Consolidated Financial Statements
for the years ended December 31, 2013 and 2012

(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:

- Consolidated Financial Statements

- Notes to the Consolidated Financial Statements

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

Colbún S.A. and Subsidiaries
Consolidated Statements of Financial Position
as of December 31, 2013 and December 31, 2012
(In thousands of US dollars – ThUS$)

ASSETS	Note N°	December 31, 2013 ThUS$	December 31, 2012 ThUS$
Current Assets			
Cash and cash equivalents	7	260,453	217,740
Other financial assets	8	2,670	24,702
Other non-financial assets	19	229,259	284,125
Trade and other accounts receivable	9	133,022	184,797
Accounts receivable from related companies	11	4,451	15,193
Inventory	12	70,228	46,370
Tax assets	18	44,046	15,703
Total current assets		**744,129**	**788,630**
Non-current assets			
Other financial assets	8	3,496	10,478
Other non-financial assets	19	27,178	29,083
Accounts receivable from related companies	11	384	400
Investment in related companies accounted for using equity method	15	157,447	164,646
Intangible assets other than goodwill	16	87,258	73,385
Property, plant and equipment	17	5,032,954	4,904,151
Deferred taxes	20.b	12,927	32,631
Total non-current assets		**5,321,644**	**5,214,774**
TOTAL ASSETS		**6,065,773**	**6,003,404**

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

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

Colbún S.A. and Subsidiaries
Consolidated Statements of Financial Position
as of December 31, 2013 and December 31, 2012
(In thousands of US dollars – ThUS$)

LIABILITIES AND NET EQUITY	Note Nº	December 31, 2013 ThUS$	December 31 2012 ThUS$
Current liabilties			
Other financial liabilities	21	149,471	329,618
Trade and other accounts payable	22	150,120	150,281
Accounts payable to related entities	11	10,146	27,268
Other provisions	23	1,010	1,834
Tax liabilities	20	4,691	18,194
Provision for employee benefits	23	13,093	14,103
Other non-financial liabilities	24	13,377	9,492
Total current liabilities		**341,908**	**550,790**
Non-current liabilities			
Other financial liabilities	21	1,550,640	1,393,321
Trade and other accounts payable	22	3,217	3,000
Deferred taxes	20.b	583,029	514,746
Provision for employee benefits	23	22,581	19,784
Other non-financial liabilities	24	8,092	8,981
Total non-current liabilities		**2,167,559**	**1,939,832**
Total liabilities		**2,509,467**	**2,490,622**
Net equity			
Issued capital	25	1,282,793	1,282,793
Retained earnings	25	1,481,152	1,439,452
Share premiums	25	52,595	52,595
Other reserves	25	739,766	737,942
Net Equity attributable to equity holders of the parent		3,556,306	3,512,782
Total net equity		**3,556,306**	**3,512,782**
TOTAL LIABILITIES AND NET EQUITY		**6,065,773**	**6,003,404**

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

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

Colbún S.A. and Subsidiaries
Consolidated Statements of Comprehensive Income by Nature
for the years ended December 31, 2013 and 2012
(In thousands of US dollars – ThUS$)

STATEMENT OF COMPREHENSIVE INCOME BY NATURE	Note N°	December 31, 2013 ThUS$	December 31, 2012 (1) ThUS$
Net income from ordinary activities	26	1,695,928	1,409,497
Raw materials and consumables used	27	(1,260,062)	(1,047,391)
Personnel expenses	28	(60,110)	(53,716)
Depreciation and amortization expenses	29	(162,602)	(136,048)
Other expenses, by nature	-	(23,339)	(21,650)
Other profit (losses)	33	(38,019)	(31,365)
Profit (loss) from operating activities		**151,796**	**119,327**
Financial income	30	5,068	5,032
Financial costs	30	(50,143)	(32,541)
Share of profit of associated and joint ventures accounted for using the equity method	32	4,869	8,340
Exchange rate differences	31	2,333	10,432
Readjustment profit (loss)	31	5,073	4,519
Profit (loss) before taxes		**118,996**	**115,109**
Income tax expense	20	(56,031)	(64,580)
Profit (loss) of continuing operations		**62,965**	**50,529**
PROFIT (LOSS)		**62,965**	**50,529**
Attributable to:			
Equity holder of the parent		62,965	50,514
Non-controlling interests		-	15
PROFIT (LOSS)		**62,965**	**50,529**
Earnings per share			
Ordinary shares			
Basic earnings per share from continuing operations	25	0.00359	0.00288
Basic earnings per share		**0.00359**	**0.00288**
Diluted earning per share from continuing operations	25	0.00359	0.00288
Diluted earnings per share		**0.00359**	**0.00288**

(1) See note 3.2 (IAS 19 amendment effects)

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

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

Colbún S.A. and Subsidiaries
Consolidated Statements of Comprehensive Income by Nature
for the years ended December 31, 2013 and 2012
(In thousands of US dollars – ThUS$)

STATEMENTS OF OTHER COMPREHENSIVE INCOME BY NATURE	Note	January-December	
		2013	**2012 (1)**
	N°	ThUS$	ThUS$
Profit (loss)		**62,965**	**50,529**
Components of other comprehensive income not being reclassified to profit or loss in subsequent periods, before tax:			
Actuarial gains (losses) on defined benefit plans		(3,599)	(2,149)
Other comprehensive income not being reclassified to profit or loss in subsequent periods, before tax		**(3,599)**	**(2,149)**
Components of other comprehensive income to be reclassified to profit or loss in subsequent periods, before tax:			
Exchange differences on translation of foreign operations	15	(12,991)	11,050
Gain / (Loss) on cash flow hedges		19,031	(1,184)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, before tax		**6,040**	**9,866**
Other comprohensive income before tax		**2,441**	**7,717**
Income tax effect from components of other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Income tax effect on actuarial gains (losses) on defined benefit plans	20	720	430
Income tax effect of other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Income tax effect on cash flow hedges	20	(3,806)	5,450
Income tax from components of other comprehensive income		**(3,086)**	**5,880**
Other comprehensive income, net of tax		**(645)**	**13,597**
Total other comprehensive income, net of tax		**62,320**	**64,126**
Attributable to:			
Equity holder of the parent		62,320	64,111
Non-controlling interests		-	15
TOTAL COMPREHENSIVE INCOME		**62,320**	**64,126**

(1) *See note 3.2 (IAS 19 amendment effects)*

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Colbún S.A. and Subsidiaries
Consolidated Statements of Cash Flows
for the years ended December 31, 2013 and 2012
(In thousands of US dollars – ThUS$)

CASH FLOW STATEMENTS - DIRECT METHOD	Note N°	December 31, 2013 ThS$	December 31, 2012 ThS$
Cash flow provided by (used in) operating activities			
Proceeds			
Proceeds provided by sale of goods and providing services		1,898,345	1,734,991
Receipts from premiums and benefits, annuities and other income from written polices		135,071	2,019
Other receipts provided by operating activities		57,454	28,992
Payments			
Payments to suppliers for supplying goods and services		(1,553,569)	(1,317,761)
Payments to and on account of employees		(66,322)	(58,979)
Payments for premiums and claims, annuities and other obligations from underwritten policies		(18,707)	-
Other payments		(19,108)	(29,006)
Net cash flows provided by (used in) operating activities		**433,164**	**360,256**
Dividends received		7,829	8,759
Interest received		5,255	7,348
Income taxes refunded (paid)		(13,414)	(14,887)
Other cash inflows (outflows)		(9,389)	(40,792)
Net cash flows provided by (used in) operating activities		**423,445**	**320,684**
Cash flows provided by (used in) investing activities			
Other payments to acquire equity in joint ventures	15	(9,918)	(14,178)
Payments to related companies		(135)	-
Additions to property, plant and equipment		(328,793)	(476,049)
Other cash inflows (outflows)		9,565	(1,079)
Net cash flows (used in) investing activities		**(329,281)**	**(491,306)**
Cash flows provided by (used in) financing activities			
Proceeds provided by loans		**385,189**	**422,135**
Amounts provided by noncurrent loans		250,000	160,000
Amounts provided by current loans		135,189	262,135
Loan payments		(340,433)	(255,863)
Dividends payments		(13,372)	(14)
Interests payments		(76,201)	(82,745)
Other payments		(2,893)	-
Net cash flows provided by (used in) financing activities		**(47,710)**	**83,513**
Net increase (decrease) in cash and cash equivalents, before the effect of exchange rate differences		**46,454**	**(87,109)**
Effects of exchange rate differences on cash and cash equivalents			
Effects of changes in foreign exchange rate on cash and cash equivalents		(3,741)	9,023
Net increase (decrease) in cash and cash equivalents		**42,713**	**(78,086)**
Cash and cash equivalents at beginning of period		217,740	295,826
Cash and cash equivalents at end of period	**7**	**260,453**	**217,740**

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Colbún S.A. and Subsidiaries
Consolidated Statements of Changes in Equity for the years ended December 31, 2013 and 2012
(In thousands of US dollars – ThUS$)

Statements of changes in net equity	Note	Attributable to equity holders of the parent										
				Other reserves								
		Issued capital ThUS$	Share premiums ThUS$	Exchange difference on translation reserve ThUS$	Cash flow hedeges reserve ThUS$	Actuarial gains / (loss) reserve ThUS$	Other reserves ThUS$	Total Other reservers ThUS$	Retained earnings ThUS$	Attributable to equity holders of the pareny ThUS$	Non-controlling interests ThUS$	Total Equity ThUS$
Beginning balance as of 01/01/2013		1,282,793	52,595	(230,494)	(21,797)	-	990,233	737,942	1,439,452	3,512,782	-	3,512,782
Changes in equity												
Comprehensive income (loss)												
Profit (loss)									62,965	62,965	-	62,965
Other comprehensive income				(12,991)	15,225	(2,879)	-	(645)		(645)	-	(645)
Dividends									(18,386)	(18,386)		(18,386)
Increase (decrease) due to transfers and other changes		-	-	-	-	2,879	(410)	2,469	(2,879)	(410)	-	(410)
Total changes in equity		**-**	**-**	**(12,991)**	**15,225**	**-**	**(410)**	**1,824**	**41,700**	**43,524**	**-**	**43,524**
Ending balance as of 12/31/2013	**25**	**1,282,793**	**52,595**	**(243,485)**	**(6,572)**	**-**	**989,823**	**739,766**	**1,481,152**	**3,556,306**	**-**	**3,556,306**

Statements of changes in net equity	Note	Attributable to equity holders of the parent										
				Other reserves								
		Issued capital ThUS$	Share premiums ThUS$	Exchange difference on translation reserve ThUS$	Cash flow hedeges reserve ThUS$	Actuarial gains / (loss) reserve ThUS$	Other reserves ThUS$	Total Other reserves ThUS$	Retained earnings ThUS$	Attributable to equity holders of the parent 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
Changes in equity												
Comprehensive income (loss)												
Profit (loss)									50,514	50,514	15	50,529
Other comprehensive income				11,050	4,266	(1,719)	-	13,597		13,597	-	13,597
Dividends									(13,525)	(13,525)		(13,525)
Increase (decrease) due to transfers and other changes		-	-	-	-	1,719	-	1,719	(1,719)	-	(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**

[1] *See note 3.2 (IAS 19 amendment effects)*

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

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

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

Contents **Page**

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

Contents **Page**

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

Contents **Page**

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

Contents

COLBÚN S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of US dollars – ThUS$)

1. General information

Colbún S.A. 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, as of 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, which as of December 31, 2013 is the ultimate parent company of the group (hereinafter, the "Company" or "Colbún"), composed of eight companies: Colbún S.A., and seven subsidiaries.

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

The Company's line of business is generation, transportation and distribution of electricity and power capacity, 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 the majority shareholder and an agreement that ensures the majority on the Colbún S.A. Board of Directors.

2. Business description

Purpose of the Company

The Company's line of business is to produce, transport, distribute and supply energy and power capacity. It also obtains, acquires and exploits concessions. 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-the-river) and of coal and diesel thermoelectric 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 the capacity of 1,273 MW which are 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 the Los Lagos Region. 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 the 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 Power Plants Los Pinos and Santa María I located in the Biobío Region.

Commercial policy

The Company commercial policy is to reach an appropriate balance between the level of electricity sales agreements and its own capacity in terms of generation methods, with the objective of obtaining an increase and stabilization in operating margins, with an acceptable level of risk in the event of droughts. 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 the prices on the market experience significant variations which are mostly due to the hydrological conditions.

Main clients

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

- Regulated clients with Tendered Long-term Node Price Contracts are: Chilectra S.A., CGE Distribución S.A. for the Metropolitana 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, 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 and Codelco (**) for your divisions Salvador, Andina, Ventanas and El Teniente.

(*) Supplies to CMPC Tissue ended in December 31, 2013
(**) Supplies to Codelco began on March 1, 2013.

Additionally,as a consequence of the financial insolvency 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. The Resolution took effect September 1, 2011and was amended by Exempt Resolution No. 239 dated February 9, 2012. The Resolution instructs 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 in 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 20%.

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 capacity remuneration is calculated on the basis of the firm capacity of the power plants, i.e. the level of capacity that the power plant can contribute to the system at peak hours (May-September), with a high level of assurance. The price of power capacity is determined as an economic signal, representative of investments in the most efficient units absorbing the demand for power capacity, at the system's peak hours.

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

In compliance with Law No. 20,018 (Short Law II) that came into force on 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 are still a small number 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) 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 capacity 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 capacity to its clients, Colbún uses its own and third party transmission facilities, in compliance with the existing electric legislation.

The legislation establishes the concepts of the Trunk Transmission System, Sub-transmission and Additional Transmission in order to determine the rates.

3. Summary of significant accounting policies

3.1 Accounting principles

These consolidated financial statements for the year ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board (hereinafter the "IASB") on a consistent basis with the criteria used in the previous year, and have been approved by its Board of Directors at the meeting held on January 28, 2014.

These consolidated financial statements have been prepared based on the ability to continue as an ongoing company.

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 compliance with the existing IFRS as of December 31, 2013, 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 Statement of Financial Position, Statements of Comprehensive Income, Statement of Changes in Net Equity and Statement of Cash Flows for the year ended as of December 31 and 2012.

The Company is responsible for the information contained in these consolidated 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).

a.1 Functional currency

The functional currency is the US dollar as this is the currency that mainly influences sales prices for goods and services used in the main economic context in which the Company operates. All the information is presented in thousands of US dollars, unless indicated otherwise

b. Basis of consolidation – The consolidated financial statements include the financial statements of the Parent Company and those of the companies controlled by the Company (subsidiaries).

Subsidiaries companies are those that Colbún, S.A. controls, either directly or indirectly. The majority of the voting rights or when, without having the majority, it has rights that gives the capacity of directing its relevant activities, considering to this aim, its own voting rights or those from third parties, exercisable or convertible at the end of the period.

Colbun is exposed or has rights to the variable returns of these companies and has the ability to influence on them.

Subsidiaries are detailed as follows:

Subsidiary	Country	Functional currency	Taxpayer number	Percentage of interest as of			
				12.31.2013			12.31.2012
				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 Dolar	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	99.9999	0.0001	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	100

The inscription and publication of the incorporation extract of Sociedad Colbún Transmisión S.A. was made on July 12, 2012. The Company is a subsidiary of Colbún S.A., who has an interest of 100% directly and through other subsidiaries and is included in the Special Register of companies that need to inform to the SVS.

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 "Fundación Colbún" and approved its bylaws. The fundamental objectives of the foundation include:

Promoting, encouraging and supporting all types of work and activities aimed to perfect and improve the living standards 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, companies and organizations, both public and private, which pursue similar goals..

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, 2013, Colbún and subsidiaries provided ThUS$ 1,697 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 – Corresponds to the participation in companies over which Colbun exercises joint control with another company or in which it has significant influence.

The equity method consists of recording the participation by the fraction of net equity represented by the Company'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 from the Company to restore the subsidiary'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 profits (losses) obtained by these companies corresponding to Colbún based on its interest are incorporated, net of their tax effects to the Statement of Comprehensive Income 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:

Type of relation	Associated company	Country	Functional currency	Taxpayer Number	Percentage of interest as of	
					12.31.2013 Direct	12.31.2012 Direct
Associate	Electrogas S.A.	Chile	US Dollar	96.806.130-5	42.5	42.5
Joint Venture	Centrales Hidroeléctricas de Aysén S.A.	Chile	Chilean Peso	76.652.400-1	49.0	49.0
Joint Venture	Transmisora Eléctrica de Quillota Ltda.	Chile	Chilean Peso	77.017.930-0	50.0	50.0

c.1 Investments in associated entities

Associate entities are entities in which the Company has significant influence, but not control over the financial and operating policies. It is assumed that there is significant influence when the Company has between 20% and 50% of the voting rights of the other entity.

c.2 Jointly controlled entities

Are entities in which the Company has joint control over their activities, established by means of contractual agreements and that unanimous consent is required for making strategic financial and operating decisions.

d. Effects of variations in foreign currency exchange rates – 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 from 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 Comprehensive 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 date is 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 the exchange rates as of the closing date of the financial statements, detailed as follows:

Equivalency per one US Dollar	12.31.2013	12.31.2012
Chilean Pesos	524.61	479.96
Euros	0.7243	0.7565
UF	0.0225	0.0210

f. Property, plant and equipment - Property, plant and equipment items are those used in the generation of electricity services or for management purposes and are recorded at cost, net of accumulated depreciation and impairment, if applicable. This cost includes the following concepts, as provided 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.
- 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 withdrawal of the substituted or renovated elements.
- The costs of decommissioning, 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.c and 23.d).

Work in progress is transferred to operational fixed assets once the testing period is ended, moment at which their depreciation begins.

Periodic maintenance expenses, conservation and repairs are accounted for in the statement of comprehensive income in the period in which they are incurred.

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. As of December 31, 2013 there are no indicators of impairment.

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

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

h.1.1 Loans and accounts receivable – Loans and accounts receivable are recorded at amortized cost which equals to the fair value of the consideration received at the initial recognition less accumulated depreciation (calculated using effective interest rate method) and are classified as 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. Trade and other accounts receivables, accounts receivable from related parties are classified in Loans and accounts receivable.

The effective interest rate method corresponds to the method for calculating the amortized cost of a financial asset and the allocation of interest income within 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.

h.1.2 Investments held to maturity – are investments in which the Company has the intention and capacity to hold the investment to maturity, and which are also accounted at their amortized cost. In general investments in instruments such as Fixed Time Deposits are recognized in this category.

h.1.3 Financial assets recorded at fair value through profit and loss – Financial assets recorded 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 Comprehensive Income when they occur. Investments in current Mutual Funds are recognized in this category.

h.1.4 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.1.5 Derecognition financial assets – The Company only derecognizes financial assets when the rights to receive cash flows have been cancelled, annulled, expire or have been transferred.

h.1.6 Impairment of financial assets – Financial assets other than those valued at fair value through profit and loss are evaluated as of the date of the Statement of Financial 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 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 accounts receivable 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 loss is recognized in the Statement of Comprehensive Income.

When an account 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 accounts receivable.

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.

In the case of instruments classified as available for sale, to determine whether they have suffered impairment losses, the Company considers if there has been a significant or prolonged decrease in the fair value of the instrument below cost. Should there be any evidence of this type for financial assets available for sale, the accumulated loss determined as the difference between the cost of acquisition and the current fair value, less any impairment loss in this financial asset previously recognized in Other Comprehensive Income is eliminated from other reserves and recognized in the Statement of Comprehensive Income. Impairment losses recognized in the Statement of Comprehensive Income statement on equity instruments are not reversed.

It is not required to test financial assets at fair value through profit and loss for impairment.

Considering that, as of December 31, 2013, all the Company's financial investments have been made in institutions of the highest credit quality and they 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. To the moment, the Parent Company 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 – Financial liabilities are classified at fair value through profit or loss when they are held for trading or designated at fair value through the Statement of Comprehensive 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 by 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.

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

i. Derivatives – Derivative contracts are signed by the company to mitigate the risks of changes in interest rates, exchange rates and the price of fuels.

The effects that arise as a product of changes in the fair value of this type of instruments are recorded in the Statement of Comprehensive Income, to the extent that they have been designated as a hedge instrument for accounting purposes and all the requirements set forth in IFRS to apply hedge accounting are met.

Hedges are classified in the following categories:

- Fair value hedges: hedge from exposure to changes in the fair value of recognized assets or liabilities or unrecognized firm commitments that can be attributed to a particular risk. For this type of hedge, both the value of the hedge instrument and the hedged element are recorded in the Statement of Comprehensive Income netting both effects in the same heading.
- Cash flow hedges: hedge from exposure to changes in cash flows that (i) are attributed to a particular risk associated to a recognized asset or liability or to a highly probable foreseen transaction. Changes in the fair value of derivatives are recorded, for the part of those hedges that are effective, in the Total Equity reserve called "Cash Flow Hedge Hedges". The accumulated deficit or profit in that heading is transferred to the Statement of Comprehensive

Income to the extent that the underlying has an impact on the Statement of Comprehensive Income due to the risk hedged, netting that effect in the same heading. Profits (losses) from the ineffective part of hedges are recorded directly in the Statement of Comprehensive Income.

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 designates certain derivatives as hedge instruments 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.

In this respect, all derivatives have been designated as hedge accounting.

j. Inventory – Inventory includes petroleum and coal stocks, which are valued at weighted average price, and inventory in warehouse (spare parts) and in transit that are valued at cost. As the inventory includes raw materials and spare parts, they are not tested for impairment if it is expected that the finished good (electricity) will be sold with a positive margin.

k. Statement of cash flows – the Company has 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 the activities that constitute the Company's main source of ordinary income, as well as other activities that cannot be qualified as 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 income and calculate their income taxes in compliance 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 Statement of Comprehensive Income or Other Comprehensive Income 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.

Variances produced during the period in deferred tax assets or liabilities are recorded in the profits account on the consolidated Comprehensive Income Statement or in the categories of total equity in the Statement of Financial Position, based on where profits or losses generated 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 indicated for each period closing date. Changes in the exchange rate result in temporary differences.

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. Severance Benefits– obligations recognized for the concept of termination benefits at any event 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.

The amount of net actuarial liabilities accrued as of the end of the period is shown under the heading "Provisions for employee benefits" of non-current liabilities in the Consolidated Statement of Financial Position.

The Company recognizes all actuarial profits or losses arising from the valuation of defined benefits plans in other comprehensive income, whereas costs related to benefit plans are recorded under employee expenses in the Statement of Comprehensive Income.

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 can be reliably estimated are recorded as provisions for the current value of the most probable estimated 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.

n.1 Restructuring – a restructuring provision is recognized when the Company has approved a detailed and formal restructuring plan, and the restructure as such has already begun or has been publicly announced. Future operating costs are not provisioned.

n.2 Vacations – The expense related to the personnel vacations is recorded in the Statement of Comprehensive Income when the employee acquires the right to it in compliance with IAS 19.

o. Recognition of income - income from the sale of electric energy is valued at the fair value of the amount received or to be received 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 revenue recognition policies for each type of client:

- Regulated clients - distribution companies: income sale of energy and power capacity is recorded on the basis of physical delivery, in conformity with its 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), when applicable.
- Unregulated clients – connected capacity greater than 2,000 KW. Income sale of energy and power capacity for these clients is recorded on the basis of physical delivery at the rates specified in the respective contracts.
- Spot market clients - income sale of energy and power capacity are recorded on the basis of physical delivery to other generating companies, at the marginal cost. By law the spot market is organized and coordinated through the "Centro Económico de Despacho de Carga" (CDEC), which

generation companies together with transmission, distribution companies and large unregulated clients belong to and is where the surplus or deficit of energy and power capacity is commercialized. Surplus energy and power capacity 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.

p. Dividends - Article 79 of the Companies Law establishes that, unless there is another agreement adopted at an Ordinary Shareholders' Meeting, by unanimity of shares issued, publicly traded stock companies must distribute annually at least 30% of distributable net income for the year as cash dividends to their shareholders, prorated to their shares or in the proportion established in the bylaws, should there be preferred shares, except when accumulated deficit from previous years must be absorbed.

Taking into consideration that due to Colbún's issued capital structure, it is practically impossible to reach a unanimous agreement, as of each year-end the amount of the obligation with shareholders is determined, net of interim dividends that have been approved during the year and are recorded under "Trade and Other Accounts Payable" or under "Accounts Payable to Related Entities", as applicable, with a charge to Net Equity.

Interim and final dividends are recorded as lower equity when they are approved by the competent organization, which in first place is generally the Company's Board of Directors, and in second place it is the responsibility of the Ordinary Shareholders' Meeting.

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. Classification of balances as current and non-current - in the Consolidated Interim 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.

s. Leases –The Company applies IFRIC 4 to assess whether an agreement is or contains a lease. Leases in which substantially all risks and benefits inherent to ownership are transferred, are classified as financial leases. All other leases are classified as operating leases.

Financial leases in which Colbún S.A. and subsidiaries act as lessee are recognized at the beginning of the contract. They record an asset based on its nature and a liability for the same amount and equal to the fair value of the leased asset or else at the present value of minimum payment of the lease should be lower. Subsequently, minimum lease payments are divided between the finance cost and reduction of the debt. The finance cost is recognized as an expense and distributed over the term of the lease in order to obtain a constant interest rate in each year on the balance of the debt pending amortization. The asset is depreciated under the same terms as the rest of similar depreciable assets, should there be reasonable certainty that the lessee will acquire ownership of the asset at the end of the lease. If such certainty does not exist, the asset is depreciated over the useful life of the asset or over the term of the lease, whichever is shorter.

Operating lease installments are recognized as an expense using the straight-line method over the term of the lease, unless another systematic distribution basis is more representative.

t. Operations with related parties - Operations between the Parent Company and its dependent subsidiaries or between subsidiaries, known as related parties, are part of the Company's regular transactions in terms of its purpose and conditions, and are eliminated in the consolidation process. The identification of the relationship between the Parent Company, Subsidiary and Associates is described in note 3.1.b.

All related party transactions are carried out under market terms and conditions.

u. Reclassifications – For comparative purposes the following reclassifications have been included: a) in the statement of financial position as of 12.31.2012, i) from "trade and other accounts receivable" to "Other non-financial assets", ThUS$ 17,965 corresponding to prepayments to suppliers; ii) from "tax assets, current" to "other non-financial assets, current", US$ 245,539 corresponding to other tax assets; iii) from "tax assets, current" to "tax assets, non-current", ThUS$ 161 for the concept of occupational training loan; iv) from "other profits (losses)" to "Other operating income", ThUS$ 741 corresponding to sales of CERs (Certificate of Emission Reductions); v) from "Provisions" to "Trade and other accounts payable", ThUS$ 17,025 for invoices pending to be received and; vi) in the Statement of Cash Flows as of 12.31.2012, interests paid from "Net cash flows provided by (used in) operating activities" to "Net cash flows provided by (used in) financing activities

v. Government grants - Government subsidies are measured at the fair value of the asset received or to be received. A subsidy without specific future performance conditions is recognized as income when the amounts obtained from the subsidy are received. A subsidy that imposes specific future performance conditions is recognized as income when such conditions are fulfilled.

Government subsidies are presented separately from the assets to which they are related. Government subsidies recognized as income are presented separately in the notes. Government subsidies received before the income criteria are fulfilled are presented as a separate liability in the statement of financial position.

No amount whatsoever is recognized for government assistance to which fair value cannot be assigned. However, if it exists, the entity must disclose information regarding that assistance.

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.	To be determined
IFRIC 21, Levies	January 1, 2014

<u>IFRS 9 "Financial Instruments"</u>

This Standard introduces new requirements for the classification and measurement of financial assets and liabilities and for hedge accounting. The IASB originally decided that the date of mandatory application was January 1, 2015. However, the IASB observed that this date does not provide sufficient time for the entities to prepare the application, therefore it decided to publish the effective date when the project is closer to being completed. Therefore, its effective application date is yet to be determined. Its immediate adoption is allowed.

IFRIC 21 "Levies"

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets which was issued in May 2013. IAS 37 establishes the criteria for recognition of a liability, one of which is the requirement that the entity must have a present obligation as a result of a past event. The interpretation clarifies that this past event that originates the obligation to pay a levy is the activity described in the relevant legislation that leads to the payment of the levy. IFRIC 21 is effective for annual periods that commence on or after January 1, 2014.

The Company is reviewing the impacts that these new standards may have in the consolidated financial statements.

Amendments to IFRS	Date of mandatory application
IFRS 10, Consolidated Financial Statements~~,~~ (*)	January 1, 2014
IFRS 12, Disclosure of Participations in Other Entities~~,~~ (*)	January 1, 2014
IAS 27, Separate Financial Statements	January 1, 2014
IAS 32, Financial Instruments Presentation	January 1, 2014
IAS 36, Impairment of Assets	January 1, 2014
IAS 39, Financial Instruments: Recognition and Measurement	January 1, 2014
IAS 19, Employee benefits	July 1, 2014
IFRS 3, Business Combinations	July 1, 2014
IAS 40, Investment Properties	July 1, 2014

IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements"

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements originate from proposals of the Standards Project on Investment Entities published in August 2011. The amendments define an investment entity and introduce an exception in order to consolidate certain subsidiaries belonging to investment entities. These amendments require that an investment entity to measure its subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments in its consolidated and separate financial statements. The amendments also introduce new requirements on disclosure of information related to investment entities in IFRS 12 and IAS 27. Entities are required to apply amendments to annual periods commencing as of January 1, 2014. Early application is allowed.

IAS 32 "Financial Instruments: Presentation"

Amendments to IAS 32, issued in December 2011, are intended to clarify differences in the relative application of offsetting of balances and thus reduce the level of diversity in current practices. Amendments are applicable as of January 1, 2014 and their early adoption is allowed.

IAS 36 "Impairment of Assets"

Amendments to IAS 36, issued in May 2013, are destined for the disclosure of information on the recoverable amount of impaired assets, if this amount is based on fair value less disposal costs. These amendments must be applied retrospectively for annual periods commencing on or after January 1, 2014. Early application is allowed when the entity has already applied IFRS 13.

IAS 39 "Financial Instruments: Recognition and Measurement"

Amendments to IAS 39, issued in June 2013, provide an exception to the requirement to suspend hedge accounting in situations where over the counter derivatives designated in hedge relationships are directly or indirectly novated to a central counterparty, as a consequence of laws or regulations, or the introduction of laws or regulations. It is required that entities apply the amendments to annual periods commencing as of January 1, 2014. Early application is allowed.

IAS 19 "Employee Benefits"

Amendments to IAS 19, issued in November 2013, are applicable to the contributions of employees or third parties to defined benefits plans. The purpose of the amendments is to simplify the accounting for contributions that are independent of the employee's years of service. For example, contributions of employees that are calculated based on a fixed percentage of the salary. Amendments are applicable as of July 1, 2014. Early application is allowed.

IFRS 3 "Business Combinations"

"Annual Improvements cycle 2010–2012", issued in December 2013, clarifies certain aspects of the accounting for contingent considerations in a business combination. The IASB notes that IFRS 3 Business Combinations requires that the subsequent measurement of a contingent consideration must be at fair value, and therefore eliminates references to IAS 37 Provisions, Contingent Liabilities and Contingent Assets or other IFRS that potentially have other bases of valuation that do not constitute fair value. Reference is made to IFRS 9 Financial Instruments; however, it modifies IFRS 9 Financial Instruments, clarifying that a contingent consideration, whether it is a financial asset or liability, is measured at fair value through profit or loss or other comprehensive income, depending on the requirements of IFRS 9 Financial Instruments. Amendments are applicable as of July 1, 2014. Early application is allowed.

IAS 40 "Investment Properties"

"Annual Improvements cycle 2011–2013", issued in December 2013, clarifies that judgment is required to determine whether the acquisition of an investment property is an asset, a group of assets or a business combination within the scope of IFRS 3 Business Combinations .This judgment is based on the guidelines of IFRS 3 Business Combinations. In addition the IASB concludes that IFRS 3 Business Combinations and IAS 40 Investment Properties are not mutually exclusive and judgment is required to determine whether the transaction is only an acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination that includes an investment property. Amendments are applicable as of July 1, 2014. Early application is allowed.

The Company is evaluating the impact that these new standards and its amendment will have as of the date of their effective application. The management of the Company believes that there should not be significant effect on the consolidated financial statements.

Accounting pronouncements applicable effective as of January 1, 2013

The consolidated financial statements have been prepared in accordance with IFRS, on a consistent basis with the criteria used as of December 31, 2012, excluding the implementation of the new standards and amendments effective as of January 1, 2013.

IAS 19 "Employee Benefits"

The amendments require recognition of changes in the defined benefits obligation and in plan assets when these changes occur, eliminating the corridor focus and accelerating recognition of past service costs.

Until December 31, 2012 the Company recognized actuarial profits (losses) in income for the year. In its revised version, the mentioned standard provides for recognition of this actuarial income as part of other comprehensive income.

As a consequence of the amendment to IAS 19, the Company changed its policy for recognition and valuation of actuarial gains (losses) on employee benefits. This change in accounting policy was applied retrospectively and had an insignificant impact on the financial statements. As of December 31, 2013 and December 31, 2012, the Company updated the discount rate used as an actuarial parameter in the calculation of employee benefit obligations.

The adoption of the new interpretation implied reclassifications of retained earnings (losses) to other comprehensive income, modifying financial statement balances. These reclassifications are detailed as follows:

	Retained earnings ThUS$
Balance as of 12.31.2012	48,795
Effect reclassification profit / losses actuarial	2,149
Effect reclassification deferred tax effect (rate 20%)	(430)
Balance with IAS 19 amendment application to 12.31.2012	**50,514**

Effect on other comprehensive income	**12.31.2012 ThUS$**
Effect reclassification profit / losses actuarial	(2,149)
Deferred taxes	430
Total	**(1,719)**

IFRS 11 “Joint Ventures”

IFRS 11 redefines the concept of joint control, based on the control principle of IFRS 10. It establishes the principles that are applicable for accounting for all joint agreements and requires that entities that are part of a joint agreement determine the type of agreement (joint operation or joint venture) through determining their rights and obligations. This new standard eliminates the method of proportional consolidation for joint ventures.

The change in criteria for accounting for the investment had no impact on the consolidated financial statements, since it is consistent with the policy that was being applied at the Company.

IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidelines on the way of measuring fair value, when it is required or allowed by IFRS. It requires new disclosures regarding measurement of assets and liabilities.

The adoption of IFRS 13 has not had a material impact on the financial statements.

IAS 1 Presentation of Financial Statements”

The modification to IAS 1 due to annual improvements clarifies the difference between voluntary additional comparative information and minimum comparative information required. The Company has not presented voluntary additional information.

The modification introduces a separation of items in Other Reserves between the concepts that could be recognized in income in the future (for example foreign currency translation of foreign operations or net movement of cash hedge instruments) and those that cannot be recognized in income (for example actuarial profits/losses on employee benefits).

This change had no impact on the Company's financial statements, since these concepts are carried in separate accounts under Other Reserves.

IAS 16 “Property, Plant and Equipment”

The modification clarifies that spare parts and auxiliary equipment that complies with the definition of property, plant and equipment are not inventory. This interpretation is consistent with the policy that was being applied and did not imply a change in the financial statements.

IAS 34 “Interim Financial Reporting”

The amendment clarifies that total assets and liabilities for a particular operating segment will only be disclosed when the amounts are regularly measured by upper management and in cases where there is a material change in the comparison with information disclosed in the previous financial statements for this operating segment. This amendment did not result in a change in the Company's financial statements.

IFRS 7 “Financial Instruments: Information to be Disclosed”

IFRS 7 modifies disclosures in financial reporting for the effects or possible effects on the entity's financial position of compensation agreements in financial instruments.

The Company's management believes that adoption of other aforementioned standards, amendments and interpretations will not have a significant impact on the Company's consolidated financial statements in the period of initial application.

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).
- Asset valuation to determine the existence of 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 taxable income of the different subsidiaries of the Company, which will be declared to the respective tax authorities in the future and have been the basis for the recording of different balances related to income taxes in these consolidated financial statements (see Note 3.i)

Although these estimates have been performed with the use of 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.

Risks management assumes the identification, measurement, analysis, mitigation and control of the different risks arising from 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 the Company 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 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

Colbún faces risks associated with exogenous factors such as the economic cycle, hydrology, the level of competition, demand patterns, the structure of the industry, changes in the regulation and levels of fuel prices. Moreover, it faces risks associated with project development and failures of generating units. The main risks for this year are associated with hydrology, fuel prices, failure risks in operating plants and risks in project development.

Regarding the risks related to the electric sector, for 2013 the main risks are related to hydrology and fuel prices as described below.

a. Hydrological risk

Approximately 55% of the installed capacity of Colbún corresponds to hydroelectric and thermal plants with coal, which enables the Company to deliver its commitments to low operating costs. However, in dry hydrologic conditions Colbún must operate its combined cycle thermal plants mainly with natural gas purchases or with diesel, allowing for lower hydraulic generation supply to complement the efficient coal-fired generation. In extreme conditions it may be necessary to operate open cycle plants operating with diesel.

This situation raises the costs of Colbún, increasing variability of its earning depending on the hydrological conditions. The Company's exposure to hydrological risk is reasonably mitigated by a commercial policy that aims to maintain a balance between competitive base generation (hydraulic in a medium to dry year and thermal coal generation) and commercial commitments. Additionally our sales to customers are agreed upon on the basis of indexes that reflect the cost structure of the Company. However, given extreme hydrological conditions the variability in the results may increase. This situation is constantly under analysis in order to take timely mitigating actions required.

In this sense, given the hydrological conditions of the past three years, in several instances the Company has closed purchase agreements of natural gas to operate in its combined cycles. These agreements incorporate operational flexibility allowing the use of this fuel in different power plants.

b. Fuel prices risks

As mentioned in the description of hydrological risks, in situations of low water availability in its hydraulic plants, Colbún should use its thermal plants or purchase energy in the spot market at marginal cost.

In these scenarios, Colbún’s production costs or the marginal costs are directly affected by fuel prices, with a risk for the variations that international fuel prices present. Part of this risk is mitigated by contracts whose selling prices are also indexed to changes in fuel prices. Additionally, in order to reduce fuel price risks and considering factors such as hydrological conditions, the evolution of commodities markets, the level of correlation of contract prices to commodities prices, coverage programs have been implemented with different derivative instruments such as call options, put options, etc.

c. Fuel supply risks

For the liquid fuel supply the Company has agreements with suppliers and its own storage capacity to ensure adequate reliability in respect to the availability of this type of fuel.

New tenders have been undertaken inviting important international suppliers to bid on coal purchases for the Santa María I power plant, awarding the supply contract to well supported competitive companies. This is in line with an early purchasing policy in order to prevent any risk of not having this fuel available.

d. Equipment failure and maintenance risks

The availability and reliability of generating units and transmission assets is essential to ensure the levels of production to adequately cover our commitments. This is why Colbún's policy to conduct regular maintenance on its equipment according to the recommendations of its suppliers and the accumulated experience in its long operational history about failures and accidents. We have seen that the thermal generation equipment that can operate with gas or diesel (originally designed to operate with natural gas) increases their equivalent operating hours when using diesel as compared to when using gas. As a result, if the units operate on diesel they require more frequent maintenance than usual and have lower levels of availability. Given this, we have adopted maintenance policies, processes and procedures as well as the investments needed to increase levels of reliability and availability of thermal units.

As policy covers such risks, Colbún maintains insurance for its physical assets, including coverage for physical damage and/or other loss of profit.

In spite of the maintenance performed and daily operating measures taken, on January 12, 2014 there was a failure registered at the Blanco Power Plant (60 MW) located in the basin of the Aconcagua River. The failure in question, whose origin is being investigated, caused damages to the generator-turbine equipment and annex equipment, which has kept it out of operation. Our technicians are on site performing engineering work to estimate the date of start up of this power plant.

It should be noted that the Blanco Power Plant as well as all our generator equipment, has property and lost profits insurance coverage.

e. Project construction risks

The development of new generation and transmission projects can be affected by factors such as delays in obtaining environmental approvals, regulatory framework changes, prosecutions, increase in the price of equipment, opposition from local and international stakeholders, and adverse geographical conditions, natural disasters, accidents or other unforeseen events.

Colbún is currently developing several projects simultaneously, so any of these factors may adversely affect them and further increase the estimated final cost. This situation may have an adverse effect on the normal operation of the Company, as it means postponing the implementation of competitive power generation plants for an indefinite period and replacing its production with generation with diesel fuel or, in its absence by increased purchases in the spot market.

The Company's exposure to such risks is managed through a commercial policy that considers the effects of potential project delays. Alternatively we incorporate clearance levels incorporated in the time and cost of construction estimates.

Additionally, the Company's exposure to this risk is partially covered with the All Risk Construction insurance policies covering both physical damage and loss of profit as a result of delay in service resulting from a disaster, both with standard deductibles for this type of insurance.

f. Electric market risks

We face a very challenging electrical market, which shows an imbalance between a growing demand and efficient and competitive supply. The stagnation in the development of new SIC-based power plant projects due to the impediments faced by investment processes generates greater uncertainty regarding the manner in which future demand will be supplied once the existing capacity is reached and the few projects currently under construction.

The problem is not lack of interest in investing (there are many projects that have been approved or are in the approval process in the Environmental Assessment System), the central issue is that only a small fraction of these projects are being built.

Some of the causes of this situation are:

1. Neighborhood communities and the company legitimately demanding greater participation and a more protagonist role.

2. Long and uncertain environmental procedures followed by legal processes with the same characteristics.

Colbún has worked intensely on developing a social bond that will allow it to work together with neighboring communities and society in general. The basic challenge is to generate conditions for the communities to be better off with the projects than without them. In order to achieve the above, we focused our efforts on beginning a process of citizen participation and generating trust at the early stages of our projects, maintaining an open and transparent presence in the communities during their entire life cycle (design, construction and operation).

In addition, it is necessary to reach a broad social and political agreement to drive an agenda destined to the reactivation of investments and in the short-term concreting the generation of efficient base power plant projects in order to enable sustained development of the economy and safeguard the environment.

g. Regulatory risks

Regulatory stability is fundamental for a sector such as electricity generation where the development of investment projects is long-term in respect to their development, execution and return on investment. Such regulatory stability has been a valuable characteristic in the Chilean electricity sector.

Notwithstanding the above, there is always room for regulations improvement. We believe that it is currently important to develop new initiatives to resolve some uncertainties in the balanced and logical operation of the system and in the lack of initiatives for new generation projects with significant capacities.

Here we refer in detail to certain risks or recent regulatory measures:

- Electricity Highway Bill: this project proposes the construction of public utility electricity transmission lines throughout the entire country, with the necessary means to allow efficient connection of all electricity generation available to the grid. This planning with a long-term horizon seems key to supply the future growth of the demand and the manner in which it will be implemented is a very relevant issue for the country and Colbún will seek to better contribute in the national discussion.
- Legal Regulation of Compensation to Neighboring Communities: the communities where projects are generated are to be encouraged to receive direct benefits. It seems to be an initiative that is going in the right direction, i.e. this mechanism would allow for the financing of social projects in benefit of neighboring communities.

4.2.2 Financial risks

The risks associated with the inability to perform transactions or the breach of obligations from the activities for lack of funds, as well as variations in interest rates, exchange rates, counterparty bankruptcy or other financial market variables that may materially affect Colbún.

a. Foreign Exchange rate risk

The foreign exchange rate risk is mainly due to payments that must be made in currencies other than the dollar for the power generation process; by investments in power generation plants existing or new plants under construction, and contracted debt in currencies other than the functional currency of the Company. The instruments used to manage foreign exchange risk are currency swaps and forwards.

In terms of matching the currencies the Company's current balance sheet shows a surplus of liabilities over assets in Chilean pesos. This "short" position translates into income from exchange rate differences of approximately US$1.4 million for each Ch$10 variation in the CLP/USD exchange rate.

b. Interest rate risk

Refers to changes in interest rates that affect the value of future cash flows tied to variable interest rate, and changes in the fair value of assets and liabilities linked to fixed interest rate that are measured at fair value.

The objective of this risk management is to achieve a balanced debt structure, reduce the cost impacts driven by fluctuations in interest rates and in this way to reduce volatility in the income statement of the Company. To meet those objectives and according to Colbún estimates, hedge derivatives are contracted in order to mitigate these risks. The instruments used are fixed interest rate swaps and collars.

The Company's financial debt, including the effect of the contracted interest rate derivatives, has the following profile:

Interest rate	**12.31.2013**	**12.31.2012**
Fixed	90%	90%
Floating	10%	10%
Total	**100%**	**100%**

There is exposure to the Libor rate, which means that in case of an increase of 10 bps in the Libor rate, the Company must annually disburse an additional US$ 0.16 million.

c. Credit risk

The Company is exposed to the risk arising from the possibility that counterparty fails to meet its contractual obligations and produces economic or financial loss. Historically, all counterparties with which Colbún has maintained energy delivery commitments have made the corresponding payments correctly. In addition to this, many of the charges invoiced by Colbún are to members of the Chilean Central Interconnected System, highly solvent entities. Notwithstanding the above, during the past year there have been specific problems of insolvency of some members of the CDEC-SIC.

With respect to cash and derivatives statements, Colbún completes the transactions with high credit ratings agencies, recognized nationally and internationally, so as to minimize the credit risk of the Company. Additionally, the Company has established participation limits by counterparty, which are approved by the Board of Directors and reviewed periodically.

As of December 2013, investments of cash surpluses are invested in mutual funds of subsidiaries of the bans and in local and international banks. The former correspond to short-term mutual funds with maturities of less than 90 days, and known as “money market”. The latters, local banks have a credit rating equal or superior to AA-, and in the case of foreign banks with investment grade credit rating. These investments are diversified over a wide range of financial institutions, where the one with the highest share reaches 32%. Regarding existing derivatives, the Company's international counterparts have a credit rating equivalent to BBB or above and national counterparts have local credit rating of AA- or higher. It should be noted that no counterpart concentrates more than 12% in notional terms.

d. Liquidity risk

This risk results from different funding requirements to meet investment commitments and business expenses, debt payments, etc. The funds needed to meet these cash flow outputs are obtained from our own resources generated by the ordinary activity of Colbún and by contracting credit lines to ensure sufficient funds to cover projected needs for a given period.

As of December 2013, Colbún has cash in excess of US$ 260.5 million, invested in mutual funds and time deposits with a maturity of less than 90 days. Further, the Company also has as additional liquidity sources available to date: (i) a committed line with local banks for UF 4 million, (ii) two lines of bonds registered in the local market for a set amount of UF 7 million, (iii) a line of trade notes in the local market for UF 2.5 million and (iv) uncommitted bank lines of approximately US$ 150 million.

In the next 12 months, the Company must disburse approximately US$107 million in interests and amortization of principal, which mostly correspond to maturity of the loan facility with Corpbanca amouting US$ 24 million in January 2014. The disbursements will be attended with cash flow from the Company operations.

As of December 30, 2013 Colbún has a national credit rating of A+ from Fitch Ratings and AA- from Humphreys, both with stable perspectives. At an international level the Company's credit rating is BBB with a stable perspective from Fitch Ratings and BBB- with negative perspective from 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 consolidated financial statements are detailed as follows:

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

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 the date of the Balances of Financial Position 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	Remaining useful lives Average years
Buildings and infrastructure	30 - 50	28
Machinery and equipment	20 - 50	26
Other property, plant & equipment	10 - 20	14

The following provides additional detailed subdivided by type of plant:

Classes of plants	Range of estimated useful lives	Remaining useful lives
		Average years
Generating facilities		
Hydraulic power plants		
Civil works	30 - 50	27
Electromechanical equipment	20 - 50	31
Thermoelectric power plants		
Civil works	20 - 50	29
Electromechanical equipment	20 - 35	24

(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 non-financial assets (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 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 the "depreciation and amortization expenses" account 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.

As of December 31, 2013, the Company considers that there are no impairment indicators.

c. 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, that either have supply contracts or do not have contracts, in accordance with what is stipulated by Law.

Colbún's management control system analyzes the business from a perspective of a mix of hydraulic /thermoelectric assets that produce electric energy to serve a portfolio of customers. Consequently, the allocation of resources and performance measurements will be 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-the-river or reservoir type) and thermoelectric plants (which in their turn can be coal, 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 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 capacity, not because they are different physical elements, but rather for the purpose of an economically efficient pricing. Hence, the energy is valued in monetary units per unit of energy (KWh, MWh, etc.) and power capacity 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	December 31, 2013 ThUS$	December 31, 2012 ThUS$
Energy	1,250,690	981,856
Capacity	179,045	155,864
Other	266,193	271,777
Total	**1,695,928**	**1,409,497**

Information on sales to main clients

Main clients	January	December	January	December
	2013		2012	
	ThUS$	%	ThUS$	%
Codelco	473,517	28%	44,304	3%
CGE	343,707	20%	338,173	24%
Chilectra	273,289	16%	263,520	19%
SAESA	123,902	7%	134,925	10%
AngloAmerican	97,049	6%	133,185	9%
Others	384,464	23%	495,390	35%
Total	**1,695,928**	**100%**	**1,409,497**	**100%**

7. Classes of cash and cash equivalents

a. Account composition

Cash and cash equivalents are detailed as follows:

Cash and cash equivalents	12.31.2013 ThUS$	12.31.2012 ThUS$
Cash	54	55
Banks balances	163	306
Depósitos a Plazo	161,511	216,877
Other fixed-income instruments	98,725	502
Total	**260,453**	**217,740**

Time deposits maturity 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	12.31.2013 Original currency ThUS$	12.31.2013 Currency with derivative [1] ThUS$	31.12.2012 Original currency ThUS$	31.12.2012 Currency with derivative [1] ThUS$
EUR	979	979	3,979	14,819
CLP	156,496	136,429	200,720	136,920
USD	102,978	123,335	13,041	66,541
Total	**260,453**	**260,743**	**217,740**	**218,280**

(1) Considers the positive effect of the mark-to-market 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	
	12.31.2013 ThUS$	12.31.2012 ThUS$	12.31.2013 ThUS$	12.31.2012 ThUS$
Hedge derivate instruments (1) (See Note 13.1)	2,670	24,702	3,209	10,164
Investment in the CDEC	-	-	287	314
	2,670	**24,702**	**3,496**	**10,478**

(1) Corresponds to positive current and non-current mark-to-market of hedge derivatives current as of the date of the balance of financial position.

9. Trade and other accounts receivable

Trade and other accounts receivable are detailed as follows:

	Current	
	12.31.2013 ThUS$	12.31.2012 ThUS$
Trade receivables with contract	128,897	121,742
Other receivables (1)	4,125	63,055
	133,022	**184,797**

[(1)] As of December 31, 2013 these are mainly accounts receivables from sales of CER, whereas as of December 31, 2012 they are accounts receivable from insurance claims.

The average client collection period is 30 days.

Colbún's commercial counterparts are first level companies in terms of credit quality and distribution companies which due to their regulation and/or historical behavior do not show signs of significant impairment or delay in payment terms.

Considering the solvency of the debtors, the quality of the accounts receivable 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 accounts receivable requiring the need for an allowance as of each reported period, therefore it does not require an uncollectible provision.

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

The analysis of Trade Accounts Receivable is detailed as follows:

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

Trade receivables, invoiced	**12.31.2013**					
	Current ThUS$	**1-30 days** ThUS$	**31-60** ThUS$	**61-90** ThUS$	**More 91** ThUS$	**Total** ThUS$
Regulated customers	944	4,380	14	1	15	5,354
Unregulated customers	28	144	138	-	8	318
Other trade receivables	1,250	801	3	-	-	2,054
Subtotal	**2,222**	**5,325**	**155**	**1**	**23**	**7,726**
Trade receivables, to be invoiced	**12.31.2013**					
	Current ThUS$	**1-30 days** ThUS$	**31-60** ThUS$	**61-90** ThUS$	**More 91** ThUS$	**Total** ThUS$
Regulated customers	68,414	-	10,134	-	3,832	82,380
Unregulated customers	36,302	-	457	253	184	37,196
Other trade receivables	1,595	-	-	-	-	1,595
Subtotal	**106,311**	**-**	**10,591**	**253**	**4,016**	**121,171**
Total	**108,533**	**5,325**	**10,746**	**254**	**4,039**	**128,897**
N° of customers	**96**	**65**	**33**	**9**	**44**	

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

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

b) Accounts Receivable in judicial collection

There is no trade accounts receivable or other accounts receivable 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:

a.1 Assets

December 31, 2013	Loans and accounts payables ThS$	Liabilities At fair value thorugh profit and loss ThS$	Hedge derivatives ThS$	Total ThS$
Loans that accrue interest (see note 21.a)	1,692,270	-	-	1,692,270
Financial derivative instruments (see note 13)	-	-	7,841	7,841
Trade accounts payables (see note 22)	150,120	-	-	150,120
Accounts payable to related parties (see Note 11.b.2)	10,146	-	-	10,146
Total	**1,852,536**	**-**	**7,841**	**1,860,377**

December 31, 2012	Loans and accounts payables ThS$	Liabilities At fair value through profit and loss ThS$	Hedge derivatives ThS$	Total ThS$
Loans that accrue interest (see note 21.a)	1,702,244	-	-	1,702,244
Financial derivative instruments (see note 13)	-	1,672	19,023	20,695
Trade and other accounts payable (see note 22)	150,281	-	-	150,281
Accounts payable to related parties (see Note 11.b.2)	27,268	-	-	27,268
Total	**1,879,793**	**1,672**	**19,023**	**1,900,488**

a.2 Liabilities

December 31, 2013	Loans and accounts payables ThS$	Liabilities At fair value thorugh profit and loss ThS$	Hedge derivatives ThS$	Total ThS$
Loans that accrue interest (see note 21.a)	1,692,270	-	-	1,692,270
Financial derivative instruments (see note 13)	-	-	7,841	7,841
Trade accounts payables (see note 22)	150,120	-	-	150,120
Accounts payable to related parties (see Note 11.b.2)	10,146	-	-	10,146
Total	**1,852,536**	**-**	**7,841**	**1,860,377**

December 31, 2012	Loans and accounts payables ThS$	Liabilities At fair value through profit and loss ThS$	Hedge derivatives ThS$	Total ThS$
Loans that accrue interest (see note 21.a)	1,702,244	-	-	1,702,244
Financial derivative instruments (see note 13)	-	1,672	19,023	20,695
Trade and other accounts payable (see note 22)	150,281	-	-	150,281
Accounts payable to related parties (see Note 11.b.2)	27,268	-	-	27,268
Total	**1,879,793**	**1,672**	**19,023**	**1,900,488**

b. Financial assets credit rating

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.

Credit rating of financial assets	12.31.2013 ThUS$	12.31.2012 ThUS$
Customers with local credit rating		
AAA	32,155	1,194
AA+	9	-
AA	47,201	43,764
AA-	6	-
A+	39,471	38,718
A	97	4,237
A-	1	47
BBB	153	-
Total	**119,093**	**87,960**
Customers without local credit rating		
Total	**9,804**	**33,782**
Banks balances and short-term time deposits - local market		
AAA	92,934	102,251
AA+	15,022	41,702
AA	5	8,947
AA-	28,651	60,985
Total	**136,612**	**213,885**
Banks balances and short-term time deposits - international market (*)		
BBB- o higher	25,116	3,353
Total	**25,116**	**3,353**
Financial assets with local counterpart		
AAA	1,340	9,387
AA+	807	1,268
AA-	1,909	18,998
Total	**4,056**	**29,653**
Financial assets with international counterpart (*)		
BBB- o higher	1,823	5,213
Total	**1,823**	**5,213**

(*) International risk rating

11. Related party information

Operations between the Parent 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.b.

a. Controlling shareholders

The distribution of the Parent Company's shareholders, as of December 31, 2013, 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. (**)	5.13
AFP Provida S.A. (**)	5.03
AFP Capital S.A. (**)	3.99
AFP Cuprum S.A. (**)	3.28
Banco de Chile por cuenta de terceros	3.25
Banco Itaú por cuenta de inversionistas	3.02
Banco Santander JP Morgan	1.88
Otros accionistas	15.67
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%). Control is exercised by being majority shareholder and with an agreement that ensures majority on the Board of Directors of Colbún S.A.

(**) Correspond to the total participation of each pension fund administrator.

b. Balances and transactions with related entities

b.1. Accounts receivable from related entities

Accounts receivable from related entities are detailed as follows:

RUT	Company	Country	Relationship	Currency	Current 12.31.2013 ThUS$	Current 12.31.2012 ThUS$	Non-current 12.31.2013 ThUS$	Non-current 12.31.2012 ThUS$
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common group	US Dollar	-	10,000	-	-
				Chilen peso	-	1,687	-	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Common group	Chilen peso	1,202	1,190	384	400
96.529.310-8	CMPC Tissue S.A.	Chile	Common group	Chilen peso	447	449	-	-
96.806.130-5	Electrogas S.A.	Chile	Asociate	US Dollar	2,622	1,456	-	-
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Asociate	Chilen peso	180	411	-	-
				Total	**4,451**	**15,193**	**384**	**400**

b.2. Accounts payable to related entities

Accounts payable to related entities are detailed as follows:

RUT	Company	Country	Relationship	Currency	Current 12.31.2013 ThUS$	Current 12.31.2012 ThUS$
90.412.000-6	Minera Valparaíso S.A.	Chile	Major shareholder	US Dollar	6,467	4,796
79.621.850-9	Forestal Cominco S.A.	Chile	Major shareholder	US Dollar	2,574	1,854
97.731.890-6	Cartulinas CMPC	Chile	Common group	Chilen Peso	432	-
96.806.980-2	Entel PCS Comunicaciones S.A.	Chile	Common director	Chilen Peso	49	-
97.080.000-K	Banco Bice	Chile	Common group	Chilen Peso	9	1
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Common director	Chilen Peso	468	20,475
96.565.580-8	Leasing Tattersall S.A.	Chile	Common director	Chilen Peso	147	142
				Total	**10,146**	**27,268**

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

b.3 Most significant transactions and their effects on income

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

RUT	Company	Country	Relationship	Currency	Description of the transaction	January-December 2013 Amount ThUS$	2013 Effect in income (expense) income ThUS$	2012 Amount ThUS$	2012 Effect in income (expense) income ThUS$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint-control	Chilean Peso	Facility use fee	2,702	(2,271)	2,549	(2,142)
				UF	Revenue from services rendered	143	133	163	163
76.652.400-1	Centrales Hidroeléctricas de Aysén S.A.	Chile	Joint-control	UF	Capital contributions (1)	9,918	-	14,178	-
96.806.130-5	Electrogas S.A.	Chile	Joint-control	Chilean Peso	Gas transportation service	10,130	(8,513)	9,921	(8,337)
				Chilean Peso	Diesel transportation service	1,125	(945)	1,107	(930)
				US Dollar	Declared dividends (2)	2,622	-	8,759	-
				US Dollar	Received dividends (2)	7,829	-	7,302	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Common group	Chilean Peso	Sale of energy, power capacity and transportation of electricity.	15,891	13,354	16,268	13,671
96.532.330-9	CMPC Celulosa S.A.	Chile	Common group	Chilean Peso	Sale of energy, power capacity and transportation of electricity.	-	-	7,003	5,885
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common group	Chilean Peso	Sale of energy, power capacity and transportation of electricity.	22,615	19,004	26,036	21,879
96.529.310-8	CMPC Tissue S.A.	Chile	Common group	Chilean Peso	Sale of energy, power capacity and transportation of electricity.	6,109	5,134	6,018	5,057
79.621.850-9	Forestal Cominco S.A.	Chile	Major shareholder	US Dollar	Declared dividends (3)	2,574	-	1,854	-
				US Dollar	Dividends paid (4)	1,893	-	-	-
90.412.000-6	Minera Valparaíso S.A.	Chile	Major shareholder	US Dollar	Declared dividends (3)	6,467		4,796	
				US Dollar	Dividends paid (4)	4,757	-	-	-
99.520.000-7	Compañía de Petróleos de Chile Copec S	Chile	Common director	Chilean Peso	Diesel supply service	130,803	(98,076)	476,943	(358,346)
96.565.580-8	Leasing Tattersall S.A.	Chile	Common director	Chilean Peso	Car leasings	1,705	(1,433)	1,582	(1,329)
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	Common director	Chilean Peso	Phone service	473	(397)	450	(378)
96.697.410-9	Entel Telefonia Local S.A.	Chile	Common group	Chilean Peso	Phone service	141	(119)	299	(251)
96.722.460-k	Metrogas S.A.	Chile	Common director	US Dollar	Purchases of natural gas	43,920	(36,908)	117,595	(98,819)
96.620.900-3	Empresa Chilena de Gas Natural	Chile	Common director	US Dollar	Purchases of natural gas	104,282	(87,632)	-	-
97.080.000-K	Banco Bice	Chile	Common director	Chilean Peso	Received services	29	(24)	13	(11)

(1) On February 21, 2013 Colbún paid to Centrales Hidroeléctricas de Aysén S.A. the sum of ThCh$ 1,308 million (ThUS$ 2,767) as part of the capital increase agreed upon at the 8th Extraordinary Shareholders' Meeting of Centrales Hidroeléctricas de Aysén S.A. held on October 19, 2012. On September 27, Colbún S.A. made a capital contribution of ThCh$ 3,577 million (ThUS$ 7,151).

(2) At the Board Meeting held on November 25, 2013, Electrogas S.A. declared an interim dividend with a charge to 2013 net income. Likewise, at the Ordinary Shareholders' Meeting of Electrogas S.A. held on April 10, 2013 the shareholders established distribution of net income for 2013. On September 26 Electrogas S.A. paid ThUS$ 2,729 corresponding to the balance of the dividend on 2012 net income.

(3) Corresponds to the minimum mandatory dividends provision as of 2013 year-end.

(4) At the Ordinary Shareholders' Meeting held on April 23, 2013, the shareholders agreed to distribute a minimum mandatory dividend with a charge to 2012 income. This dividend was paid on May 3, 2013.

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 the Company, as well as the shareholders, individuals or companies, which they represent, have not participated in any unusual and/ or relevant transactions, as of December 31, 2013 and December 31, 2012.

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. Compensation 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, 2013 and 2012; include the members of the Directors Committee are detailed as follows:

e.1 Board's remuneration

Name	Role	January-December			
		2013		2012	
		Colbún Board ThUS$	Directors Committee ThUS$	Colbún Board ThUS$	Directors Committee ThUS$
Bernardo Larraín Matte	President [1]	111	-	74	-
Luis Felipe Gazitúa Achondo	Vice-president [1]	56	19	62	20
Arturo Mackenna Iñiguez	Director [1]	56	-	55	-
Eduardo Navarro Beltrán	Director [1]	56	-	55	-
Eliodoro Matte Larraín	Director [1]	56	-	55	-
Bernardo Matte Larraín	Director [1]	56	-	75	-
Juan Hurtado Vicuña	Director [1]	56	-	52	-
Sergio Undurraga Saavedra	Director [1]	56	19	55	20
Vivianne Blanlot Soza	Director [1]	56	19	37	14
Fernando Franke García	Director	-	-	20	6
Jorge Larraín Bunster	Director	-	-	14	-
(1) Directors as of December 31, 2013	**Total**	**559**	**57**	**554**	**60**

e.2 Board advisory expenses

During the period ended December 31, 2013 and 2012, the Board had no advisory expenses.

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

Name	Position
Ignacio Cruz Zabala	General Manager
Juan Eduardo Vásquez Moya	Business and Energy Management Division Manager
Mauricio Cabello Cádiz	Generation Division Manager
Cristian Morales Jaureguiberry	Finance & Administration Division Manager
Eduardo Lauer Rodríguez	Engineering & Projects Division Manager
Nicolás Cubillos Sigall	Sustainability Division Manager
Rodrigo Pérez Stiepovic	Legal Manager
Paula Martínez Osorio	Organization and People Manager
Javier Cantuarias Bozzo	Occupational Health and Safety Manager
Juan Andrés Morel Fuenzalida	Internal Auditing Manager

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

Concept	January-December	
	2013 ThUS$	2012 ThUS$
Current employee benefits	4,454	3,571
Other benefits non-current	-	190
Termination benefits	571	102
Total	**5,025**	**3,863**

e.4 Accounts Receivable, payable and other transactions

There are no accounts receivable or payable 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 Company's Management.

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

During the period ended as of December 31, 2013 and 2012, the Company has not undertaken this type of transaction.

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 the company level as well as the Company and individual performance of each executive.

e.8 Indemnities paid to executives and managers

During the periods ending December 31, 2013 and 2012, payments were ThUS$1,085 and ThUS$340 respectively.

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 is detailed as follows:

	12.31.2013 MUS$	12.31.2012 MUS$
Spare parts	40,555	24,990
Coal	18,017	9,800
Petroleum	8,720	8,418
Gas Line Pack	274	274
Inventory in transit (1)	2,662	2,888
Total	**70,228**	**46,370**

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

As of December 31, 2013 and 2012 the date of the balance sheets, no impairment provision has been recorded.

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, 2013 and 2012 respectively, is detailed as follows:

Cost of inventory	January-December 2013 ThS$	2012 ThS$
Consumos almacén	7,983	5,421
Petróleo (ver nota 27)	132,965	420,079
Gas Line Pack (ver nota 27)	357,558	299,219
Carbón (ver nota 27)	104,456	40,095
Total	**602,962**	**764,814**

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 fuel prices.

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 (UF) and Euro (EUR), among others, due to existing obligations or investments commitments 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, 2013, the Company classifies all its hedges as "Cash Flow Hedges".

13.1 Hedge instruments

Hedge instruments as December 31, 2013 and 2012, which include valuation of financial instruments, are detailed as follows:

Hedge Assets		Current		Non-current	
		12.31.2013 ThUS$	12.31.2012 ThUS$	12.31.2013 ThUS$	12.31.2012 ThUS$
Exchange rate hedge	Cash flows hedge	2,092	24,632	3,209	10,164
Fuel price hedge	Cash flows hedge	578	70	-	-
	Total (see Note 8)	**2,670**	**24,702**	**3,209**	**10,164**

Hedge Liabilities		Current		Non-current	
		12.31.2013 ThUS$	12.31.2012 ThUS$	12.31.2013 ThUS$	12.31.2012 ThUS$
Interest rate hedge	Cash flows hedge	2,209	1,536	5,632	17,487
	Total (see Note 21.a)	**2,209**	**1,536**	**5,632**	**17,487**

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

Hedge instrument	Fair Value Hedge Instrument		Hedged Underlying	Hedged Risk	Type of hedge
	12.31.2013 ThUS$	12.31.2012 ThUS$			
Currency forwards	(139)	-	Future Project expenditures	Exchange rate	Cash flows
Currency forwards	(233)	-	Suppliers	Exchange rate	Cash flows
Currency forwards	325	486	Financial investments	Exchange rate	Cash flows
Interest rate swaps	(4,709)	(10,582)	Bank loans	Interest rate	Cash flows
Interest rate swaps	(3,132)	(8,441)	Obligations with the public (Bonds)	Interest rate	Cash flows
Cross currency swaps	1,909	8,225	Bank loans	Exchange rate	Cash flows
Cross currency swaps	3,439	26,085	Obligations with the public (Bonds)	Exchange rate	Cash flows
Gas options	578	70	Gas purchases	Gas price	Cash flows
Coal options	-	-	Energy sales	Coal price	Cash flows
Total	**(1,962)**	**15,843**			

As of December 31, 2013, the Company has not recognized profits or losses due to hedge ineffectiveness on the cash flow hedges.

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 using all relevant inputs are not based on observable market data.

As of December 31, 2013, 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.

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

14. Investments in subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and controlled companies. The following table includes detailed information of Subsidiaries as of December 31, 2013 and 2012:

Subsidiary	12.31.2013						
	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.	1,326	12,899	10,852	624	2,749	1,816	(1,485)
Colbun International Limited	498	-	1	-	497	-	(13)
Sociedad Hidroeléctrica Melocotón Ltda.	3	4,753	5,072	-	(316)	3,504	2,497
Río Tranquilo S.A.	17,346	61,914	2,917	10,111	66,232	24,480	12,715
Termoeléctrica Nehuenco S.A.	191	4,261	16,925	2,251	(14,724)	11,597	3,012
Termoeléctrica Antilhue S.A.	121	48,272	17,606	5,888	24,899	5,200	1,696
Colbún Transmisión S.A. (1)	5,710	109,890	3,825	17,660	94,115	29,410	16,926

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.	1,047	12,803	9,017	506	4,327	1,814	(1,172)
Colbun International Limited	511	-	1	-	510	-	(17)
Sociedad Hidroeléctrica Melocotón Ltda.	7	2,967	5,786	-	(2,812)	876	(3,343)
Río Tranquilo S.A.	11,169	68,828	1,165	7,813	71,019	15,086	6,498
Termoeléctrica Nehuenco S.A.	349	5,266	21,149	1,858	(17,392)	2,860	(3,109)
Termoeléctrica Antilhue S.A.	132	50,680	22,667	4,942	23,203	2,050	(899)
Colbún Transmisión S.A. (1)	2,417	112,982	2,835	18,335	94,229	2,310	1,256

(1) On July 12, 2012, the inscription and publication of extract of incorporation of Sociedad Colbún Transmisión S.A. was signed before Public Deed.
See note 3.b.

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

15. Investments accounted for using the equity method

a. Equity method

As of December 31, 2013 and 2012, the companies accounted for using the equity method and their movements are detailed as follows:

Type of relation	Company	Number of shares	Percentage interest 12.31.2013 %	Balance as of 01.01.2013 ThUS$	Additions ThUS$	Income for the period ThUS$	Dividends ThUS$	Equity reserve ThUS$	Total 12.31.2013 ThUS$
Associate	Electrogas S.A.	175,076	42.50%	18,861	-	8,446	(8,995)	112	18,424
Joint Venture	Centrales Hidroeléctricas de Aysén S.A. (1)	3,237,675	49.00%	133,989	9,918	(4,427)	-	(12,082)	127,398
Joint Venture	Transmisora Eléctrica de Quillota Ltda.	-	50.00%	11,796	-	850	-	(1,021)	11,625
			Totales	**164.646**	**9.918**	**4,869**	**(8,995)**	**(12,991)**	**157,447**

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

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

b. Financial information on investment associates and companies under joint control

The following table includes information as of December 31, 2013 and 2012, from the financial statements of associates and companies under joint control in which the Company has an interest:

As of 12.31.2013

Type of relation	Company	Current assets ThUS$	Non-current assets ThUS$	Current liabilities ThUS$	Non-current liabilities ThUS$	Ordinary income ThUS$	Ordinary expenses ThUS$	Profit (loss) ThUS$
Associate	Electrogas S.A.	8,799	75,906	18,314	23,041	35,490	(2,804)	19,571
Joint Venture	Centrales Hidroeléctricas de Aysén S.A.	18,293	250,224	7,719	343	208	(11,193)	(8,498)
Joint Venture	Transmisora Eléctrica de Quillota Ltda.	7,612	19,515	1,360	2,612	4,564	(887)	1,701
	Total	**34,704**	**345,645**	**27,393**	**25,996**	**40,262**	**(14,884)**	**12,774**

As of 12.31.2012

Type of relation	Company	Current assets ThUS$	Non-current assets ThUS$	Current liabilities ThUS$	Non-current liabilities ThUS$	Ordinary income ThUS$	Ordinary expenses ThUS$	Profit (loss) ThUS$
Asociates	Electrogas S.A.	5,199	81,012	16,584	25,248	38,073	(2,809)	20,729
Joint Venture	Centrales Hidroeléctricas de Aysén S.A.	21,005	264,640	11,935	517	259	(15,898)	(2,375)
Joint Venture	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**

See Note 15.a.

Additional information

i) Electrogas S.A.:

Company dedicated to the transportation of natural gas. It has a gas pipeline going from "City Gate III" located in the community of San Bernardo in the Metropolitan Region to "Plant Gate" located in the community of Quillota in the V Region, and a gas pipeline that goes from "Plant Gate" to the Colmo zone, in the community of Concón. Its main customers are Compañía Eléctrica San Isidro S.A., Colbún S.A., Empresa de Gas Quinta Región (Gasvalpo), Energas S.A. and Refinería de Petróleos de Concón (RPC).

Colbún has a direct ownership interest in this Company.

ii) Centrales Hidroeléctricas de Aysén S.A.:

Through public deed dated September 4, 2006, signed at the Santiago Notary Public office of Mr. Eduardo Avello Concha, Empresa Nacional de Electricidad S.A. and Endesa Inversiones Generales S.A. established "Centrales Hidroeléctricas de Aysén S.A." On September 21, 2006, at the 1st Extraordinary Shareholders' Meeting the shareholders agreed to increase capital to a total of 2,000,000 shares for a value of Ch$ 10,000 each, of which 49% were offered to Colbún. On October 10, 2006, the shares were subscribed and paid in cash by both shareholders.

Its main line of business is the development and operation of a hydroelectric project.

iii) Transmisora Eléctrica de Quillota Ltda.:

Company created by Colbún S.A and San Isidro S.A. (currently Compañía Eléctrica de Tarapacá S.A.), in June 1997, in order to jointly develop and operate the facilities necessary to evacuate the power and energy generated by their respective power plants to Transelec's Quillota Substation.

Transmisora Eléctrica de Quillota Ltda. owns the San Luis substation, located close to the combined cycle Nehuenco and San Isidro plants, in addition to the 220 KV high voltage line which joins that substation to the SIC's Quillota Substation.

16. Intangible assets other than goodwill

a. Details by class of intangibles

As of December 31, 2013 and 2012 of the balances of financial position, are detailed as follows:

Intangible assets, net	12.31.2013 ThS$	12.31.2012 ThUS$
Water rights	16,701	16,680
Easements	52,970	47,053
Software	4,935	5,352
Paticulate material emission rights	12,644	4,300
Concessions	8	-
Total	**87,258**	**73,385**

Intangible assets, gross	12.31.2013 ThS$	12.31.2012 ThUS$
Water rights	16,701	16,680
Easements	53,685	47,125
Software	8,897	8,364
Paticulate material emission rights	12,644	4,300
Concessions	11	-
Total	**91,938**	**76,469**

Accumulated amortization	12.31.2013 ThS$	12.31.2012 ThUS$
Easements	(715)	(72)
Software	(3,962)	(3,012)
Concessions	(3)	-
Total	**(4,680)**	**(3,084)**

b. Movement of intangibles during the period

Intangible assets as of December 31, 2013 and 2012 of the balances of financial position, and the movements during the periods are detailed as follows**:**

Movements in 2013	Water rights ThUS$	Easements ThUS$	Software ThUS$	Particulate materiales emission rights ThUS$	Concessions ThUS$	Intangibles, Net ThUS$
Beginning balance	16,680	47,053	5,352	4,300	-	73,385
Additions	21	8,861	268	5,294	11	14,455
Additions in progress	-		-	2,375	-	2,375
Disposals		(2,301)				(2,301)
Transfers	-	-	265	675	-	940
Amortization expense (see Note 29)	-	(643)	(950)	-	(3)	(1,596)
Ending balance	**16,701**	**52,970**	**4,935**	**12,644**	**8**	**87,258**

Movements in 2012	Water rights ThUS$	Easements ThUS$	Software ThUS$	Particulate materiales emission rights ThUS$	Concessions ThUS$	Intangibles, Net ThUS$
Beginning balance	16,680	36,906	5,736	-	-	59,322
Additions	-	5,194	359	3,600	-	9,153
Transfers	-	5,008	17	700	-	5,725
Amortization expense (see Note 29)	-	(55)	(760)	-	-	(815)
Ending balance	**16,680**	**47,053**	**5,352**	**4,300**	**-**	**73,385**

In accordance with what was explained in Note 5.b) the Company management considers 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, 2013 and 2012 of the balances of financial position, the caption property, plant and equipment items are detailed as follows:

Classes of Property, Plant & Equipment, net	12.31.2013 ThUS$	12.31.2012 ThUS$
Land	287,367	279,717
Buildings and infrastructure	2,036,853	2,110,167
Machinery and equipment	1,565,806	1,616,542
Other property, plant & equipment	34,854	52,553
Work in progress	1,108,074	845,172
Total	**5,032,954**	**4,904,151**
Classes of Property, Plant & Equipment, gross	**12.31.2013** ThUS$	**12.31.2012** ThUS$
Land	287,367	279,717
Buildings and infrastructure	2,422,902	2,413,901
Machinery and equipment	1,881,245	1,875,672
Other property, plant & equipment	44,452	62,832
Work in progress	1,108,074	845,172
Total	**5,744,040**	**5,477,294**
Classes of Property, Plant & Equipment, accumulated depreciation and impairment	**12.31.2013** ThUS$	**12.31.2012** ThUS$
Buildings and infrastructure	(386,049)	(303,734)
Machinery and equipment	(315,439)	(259,130)
Other property, plant & equipment	(9,598)	(10,279)
Total	**(711,086)**	**(573,143)**

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

b. Movements of property, plant and equipment

As of December 31, 2013 and December 31, 2012; property, plant and equipment composition and movements are detailed as follows:

Movements in 2013	Land ThUS$	Buildings and infrastructure ThUS$	Machinery and equipment ThUS$	Other property, plant & equipment ThUS$	Work in progress ThUS$	Property, plant & equipment, net ThUS$
Beginning balance	279,717	2,110,167	1,616,542	52,553	845,172	4,904,151
Additions	10,003	1,266	57,158	827	274,109	343,363
Disposals	(2,354)	-	(56,780)	(16,543)	-	(75,677)
Accumulated depreciation disposals	-	-	20,479	2,584	-	23,063
Transfers	1	7,735	5,195	(2,664)	(11,207)	(940)
Depreciation expenses (see Note 29)	-	(82,315)	(76,788)	(1,903)	-	(161,006)
Total movement	**7,650**	**(73,314)**	**(50,736)**	**(17,699)**	**262,902**	**128,803**
Ending balance	**287,367**	**2,036,853**	**1,565,806**	**34,854**	**1,108,074**	**5,032,954**

Movements in 2012	Land ThUS$	Buildings and infrastructure ThUS$	Machinery and equipment ThUS$	Other property, plant & equipment ThUS$	Work in progress ThUS$	Property, plant & equipment, net ThUS$
Beginning balance	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
Disposals	-	-	(74)	(2)	-	(76)
Transfers	(42)	393,402	587,647	737	(987,469)	(5,725)
Depreciation expenses (see Note 29)	-	(71,364)	(61,969)	(1,900)	-	(135,233)
Total movement	**6,875**	**324,562**	**529,836**	**1,834**	**(553,677)**	**309,430**
Ending balance	**279,717**	**2,110,167**	**1,616,542**	**52,553**	**845,172**	**4,904,151**

c. Other disclosures

i) The Company does not have property, plant and equipment used as a guaranty for the compliance of its obligations.

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

iii) The settlement process related to the breakdown of the Combined-Cycle Nehuenco II (398 MW) thermal power station in Mar13, which has already been repaired, is still underway. Also, it must be mentioned that during the third quarter an advance payment of US$14.0 million was received from the insurance company to cover physical damage.

Regarding the Los Pinos thermal power station (100 MW), it has been operating since September 6th after suffering a new failure which is covered by the General Electric warranty. Currently, the settlement process for the first failure is still underway.

It should be noted that the Company has insurance for its power stations that cover both physical damage and the loss of income, with standard deductibles.

iv) Colbún and subsidiaries have signed insurance policies to cover possible risks, which the different elements of its tangible property, plant and equipment are exposed to, 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, the loss of benefits that might occur as a consequence of a shutdown is covered through insurance.

v) As of December 31, 2013 and 2012 the Company had commitments for the acquisition of property, plant and equipment derived from construction contracts in the amount of ThUS$11,578 and ThUS$96,738, respectively. The companies with which it operates are: Alstom Chile S.A., Andritz Chile Ltda., Alstom Hydro France S.A., Alstom Hydro España S.L., Constructora Angostura Ltda.

vi) Capitalized interest costs (IAS23) for the periods ended as of December 31, 2013 and 2012 amounted ThUS$ 40,523 and ThUS$ 61,111, respectively. The Company's average financing rate is 5.03 % and 5.06% as of the date of the Statements of Financial Position, respectively.

vii) As of December 31, 2013 and 2012 the Company has implicit operating leases corresponding to Transmission Line Contracts (220 KV Alto Jahuel-Candelaria and 220 KV Candelaria-Minero), signed between the Company and Codelco. Those contracts are for a term of 30 years.

Future collections derived from those contracts are detailed as follows:

	12.31.2013 ThUS$	**12.31.2012** ThUS$
Next 12 months	7,052	7,052
Between 1 and 5 years	28,211	28,211
More than 5 years	70,557	77,579
Total	**105,820**	**112,842**

18. Current tax assets

Tax accounts receivable as of December 31, 2013 and 2012, are detailed as follows:

	Current	
	12.31.2013 ThUS$	12.31.2012 ThUS$
Monthly provisional payments	3,126	12,382
Provisional payment for absorbed earning	40,920	3,321
Total	**44,046**	**15,703**

19. Other non-financial assets

Other assets as of December 31, 2013 and 2012, are detailed as follows:

	Current		Non-current	
	12.31.2013 MUS$	12.31.2012 MUS$	12.31.2013 MUS$	12.31.2012 MUS$
Installations and civil responsibility premiums	19,576	13,168	-	-
Prepayments	13,775	28,418	17,716	18,202
Patents on non-use of water rights (1)	-	-	7,599	8,965
Remaining tax credit (2)	83,090	120,727	-	-
Specific tax on diesel (2)	112,514	102,913	-	-
Remaining VAT, subject to Article 27 Bis	-	18,899	-	-
Other miscellaneous assets	304	-	1,863	1,916
Total	**229,259**	**284,125**	**27,178**	**29,083**

(1) Credit in accordance with Article 129 bis 20 of the Water Code DFL 1,122. As of December 31, 2013, an impairment of ThUS$ 4,809 was recognized, whereas as of December 31, 2012, ThUS$5,383 was recognized. 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.

(2) The Company estimates that these balances will be recovered in the next twelve months from the date of the balances of financial position.

20. Income taxes

a. Income taxes

Income tax	January-December	
	2013 ThUS$	2012 (1) ThUS$
Current income tax (expense) income		
Current income tax	(6,691)	(18,194)
Utilization of tax losses	30,680	-
Adjustments to current tax of prior period	311	(152)
Total current tax (expense) income	**24,300**	**(18,346)**
Deferred income tax (expense) income		
Temporary differences (2)	(46,018)	(25,966)
Other deferred tax expenses (3)	(34,313)	39,450
Effect of change in 1st category tax rate (4)	-	(74,409)
Goodwill (5)	-	14,691
Total deferred tax (expense) income	**(80,331)**	**(46,234)**
Total income tax (expense) income	**(56,031)**	**(64,580)**

(1) See Note 3.2 (effects from amendments to IAS 19)
(2) Mainly includes effects such as tax loss, capitalized work in progress, expenses and recognition of income from derivative operations (received and accrued).
(3) 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. Additionally, it includes the reversal of deferred taxes in association with the assets written off as a result of the Nehuenco II and Los Pinos (loss of ThUS$ 37,013).
(4) Before the law that modified the 1 category corporate income tax rate was passed, deferred tax assets and liabilities were calculated using the 17% rate in force. With the new law, the tax rate was modified to 20% so, in accordance with IAS 12, the difference was recorded in the Statement of comprehensive income for an amount of US$74,409. This difference is basically a consequence of the temporary difference from fixed assets.
(4) Improper 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 the goodwill of each of the companies mentioned, was incorporated to non-monetary assets generating future benefits whose base implies a decrease in deferred tax liabilities as of December 2012 (IAS 12)

As of Decermber 31, 2013 and 2012, the Company has not recorded income abroad.

a.1 Reconciliation of tax expense

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

Income tax expense	January-December	
	2013 ThUS$	2012 (1) ThUS$
Profit before tax	118,996	115,109
Income tax using the legal rate (20%)	**(23,799)**	**(23,022)**
Expense as a result of changes in the tax rate	-	(74,409)
Goodwill	-	14,691
Subtotal adjustments to tax expense using the legal rate	**-**	**(59,718)**
Tax Income (expense) using the effective rate	(23,799)	(82,740)
Difference in allocation of tax losses carryforward	(13,350)	-
Difference between financial accounting expressed in USD and tax accounting in CLP with effect in deferred taxes (2)	(18,882)	18,160
Income tax expense	**(56,031)**	**(64,580)**

(1) See note 3.2 (IAS 19 amendment effects).
(2) In accordance with International Financial Reporting Standards (IFRS) the Company records its operations in its functional US dollar currency and for tax purposes it keeps books in local Chilean pesos. The balances of assets and liabilities are converted as of each period closing date to compare them with balances under IFRS in functional US dollar currency, and in this manner determine the deferred tax on differences existing between both amounts. The main accumulated impacts were generated in property, plant and equipment (expenses of ThUS$ 31,100) and CPI valuation of tax non-monetary items (ThUS$ 16,100 income).

a.2 Effective rate calculation

Tax rate	January-December	
	2013 %	2012 %
Legal tax rate	20.0%	20.0%
Other increases (decreases) in legal tax rate	27.1%	51.9%
Adjustments to legal tax rate	0.0%	-15.8%
Effective tax rate	**47.1%**	**56.1%**

b. Deferred taxes

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

Deferred tax assets	12.31.2013 ThUS$	12.31.2012 ThUS$
Tax losses	5,312	20,474
Others	3,176	3,894
Provisions	2,796	2,813
Hedge instruments	1,643	5,450
Deferred tax assets	**12,927**	**32,631**

Deferred tax liabilities	12.31.2013 ThUS$	12.31.2012 ThUS$
Depreciation	579,919	506,110
Others	5,518	7,031
Employees post-employment benefits	(2,408)	1,605
Deferred tax liabilities	**583,029**	**514,746**
Defered tax assets and liabilities, net	**570,102**	**482,115**

c. Income taxes on other comprehensive income

	January-December	
	2013 ThUS$	2012 ThUS$
Cash flow hedges	(3,806)	5,450
Defined benefit plans	720	430
Income tax from components of Other Comprehensive Income	**(3,086)**	**5,880**

As of December 31, 2013, the Parent Company recorded a tax loss of ThUS$ 216,564 that have been assigned to the accumulated losses of the "Fondo de Utilidades Tributarias (FUT)". In addition, its subsidiaries Hidroeléctrica Melocotón Ltda., Termoeléctrica Antilhue S.A., Empresa Eléctrica Industrial S.A., and Termoeléctrica Nehuenco S.A. recorded tax losses for a total of ThUS$ 26,560. On the other hand, its subsidiaries Colbún Transmisión S.A. and Río Tranquilo S.A. recorded taxable income, and as a consequence an income tax provision of ThUS$ 6,691 has been recorded.

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 of December 31, 2013, Colbún S.A. recognizes a recoverable tax asset, derived from the absorption of accumulated net income in the taxable retained earnings registry in the amount of ThUS$ 30,680, in accordance with the standards indicated in the Income Tax Law.

21. Other financial liabilities

As of the date of the balances of financial position, other financial liabilities are detailed as follows:

a. Obligations with financial entities

Other financial liabilities	Current		Non-current	
	12.31.2013 ThUS$	12.31.2012 ThUS$	12.31.2013 ThUS$	12.31.2012 ThUS$
Loans from financial entities (1)	27,746	30,972	554,741	333,613
Negotiable instruments (Bonds, commecial papers) (1)	39,961	160,305	990,267	1,041,423
Notes payable (2)	79,555	135,931	-	-
Hedge derivatives (3) (See Note 13.1)	2,209	1,536	5,632	17,487
Derivatives at fair value through profit and loss	-	874	-	798
Total	**149,471**	**329,618**	**1,550,640**	**1,393,321**

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

b. Financial debt by type of currency

The value of Colbún's financial debt (bank liabilities and bonds) considering only the effect of derivative instruments with a liability position is detailed as follows:

Financial debt by currency	12.31.2013 ThUS$	12.31.2012 ThUS$
US Dollar	1,357,812	1,269,340
UF	342,299	377,315
Chilean Peso	-	76,284
Total	**1,700,111**	**1,722,939**

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

c. Maturity and currency of obligations with financial entities

Obligations with banks

	As of 12.31.2013							
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	
Creditor's taxpayer No.	0-E	97023000-9	0-E	0-E	0-E	0-E	0-E	
Creditor's name	BBVA Bancomer	Corpbanca	The Bank of Tokyo-Mitsubishi UFJ, Ltd	The Bank of Tokyo-Mitsubishi UFJ, Ltd	HSBC Bank USA	Banco Estado NY	Scotiabank & Trust (Cayman) Ltd	
Creditor's country	Mexico	Chile	USA	USA	USA	USA	Cayman	
Currency or readjustment unit	US$	CLP	US$	US$	US$	US$	US$	
Type of amortization	Bullet	Anual	Bullet	Bullet	Bullet	Bullet	Bullet	
Interest rate	Floating	Floating	Floating	Floating	Floating	Floating	Floating	
Base	Libor 6M	TAB 6M	Libor 6M	Libor 6M	Libor 6M	Libor 6M	Libor 6M	
Effective rate	2.40%	7.00%	2.14%	2.42%	2.04%	2.55%	2.60%	
Nominal rate	1.98%	6.40%	1.86%	2.11%	1.73%	2.23%	2.24%	
Nominal amounts	**ThUS$**							**Totals ThUS$**
Up to 90 days	355	26,465	-	44	35	46	18	**26,963**
More than 90 days up to 1	-	-	996	-	-	-	-	**996**
More than 1 year up to 3	150,000	-	-	40,000	40,000	40,000	40,000	**310,000**
More than 3 years up to 5	-	-	250,000	-	-	-	-	**250,000**
Subtotal nominal amounts	**150,355**	**26,465**	**250,996**	**40,044**	**40,035**	**40,046**	**40,018**	**587,959**
Book values	**ThUS$**							**Totals ThUS$**
Up to 90 days	355	26,252	-	44	35	46	18	**26,750**
More than 90 days up to 1	-	-	996	-	-	-	-	**996**
Current bank loans	**355**	**26,252**	**996**	**44**	**35**	**46**	**18**	**27,746**
More than 1 year up to 3	148,754	-	-	39,690	39,690	39,690	39,686	**307,510**
More than 3 years up to 5	-	-	247,231	-	-	-	-	**247,231**
Non-current bank loans	**148,754**	**-**	**247,231**	**39,690**	**39,690**	**39,690**	**39,686**	**554,741**
Bank loans total	**149,109**	**26,252**	**248,227**	**39,734**	**39,725**	**39,736**	**39,704**	**582,487**

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

Obligations with banks (continue)

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	0-E	
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	Anual	Bullet	Bullet	Bullet	Bullet	
Interest rate	Floating	Floating	Floating	Floating	Floating	Floating	
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$**						**Totals ThUS$**
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	-	-	-	-	-	-	**-**
Subtotal nominal amounts	**151,334**	**57,982**	**40,050**	**40,042**	**40,053**	**40,028**	**369,489**
Book values	**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**	**29,465**	**50**	**42**	**53**	**28**	**30,972**
More than 1 year up to 3 years	147,920	27,736	39,490	39,490	39,490	39,487	**333,613**
More than 3 years up to 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**	**57,201**	**39,540**	**39,532**	**39,543**	**39,515**	**364,585**

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

Obligations with the public

12.31.2013						
Debtor's taxpayer No.	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.	
Debtor's country	Chile	Chile	Chile	Chile	Chile	
Registration number	234	499	537	538	-	
Series	Serie C	Serie F	Serie H	Serie I	144A/RegS	
Maturity date	10/15/2021	5/1/2028	6/10/2018	6/10/2029	1/21/2021	
Currency or readjustment unit	UF	UF	US$	UF	US$	
Periodicity of amortization	Biannual	Biannual	Bullet	Biannual	Bullet	
Interest rate	Fixed	Fixed	Floating	Fixed	Fixed	
Base	Fixed	Fixed	Libor 6M	Fixed	Fixed	
Effective rate	8.10%	4.46%	2.92%	5.02%	6.26%	
Nominal rate	7.00%	3.40%	2.44%	4.50%	6.00%	
Nominal amounts			ThUS$			**Total ThUS$**
Up to 90 days	-	-	-	-	13,250	**13,250**
More than 90 days up to 1 year	7,582	19,194	110	330	-	**27,216**
More than 1 year up to 3 years	14,364	35,540	-	-	-	**49,904**
More than 3 years up to 5 years	15,855	35,540	80,800	6,058	-	**138,253**
More than 5 years	26,921	168,814	-	127,216	500,000	**822,951**
Total nominal amounts	**64,722**	**259,088**	**80,910**	**133,604**	**513,250**	**1,051,574**
Book values			ThUS$			**Total ThUS$**
Up to 90 days	-	-	-	-	13,250	**13,250**
More than 90 days up to 1 year	7,444	18,827	110	330	-	**26,711**
Current obligations with the public	**7,444**	**18,827**	**110**	**330**	**13,250**	**39,961**
More than 1 year up to 3 years	14,067	34,807	-	-	-	**48,874**
More than 3 years up to 5 years	15,528	34,807	79,135	5,933	-	**135,403**
More than 5 years	26,366	165,335	-	124,594	489,695	**805,990**
Non-current obligations with the public	**55,961**	**234,949**	**79,135**	**130,527**	**489,695**	**990,267**
Obligations with the public total	**63,405**	**253,776**	**79,245**	**130,857**	**502,945**	**1,030,228**

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

Obligations with the public (continue)

	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	-	
Series	Serie C	Serie E	Serie F	Serie G	Serie H	Serie I	144A/RegS	
Maturity date	10/15/2021	5/1/2013	5/1/2028	12/10/2013	6/10/2018	6/10/2029	1/21/2021	
Currency or readjustment unit	UF	UF	UF	UF	US$	UF	US$	
Periodicity of amortization	Semestral	Semestral	Semestral	Bullet	Bullet	Semestral	Bullet	
Interest rate	Fija	Fija	Fija	Fija	Variable	Fija	Fija	
Base	Fija	Fija	Fija	Fija	Libor 6M	Fija	Fija	
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$**							**Total ThUS$**
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**	**95,392**	**80,918**	**143,142**	**513,250**	**1,231,978**
Book values	**ThUS$**							**Total ThUS$**
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**

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

Liability	Currency	Interests as of 12.31.2013		Principal	Maturity date	Maturity					Total interests	Total debt
		Accrued	Projected			Next 3 months	3 to 12 months	1 to 3 years	3 to 5 years	mora than 5 years		
Loan BBVA Bancomer (1)	US$	355,025	4,796,557	150,000,000	8/10/2015	652,088	1,499,832	2,999,662	-	-	5,151,582	155,151,582
Loan Corpbanca (1)	CLP	384,000,000	57,600,000	13,500,000,000	1/24/2014	441,600,000	-	-	-	-	441,600,000	13,941,600,000
Loan Bank of Tokio-Mitsubishi UFJ (1)	US$	43,537	1,183,750	40,000,000	6/8/2015	186,585	614,680	426,022	-	-	1,227,287	41,227,287
Loan HSBC Bank USA (1)	US$	34,787	965,416	40,000,000	6/8/2015	149,085	500,930	350,188	-	-	1,000,203	41,000,203
Loan Banco Estado (1)	US$	46,453	1,256,528	40,000,000	6/8/2015	199,085	652,596	451,300	-	-	1,302,981	41,302,981
Loan Scotiabank (1)	US$	24,394	1,283,432	40,000,000	6/20/2015	201,803	655,944	450,079	-	-	1,307,826	41,307,826
Loan Club Deal (1)	US$	996,401	10,691,677	250,000,000	10/15/2018	-	2,556,828	4,581,250	4,550,000	-	11,688,078	261,688,078
Bond Serie C	UFR	20,591	425,336	1,436,271	4/15/2021	-	96,289	160,678	114,482	74,479	445,927	1,882,198
Bond Serie F	UFR	32,049	1,434,597	5,800,000	5/1/2028	-	192,181	343,903	289,958	640,604	1,466,646	7,266,646
Bond Serie H (1)	US$	109,619	9,016,014	80,800,000	6/10/2018	-	2,027,918	4,055,837	3,041,878	-	9,125,633	89,925,633
Bond Serie I	UFR	7,417	1,361,081	3,000,000	6/10/2029	-	133,512	267,024	267,024	700,938	1,368,498	4,368,498
Bond 144A/RegS	US$	13,250,000	181,750,000	500,000,000	1/21/2020	15,000,000	15,000,000	60,000,000	60,000,000	45,000,000	195,000,000	695,000,000

(1) Liabilities with variable rate, consider current set rate as of 12.31.2013 to calculate projected interest.

Liability	Currency	Interests as of 12.31.2012		Principal	Maturity date	Maturity					Total interests	Total debt
		Accrued	Projected			Next 3 months	3 to 12 months	1 to 3 years	3 to 5 years	mora than 5 years		
Loan BBVA Bancomer (1)	US$	1,333,890	8,818,495	150,000,000	8/10/2015	1,722,942	1,658,099	6,771,344	-	-	10,152,385	160,152,385
Loan Corpbanca (1)	CLP	829,200,000	1,070,186,250	27,000,000,000	1/24/2014	953,580,000	469,016,250	476,790,000	-	-	1,899,386,250	28,899,386,250
Loan Bank of Tokio-Mitsubishi UFJ (1)	US$	50,143	2,122,734	40,000,000	6/8/2015	-	869,150	1,303,727	-	-	2,172,877	42,172,877
Loan HSBC Bank USA (1)	US$	41,393	1,752,318	40,000,000	6/8/2015	-	717,484	1,076,227	-	-	1,793,711	41,793,711
Loan Banco Estado (1)	US$	53,060	2,246,207	40,000,000	6/8/2015	-	919,707	1,379,560	-	-	2,299,267	42,299,267
Loan Scotiabank (1)	US$	27,604	2,447,078	40,000,000	6/20/2015	505,873	456,719	1,512,090	-	-	2,474,682	42,474,682
Bond Serie C	UFR	22,639	529,529	1,579,112	4/15/2021	-	106,240	182,121	138,150	125,657	552,168	2,131,280
Bond Serie E	UFR	3,902	8,003	750,000	5/1/2013	-	11,905	-	-	-	11,905	761,905
Bond Serie F	UFR	33,154	1,635,788	6,000,000	5/1/2028	-	202,296	370,876	316,930	778,840	1,668,942	7,668,942
Bond Serie G	UFR	4,183	71,109	2,000,000	12/10/2013	-	75,292	-	-	-	75,292	2,075,292
Bond Serie H (1)	US$	117,564	11,521,272	80,800,000	6/10/2018	-	2,116,152	4,232,304	4,232,304	1,058,076	11,638,836	92,438,836
Bond Serie I	UFR	7,417	1,494,593	3,000,000	6/10/2029	-	133,511	267,024	267,024	834,451	1,502,010	4,502,010
Bond 144A/RegS	US$	13,250,000	211,750,000	500,000,000	1/21/2020	15,000,000	15,000,000	60,000,000	60,000,000	75,000,000	225,000,000	725,000,000

(1) Liabilities with floating rate, consider current set rate as of each closing date to calculate projected interest.

d) Committed and uncommitted lines of credit

The Company has a committed line of credit with local financial entities for UF 4 million, with the possibility of drawing on the line up to 2016 until its subsequent expiration in 2019.

In addition, Colbún has uncommitted 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.

Additionally, the Company has registered two lines of bonds with the SVS for a joint amount up to 7 million UF, with a ten and thirty-year maturity, respectively (since their approval in August 2009), and against which no placements have been made to date.

22. Trade and other accounts payable

Trade and other accounts payable as of December 31, 2013 and 2012 are detailed as follows:

	Current		Non-Current	
	12.31.2013 ThUS$	12.31.2012 ThUS$	12.31.2013 ThUS$	12.31.2012 ThUS$
Trade payable	147,652	149,847	-	-
Other accounts payable	2,468	434	3,217	3,000
Total	**150,120**	**150,281**	**3,217**	**3,000**

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, 2013 and 2012 of the balances of financial position, provisions are detailed as follows:

Provisiones	Current		Non-Current	
	12.31.2013 ThUS$	12.31.2012 ThUS$	12.31.2013 ThUS$	12.31.2012 ThUS$
Other				
Other provisions, current	1,010	1,834	-	-
Total	**1,010**	**1,834**	**-**	**-**
Employee benefits				
Employe benefits (note 23.f)	13,093	14,103	1,628	1,429
Severances, non- current (Note 23.g)	-	-	20,953	18,355
Total	**13,093**	**14,103**	**22,581**	**19,784**
Total provisions	**14,103**	**15,937**	**22,581**	**19,784**

b. Movement of provisions during the period

Movement of provisions as of December 31, 2013 and 2012, is detailed as follows:

Movements in 2013	Provisions				
	Holidays & vacation bonus ThUS$	Gas provisions ThUS$	SEC lawsuit Reserves ThUS$	Other provisions ThUS$	Total ThUS$
Beginning balance	14,103	-	1,696	138	15,937
Increase (decrease) in existing provisions	9,111	-	-	14	9,125
Utilization	(10,121)	-	(838)	-	(10,959)
Ending balance	**13,093**	**-**	**858**	**152**	**14,103**

Movements in 2012	Provisions				
	Holidays & vacation bonus ThUS$	Gas provisions ThUS$	SEC lawsuit Reserves ThUS$	Other provisions ThUS$	Total ThUS$
Beginning balance	9,938	2,000	838	-	12,776
Increase (decrease) in existing provisions	11,261	(2,000)	1,153	138	10,552
Utilization	(7,096)	-	(295)	-	(7,391)
Ending balance	**14,103**	**-**	**1,696**	**138**	**15,937**

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, 2013 and 2012, the Company records a provision for litigation, in accordance with IAS 37 (see Note 34.c).

f. Breakdown of provisions

Employee benefits The Company recognizes provisions for benefits and bonuses for its employees, such as vacation accrual, benefits from completion of project contracts and production incentives.

Employee benefits	Current		Non-Current	
	12.31.2013 ThUS$	12.31.2012 ThUS$	12.31.2013 ThUS$	12.31.2012 ThUS$
Performance incentives, current	3,469	3,502	-	-
Vacation accrual, current	9,624	10,601	-	-
Terminal of project term contracts	-	-	1,628	1,429
Total	**13,093**	**14,103**	**1,628**	**1,429**

g. Non-current employee benefits accrual

The Parent 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 Company constantly assesses the basis used in the actuarial calculation of obligations with employees. In 2013 the Company updated certain indicators in order to better reflect current market conditions. In compliance with the amendment to IAS 19 it changed its accounting policy for recognition of actuarial profits/losses in other comprehensive income. Changes have been applied in 2013, in a retrospective manner in accordance with IAS 8. This has had no significant impact in the Company's financial statements (see Note 3.2).

i) **Composition of employee benefits provision -** The main concepts included in the employee benefits accrual as of the dates of the balances of financial position, is detailed as follows:

Net present value of defined benefit plan	**12.31.2013**	**12.31.2012**
	ThUS$	ThUS$
Beginnig balance	18,355	14,815
Service cost	1,861	1,642
Interests cost	423	494
Translation difference	(1,560)	392
Actuarial (losses) gains on experience	(72)	33
Actuarial (losses) gains on hypotheses	4,132	2,116
Payments	(2,186)	(1,137)
Ending balance (see Note 23.a)	**20,953**	**18,355**

ii) **Actuarial hypotheses - T**he main assumptions used in the actuarial calculation are:

Hypotheses used		**12.31.2013**	**12.31.2012**
Discount rate		2.50%	3.00%
Expected salary increase		2.65%	2.65%
Turnover	Voluntary	3.60%	4.50%
	Dismissed	2.50%	1.50%
Turnover	Men	65	65
	Women	60	60
Mortality table		RV-2004	RV-2004

<u>Discount rate:</u> corresponds to the interest rate to be used to bring estimated services to be paid in the future to the current moment. This is determined using the discount rate for Chilean Central Bank Bonds in UF at a 20-year term as of the dates of the balances of financial position. The source for this rate is Bloomberg.

Expected salary increase rate: is the salary growth rate estimated by the Company for its employee remunerations, based on the internal compensation policy.

<u>Turnover Index:</u> correspond to turnover rates calculated by the Company based on its historical information.

Retirement Age: corresponds to the legal retirement age, both for men and women, as stated in DL 3,500 which contains the standards that govern the current pension system.

Mortality Table: corresponds to the mortality table published by the Superintendency of Securities and Insurance.

iii) Sensitivity to actuarial assumptions - for sensitivity purposes, only the discount rate has been considered to be a relevant parameter. The results of changes in actuarial liabilities, due to sensitivity to the discount rate are detailed as follows:

Sensitibity	Rate		Obligation	
	12.31.2013 %	**12.31.2012** %	**12.31.2013** ThUS$	**12.31.2012** ThUS$
Discount rate used	2.50	3.00	20,953	18,355
Decrease of 50 basis points	2.00	2.50	21,978	19,338
Increase of 50 basis points	3.00	3.50	20,005	21,801

iv) Projection for actuarial calculation for the following year - the following table shows the projection of the liability one year later than the date of the balance of financial position for the concept of employee benefits under IAS 19, using actuarial assumptions and data reported by the Company.

Projections	Obligation ThUS$
Situation as of 12.31.2013	20,953
Projection to 12.31.2014	21,201
Projected increase	248

v) Future disbursements - according to the estimate available to the Company, the projection of expected payment cash flows for the following periods is detailed as follows:

Period	Payments ThUS$
January 2014	1,010
February 2014	259
March 2014	213
April 2014	103
May 2014	106
June 2014	257
July 2014	101
August 2014	101
September 2014	101
October 2014	100
November 2014	100
December 2014	100
Total	**2,551**

24. Other non-financial liabilities

As of the dates of the balances of financial position, other non-financial liabilities are detailed as follows:

	Current		Non-current	
	12.31.2013 ThUS$	12.31.2012 ThUS$	12.31.2013 ThUS$	12.31.2012 ThUS$
Withholdings	3,142	1,733	-	-
Unearned Income (1)	817	808	8,092	8,981
Divindends payable	9,412	6,941	-	-
Other liabilities	6	10	-	-
Total	**13,377**	**9,492**	**8,092**	**8,981**

(1) Corresponds to prepayments 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. The change came into force on December 31, 2008. The currency stock capital is 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 the dates of the balances of financial position, 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$
Única	1,282,793	1,282,793

a.1 Reconciliation of shares

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

Shares	12.31.2013	12.31.2012
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

a.2 Number of shareholdes

As of December 31, 2013 Colbun, S.A. had 3,409 shareholders.

b. Social capital

Stock capital corresponds to paid-in capital indicated in a).

c. Share premiums

As of December 31, 2013 and December 31, 2012, issuance premiums amount to ThUS$ 52,595 and are generated by an amount of ThUS$ 30,700, corresponding to the surcharge received in the subscription period 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 23, 2013, established the distribution of a minimum dividend of 30% of net income. In accordance with IFRS, there is the legal obligation that requires a liability to be recorded.

As of December 31, 2013 the Company determined a dividends provision of ThUS$ 18,386 (ThUS$ 13,525 as of December 31, 2012).

At an Ordinary Shareholders' Meeting held on April 23, 2013, it was agreed that a minimum obligatory final dividend would be distributed, charged to the profits corresponding to the period ending December 31, 2012, payable in cash at a total amount of ThUS$ 13,525, which corresponds to US$0.0007713 per share. This dividend is being paid since May 3, 2013.

e. Composition of other reserves

Following is a detail of other reserves in each period:

Other reserves	12.31.2013 ThUS$	12.31.2012 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	(28,029)	(15,038)
Hedge reserves	(6,572)	(21,797)
Subtotal	**252,219**	**249,985**
Merger reserve, Hidroélectrica Cenelca S.A.	500,761	500,761
Subsidiaries reserves	(13,214)	(12,804)
Subtotal	**487,547**	**487,957**
Total	**739,766**	**737,942**

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 conversion in 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.

Hedge reserve effect: represents the effective unrealized portion of transactions that have been designated as cash flow hedges.

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 it.

f. Retained earnings (losses)

The movement of retained earnings reserve has been as follows:

Distributable Retained earnings	12.31.2013 ThUS$	12.31.2012 ThUS$
Beginning balance	**1,022,803**	**982,511**
Income for the period	62,965	50,514
Effect of adjustment performed on first-time application of IFRS	9,100	5,022
Effect profit (losses) actuarial	(2,879)	(1,719)
Provisional dividends	(18,386)	(13,525)
Total distributable retained earnings	**1,073,603**	**1,022,803**
Non-distributable adjustments on first-time application of IFRS		
Revaluation of property. plant and equipment	491,023	501,987
Deferred tax revaluation	(83,474)	(85,338)
Total non-distributable retained earnings	**407,549**	**416,649**
Total	**1,481,152**	**1,439,452**

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 2013.

Realized amounts and amounts pending realization as of the dates of the balances of financial position are detailed as follows:

	12.31.2013		12.31.2012	
	Realized during the period ThUS$	Pending to be realized ThUS$	Realized during the period ThUS$	Pending to be realized ThUS$
Revaluation of property, plant and equipment (1)	(10,964)	491,023	(11,209)	501,987
Revaluation deferred tax (3)	1,864	(83,474)	1,906	(85,338)
Actuarial value of employee benefits (2)	-	-	5,157	-
Actuarial value of employee benefits deferred tax (3)	-	-	(876)	-
Total	**(9,100)**	**407,549**	**(5,022)**	**416,649**

(1) Revaluation of Property, plant and equipment: The method used to quantify the assets under this concept corresponds to the application of the useful lives by asset type used for the depreciation method at the revaluation amount determined on the date of adoption.

(2) Severance payment: The IFRS require that post-employment benefits provided to employees in the long term be determined via the application of an actuarial calculation model, in comparison with the previous method which considered current values. This actuarial calculation method considers variables such as the average number of years worked by the employees, which is used to quantify the annual realized balance.

(3) Deferred taxes: Adjustments to the valuation of assets or liabilities generated by the application of IFRS have meant the determination of new temporary differences that were recorded against the Retained Income account in Equity. The realization of this concept has been determined in the same proportion as the entries that led to it.

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. Additionally, the approval of the Shareholders' Meeting is required.

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 the dates of the balances of financial position, leverage ratios are detailed as follows:

	12.31.2013 ThUS$	12.31.2012 ThUS$
Total liabilties	**2,509,467**	**2,490,622**
Total current liabilities	341,908	550,790
Total non-current liabilities	2,167,559	1,939,832
Tota equity	**3,556,306**	**3,512,782**
Attrbibutable to parent company	3,556,306	3,512,782
Non-controlling interests	-	-
Debt ratio	**0.71**	**0.71**

On a quarterly basis, the Company has to report compliance with its obligations with financial entities. As of December 31, 2013, 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 period attributed to the shareholders of the controller by the weighted average of outstanding ordinary shares during the reported periods.

	12.31.2013	12.31.2012 (1)
Profit (loss) attributable to holders of equity instruments in the net equity of the parent company (ThUS$)	62,965	50,514
Income (loss) available for common shareholders, basic (ThUS$)	62,965	50,514
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)	**0.00359**	**0.00288**

(1) See note 3.2 (amendments to IAS 19).

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 period-end, net of the corresponding income tax.

As of the dates of the balances of financial position, the calculation of the distributable net profit is detailed as follows:

Calculated distributable liquid net income (cash flows)	**12.31.2013** ThUS$	**12.31.2012** (1) ThUS$
Net income according to the Financial Statements	**62,965**	**50,514**
Cash flows in the year with a charge to prior years	(1,847)	(4,277)
Effect on unearned financial income that does not generate cash flows	171	565
Net cash flows for the period	**(1,676)**	**(3,712)**
Distributable net income	**61,289**	**46,802**
Minimum mandatory dividend	**18,386**	**13,525**

(1) See note 3.2 (IAS 19 amendment effects)

26. Income from ordinary activities

Income from ordinary activities as of December 31, 2013 and 2012, are detailed as follows:

	January-December	
	2013 ThUS$	2012 ThUS$
Sale to distribution clients	727,822	742,023
Sale to industrial clients	646,006	261,043
Toll	182,295	149,722
Sale to other generators	55,907	134,653
Other income	83,898	122,056
Total	**1,695,928**	**1,409,497**

27. Raw materials and consumables used

Consumption of raw materials and secondary materials as of December 31, 2013 and 2012, is detailed as follows:

	January-December	
	2013 ThUS$	2012 ThUS$
Petroleum consumption (see Note 12)	(132,965)	(420,079)
Gas consumption (see Note 12)	(357,558)	(299,219)
Coal consumption (see Note 12)	(104,456)	(40,095)
Purchase of energy and power	(420,324)	(61,711)
Tolls	(163,007)	(144,262)
Third party work and supplies	(81,752)	(82,025)
Total	**(1,260,062)**	**(1,047,391)**

28. Employee benefits expenses

Employee benefits as of December 31, 2013 and 2012, are detailed as follows (see Note 3.1.m and 3.1.n.2):

	January-December	
	2013 ThUS$	2012 (1) ThUS$
Wages and salaries	(45,701)	(39,882)
Current benefits to employees	(4,974)	(4,426)
Termination benefits	(2,634)	(1,087)
Other employee expenses	(6,801)	(8,321)
Total	**(60,110)**	**(53,716)**

(1) See note 3.2 (IAS 19 amendment effects).

29. Depreciation and amortization expenses

Depreciation and amortization expenses as of December 31, 2013 and 2012, are detailed as follows:

	January-December	
	2013 ThUS$	**2012** ThUS$
Depreciation (see Note 17.b)	(161,006)	(135,233)
Amortization of intangibles (see Note 16.b)	(1,596)	(815)
Total	**(162,602)**	**(136,048)**

30. Financial income and financial costs

Finance income and costs as of December 31, 2013 and 2012, are detailed as follows:

Income (loss) from investments	January-December	
	2013 ThUS$	**2012** ThUS$
Cash income and other equivalent means	5,068	5,032
Total financial income	**5,068**	**5,032**

Financial costs	January-December	
	2013 ThUS$	**2012** ThUS$
Bond expenses	(55,884)	(59,667)
Financial provision expense	(14,553)	(15,234)
Expense from valuation of net financial derivatives	(7,977)	(7,623)
Bank loan expenses	(12,142)	(11,020)
Other expenses (bank expenses)	(110)	(108)
Capitalized financial expenses	40,523	61,111
Total financial cost	**(50,143)**	**(32,541)**
Total financial result	**(45,075)**	**(27,509)**

31. Exchange rate differences 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:

Exchange rate differences

Exchange difference	Currency	January-December 2013 ThUS$	January-December 2012 ThUS$
Cash and cash equivalents	Chilean peso	(3,940)	11,603
Trade and other accounts receivable	Chilean peso	(5,046)	9,403
Current tax assets	Chilean peso	(19,070)	13,065
Other non-current non-financial assets	Chilean peso	(1,415)	39
Non-current accounts receivable from relate	Chilean peso	(200)	445
Exchange rate differences on assets		**(29,671)**	**34,555**
Other current financial liabilities	UF	25,101	(19,021)
Trade and other accounts payable	Chilean peso	3,179	(2,190)
Other non-financial liabilities	Chilean peso	143	(758)
Employee benefits provision accrual	Chilean peso	2,823	(3,417)
Other non-current financial liabilities	Chilean peso	758	1,263
Exchange rate differences on liabilities		**32,004**	**(24,123)**
Total exchange difference		**2,333**	**10,432**

Income from indexation units

Indexation units	Currency	January-December 2013 ThUS$	January-December 2012 ThUS$
Current tax assets	UTM	5,073	4,519
Total income from indexation units		**5,073**	**4,519**

32. Income (loss) from investments accounted for using the equity method

Income from investments accounted for using the equity method as of December 31, 2013 and 2012, is detailed as follows:

	January-December 2013 ThUS$	January-December 2012 ThUS$
Net share in profits of associates (see Note 15)	4,869	8,340
Total	**4,869**	**8,340**

33. Other profits (losses)

The others profits (losses) as of December 31, 2013 and 2012, are detailed as follows:

Other income	January-December 2013 ThUS$	January-December 2012 ThUS$
Carbon credits Hornitos and Quilleco hydroelectric plants (1)	-	741
Adjustment insurance Nehuenco material damage	4,593	-
Sell property, plant and equipment	9,451	-
Total other income	1,020	1,351
Total other income	**15,064**	**2,092**

Other expenses	January-December 2013 ThUS$	January-December 2012 ThUS$
Gas transport contract termination option cost	-	(10,738)
Results transactional agreement	-	(5,300)
Impairment on not used water rights	(4,809)	(5,385)
Results derivative contracts	(171)	(565)
Legal fees	(3,452)	(2,281)
Disposals of property, plant and equipment [2]	(36,136)	(400)
Write offs and fines	(250)	(1,333)
Other	(8,265)	(7,455)
Total other expenses	**(53,083)**	**(33,457)**
Total other income (loss)	**(38,019)**	**(31,365)**

[1] Income obtained from the sale of CERs (Certificates of emissions reductions) was reclassified from operating income to ordinary activity income. The generation of CERs is constant and "endless" since these are directly related to the capacity and real generation of clean energy. This capacity to permanently generate CERs, makes them a generation sub-product, and as we understand it they should be treated as incentives for generating with ERNC (non-conventional renewable energies).

[2] Corresponds to the recognition of the turbine failure in Unit II of the Nehuenco Complex and the Los Pinos Power Plant. See Note 17.c.iii.

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

a. Third party guarantees

a. 1 Direct guarantees

Guarantee creditor	Debtor		Commited assets			Outstanding balances	Liberation of guarantees		
	Name	Relationship	Type of guarantee	Currency	Book value	12.31.2013 ThUS$	2014	2015	2099
Director Regional de Vialidad Región Biobío	Colbún S.A.	Creditor	Guarantee deposit	CLP	600,000,000	1,144		1,144	
Comité Innova Chile	Colbún S.A.	Creditor	Guarantee deposit	CLP	41,200,000	79		79	
Ministerio Obras Públicas	Colbún S.A.	Creditor	Guarantee deposit	UF	339,495	15,085	15,085		
Cementos Bío Bío del Sur S.A.	Colbún S.A.	Creditor	Guarantee deposit	UF	15,525	690		690	
Transelec S.A. (1)	Colbún S.A.	Creditor	Guarantee deposit	UF	200	9			9
Chilectra S.A. (1)	Colbún S.A.	Creditor	Guarantee deposit	UF	200	9			9
Endesa (1)	Colbún S.A.	Creditor	Guarantee deposit	UF	100	4			4
Empresa de los Ferrocarriles del Estado	Colbún S.A.	Creditor	Guarantee deposit	UF	23	1	1		
Fisco de Chile Servicio Nacional de Aduanas	Colbún S.A.	Creditor	Guarantee deposit	USD	10,350	10	10		

(1) Guarantees with indefinite release date.

b. Guarantees obtained from third parties

Current guarantees in US Dollars, as of December 31, 2013 are as follows:

Deposited by	Relationship	Total ThUS$
Posco Engineering And Construction Co.	Supplier	10,000
Punta Palmeras S.A.	Supplier	8,722
Andritz Hydro Gmbh-Andritz Chile Ltda.	Supplier	2,727
Alstom Hydro France S.A.	Supplier	1,816
Andritz Hydro Srl	Supplier	300
Power Machines Ztl	Supplier	300
Abb S.A.	Supplier	275
Cobra Chile Servicios S.A.	Supplier	229
Bilfinger Water Tegnologies Lts S.A.	Supplier	185
Ingetec S.A.	Supplier	182
Carpi Tech S.A.	Supplier	140
Ingenieros Consultores Civiles y Electricos S.A. Ingetec S.A.	Supplier	111
Alstom Chile S.A.	Supplier	83
Hyosung Corporation	Supplier	75
P&H Mining Equipment Inc. Joy Global	Supplier	33
Inerco Ingenieria, Tecnologia y Consultoria S.A.	Supplier	30
Videocorp Ing. y Telecomunicaciones S.A.	Supplier	26
	Total	**25,234**

Current guarantees in Euros, as of December 31, 2013, are as follows:

Deposited by	Relationship	Total ThUS$
Alstom Hydro France S.A.	Supplier	6,781
Andritz Hydro Gmbh-Andritz Chile Ltda.	Supplier	4,394
	Total	**11,175**

Current guarantees in CLP, as of December 31, 2013 are as follows:

Deposited by	Relationship	Total ThUS$
Constructora del Valle Ltda.	Supplier	408
Constructora Propuerto Limitada	Supplier	319
Ingeniería, Mantención y Servicios Imasel Limitada	Supplier	105
Centro de Ecología Aplicada Ltda.	Supplier	63
Constructora Valdes Tala y Compañía Limitada	Supplier	58
Maestranza Alemania Limitada	Supplier	51
Leal Fernandez Luis Virginio	Supplier	36
Sistemas Revestimientos Concret	Supplier	34
Servicios y Proyectos Ambientales S.A.	Supplier	32
Caoa Construcciones Ltda.	Supplier	26
Eulen Seguridad S.A.	Supplier	24
Vertisub Chile Spa	Supplier	20
Sociedad Klagges y Cía.. Ltda.	Supplier	19
Sistema Integral de Telecomunicaciones Ltda.	Supplier	18
Constructora Santa Maria Ltda.	Supplier	15
Alis Segundo Cea Riquelme	Supplier	15
Transportes Jose Carrasco Retamal Empresa Indivudual de Resp.	Supplier	12
Soc. Comercial Camín Ltda.	Supplier	11
Emp. Constructora Nacimiento Ltda.	Supplier	11
Alejandra Barbará Oyanedel Perez	Supplier	9
Sociedad Comercial y de Inv. Conyser Ltda.	Supplier	9
Constructora y Maquinarias Pulmahue Spa	Supplier	6
Soc. Comercial Conyser Ltda.	Supplier	6
Soc. Comercial e Ingeniería y Gestión Industrial Ingher Ltda.	Supplier	6
Mantención de Jardines Arcoíris Ltda.	Supplier	5
Wfs Food Services S.A.	Supplier	5
Soc. de SS Forestales, Ingeniería, Consultoría	Supplier	4
Aguas Industriales Ltda.	Supplier	3
Normando Arturo Villa Cerda	Supplier	3
Bio Nam Limitada	Supplier	2
	Total	**1,335**

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

Current guarantees in UF, as of December 30, 2013 are as follows:

Deposited by	Relationship	Total ThUS$
Impregilo Spa.	Supplier	19,931
Empresa Constructora Angostura Ltda.	Supplier	13,918
Empresa Constructora Fe Grande S.A.	Supplier	10,732
Andritz Hydro Gmbh-Andritz Chile Ltda.	Supplier	3,529
Alstom Hydro France S.A.	Supplier	3,220
Cemento Bío Bío del Sur S.A.	Supplier	3,449
Ingenieria y Construcción Sigdo Koppers S.A.	Supplier	1,771
Constructora CVV Conpax Ltda.	Supplier	1,303
Ferrovial Agroman Chile S.A.	Supplier	311
Zublin International Gmbh Chile Spa	Supplier	311
Kdm Industrial S.A.	Supplier	244
Proterm S.A.	Supplier	174
Claro Vicuña Valenzuela S.A	Supplier	156
Hochtief Construction Chilena Ltda.	Supplier	156
Edic Ingenieros S.A.	Supplier	153
Worleyparsons Chile S.A	Supplier	133
Pares y Alvarez Ingenieros Asociados Ltda.	Supplier	130
Oma Topografia y Construcciones Limitada	Supplier	75
Ingenieria Chozas y Allen Ltda.	Supplier	68
Constructora del Valle Ltda.	Supplier	65
Aseos Industriales de Talca Ltda.	Supplier	55
C. de A. Ingenieria Ltda.	Supplier	31
Ecosystem S.A.	Supplier	29
Arrigoni Modular Spa	Supplier	29
Fernando Enrique Berrios Martínez	Supplier	27
Knight Piesold S.A.	Supplier	26
Transportes Castro Ltda.	Supplier	24
Universidad de Concepción	Supplier	23
Inst. Menchaca Amadori Industrial Ltda.	Supplier	20
Ingenieria en Servicio de Mejoramiento Industrial Ltda	Supplier	19
Sociedad Comercial e Ingenieria de Gestion Industrial Ingher Ltda	Supplier	17
Proyecto Automatizacion Limitada	Supplier	16
Ghd S.A.	Supplier	16
Muñoz y Henriquez Ltda.	Supplier	15
Ghisolfo Ingenieria de Consulta S.A.	Supplier	15
Servicio e Inversiones Pramar Ltda.	Supplier	14
Serviciosd Spm Ingernieros Limitada	Supplier	12
Pedro Arturo Hernandez Fernandez	Supplier	9
Dupla Diseño Urbano y Planificación Ltda.	Supplier	9
ABB S.A.	Supplier	9
Leal Fernandez Luis	Supplier	9
Alscom Ltda.	Supplier	7
Constructora Hernan Ortega y Cia	Supplier	6
Cia. de Tecnologias de Automatización	Supplier	5
Indra Sistemas Chile S.A.	Supplier	5
Comercial Calle-Calle Limitada	Supplier	3
Electricidad Asin Ltda.	Supplier	3
Marchetti Pareto Hugo	Supplier	2
	Total	**60,284**

c. Detail of litigations and others

With the information available to date, Colbún's management considers that the provisions recorded in the attached Consolidated Statement of Financial Position adequately covers 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, 2013, a description of the most important litigations is included:

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

The appeal presented in September 2013 by a company of residents of the Lo Nieve sector against the Company's failure to provide a road to replace the one that is flooded, which would be a violation of the Environmental Qualification Resolution. The Concepción Court of Appeals issued an order to stay resulting in the paralyzation of the reservoir filling while the appeal is being processed. Colbún S.A. presented an appeal for the reversal of this measure, which was approved by the Court, thus repealing the order to stay. In December 2013 the Court of Appeals rejected the injunction filed, notwithstanding which the appellant filed an appeal so that the issue can be finally resolved by the Supreme Court.

It is believed that the Supreme Court will revise and decide on this appeal in a period of approximately 3 to 4 months from the date of the mentioned first instance sentence.

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

b.1) Exempt Resolution No. 2598-2011: Fine of 1,214 U.T.A. (ThUS$ 1,132).

On September 29, 2011, the SEC fined Colbún S.A. for 1,214 U.T.A. (ThUS$ 1,132), 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.

On May 2, 2012, the reinstatement appeal was rejected; therefore on May 14 a complaint was filed before the Court of Appeals. Allegations were heard and on January 18, 2013 the Court of Appeals rejected the appeal so a last appeal was filed to the Supreme Court by virtue of which that Court reduced the fine to 850 UTA, which had already been paid, therefore the lawsuit is already over. Measures are being taken prior to requesting from the Treasury General of the Republic the duly readjusted refund of 25% of the original fine, amount that had to be paid to be able to file the complaint.

b.2) Exempt Resolution No. 2598-2011: 1,100 U.T.A. fine (ThUS$ 1,025).

On October 10, 2012, the SEC fined Colbún S.A. 1,100 U.T.A. (ThUS$1,025) 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 and was rejected on March 25, 2013. An appeal was then presented to the Court of Appeals. The complaint was filed before the Court of Appeals and we are waiting for sentence to be dictated.

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, 2013, the Company is in compliance with all the financial indicators required in those contracts. These obligations are detailed as follows:

	Covenants	Condition	12.31.2013		Maturity
	Bank Loans				
< 1,2	Total liabilities/Net Tangible Equity	< 1,2	0.76		Jun/2018
> MUS$ 2.022.000	Minimum Equity	> ThUS$ 2.022.000	ThUS$	3,556,306	Jun/2018
	Bonds				
>3,0	EBITDA/Net Interest Expense	>3,0	7.82		Jun/2029
<1,2	Debt Ratio	<1,2	0.71		Jun/2029
> MUS$ 1.348.000	Minimum Equity	> ThUS$ 1.348.000	ThUS$	3,556,306	Jun/2029
	Commited lines				
< 1,2	Total liabilities/Net Equity of the Controller	< 1,2	0.71		Jun/2016
> MUS$ 1.995.000	Minimum Equity	> ThUS$ 1.995.000	ThUS$	3,556,306	Jun/2016

Calculation methodology

Indicator	Headings	Values as of 12.31.2013	
Net Equity of the Parent Company	Total Equity - Non-controlling Interests	ThUS$	3,556,306
Net Tangible Equity	Equity - Investments accounted for using the equity method - Intangible Assets other than Goodwill	ThUS$	3,311,601
Minimum Equity	Total Equity - Non-controlling Interests	ThUS$	3,556,306
Total liabilities	Total current liabilities + Total non-current liabilities	ThUS$	2,509,467
Debt Ratio	Total liabilities / Equity		0.71
EBITDA (*)	Income from ordinary activities - Raw materials and supplies used - Employee benefits expenses - Other expenses by nature	ThUS$	352,416
Net financial cost (*)	Financial costs– Financial income	ThUS$	45,075

(*) Last 12 months

36. Environment

The companies of the Company 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:

Concept	12.31.2013 ThUS$	12.31.2012 ThUS$
Monitoring air quality and meteorology	2,050	1,592
Environmental follow up	3,001	1,457
Environmental studies and others	1,394	1,005
Environmental management system	1,146	186
Total	**7,591**	**4,240**

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.

La Mina hydroelectric power plant: run-of-the-river hydropower plant located in the high basin of the Maule River, in the Maule Region.

In addition, projects that started operations during the period:

Angostura-Mulchén Electric energy Transmission Line and Mulchén substation: Electric energy transmission line approximately 40 km long that will allow the interconnection between the Angostura hydroelectric power plant and the Mulchén substation, and the substation that connects the transmission line to the SIC.

All these projects in construction or execution have their respective Environmental Qualification Resolutions and Sector Environmental Permits granted by the corresponding environmental authorities.

To this we add the disbursements associated to the 22 generation plants (and annex facilities) that are in operation.

37. Events occurred after the statement of position date

a. In spite of the maintenance performed and daily operating measures taken, on January 12, 2014 there was a failure registered at the Blanco Power Plant (60 MW) located in the basin of the Aconcagua River. The failure in question, whose origin is being investigated, caused damages to the generator-turbine equipment and annex equipment, which has kept it out of operation. Our technicians are on site performing engineering work to estimate the date of start up of this power plant.

It should be noted that the Blanco Power Plant as well as all our generator equipment, has property and lost profits insurance coverage.

b. At a meeting held on October 29, 2013, the Company's Board of Directors approved the consolidated financial statements as of December 31, 2013, prepared under IFRS.

No subsequent events have occurred between December 31, 2013 and the date of issue of the present consolidated financial statements.

38. Foreign currency

The detail of Assets and Liabilities in foreign currency with effects upon profits due to the foreign currency translation is as follows:

Assets	Foreign currency	Functional currency	12.31.2013 ThUS$	12.31.2012 ThUS$
Total current assets				
Cash and cash equivalents	CLP	US Dollar	136,429	136,920
Cash and cash equivalents	Euro	US Dollar	979	14,819
Other current non-financial assets	CLP	US Dollar	195,855	122,054
Trade and other current accounts receivable	CLP	US Dollar	113,944	128,132
Current accounts receivable from related companies	CLP	US Dollar	1,829	5,193
Inventory	CLP	US Dollar	49,548	33,682
Current tax assets	CLP	US Dollar	44,046	136,592
Total current assets			**542,630**	**577,392**
Non-current assets				
Other non-current financial assets	CLP	US Dollar	287	313
Other non-current non-financial assets	CLP	US Dollar	9,062	15,674
Total non-current assets			**9,349**	**15,987**
Total assets			**551,979**	**593,379**

Liabilities	Foreign currency	Functional currency	12.31.2013 ThUS$	12.31.2012 ThUS$
Total current liabilities				
Other current financial liabilities	UF	US Dollar	18,756	14,395
Trade and other accounts payable	CLP	US Dollar	120,611	89,432
Current accounts payable to related entities	CLP	US Dollar	10,146	20,475
Other current provisions	CLP	US Dollar	1,011	18,860
Current tax liabilities	CLP	US Dollar	4,691	18,194
Current employee benefits provision accruals	CLP	US Dollar	13,093	14,103
Other current non-financial liabilities	CLP	US Dollar	3,965	2,552
Total current liabilities			**172,273**	**178,011**
Non-current liabilities				
Other non-current financial liabilities	UF	US Dollar	322,542	362,921
Non-current employee benefits accruals	CLP	US Dollar	22,582	19,785
Other non-current non-financial liabilities	CLP	US Dollar	8,092	8,982
Total non-current liabilities			**353,216**	**391,688**
Total liabilities			**525,489**	**569,699**

The detail of assets and liabilities in foreign currency does not include Investments reported using the share method, as the differences originated from foreign currency translation are reported in equity as foreign currency translation adjustments (see note 25.e).

The profile of expiry of other financial liabilities in foreign currency is detailed as follows:

As of 31.12.2013	Foreign currency	Functional currency	Next 91 days ThUS$	From 91 days to 1 year ThUS$	From 1 to 3 years ThUS$	From 3 to 5 years ThUS$	More than 5 years ThUS$	Total ThUS$
Other financial liabilities	UF	US Dollar	-	18,756	34,371	41,765	247,406	342,298
Totals			**-**	**18,756**	**34,371**	**41,765**	**247,406**	**342,298**

As of 31.12.2012	Foreign currency	Functional currency	Next 91 days ThUS$	From 91 days to 1 year ThUS$	From 1 to 3 years ThUS$	From 3 to 5 years ThUS$	More than 5 years ThUS$	Total ThUS$
Other financial liabilities	UF	US Dollar	-	14,395	35,942	37,425	289,554	377,316
Totals			**-**	**14,395**	**35,942**	**37,425**	**289,554**	**377,316**

39. Staffing

As of the dates of the balances of financial position, the Company’s staffing is detailed as follows:

	Number of employees	
	12.31.2013	12.31.2012
Managers and main executives	67	65
Professionals & technicians	613	596
Employees and others	311	301
Total	991	962
Average for the period	**984**	**955**

Annex No. 1 additional information required for XBRL taxonomy

This annex forms an integral part of the Company's consolidated financial statements.

Remunerations paid to external auditors

Remunerations paid to the external auditors during the periods are detailed as follows:

	12.31.2013 ThUS$	12.31.2012 ThUS$
Audit services	380	380
Tax services	24	13
Other services	363	84
Auditors' Remuneration	**767**	**477**

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