.A.	Supplier	5
Soc. de SS Forestales, Ingeniería, Consultoría	Supplier	5
Sociedad Constructora A2S Limitada	Supplier	4
G A Colaciones Limitada	Supplier	4
Ingeniería y Servicios Industriales Ltda.	Supplier	2
	Total	**1,260**

Current guarantees in UF, as of December 31, 2012, are detailed as follows:

Deposited by	Relationship w/company	Total ThUS$
Impregilo S.P.A.	Supplier	21,347
Empresa Constructora Angostura Ltda.	Supplier	20,206
Empresa Constructora Fe Grande S.A.	Supplier	11,495
Alstom Hydro France S.A.	Supplier	6,031
Ingeniería y Construcción Sigdo Koppers S.A.	Supplier	6,022
Besalco Construcciones S.A., para Besalco Dragados S.A.	Supplier	3,954
Dragados S.A. Agencia en Chile, para Besalco Dragados S.A.	Supplier	3,954
Andritz Hydro Gmbh-Andritz Chile Ltda.	Supplier	3,476
Alstom Chile S.A.	Supplier	3,448
Cementos Biobío del Sur S.A.	Supplier	2,216
Empresa de Montajes Industriales Salfa S.A.	Supplier	2,208
Constructora CVV Conpax Ltda.	Supplier	2,042
Eléctrica Nueva Energía S.A.	Supplier	646
Constructora del Valle Ltda.	Supplier	558
R & Q Ingeniería S.A.	Supplier	286
KDM Industrial S.A.	Supplier	237
Proterm S.A.	Supplier	187
Edic Ingenieros S.A.	Supplier	139
Endesa	Supplier	137
Nuñez Torres Luis Juan	Supplier	111
Servicios Marítimos y Transportes Ltda.	Supplier	100
Transportes Bretti Ltda.	Supplier	90
Serv. de Asesoría y Lab. Control Calidad Alscom Ltda.	Supplier	89
Demotron S.A.	Supplier	88
Ingetal Ingeniería y Construcción S.A.	Supplier	71
C de A Ingeniería Ltda.	Supplier	67
Técnica Nacional de Servicio de Ingeniería	Supplier	49
Oma Topografía y Construcciones Ltda.	Supplier	49
Fernando Enrique Berríos Martínez	Supplier	42
Ríos San Martín Ltda.	Supplier	40
Soc. Comercial e Ingeniería y Gestión Ind. Ingher Ltda.	Supplier	40
Alscom Limitada	Supplier	34
Eulen Seguridad S.A.	Supplier	27
Pares y Alvarez Ingenieros Asociados Ltda.	Supplier	27
Dessau Chile Ingeniería S.A.	Supplier	25
Transportes Castro Ltda.	Supplier	25
Knight Piesold S.A.	Supplier	25

Current guarantees in UF, as of December 31, 2012, are detailed as follows: (continued)

Deposited by	Relationship w/company	Total ThUS$
Muñoz y Henriquez Ltda.	Supplier	22
Soc. Trans-Redes Serv. Eléctricos Integrales Ltda.	Supplier	17
Ghisolfo Ingeniería de Consulta S.A.	Supplier	16
Termika Servicio de Mantención S.A.	Supplier	16
Aseos Industriales de Talca Ltda.	Supplier	14
GHD S.A.	Supplier	12
Universidad de Concepción	Supplier	12
Empresa de Ingeniería Ingendesa S.A.	Supplier	11
Dupla Diseño Urbano y Planificación Ltda.	Supplier	10
MWH America Inc. Chile Ltda.	Supplier	8
ABB S.A.	Supplier	7
Normando Arturo Villa Cerda	Supplier	7
José Castro Rodríguez	Supplier	6
Cía. Chilena de Perforaciones Ltda.	Supplier	4
Electricidad Asin Ltda.	Supplier	3
Cristian Agustin Muñoz Valero	Supplier	1
	Total	**89,754**

c. Details of litigation and others

With the information available to date, Colbún's management considers that the provisions recorded in the attached interim Consolidated Statement of Financial Position adequately cover the risks of litigation and other operations described in this note, therefore it does not expect that liabilities other than those recorded will result from them.

Due to the characteristics of the risks covered by these provisions, it is not possible to determine a reasonable schedule of payment dates, if any.

In accordance with IAS 37, as of December 31, 2012, litigation is detailed as follows:

a.- Litigation related to the Angostura Hydroelectric Power Plant Project, includes the following:

1) Complaint set forth in article 137 of the Water Code filed by Ms. Mirta Astudillo against Dirección General de Aguas (DGA) and Colbún S.A. opposing this project. In May 2012, a Complaint was filed before the Court of Appeals in Santiago against the referred Resolution. In November 2011, this Complaint was heard by the Court of Appeals in Santiago and on January 31, 2012, the Court of Appeals rejected the complaint and confirmed the approval of the hydraulic works. Subsequently, Ms. Mirta Astudillo filed an appeal to the Supreme Court against the judgment of the Court of Appeals. This higher court may take from 12 to 18 months to make its final judgment.

b.- Fines applied by the Superintendency of Electricity and Fuel ("SEC"):

1) Exempt Resolution No. 1111-2005: Fine of 1,120 U.T.A. (ThUS$ 1,126).

On July 4, 2005, the SEC fined Colbún S.A. 1,120 U.T.A. (ThUS$ 1,126) in the framework of the investigation it is carrying out to determine the causes of the failure occurred in the Central Interconnected System on November 7, 2003.

On November 23, 2005, an appeal was filed before the Santiago Court of Appeals against the resolution of the SEC, which rejected the reinstatement filed before the SEC.

On July 9, 2012, the Court of Appeals, in Santiago, accepted the claim and revoked the fine. Notwithstanding, SEC filed an appeal before the Supreme Court. The case is yet to be heard.

2) Exempt Resolution No. 2598-2011: 1,214 U.T.A. fine (ThUS$ 1,220).

On September 29, 2011, the SEC fined Colbún S.A. 1,214 U.T.A. (ThUS$ 1,220), in the framework of the formulation of charges on the loss of electricity supply in the Central interconnected System on March 14, 2010, affecting consumptions in the zone between Taltal and the Island of Chiloé.

On October 14, 2011, a writ of reinstatement was filed before the Superintendent of Electricity and Fuel, which is still not resolved and its resolution is expected during 2012.

On May 2, 2012 the administrative appeal was rejected, therefore on May 14 a complaint was filed before the Court of Appeals. Allegations were heard and the Company is waiting for the verdict of the Court of Appeals.

3) Exempt Resolution 2003-2012: Fine of 1,100 UTA (ThUS$ 1,105)

On October 10, 2012 the SEC fined Colbún S.A. 1,100 U.T.A. (ThUS$1,105) in the framework of formulation of charges for the loss of electrical supply in the "Sistema Interconectado Central" on September 24, 2011, affecting consumption in the zone from the country's Region III to Region X.

On October 22 an administrative appeal was filed before the SEC, which has still not been resolved. It is expected to be resolved during 2013.

c.- Nehuenco I combined cycle thermoelectric plant file.

On December 29, 2007, the Nehuenco I 368 MW capacity combined cycle thermoelectric power plant owned by Colbún S.A., suffered a fire inside the main turbine building due to a diesel oil leak in the units' fuel feed system. The power plant was disconnected from the Central Interconnected System and the fire was extinguished with the means foreseen for these types of emergencies. The power plant repairs have been concluded and it has been available for operation in the CDEC-SIC since August 30, 2008.

As of the date of the fire, the Company had an "All Risk" insurance policy in place, which includes Fire Coverage, Machinery Breakdown and Business Interruption. The adjustment procedure with insurance companies Chilena Consolidada Seguros Generales S.A., Penta Security Seguros Generales S.A. and Mapfre Seguros Generales, as coinsurers has concluded.

The Final Adjustment Report, contested by the parties was notified on May 5, 2009, establishing a Property Damages loss net of deductible of US$14.5 million and US$76.2 million for Business Interruption. The Report recognizes that the parties differ regarding the loss payable limit applicable to Business Interruption, on which the Adjuster does not make a pronouncement, because he sustains that it is outside his competence. In Colbún's opinion the policy contemplates a single indemnity limit of US$250 million per event and combined for Property Damages and Business Interruption.

Colbún S.A. received payment in the amount of US$33.7 million, corresponding to the undisputed sums contained in the mentioned Final Adjustment. Since there are differences between Colbún and the insurers, the parties implemented the arbitration mechanism in accordance with the policy, and Colbún S.A. filed a complaint in October 2009 for compliance with insurance contract and damage indemnity for a total value of US$101.5 million plus damages and interest. The insurers have filed the Answer to the Complaint and Colbún S.A. has filed the Replication and the insurers have filed their rejoinder.

On September 25, 2012, the Arbitrator passed the first instance judgment that partially accepted the claim filed by Colbún and ordered the insurance companies to pay the amount of US$ 61 million, including interests accrued to that date. Both parties have filed appeals against this judgment before the Arbitral Court which has a 6 month term to make a decision.

If the arbitrator's judgment is upheld, the amount referred to above must be recognized as a result within the relevant year.

d. - Remedy of Protection filed by different associations of fishermen against the Santa María Thermoelectric Plant.

In September 2011, three remedies of protection were filed against Colbún by different fishermen and collector associations in the Bay of Coronel. These remedies basically claim that the Power Plant start-up of operations pollutes the bay and reduces the sea resources from which they make a living.

The Court of Appeals in Concepción did not accept the remedies in two different occasions. These occasions are as follows: first, in January 2012 due to matters of the form; second, in April 2012 due to matters of the substance. Appeals were filed to the Supreme Court.

The Supreme Court considered the appeal discontinued and ended the proceeding. Nevertheless, the claimants filed an appeal or rectification reported to revert the resolution. The decision of the Supreme Court is pending.

Colbún's management considers that with the information available to date, the provisions recorded in the attached Consolidated Statement of Financial Position adequately cover litigation risks and other operations described in this Note. Therefore, it does not expect that they will result in liabilities other than those that have been recorded.

35. Commitments

Commitments entered into with financial entities and others

Loan agreements entered into by Colbún S.A. with financial entities and bond and commercial paper issuance agreements impose various obligations on the Company in addition to their payment, including financial indicators of various types during the term of those agreements, usual for this type of financing.

The Company must report compliance with these obligations in a quarterly manner. As of December 31, 2012, the Company is in compliance with all the financial indicators required in those contracts. These obligations are detailed as follows:

Covenants	Condition	12.31.2012	Maturity
Bank Loans			
Total liabilities/Net Tangible Equity	< 1.2	0.78	Jun-2015
Minimum Equity	> ThUS$ 2,022,000	ThUS$ 3,512,782	Jun-2015
Local Market Bonds			
EBITDA/Net Interest Expense	>3.0	10.32	Jun-2029
Debt Ratio	<1.2	0.71	Jun-2029
Minimum Equity	> ThUS$ 1,348,000	ThUS$ 3,512,782	Jun-2029
Committed lines			
Total liabilities/Net Equity of the Controller	< 1.2	0.71	Jun-2013
Minimum Equity	> ThUS$ 1,995,000	ThUS$ 3,512,782	Jun-2013

Calculation Methodologies

Description	Accounts	Amount as of 12.31.2012
Net Equity of the Controller	Total Equity - Non-controlling Interests	ThUS$ 3,512,782
Net Tangible Equity	Equity - Investments accounted for using the equity method - Intangible Assets other than Goodwill	ThUS$ 3,200,997
Minimum Equity	Total Equity - Non-controlling Interests	ThUS$ 3,512,782
Total liabilities	Total current liabilities + Total non-current liabilities	ThUS$ 2,490,622
Debt Ratio	Total liabilities / Equity	0.71
EBITDA (*)	Income from ordinary activities - Raw materials and supplies used - Employee benefits expenses - Other expenses by Segment	ThUS$ 283,851
Net financial expense (*)	Financial interest expense – Financial interest income	ThUS$ 27,509

(*) 12 months continuous

36. Environment

The Companies of the group with disbursements associated with the environment are the following: Colbún S.A., Río Tranquilo S.A. and Termoeléctrica Antilhue S.A.

Disbursements associated with the Environment made by the companies are detailed as follows:

Description	12.31.2012 ThUS$	12.31.2011 ThUS$
Monitoring air quality and meteorology	1,592	908
Environmental follow up	1,457	831
Environmental studies and others	1,005	573
Environmental management system	186	106
	-	
Total	**4,240**	**2,418**

Disbursements made for the concept of the Environment are mainly associated with facilities; therefore they will be made based on their useful lives, except for the development of Studies and Declarations of Environmental Impact, which correspond to environmental permits prior to the construction phase.

The main projects in progress including a brief description of them are detailed as follows:

San Pedro hydroelectric power plant: Reservoir hydroelectric power plant located in the Los Ríos Region, minimally regulating the river's flow, maintaining hydrological conditions downstream of the power plant unaltered.

Angostura hydroelectric power plant: Reservoir hydroelectric power plant projected downstream of the confluence of the Biobío and Huequecura Rivers in the Biobío Region.

Mulchén Substation: Electrical substation, located in the Biobío Region, which will section the Charrúa-Cautín double section line and will allow the connection to the Central Interconnected System (SIC) of the Angostura Hydroelectrical Power Plant through the Angostura-Mulchén Line.

Angostura-Mulchén Electric Transmission Line: Electrical transmission line approximately 40 km long, which will allow the interconnection between the Angostura power plant currently in execution and the substation Mulchén.
All these projects in construction or execution have their respective Environmental Qualification Resolutions and Sector Environmental Permits granted by the corresponding environmental authorities.

37. Events occurred after the reporting date of the statement of financial position

At the Board Meeting held on January 29, 2013 the Company's directors approved the consolidated financial statements as of December 31, 2012, prepared in accordance with IFRS.

No other events have occurred from December 31, 2012 to the date of issuance of these consolidated financial statements.

38. Foreign currency

Assets and liabilities in foreign currency are detailed as follows:

Assets	Foreign currency	Functional currency	12.31.2012 ThUS$	12.31.2011 ThUS$
Total current assets				
Cash and cash equivalents	CLP	US Dollar	136,920	81,061
Cash and cash equivalents	Euro	US Dollar	14,819	52,874
Other current non-financial assets	CLP	US Dollar	82	62
Trade and other current receivables	CLP	US Dollar	145,993	192,568
Current receivables from related companies	CLP	US Dollar	5,193	4,944
Inventory	CLP	US Dollar	33,682	14,109
Current tax assets	CLP	US Dollar	258,403	182,672
Total current assets			**595,092**	**528,290**
Non-current assets				
Other non-current financial assets	CLP	US Dollar	313	290
Other non-current non-financial assets	CLP	US Dollar	15,674	9,893
Investments accounted for using the equity method	CLP	US Dollar	145,785	121,097
Total non-current assets			**161,772**	**131,280**
Total assets			**756,864**	**659,570**

Liabilities	Foreign currency	Functional currency	12.31.2012 ThUS$	12.31.2011 ThUS$
Total current liabilities				
Other current financial liabilities	UF	US Dollar	14,395	8,042
Trade and other payables	CLP	US Dollar	89,432	111,585
Current payables to related entities	CLP	US Dollar	20,475	32,121
Other current provisions	CLP	US Dollar	18,860	2,838
Current tax liabilities	CLP	US Dollar	18,194	10,350
Current employee benefits provision accruals	CLP	US Dollar	14,103	9,938
Other current non-financial liabilities	CLP	US Dollar	2,552	4,083
Total current liabilities			**178,011**	**178,957**
Non-current liabilities				
Other non-current financial liabilities	UF	US Dollar	362,921	336,183
Non-current employee benefits accruals	CLP	US Dollar	19,785	14,815
Other non-current non-financial liabilities	CLP	US Dollar	8,982	8,429
Total non-current liabilities			**391,688**	**359,427**
Total liabilities			**569,699**	**538,384**

Profile of expiry of other financial liabilities in foreign currency, is detailed as follows:

As of 12.31.2012	Foreign currency	Functional currency	Up to 91 days ThUS$	From 91 days to 1 year ThUS$	From 1 year up to 3 years ThUS$	More than 3 up to 5 years ThUS$	More than 5 years ThUS$	Total ThUS$
Other financial liabilities	UF	US Dollar	-	14,395	35,942	37,425	289,555	377,317
		Total	**-**	**14,395**	**35,942**	**37,425**	**289,555**	**377,317**

As of 12.31.2011	Foreign currency	Functional currency	Up to 91 days ThUS$	From 91 days to 1 year ThUS$	From 1 year up to 3 years ThUS$	More than 3 up to 5 years ThUS$	More than 5 years ThUS$	Total ThUS$
Other financial liabilities	UF	US Dollar	-	8,041	26,753	36,449	272,981	344,224
		Total	**-**	**8,041**	**26,753**	**36,449**	**272,981**	**344,224**

39. Staffing

As of December 31, 2012 and December 31, 2011, the Company's staffing is detailed as follows:

	No. of Employees	
	12.31.2012	**12.31.2011**
Managers and main executives	65	57
Professionals & technicians	596	571
Employees and others	301	294
Total	**962**	**922**
Average for the year	**955**	**915**

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