COLBÚN S.A. AND SUBSIDIARIES

Consolidated Financial Statements as of December 31, 2017
and 2016 and for the years then ended

(With the Independent Auditor’s Report Thereon)

COLBÚN S.A. AND SUBSIDIARIES

CONTENTS

ThUS$: Amounts expressed in thousands of U.S. dollars

Independent Auditor's Report

The Shareholders and Directors
Colbún S.A.

We have audited the accompanying consolidated financial statements of Colbún S.A. and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Santiago
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colbún S.A. and its subsidiaries as of December 31, 2017, and the results of their operations and their cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Other matters

The accompanying consolidated financial statements of Colbún S.A. and its subsidiaries as of December 31, 2016 and for the year then ended were audited by other auditors whose report thereon dated January 31, 2017, expressed an unmodified opinion on those consolidated financial statements.

The above translation of the auditor's report is provided as a free translation from the Spanish language original, which is the official and binding version. Such translation has been made solely for the convenience of non-Spanish readers.

Patricio Guevara R. KPMG Ltda.

Santiago, February 1, 2018

Consolidated Financial Statements
For the years ended as of December 31, 2017 and 2016

COLBÚN S.A. AND SUBSIDIARIES
Thousands of U.S. dollars

This report contains the following:

- Independent Auditor's Report
- Consolidated Financial Statements
- Notes to the Consolidated Financial Statements

Colbún S.A. and Subsidiaries
Consolidated Classified Statements of Financial Position
as of December 31, 2017 and 2016
(In thousands of U.S. dollars)

ASSETS	Note N°	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Current assets			
Cash and cash equivalents	8	269,196	593,720
Other financial assets, current	9	541,969	74,285
Other non-financial assets, current	20	29,392	27,190
Trade and other receivables	10	225,064	199,244
Trade receivables due from related parties, current	12.b	240	2,792
Inventory	13	62,911	45,114
Current income taxes recoverable	19.a	18,390	5,279
Total current assets		**1,147,162**	**947,624**
Non-current assets			
Other financial assets, non-current	9	21,167	5,377
Other non-financial assets, non-current	20	29,009	29,871
Trade receivables due from related parties, non-current	12.b	-	263
Equity-accounted investees	16	38,298	38,576
Intangible assets other than goodwill	17	132,067	138,129
Goodwill	-	-	4,000
Property, plant and equipment	18	5,516,478	5,651,754
Non-current income taxes recoverable	21.b	38,361	7,004
Total non-current assets		**5,775,380**	**5,874,974**
TOTAL ASSETS		**6,922,542**	**6,822,598**

See the accompanying notes to the consolidated financial

Colbún S.A. and Subsidiaries.

Consolidated Classified Statements of Financial Position (continued)
as of December 31, 2017 and 2016
(In thousands of U.S. dollars)

LIABILITIES AND EQUITY	Note N°	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Current liabilities			
Other financial liabilities, current	22.a	57,416	53,044
Trade and other payables, current	23	194,632	207,945
Payables due to related parties, current	12.b	13,559	32,339
Other provisions	24.a	29,748	7,393
Current income taxes payable	19.b	19,785	32,605
Provisions for employee benefits	24.a	17,325	14,996
Other non-financial liabilities, current	25	22,336	11,733
Current liabilities total		**354,801**	**360,055**
Non-current liabilities			
Other financial liabilities, non-current	22.a	1,602,036	1,656,988
Trade and other payables, non-current	23	12,924	18,960
Other provisions, non-current	24.a	33,389	-
Deferred income tax liabilities	21.b	918,046	957,848
Provisions for employee benefits, non-current	24.a	38,429	27,508
Other non-financial liabilities, non-current	25	12,210	11,407
Total non-current liabilities		**2,617,034**	**2,672,711**
TOTAL LIABILITIES		**2,971,835**	**3,032,766**
Equity			
Share capital	26.a	1,282,793	1,282,793
Retained earnings	26.f	1,601,772	1,424,924
Share premium	26.c	52,595	52,595
Other reserves	26.e	787,372	816,073
Equity attributable to the shareholders of the Parent		3,724,532	3,576,385
Non-controlling interests	-	226,175	213,447
Total equity		**3,950,707**	**3,789,832**
TOTAL LIABILITIES AND EQUITY		**6,922,542**	**6,822,598**

See the accompanying notes to the consolidated financial statements

Colbún S.A. and Subsidiaries

Consolidated Statements of Profit or Loss, by Nature
for the years ended December 31, 2017 and 2016
(In thousands of U.S. dollars)

STATEMENTS OF COMPREHENSIVE INCOME BY NATURE	Note N°	January - December 2017 ThUS$	2016 ThUS$
Revenue	7 and 27	1,548,412	1,436,240
Raw materials and consumables	28	(755,680)	(724,587)
Employee benefit expenses	29	(76,785)	(67,813)
Depreciation and amortization expense	30	(223,488)	(227,918)
Other expenses, by nature	-	(23,817)	(42,090)
Other expenses	34	(84,805)	(17,577)
Income from operations	-	**383,837**	**356,255**
Finance income	31	12,726	10,054
Finance costs	31	(84,954)	(103,440)
Share of profit of equity-accounted associates and joint ventures	16 and 33	2,904	5,414
Foreign currency translation gains, net	32	8,169	3,426
Loss from inflation-adjusted units, net	32	-	(55)
Profit before income taxes		**322,682**	**271,654**
Income tax expense	21.a	(34,080)	(66,914)
Net profit for the period		**288,602**	**204,740**
NET PROFIT		**288,602**	**204,740**
Net profit attributable to			
Shareholders of the Parent	26.h	270,985	201,429
Non-controlling interests	-	17,617	3,311
PROFIT		**288,602**	**204,740**
Earnings per share			
Basic earnings per share - Continuing operations US$/share	26.h	0.01545	0.01149
Basic earnings per share		**0.01545**	**0.01149**
Diluted earnings per share - Continuing operations **US$/share**	26.h	0.01545	0.01149
Diluted earnings per share		**0.01545**	**0.01149**

See the accompanying notes to the consolidated financial statements

Colbún S.A. and Subsidiaries
Consolidated Statements of Other Comprehensive Loss
for the years ended December 31, 2017 and 2016
(In thousands of U.S. dollars)

STATEMENTS OF OTHER COMPREHENSIVE INCOME	Note N°	January - December 2017 ThUS$	2016 ThUS$
Net profit for the period		**288,602**	**204,740**
Components of other comprehensive income that will not be reclassified to profit or loss for the period, before taxes			
Profit (loss) for remeasurements of defined benefit plans	-	(2,551)	(2,699)
Total other comprehensive (loss) income that will not be reclassified to profit for the period, before tax	-	**(2,551)**	**(2,699)**
Components of other comprehensive Income (loss) that will be reclassified to profit or loss for the period, before tax			
Gain (loss) for foreign currency translation differences	16.a	1,911	1,386
Gain (loss) from cash flow hedges	-	(4,675)	19,782
Share of other comprehensive income on associates and joint ventures using the equity method	-	120	1,230
Total other comprehensive income (loss) that will be reclassified to profit for the period, before tax		**(2,644)**	**22,398**
Other components of other comprehensive income (loss), before tax		**(5,195)**	**19,699**
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss for the period			
Income tax related to defined benefit plans	21.c	689	729
Income tax related to components of other comprehensive income that will be reclassified to profit or loss for the period			
Income tax related to share of other comprehensive income (loss) on associates and joint ventures using the equity method	21.c	(31)	(332)
Income tax related to cash flow hedges	21.c	1,393	(5,201)
Income tax related to components of other comprehensive income		**2,051**	**(4,804)**
Total other comprehensive income		**(3,144)**	**14,895**
Total comprehensive income		**285,458**	**219,635**
Comprehensive income attributable to			
Shareholders of the Parent		269,621	214,545
Non-controlling interests		15,837	5,090
TOTAL COMPREHENSIVE INCOME		**285,458**	**219,635**

See the accompanying notes to the consolidated financial

Colbún S.A. and Subsidiaries
Consolidated Statements of Cash Flows
for the years ended December 31, 2017 and 2016
(In thousands of U.S. dollars)

STATEMENTS OF CASH FLOWS - DIRECT METHOD	Note N°	December 31, 2017 ThUS$	December 31, 2016 ThUS$
Cash flows from (used in) operating activities			
Cash receipts from operating activities			
Cash receipts from sale of goods and rendering of services	-	1,815,398	1,631,555
Cash payments for premiums and services, annuities and other	-	3,316	447
Other cash receipts from operating activities	-	19,579	3,915
Classes of cash payments			
Cash payments to suppliers for goods and services	-	(944,013)	(905,043)
Cash payments to and on behalf of employees	-	(69,790)	(61,978)
Cash payments for premiums and services, annuities and other	-	(18,265)	(15,970)
Other cash payments for operating activities	-	(123,548)	(88,790)
Cash generated from operating activities	-	**682,677**	**564,136**
Dividends received	-	10,551	8,682
Interest received	-	12,145	9,662
Income taxes paid	-	(97,169)	(52,722)
Other cash payments	-	(7,265)	(11,908)
Net cash generated from operating activities		**600,939**	**517,850**
Cash flows from investing activities			
Other cash payments to acquire interests in joint ventures	-	(2,926)	(3,324)
To obtain control of subsidiaries and other business	-	-	(5,428)
Acquisition of property, plant and equipment	-	(122,205)	(152,145)
Acquisition of intangible assets classified as investing activities	-	-	(35,529)
Other cash (payments) receipts	-	(471,686)	110,368
Net cash used in investing activities		**(596,817)**	**(86,058)**
Cash flows from financing activities			
Proceeds from borrowings	-	**840,000**	**365,700**
Proceeds from long-term borrowings	-	840,000	365,700
Repayment of borrowings	-	(872,139)	(894,007)
Dividends paid	-	(161,005)	(98,923)
Interest paid	-	(88,735)	(92,404)
Other cash payments	-	(56,529)	(21,381)
Net cash used in financing activities		**(338,408)**	**(741,015)**
Net decrease in cash and cash equivalents before the effect of movements in exchange rates on cash held		**(334,286)**	**(309,223)**
Effects of movements in exchange rates on cash and cash equivalents			
Effect of movements in exchange rates on cash on cash equivalents		9,762	7,436
Net decrease in cash and cash equivalents		**(324,524)**	**(301,787)**
Cash and cash equivalents as of January 1,		593,720	895,507
Cash and cash equivalents as of December 31,	8	**269,196**	**593,720**

See the accompanying notes to the consolidated financial statements

Colbún S.A. and Subsidiaries
Statements of Changes in Equity
for the years ended December 31, 2017 and 2016
(In thousands of U.S. dollars)

Statements of Changes in Equity	Note	Equity attributable to owners of the Parent									Non-controlling interests	Equity
				Changes in other reserves								
		Share capital	Share premium	Translation difference reserve	Hedging reserve	Actuarial profit or loss reserve of defined benefit plans	Other reserves	Other reserves	Retained earnings (accumulated deficit)	Equity attributable to the shareholders of the Parent		
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Balance as of 01.01.2017		1,282,793	52,595	(265,406)	6,846	-	1,074,633	816,073	1,424,924	3,576,385	213,447	3,789,832
Changes in equity												
Comprehensive income												
Profit for the period									270,985	270,985	17,617	288,602
Other comprehensive income				1,911	(1,415)	(1,860)	-	(1,364)	-	(1,364)	(1,780)	(3,144)
Dividends									(121,473)	(121,473)	(3,110)	(124,583)
Increase (decrease) from other changes		-	-	-	-	1,860	(29,197)	(27,337)	27,336	(1)	1	-
Total changes in equity		**-**	**-**	**1,911**	**(1,415)**	**-**	**(29,197)**	**(28,701)**	**176,848**	**148,147**	**12,728**	**160,875**
Balance as of December 31, 2017	**26**	**1,282,793**	**52,595**	**(263,495)**	**5,431**	**-**	**1,045,436**	**787,372**	**1,601,772**	**3,724,532**	**226,175**	**3,950,707**

Statement of Changes in Equity	Note	Equity attributable to owners of the Parent									Non-controlling interests	Equity
				Changes in other reserves								
		Share capital	Share premium	Translation difference reserve	Hedging reserve	Actuarial profit or loss reserve of defined benefit plans	Other reserves	Other reserves	Retained earnings (accumulated deficit)	Equity attributable to the shareholders of the Parent		
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Balance as of 01.01.2016		1,282,793	52,595	(266,792)	(6,854)	-	989,234	715,588	1,411,684	3,462,660	202,758	3,665,418
Changes in equity												
Comprehensive income												
Profit for the period									201,429	201,429	3,311	204,740
Other comprehensive income				1,386	13,700	(1,970)	-	13,116		13,116	1,779	14,895
Dividends									(100,898)	(100,898)		(100,898)
Increase (decrease) from other changes		-	-	-	-	1,970	85,399	87,369	(87,291)	78	5,599	5,677
Total changes in equity		**-**	**-**	**1,386**	**13,700**	**-**	**85,399**	**100,485**	**13,240**	**113,725**	**10,689**	**124,414**
Balance as of December 31, 2016	**26**	**1,282,793**	**52,595**	**(265,406)**	**6,846**	**-**	**1,074,633**	**816,073**	**1,424,924**	**3,576,385**	**213,447**	**3,789,832**

See the accompanying notes to the consolidated financial statements

Contents **page**

(In thousands of U.S. dollars)

1. General information

Colbún S.A. (hereinafter “the Company”) was incorporated via public deed on April 30, 1986, witnessed by the Notary Public Mr. Mario Baros G. and registered at sheet 86 with the Trade Register of the Real Estate Registry of Talca on May 30, 1986. The Company’s Tax Identification Number is 96.505.760-9.

The Company is registered as a publicly-held shareholders' corporation with the Securities Registry under number 0295 on September 1, 1986, and subject to the inspection by the Chilean Markets Commission (former Superintendence of Securities and Insurance). The Company' shares are traded on the Santiago Stock Exchange, Santiago Electronic Stock Exchange and Valparaíso Stock Exchange.

As of December 31, 2017, Colbún is a power generation company and the Parent of the Group (hereinafter, the Company, the Entity or Colbún), which is composed of thirteen entities: Colbún S.A. and twelve Subsidiaries.

The Company's registered address is located at Avenida Apoquindo 4775, 11th floor, Las Condes, Santiago.

The Company’s line of business is the generation, transportation and distribution of electricity, as explained in Note 2.

The Company is controlled by the Matte Group, which has investments in the power, financial, forestry, real estate, telecommunication and port sectors, and indirectly controlled by the following persons, in form and proportional interest indicated below, which all members of the Larraín Matte, Matte Capdevila and Matte Izquierdo families:

- Patricia Matte Larraín, Taxpayer ID 4.333.299-6 (6.49%) and her children María Patricia Larraín Matte, Taxpayer ID 9.000.338-0 (2.56%); María Magdalena Larraín Matte, Taxpayer ID 6.376.977-0 (2.56%); Jorge Bernardo Larraín Matte, Taxpayer ID 7.025.583-9 (2.56%), and Jorge Gabriel Larraín Matte, Taxpayer ID 10.031.620-K (2.56%).

- Eliodoro Matte Larraín, Taxpayer 4.336.502-2 (7.21%) and his children Eliodoro Matte Capdevila, Taxpayer ID 13.921.597-4 (3.27%); Jorge Matte Capdevila, Taxpayer ID 14.169.037-K (3.27%), and María del Pilar Matte Capdevila, Taxpayer ID 15. 959.356-8 (3.27%).

- Bernardo Matte Larraín, Taxpayer ID 6.598.728-7 (7.79%) and his children Bernardo Matte Izquierdo, Taxpayer ID 15.637.711-2 (3.44%); Sofía Matte Izquierdo, Taxpayer ID 16.095.796-4 (3.44%), and Francisco Matte Izquierdo, Taxpayer ID 16.612.252-K (3.44%).

The shareholders indicated above because of family relationship are part of the same corporate group and have a joint interest agreement entered into with the following legal persons, who have an ownership interest of 49.96% of Company's share capital:

Controlling Group	No. of shares	Ownership %
Minera Valparaíso S.A.	6,166,879,733	35.17
Forestal Cominco S.A.	2,454,688,263	14.00
Forestal Constructora and Comercial del Pacífico Sur S.A.	34,126,083	0.19
Forestal and Minera Canadilla S.A.	31,232,961	0.18
Forestal Cañada S.A.	22,308,320	0.13
Forestal Bureo S.A.	17,846,000	0.10
Inversiones Orinoco S.A.	17,846,000	0.10
Inversiones Coillanca Ltda.	16,473,762	0.09
Inmobiliaria Bureo S.A.	38,224	0.00
Total ownership interest	8,761,439,346	49.96

2. Description of business

Company's line of business

The Company’s line of business is the production, transportation, distribution, and supply of energy and power capacity, for which it may acquire and exploit concessions and grants or use rights obtained. Likewise, it is empowered to transport, distribute, supply and commercialize natural gas for sale to industrial or generating processes. It can provide advisories in the field of engineering both domestically and abroad.

Description of business in Chile

Main assets

The power generation fleet is composed of hydroelectric power plants (reservoir and run-of-the-river) and coal-fired, diesel and gas power plants (combined and conventional cycles), which in total provides installed capacity of 3,282 MW to the National Power System ("SEN").

Hydroelectric power plants have an installed capacity of 1,597 MW distributed among 16 plants: Colbún, Machicura, San Ignacio, Chiburgo and San Clemente, located in the Maule Region; Rucúe, Quilleco and Angostura, located in the Biobío Region; Carena, in the Metropolitan Region; Los Quilos, Blanco, Juncal, Juncalito, Chacabuquito and Hornitos, in the Valparaíso Region; and Canutillar, in Los Lagos Region. Colbún, Machicura, Canutillar and Angostura power plants have their own reservoirs, whereas the remaining hydroelectric power plants are run-of-the-river.

Thermal power plants have installed capacity of 1.685 MW and are distributed in the Nehuenco Complex, located in the Valparaíso Region; Candelaria power plant in the O'Higgins Region; Antilhue power plant in Los Ríos Region; and Los Pinos and Santa María power plants, located in the Biobío Region.

Business policy

The Company's commercial policy is to achieve a proper balance between commitments to sell electricity and its own efficient generation capacity to obtain an increase and stabilize operation margins, with acceptable levels of risk in the events of droughts. In addition, this requires an appropriate combination of thermal and hydro power generation.

As a result of this policy, the Company intends to maintain sales or purchases in the spot market from reaching significant volumes, since prices in this market experience significant variations, the hydrologic condition being the most relevant variable.

Main customers

Customer's portfolio is composed of regulated and unregulated customers:

Regulated customer with Long-Term Node Price Agreements tendered are as follows: Enel Distribución Chile S.A., CGE Distribución S.A.; 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., Compañía Nacional de Fuerza Eléctrica S.A., Empresa Eléctrica de Puente Alto Ltda., Cooperativa Rural Eléctrica Río Bueno Ltda., Chilquinta Energía S.A., Energía de Casablanca S.A., Luz Linares S.A., Compañía Eléctrica del Litoral S.A., Empresa Eléctrica de Antofagasta S.A. and Empresa Eléctrica Atacama S.A..

Unregulated customers are Anglo American Sur S.A. for its work sites Los Bronces/Las Tórtolas, Sociedad Contractual Minera Franke Essbio S.A., Nuevosur S.A., Aguas del Valle S.A., Crossville Fabric Chile S.A., Agrocomercial Quillota S.A., Laminadora Los Ángeles S.A., Talbot Hotels S.A., CIC Muebles y Componentes S.A., Compañías CIC S.A., Cooperativa Agrícola y Pisquera Elqui Limitada, Viña Francisco de Aguirre S.A., Empack

Flexible S.A., Invertec Foods S.A., Invertec Natural Juice S.A., Lanera Chilena S.A., Materiales de Embalaje S.A., Molino La Estampa S.A., Precisa Frozen Storage & Services Limitada, Soluciones de Etiquetado Innoprint S.A., Universidad Técnica Federico Santa María and Codelco for divisions Salvador, Andina, Ventanas and El Teniente.

In addition, starting on September 1, 2011, and as a result of the financial insolvency of Campanario Generación S.A. the Superintendence of Electricity and Fuels (SEC) issued the Exempt Resolution No. 2.288 on August 26, 2011, amended by Exempt Resolution No. 239 dated February 9, 2012, instructing all power generation companies included in the Central Interconnected System (SIC) to supply the consumption of regulated customers, which supplies were awarded by Campanario Generación S.A. at prices and under conditions indicated in the related tenders.

The Electricity Market

The Chilean power sector has a regulatory framework of almost three decades of operations. Such framework allowed developing a highly dynamic industry with a significant private equity interest. This sector has been able to comply with the increasing power demand, which has grown at an annual average rate of approximately 3.0% during the last 10 years, slightly lower compared to the GDP during the same period.

Chile has 3 interconnected systems and Colbún operates the largest, the National Power System (SEN), which comprises Arica in the north and Isla Grande de Chiloé in the south. The consumption in this zone represents 99% of total power demand in Chile. Colbún is the second power generation company based on SEN installed power with a market share of 14%.

The pricing system identifies different mechanisms for the short and long-term. For short-term pricing, the sector is based on a marginal cost scheme, including security and efficiency criteria in distributing resources. Power marginal costs result from the actual operation of the electric system in accordance with the financial merit programming conducted by the CEN (National Electrical Coordinator) and relate to the variable cost of production of the most expensive unit under operation at all times. Power remuneration is calculated based on the sufficiency power of plants, i.e., the reliable level of power level that could be provided to supply the system at the point of high demand, considering the uncertainty associated with the availability of supplies, forced and programmed unavailability of units, and facility unavailability which connects the unit to the Transmission and Distribution System. Power price is determined as an economic indicator, which represents the investment in most efficient units to address power demand during high demand hours.

For long-term pricing, power generation companies may have two types of customers: regulated and unregulated.

As a result of Law No. 20.018 passed on January 1, 2010, in the market of regulated customers, composed of distribution companies, power generation companies sale power at the price resulting from competitive and public tenders.

Unregulated customers comprise those with a connection power exceeding 5,000 KW, and they freely negotiate their prices with suppliers.

Note that the regulation allows users with connection power between 500 KW and 5,000 KW to select between systems of regulated or unregulated prices, with a minimum of four years in each system.

The spot market is where power generation companies trade at marginal cost energy and power (on an hourly basis) surplus or deficit resulting from their commercial position, net of production capacity, since dispatch orders relate to financial merit and exogenous to each power generation company.

To provide energy to the system and supply energy and electric power to its customers, Colbún uses own and third party transmission facilities as per the rights granted by the power legislation.

In this context, note that on July 20, 2016, it was published in the Official Journal the law establishing a new Power Transmission System, which also creates a coordinating agency independent of the National Power System. The principal amendments included in this law indicate that the transmission remuneration will be charged fully in connection with power demand. Additionally, a new Coordinator with legal personality is established to operate the National Power System, which commenced its operations on January 1, 2017.

Description of business in Peru

Main assets

The gas-based thermoelectric power plant with a combined cycle of 565 MW located in Las Salinas, Chilca district, at 64 kilometers south Lima, owned by subsidiary Fenix Power Perú. Its location is considered strategic, since it is near the Camisea gas pipeline and Chilca power substation, allowing power generation at an efficient cost.

This power plant commenced its operations in December 2014 and is composed of two General Electric dual turbines (gas or diesel) generating the 60% of its power, and a General Electric steam turbine generating the remaining 40%. This plant is considered a strategic asset in the Peruvian power market since it is the most efficient in the country and the third largest at domestic level.

Main customers

Regulated customers with long-term contracts: Distriluz Group, composed of Electro Norte S.A., Electro Noreste S.A. and Electrocentro S.A., and Hidrandina, COELVISAC, Enel Distribution S.A.A., Electricidad del Oriente S.A., Electro Dunas S.A.A. and Luz del Sur S.A.A.

Customers with short-term contracts: Celepsa S.A., Distriluz Group and GCZ Energía and Enel Distribución S.A.A.

Unregulated customers: Pamolsa e Inversiones Centenario.

The Electricity Market

Peru restructured the power market in 1992 (The Electricity Act No. 25,844: Energy Concessions Act), and during the last four years, significant reforms have been made to the sector's regulatory framework.

As of December 2017, the Peruvian power market has an installed capacity, at a domestic level, of approximately 14.6 GW, of which 12.5 GW corresponds to the capacity installed by the National Interconnected Power System (SEIN), out of this amount nearly 58% relates to thermal power, 39% to hydro power, and the remaining 3% to renewable energies. Accordingly, natural gas is critical at the domestic thermal power generation level, because of its significant reserves and exploration wells, being Camisea the main deposit with approximately 15.6 trillion cubic feet.

The pricing system identifies two types of customers: regulated users that consume less than 200 kW and unregulated customers (large private users that consume more than 2,500 kW). Customers with a demand between 200 kW and 2,500 kW have the option to be considered as regulated or unregulated.

The National Interconnected Power System (SEIN) is managed by a System Economic Operation Committee (COES), incorporated as a nonprofit private entity and as legal personality under public law. The COES is composed of other SEIN agents (Power Generation Companies, Transmitters, Distribution Companies and Unregulated Customers) and their decisions are mandatory for all agents. Its objective is to coordinate SEIN's short, medium, and long-term operations, ensuring system security, use of power resources, as well as planning the development of SEIN transmission and managing the Short-Term Market, the latter based on marginal costs.

In terms of energy consumption, the annual power demand for 2017 is approximately 49.3 TWh, which is concentrated in the mining and residential sectors. In 2016, the system demand was 49.8 TWh.

3. Significant accounting policies

3.1 Accounting policies

These consolidated financial statements of Colbún S.A. and subsidiaries as of December 31, 2017, have been prepared in accordance with International Financial Standards ("IFRS") as issued by International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the going concern assumption and approved by the Board of Directors for issue on February 1, 2018.

The accounting policies set out below have been used in the preparation of these consolidated financial statements.

a. Basis of preparation and period - These consolidated financial statements of Colbún S.A. comprise the following:

- Statements of Financial Position as of December 31, 2017 and 2016.
- Statements of Comprehensive Income for the years ended as of December 31, 2017 and 2016.
- Statements of Changes in Equity for the years ended as of December 31, 2017 and 2016.
- Statements of Cash Flows for the years ended as of December 31, 2017 and 2016.
- Notes.

The information contained in these consolidated financial statements is the responsibility of the Company.

These consolidated financial statements have been prepared under the historical cost basis, with the exception of those assets and liabilities recognized at fair value (note 3 h. and 3 i).

a.1 Functional currency - The Company's functional currency is the United States dollar, which is the currency that mainly impacts sale prices of goods and services in the markets in which the Company operates. All financial information in these consolidated financial statements has been rounded in Thousands of United States dollar (ThUS$) to the nearest number, except when indicated otherwise.

b. Basis of consolidation - The consolidated financial statements include the financial statements of the Parent and controlled companies.

Control is established as the base for determining which entities are consolidated in the consolidated financial statements.

Subsidiaries are those in which Colbún S.A. is exposed to, or has rights to, variable returns from its involvements with the entity and when it has the ability to affect those returns through its power over the entity. In general, the Company's power over its subsidiary arises from holding the majority of the voting rights provided by the subsidiary's equity instruments.

The detail of subsidiaries is as follows:

Consolidated company	Country	Currency	Tax ID No.	Ownership % as of			
				12.31.2017			12.31.2016
				Direct	Indirect	Total	Total
Empresa Eléctrica Industrial S.A.	Chile	US$	96.854.000-9	99.9999	-	99.9999	99.9999
Sociedad Hidroeléctrica Melocotón Ltda.	Chile	US$	86.856.100-9	99.9000	0.1000	100	100
Río Tranquilo S.A.	Chile	US$	76.293.900-2	99.9999	0.0001	100	100
Termoeléctrica Nehuenco S.A.	Chile	US$	76.528.870-3	99.9999	0.0001	100	100
Termoeléctrica Antilhue S.A.	Chile	US$	76.009.904-K	99.9998	-	99.9998	99.9998
Colbún Transmisión S.A.	Chile	US$	76.218.856-2	99.9999	0.0001	100	100
Colbún Desarrollo SpA	Chile	US$	76.442.095-0	100	-	100	100
Inversiones SUD SpA	Chile	US$	76.455.649-6	100	-	100	100
Inversiones Andinas SpA	Chile	US$	76.455.646-1	100	-	100	100
Colbún Peru S.A.	Peru	US$	0-E	99.9996	0.0004	100	100
Inversiones de Las Canteras S.A.	Peru	US$	0-E	-	51	51	51
Fenix Power Peru S.A.	Peru	US$	0-E	-	51	51	51

Differences in consolidation determination

During 2017, the Company has not had any changes in the determination of entities consolidated.

All intercompany transactions and balances have been eliminated in consolidation, as well as non-controlling interest have been recognized which relates to the ownership interest percentage of third parties in subsidiaries, which is included separately in Colbún's consolidated equity.

b.1 Business combinations and goodwill – Business combinations are recognized using the acquisition method. The acquisition cost is the sum of the consideration transferred, measured at fair value at the acquisition date, and the amount of the acquiree non-controlling interest, if any. For each business combination, the Company determines whether the non-controlling interest of the acquiree is measured at fair value or proportional to the net identifiable assets of the acquiree. Related acquisition costs are accounted for as incurred in other expenses.

When the Company acquires a business, it assesses the financial assets and financial liabilities acquired for their appropriate classification based on contractual terms, economic conditions and other related conditions at the acquisition date. This includes separating the embedded derivatives of the acquiree main contracts.

If the business combination is conducted by stages, ownership interests previously maintained in acquiree equity are measured at fair value at the acquisition date, and gains or losses are recognized in the statement of income.

Any contingent consideration transferable by the acquiree is recognized at fair value at the acquisition date. Contingent considerations which are classified as financial assets or financial liabilities in accordance with IAS 39 Financial Instruments: Recognition and Measurement are measured at fair value, accounting for changes in fair value as gain or loss or through comprehensive income. In the events contingent considerations are not within the scope of IAS 39, these are measured in accordance with the related IFRS. If the contingent consideration classified as equity, this is not revalued and any subsequent settlement is recorded equity.

Goodwill is the excess of the sum of the consideration transferred recognized on the net value of assets acquired and liabilities assumed. If the fair value of net assets acquired exceeds the amount of the consideration transferred, the Company conducts a new assessment to ensure that all assets acquired and liabilities assumed have been appropriately identified, and reviews all procedures applied to conduct the measurement of the amount recognized at the acquisition date. If the new assessment results in an excess of fair value of net assets acquired on the aggregate amount of the consideration transferred, the difference is recognized as profit in the statement of income.

Subsequent to initial recognition, goodwill is recognized at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is allocated, at the acquisition date, to each Company's cash-generating unit which is expected to receive benefits, regardless if there are other assets or liabilities of the acquiree allocated to those units. Once the business combination is completed (concludes the measurement process) goodwill is not amortized and the Company reviews on a regular basis its carrying amounts to recognize any impairment losses.

When goodwill is part of the cash-generating unit and a portion of such unit is derecognized, goodwill related to such disposed operations is included in the carrying amount of the operations when determining gains or losses obtained at disposal. Goodwill derecognized is measured based on the relative value of the disposed operation and the portion of the cash-generating unit maintained.

b.2 Non-controlling interest - The value of non-controlling interest in subsidiaries' equity and comprehensive income is presented under captions "Total Equity: Non-controlling interest" of the consolidated statement of financial position and "Net profit attributable to non-controlling interests" and "Comprehensive income attributable to non-controlling interest" in the statement of comprehensive income.

b.3 Interest in unconsolidated structured entities - On May 17, 2010, as per the D.E. No.3.024, the Ministry of Justice grants legal personality and approves the Colbún Foundation's bylaws (hereinafter the "Foundation"). Main objectives of the Foundation address the following:

The promotion, encouragement, and support of all type of projects and activities that aim to improve living conditions in the neediest sectors.

Research, development, and dissemination of culture and arts. The Foundation will be able to participate in the formation, organization, management and support of all entities, institutions, associations, groups and organizations, either public or private, which have the same goals.

The Foundation will support all entities mainly involved in the dissemination, research, encouragement and development of culture and arts.

The Foundation may finance the acquisition of real estate, equipment, furniture, laboratories, classroom, museums and libraries, and finance the collection of infrastructures to support professional enhancement.

Additionally, the Foundation may finance research and development, prepare and implement training programs, provide training for development and finance the publishing and distribution of books, brochures and any types of publications.

This legal entity is not considered in the consolidation process, as being a nonprofit entity the Company expects no economic benefit from it.

c. Equity-accounted investees - Corresponds to interests in entities where Colbún has joint control with other company or significant influence.

The equity method comprises recognizing initially at acquisition cost and subsequently adjusted for the changes in net assets of the acquiree.

If the amount is negative the interest is zero unless there is a commitment by the Company to restore the entity's equity, which then records the related provision for risks and expenses.

Dividends received by these companies are recognized by reducing the interest value, and profit or loss obtained by these entities, which corresponds to Colbún as per its interest, are included net of tax effects in the profit or loss account "Interest in gains (losses) of associates and joint ventures accounted for using the equity method."

The detail of companies accounted for using the equity method is as follows:

Relationship	Company	Country	Currency	Tax ID No.	Ownership % as of	
					12.31.2017	12.31.2016
					Direct	Direct
Associate	Electrogas S.A.	Chile	US$	96.806.130-5	42.5	42.5
Joint venture	Centrales Hidroeléctricas de Aysén S.A.	Chile	Ch$	76.652.400-1	49.0	49.0
Joint venture	Transmisora Eléctrica de Quillota Ltda.	Chile	Ch$	77.017.930-0	50.0	50.0

c.1 Investment in associates - Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies. Overall, significant influence exists when the Company has between 20% and 50% of voting rights of other company.

c.2 Investment in joint venture - Relate to entities in which the Company has joint control over its activities, as established by contractual terms and which requires unanimous consent to make relevant decisions by all ventures.

d. Effect of foreign exchange rate fluctuations - Transactions in foreign and domestic currency, other than functional currency, are translated to the functional currency using the exchange rates prevailing at the transaction dates.

Profits and losses in foreign currency that result from the settlement of these transactions and from conversion at the closing exchange rates for monetary assets and liabilities denominated in currencies other than the functional currency, are recognized in the statement of income, unless they have to be recognized in other retained earnings, as in the case of cash flow hedges and net investment hedges. In addition, the translation of balances receivable and payable at each reporting date in currency other than the functional currency of the financial statements which are part of the consolidation perimeter is conducted at closing exchange rates. Differences in measurement are recognized as finance income and finance costs under foreign currency translation differences.

e. Basis of translation - Assets and liabilities denominated in Chilean peso, Euro, Peruvian soles and inflation-adjusted units have been translated into United States dollars at the exchange rates at the reporting date, as per the following:

Exchange rate	12.31.2017	12.31.2016
Chilean peso	614.75	669.47
Euro	0.8317	0.9488
Peruvian sol	3.2450	3.3600
Inflation-adjusted units	0.0229	0.0254

f. Property, plant and equipment - Property, plant and equipment held for the generation of power services or administrative purposes, are presented at cost less subsequent depreciation and impairment losses, if applicable. This cost value includes, separate from the acquisition price of assets, the following concepts as permitted by IFRS:

- Finance cost of loans intended to finance assets under construction is capitalized during the construction period.

- Personnel expenses directly related to assets under construction.

- Costs of extensions, modernization or improvements representing an increase in the productivity, capacity or efficiency or lengthening of the useful lives of assets, are capitalized as a higher cost of the related assets.

- Substitutions or renovation of assets that increase their useful lives, or their economic capacity, are recorded as the higher value of the respective assets, with the consequent accounting derecognition of the substituted or renovated assets.

- Dismantling, removal and restoration costs of property, plant and equipment are recognized based on the legal obligation of each project (note 3.n.2).

Assets under construction will be transferred to property, plant and equipment in operation after the end of the test period, from which date their depreciation commences.

Periodic maintenance, conservation and repair expenses are recorded directly in profit or loss as costs for the period in which they are incurred.

Items of property, plant and equipment, net of their residual value are depreciated by allocating, on a straight-line basis, the cost of different items comprising over their estimated useful life (note 5 a. (i)).

The residual values and useful lives of items of property, plant and equipment are reviewed at each reporting date and adjusted if required.

g. Intangible assets other than goodwill – Intangible assets acquired individually are measured initially at cost. The cost of intangible assets acquired in business combinations is their fair value at the date of acquisition. Subsequent to initial recognition, are measured at cost less accumulated amortization and impairment losses.

The Company assesses at initial recognition if the useful life of intangible assets is definite or indefinite.

Assets with definite useful life are amortized throughout their remaining economic useful life and assessed for impairment when such indicators exist. The amortization period and amortization of intangible assets with definite useful life are reviewed at least at each reporting date. The criteria used for the recognition of impairment losses of these assets and their recoveries are recorded in note 5 b.

Changes in expected useful life or consumption pattern of future economic benefits materialized in the asset are considered to change the period or amortization method, if applicable, and treated as a change in the accounting estimate. Amortization expenses of intangible assets with definite useful life are recognized in the statement of comprehensive income.

h. Financial instruments

h.1. Financial assets - Financial assets are classified as follows:

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

The classification depends on the nature and purpose of financial assets and is established upon initial recognition.

h.1.1 Loans and receivables - These are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost, which is the value of the consideration received less accumulated amortization (calculated using the effective method). They are included in current assets, except for those having maturities over 12 months from the Statement of Financial Position, which are classified as non-current financial assets. Receivables are included under trade and other receivables in the statements of financial position.

The effective interest method is a method for calculating the amortized cost of a financial liability and allocating interest income throughout the relevant period. The effective interest rate corresponds to the rate that discounts the estimated future cash flows receivable (including all charges on items paid or received that are part of the effective rate, transaction costs and other premium or discounts) throughout the expected life of the financial asset.

h.1.2 Investments held to maturity - Correspond to those the Company has the intention and ability to hold to maturity, and initially measured at fair value and subsequently at amortized cost. Overall, investments in short-term instruments such as fixed-term deposits are recognized in this category.

h.1.3 Financial assets recognized at fair value through profit or loss - Include trading portfolio and financial assets managed and assessed as per the fair value criteria. Differences in its value are recognized directly in the statement of income as incurred. Investments in short-term Mutual Funds are recognized in this category.

h.1.4 Available-for-sale investments - Correspond to the remaining investments designated specifically as available-for-sale or those that are not within the scope of any of the categories mentioned above. These investments are recognized at fair value as determined reliably. Changes in fair value are recognized under Other reserves in the Statement of Other Comprehensive Income.

h.1.5 Derecognition of financial assets - The Company derecognizes financial assets only when the rights to receive cash flows have been canceled, voided, expired or have been transferred.

h.1.6 Impairment of non-derivative financial assets - Financial assets classified as loans and receivables and held to maturity are assessed at each reporting date to determine if any impairment indicators exist. Financial assets are impaired when there is objective evidence that, as a result of one or more events incurred after initial recognition, these impacted the estimated cash flows of the investment.

Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency of payments, are considered indicators that the trade receivable is impaired. Impairment is the difference between the carrying amount of the asset and the real value of estimated future cash flows discounted at the effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an estimated account.

When a receivable is classified as a doubtful account, after all reasonable mechanisms of collection, either judicial or pre-judicial, have been exhausted as per the related legal report; and its related write-off applies, this is recorded against the impaired trade receivables account.

When the fair value of an asset is lower than the acquisition cost, if objective evidence exists that the asset is impaired and such impairment is not temporal, the difference is recorded directly in losses for the year.

In the case of equity securities classified as available-for-sale, a significant and prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognized in profit or loss, is removed from Other reserves and recognized in the income statement. Impairment losses recognized in the statement of income for equity instruments are reversed in the statement of income.

Financial assets at fair value through profit or loss are not subject to impairment tests.

Considering that as of December 31, 2017, total financial investments of the Company have been conducted with financial institutions with the highest rating quality and with an average short-term maturity (less than 90 days), impairment tests conducted indicate there is no observable impairment.

h.2. Financial liabilities

h.2.1 Classification as debt or equity - Debt instruments and equity instruments are classified as either financial liabilities or equity, as per their contractual terms.

h.2.2 Equity instruments - Correspond to any agreement representing a residual interest in the net assets of an entity after all its liabilities are deduced. Equity instruments issued by Colbún S.A. are recognized at the amount of the consideration received, net of direct costs of issuance. Currently, the Company only issues single series shares.

h.2.3 Financial liabilities - Financial liabilities are classified as financial liabilities at "fair value through profit or loss" or "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 where the financial liability is either held for trading or it is designated at fair value through profit or loss. These are measured at fair value and changes therein, including any interest expenses, are recognized in profit or loss.

h.2.5 Other financial liabilities - Other financial liabilities, including bank borrowings and bonds payable promissory notes, are measured initially at the amount of cash received net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method for calculating the amortized cost of a financial liability and allocating interest expense throughout the relevant period. The effective interest rate corresponds to the rate that discounts estimated future cash flows payable throughout the expected life of the financial liability or, if appropriate, a shorter period when the associated liability has a prepayment option to be applied.

h.2.6 Derecognition of financial liabilities - The Company derecognizes financial liabilities only when obligations are canceled, voided or expired.

i. Derivatives - The Company entered into derivative instruments to mitigate its exposure to interest rate fluctuation related to exchange rates and fuel prices.

Changes in fair value of these instruments at the reporting date are recognized in the statement of comprehensive income unless these are designated as hedge accounting and meet the conditions established in IFRS.

Hedges are classified as follows:

- Fair value hedges: correspond to a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment attributable to a particular risk. For this hedges, both the hedge instrument value and the hedged item are recognized in the statement of comprehensive income, offsetting both effects in the same caption.

- Cash flow hedges: corresponds to a hedge of the exposure to the fluctuation in cash flows attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction. Changes in the fair value of derivatives are recognized, with respect to the effective portion of the hedges, in equity reserve under "Cash flow hedges." Retained earnings or an accumulated deficit in such caption are transferred to the statement of comprehensive income to the extent that the underlying portion has an impact on the statement of comprehensive income for the hedged risk, netting such effect in the same heading in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of comprehensive income.

A hedge is considered highly effective when changes in fair value or in cash flows of the underlying asset directly attributable to the hedged risk are offset by the changes in the fair value or cash flows of the hedged instrument with an effectiveness within a range between 80% and 125%. For the period covered by these consolidated financial statements, the Company designated certain derivatives as hedging instruments of highly probable forecasted transactions or hedging instruments related to foreign currency risks of a firm commitment (cash flow hedging instruments).

The Company has designated all its derivatives as hedge accounting instruments.

j. Inventory - This caption includes gas, oil and coal stock, and warehouse inventory (spare parts and materials), which are valued at cost, net of possible obsolescence determined in each period. Cost is determined using their weighted average purchase price.

j.1 Impairment of spare parts (obsolescence) basis - The estimate of impairment of spare parts (obsolescence) is established based on an individual and general assessment performed by specialists of the Company, who assesses turnover and technological obsolescence criteria on the stock held in warehouses of each Power plant.

k. Statement of cash flows - For the preparation of the statement of cash flows, the Company uses the following definitions:

Cash and cash equivalents comprise cash on hand, term deposits in credit institutions and other highly liquid short term investment with original maturities up to three months and subject to an insignificant risk of changes in their valuation. Bank overdrafts are classified as current liabilities in the statement of financial position.

Operating activities: are the principal revenue-producing activities usually conducted by the Company and other activities that are not investing or financing activities.

Investing activities: correspond to acquisition, disposal or sale activities by other means of long term assets and other investments not included in cash and cash equivalents.

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

l. Income tax - The Company determines the taxable basis and calculates income tax in accordance with current tax legislation in each period.

Deferred taxes arising from temporary differences and other events generating differences between the accounting and tax basis of assets and liabilities are recorded in accordance with IAS 12 "Income Taxes."

Current income tax is recognized in the statement of income or in the statement of other comprehensive income based on where the profit or loss from which they arose are recorded. Differences between the carrying amount of the assets and liabilities and their tax base generate the basis on which deferred taxes are calculated using the tax rates that are expected to be in force when the assets are realized and liabilities are settled.

Changes in deferred tax assets or liabilities generated are recorded in profit or loss in the consolidated statement of comprehensive income or in captions total equity under the statement of financial position, based on where the profit or loss from which they arose are recorded.

A deferred tax asset is recognized only to the extent that is probable that future taxable profits will be available, against which the temporary difference can be utilized to recover temporary difference deductions and use the tax losses.

At each reporting date, the Company reviews the deferred income tax assets and liabilities recorded to verify that they are effective, and adjusted on a timely basis based on the results of such analysis.

For the consolidated financial statement balances, the Company and its subsidiaries offset deferred tax assets and liabilities if, and only if, they relate to the income tax, which corresponds to that same tax administration, only to the extent that the Company is legally entitled to offset current tax assets with current tax liabilities.

m. Severance indemnity payments - Obligations recognized as severance indemnity payments at all events arise as a result of collective agreements subscribed by employees of the Company, in which the Company's commitment is established, and are classified as "Defined post-employment benefits." The Company recognizes employee benefit costs based on an actuarial calculation in accordance with IAS 19 "Employee benefits", which includes variables such as life expectancy, salary increases, among others.

At the reporting date, the amount of net actuarial liabilities accrued is presented in the item of non-current employee provisions in the consolidated statement of financial position.

The Company recognizes all actuarial gains and losses arising from the valuation of defined benefit plans in other comprehensive income. Accordingly, all costs related to benefit plans are recorded as personnel expenses in the statement of comprehensive income.

n. Provisions - Obligations maintained at the reporting date in the statement of financial position, arising as a result of past events which may generate highly-probable equity losses to the Company, which amount and timing can be reliably estimated, are recorded as provisions at the amount which it is estimated that the Company would have to disburse to settle the obligation.

Provisions are reviewed on a regular basis and are quantified considering the best information available at the reporting date of these consolidated financial statements.

n.1 Restructuring - A provision for restructuring expenses is recognized when the Company approves a detailed and formal restructuring plan, and such restructuring has commenced or is publicly announced. The Company accrues no future operating costs.

n.2 Dismantling - Future disbursements by the Company related to the closure of its facilities are included at the asset amount at fair value, recognizing the related provision for dismantling or remediation at the commencement of the plant's operations. The Company assesses on an annual basis its estimate on future disbursements indicated above, increasing or decreasing the asset value based on the results of such estimate (see Note 24 c). During 2017, the Company has determined its best estimate with respect to dismantling commitments, recognizing this provision in the consolidated financial statements.

o. Accrued vacations - Vacation expenses are recorded in the year the right is accrued, in conformity with IAS 19.

p. Revenue recognition - Revenue from the sale of power in Chile and Peru is recognized at the fair value of the amount received or receivable and represents the amount for services rendered during the normal course of business, less any related discount or tax.
A description of the Company's main revenue recognition policies for each type of customer is presented below.

- Regulated customers - distribution companies: Revenue from the sale of electric power is recorded based on physical delivery of energy and capacity in conformity with long-term agreements at a bid price.

- Unregulated customers - Connection capacity exceeding 5,000 KW in Chile and between 200 KW and 2,500 KW in Peru: Revenue from the sale of electric power for these customers is recorded based on the physical delivery of energy and capacity, at fees established in the related contracts.

- Spot market customers: Revenue from the sale of electric power is recorded based on the physical delivery of energy and capacity to other power-generation companies at the marginal cost of energy and capacity. The spot market is legally organized through Delivery Centers (CEN in Chile and COES in Peru) where energy and capacity surplus and deficit is traded. Energy and capacity surplus are recognized as revenue, and deficit is recorded as costs in the consolidated statement of comprehensive income.

When goods or services are traded or exchanged for other goods or services of similar characteristics and value, the exchange is not considered a revenue-generating transaction.

In addition, any tax received by customers and forwarded to government authorities (e.g. VAT, taxes on sales and taxes, etc.) are recorded on a net basis, and therefore excluded from revenue in the consolidated statement of comprehensive income.

p.1 Finance income - Finance income is composed of interest income in funds invested, gains from the sale of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains from hedge instruments that are recognized in comprehensive income. Interest income is recognized as it accrues in profit or loss at the amortized cost using the effective interest method.

q. Dividends - Article No. 79 of the Chilean Public Company Act establishes that, except otherwise unanimously agreed in at the related shareholders meeting, shareholders' corporations must annually distribute as cash dividend to their shareholders, at pro rata of their interests or in the proportional amount established by the Company's by laws, in the event preference shares exist, at least 30% of net profit for each year, except if the Company has to absorb accumulated losses from prior years.

At each reporting date, the Company estimates the amount of the obligation with its shareholders, net of provisional dividends that have been approved during the year, and are recognized as "Trade and other payables, current" or as "Trade payables due to related parties", as appropriate, with a debt to equity.

Provisional and definitive dividends are recorded as decreases in equity at their approval by the relevant individuals which, in the first case, generally corresponds to the Company's Board of Directors, and in the second case the responsibility relates to the Shareholders' Ordinary Meeting.

r. Environment - In the event of environmental liabilities, these are recognized on based on the current interpretation of environmental laws and regulations, when is probable that a current obligation is produced and the amount of such liability can be estimated reliably (see Note 24 c).

Investments in infrastructure projects intended to comply with environmental requirements are performed in conformity with the general accounting criteria related to property, plant and equipment.

s. Classification of balances as current or non-current - Balances in the accompanying consolidated statement of financial position are classified on the basis of their maturities – i.e., balances maturing within twelve months or less are classified as current; whereas balances maturing in periods exceeding twelve months are classified as non-current.

t. Leases - The Company applies IFRIC 4 to assess whether an agreement is, or contains a lease. Leases in which substantially all the risks and benefits inherent to the ownership are transferred are classified as finance leases. Other leases are classified as operating leases.

Finance leases in which Colbún and its subsidiaries act as lessee are recognized at contract inception, recording an asset based on its nature and a liability for the same amount, or equivalent to the fair value of the leased asset, or the current value of minimum payments for the lease, if this value is the lower. Subsequently, the lease minimum payments are divided into finance costs and debt reduction. A finance charge is recognized as an expense and distributed between the years comprising the lease term, thus obtaining a constant interest rate at each year on the balance of outstanding debt. The asset is depreciated on the same terms than the remaining similar depreciable assets if there is a reasonable certainty that the lessee will acquire the ownership of the asset at the end of the lease. If such certainty does not exist, the asset is depreciated on the shortest term between the useful life of the asset and the lease term.

Operating lease payments are expended on a straight-line basis over the term of the lease unless another systematic basis of distribution is more representative.

u. Transaction with related parties - The transactions between the Company and its dependent subsidiaries, which are related parties, are part of the Company's usual transactions with respect to its objective and conditions, and these are eliminated in the consolidation process. The identification of the relationship between the Parent, Subsidiaries, Joint Ventures and Related Parties are detailed in Note 3.1 and section b and c.

All transactions are performed under the market terms and conditions.

v. Government grants - Government grants are measured at the fair value of the asset received or receivable. A grant with no specific future performance conditions is recognized in income when the amount obtained for the grant is received. A grant establishing specific future performance conditions is recognized in income when such conditions are met.

Government grants are presented separated from the asset to which they relate. Government grants recognized in income are presented separately in the notes. Government grants received before the compliance with the revenue recognition criteria are presented as a separate liability in the statement of financial position.

The Company recognizes no amount for types of government aid to which no fair value can be allocated. However, if these exist, the Company discloses the information of such aid.

w. Interest costs - Interest costs directly attributable to the acquisition, construction or development of an asset which implementation or sale requires an extended period of time, are capitalized as part of the cost of such asset. The Company has established as a policy the capitalization of interests based on the construction phase. The remaining interest costs are recognized as expenses in the period they are incurred. Financial expenses include interests and other costs incurred by the Company with respect to the financing obtained.

x. Contingent assets and liabilities - A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly under the Company's control, or a present obligation arising from past events which has not been recognized because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. These will not be recognized in the financial statements, but will have to be disclosed in the notes to the financial statements.

y. Reclassifications – For comparative purposes, the Company made the following reclassifications as of December 31, 2016: From non-current assets in caption "Other non-financial assets, non-current" to caption "Property, plant and equipment" as contract maintenance stock for MUS$15.9. Within equity from caption “Retain Earnings” to “Other Reserves”, the Company recognized a portion of the reserves associated with the revaluation of assets of MUS$ 86 (MUS 56 in 2017).

z. Immaterial corrections - On December 18, 2015, Colbún S.A. (through Inversiones Las Canteras S.A.) acquired Fenix Power for MUS$796. Prior to this, on December 17, 2015, the previous Management of Fenix Power recorded an impairment of property, plant and equipment of MUS$97, recording the Company's fair value in accordance with IAS 36. Deferred tax related to such impairment was not recorded at that date, which was considered an immaterial correction in the preparation of the interim consolidated financial statements as of June 30, 2017.

In Colbún S.A., and after the relevant assessment by Management, this amount was considered immaterial with respect to the consolidated financial statements, for which it is not necessary to re-issue financial statements from prior years.

Thus, Colbún S.A. recorded this effect prospectively in June 2017 in the following accounting items: Increase of MUS$27 in deferred tax assets; a decrease of MUS$4.0 in goodwill; an increase of MUS$23 in Other income (see Notes 21 and 34).

3.2 New accounting pronouncements

The new standards and interpretations below have been issued but are not yet effective:

New standards

New IFRSs		Mandatory application date
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021

IFRS 9 "Financial Instruments"

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities.

On November 19, 2013, the IASB issued a new document that expands and amends this and other related standards, Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39. This document includes the new hedge accounting model, allows the early adoption of the requirement of presenting changes in value associated with own credit risk in liabilities designated at fair value through profit or loss, which are recognized in Other Comprehensive Income.

On July 24, 2014, the IASB issued the fourth and latest version of its new standard on financial assets, IFRS 9 Financial Instruments. The new standard includes guidance on the classification and measurement of financial assets, including impairment, and supplements new hedge accounting principles issued in 2013.

The effective date corresponds to Financial Statements issued for periods beginning on or after January 1, 2018. Early adoption is permitted.

IFRS 15 "Revenue from Contracts with Customers"

Issued on May 28, 2014, this Standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31, Revenue – Barter Transactions Involving Advertising Services.

This new Standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall within the scope of other IFRSs.

This Standard contains a single model that applies to contracts with customer and two approaches for recognizing revenue: at a point in time or over time. The model considers an analysis of transactions based on a five-step model to determine whether, how much and when revenue is recognized:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

This standard is effective for periods beginning on or after January 1, 2018. Early adoption is permitted.

IFRS 16 “Leases”

Issued on January 13, 2016, this Standard will require companies to bring all leases on-balance sheet from January 1, 2019. Companies with operating leases will be more asset-rich but also more heavily indebted. The larger the lease portfolio, the greater the impact on key reporting metrics.

This standard is effective for periods beginning on or after January 1, 2019. Early adoption is permitted.

IFRS 17, “Insurance Contracts”

Issued on May 18, 2017, this Standard requires that insurance obligations be measured at current compliance values and provides a more consistent approach for presenting and measuring all insurance contracts. Such requirements are designed to provide a consistent principle-based accounting treatment.

This standard is effective for periods beginning on or after January 1, 2021. Early adoption is permitted if IFRS 9 and IFRS 15 have been adopted.

New interpretations

New interpretations		Mandatory application date
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

IFRIC 22 Interpretation “Foreign Currency Transactions and Advance Consideration”

Such Interpretation clarifies the accounting for transactions including the receipt or payment of an advance consideration in a foreign currency.

It overs foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It is not applicable if an entity measures the related asset, expense or income at the fair value of the consideration received or paid on a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. In addition, the application of this Interpretation is not necessary to income taxes, insurance contracts or reinsurance contracts.

The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date for the transaction is established for each payment or receipt.

In other words, when a different exchange rate exists between the date in which a prepayment is made or received and the date in which a related asset, expense or revenue is recognized, the exchange rate of the date in which the prepayment(s) is (are) made or received must be maintained if more than one prepayment exists.

This standard is effective for periods beginning on or after January 1, 2018. Early adoption is permitted.

IFRIC 23: "Uncertainty over Income Tax Treatments"

This Interpretation, issued on June 7, 2017, provides guidance on determining taxable profits (losses), taxable bases, unused tax losses, unused tax credits, and tax rates when there is an uncertainty with respect to the treatments for income tax under IAS 12.

Specifically, it considers:

- Whether tax treatments should be considered collectively.
- Assumptions for taxation authorities' examinations.
- Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- Effect of changes in facts and circumstances.

This Interpretation is effective for periods beginning on or after January 1, 2019. Early adoption is permitted.

Amendments and/or modifications

Amendments to IFRS		Mandatory application date
IAS 40	Transfers of Investment Property (Amendments to IAS 40, Investment Property)	January 1, 2018
IFRS 2	Share-Based Payments: Clarifies the accounting for of certain types of share-based payments transactions	January 1, 2018
IFRS 15	Revenue from Contracts with Customers: Amendment clarifying requirements and providing additional transition relief for entities implementing the new standard	January 1, 2018
	Annual Improvements Cycle to IFRS 2014-2016. Amendments to IFRS 1 and IAS 28	January 1, 2018
IFRS 9	Financial Instruments, and IFRS 4, Insurance Contracts: Aplicación de IFRS 9 con IFRS 4 (Modificación a IFRS 4)	January 1, 2018
IAS 28	Long-Term Interets in Associates and Joint Ventures	January 1, 2019
IFRS 9	Prepayment Features with Negative Compensation	January 1, 2019
IFRS 10	Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Mandatory date deferred indefinitely

IAS 40: "Transfer to investment property"

This Interpretation, issued on December 8, 2016, amends paragraph 57 to establish that an entity shall transfer a property to, or from, investment property if and only if, evidence exists of a change in use.

The change of use shall consist of the property meeting, or ceasing to meet, the definition of investment property.

A change in Management's intent related to the use of a property does not constitute evidence in itself of a change in use.

The list of examples in paragraphs 57(a) to 57(d) is now presented as a non-exhaustive list of examples, replacing the previous exhaustive list.

This amendment is effective for periods beginning on or after January 1, 2018. Early adoption is permitted.

Amendments to IFRS 2 "Share-based Payments: Clarifying the accounting for certain types of share-based payment transactions"

The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments.
- Share-based payment transactions with a net settlement feature for withholding tax obligations;
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This amendment was issued on June 20, 2016, stating that companies are required to apply the amendments for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Amendment to IFRS 15 "Revenue from Contracts with Customers: Clarifying requirements and provision to improve the ease of the transition"

Amendment clarifying requirements and providing additional transition relief for entities implementing the new standard.

This amendment is effective for periods beginning on or after January 1, 2018. Early adoption is permitted, and it is an integral part of IFRS 15.

2014-2016 Annual Improvements Cycle: IFRS 1 and IAS 28

IFRS 1: This amendment deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

IAS 28: Investment in Associates: A venture capital organization, or other qualifying entity, may choose to measure its investments in related parties and joint ventures at fair value through profit or loss. Such selection is applicable on an investment-by-investment basis. A non-investment entity investor may opt to retain the accounting recognition at fair value applied by an investment entity that is an associate or joint venture, to its subsidiaries. The election is made separately for each associate or joint venture.

The amendments are effective for annual periods beginning on or after January 1, 2018. The amendment to IAS 28 is applied retrospectively. Early adoption is permitted.

Amendment to IFRS 9, Financial Instruments and IFRS 4, Insurance Contracts: Applying IFRS 9 with IFRS 4 (Amendment to IFRS 4)

On September 12, 2016, the IASB issued an amendment to IFRS 4 which provided two options for entities that issue insurance contracts within the scope of IFRS 4.

- An option that would permit entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets;
- An optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

This amendment is applicable for annual periods beginning on or after January 1, 2018, and it will be available only for the three years starting from January 1, 2018. Early adoption is permitted.

IAS 28: "Long-term Interests in Associates and Joint Ventures"

This amendments includes the following:

- Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

This Interpretation is effective for periods beginning on or after January 1, 2019. Early adoption is permitted.

Amendment to IFRS 9, "Financial Instruments: Prepayment features with negative compensation"

On October 12, 2017 this amendment was issued changing the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

This amendment is effective for periods beginning on or after January 1, 2019. Early adoption is permitted.

Amendment to IFRS 10 "Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

On September 11, 2014, the IASB issued this amendment that requires that when transferring subsidiaries to an associate or joint venture, the total gain should be recognized when assets transferred meet the definition of "business" under IFRS 3, Business Combinations. This amendment establishes a strong pressure on the definition of "business" for recognition in profit or loss. In addition, it introduces new and unforeseen recognition for transactions that partially consider maintenance in assets that are not businesses.

The effective application date has been deferred indefinitely.

Transition to New IFRSs

IFRS 9 “Financial Instruments”

In July 2014, the IASB issued the final version of IFRS 9, which gathers all the stages of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard includes new requirements based on principles for planning and measuring, introduces a new “more prospective” model of expected credit losses for accounting for impairment and a substantially reformed approach for hedge accounting. In addition, entities will have the option of early applying the accounting of gains and losses for changes in fair value related to “own credit risk” for financial liabilities at fair value through profit or loss, without applying other requirements of IFRS 9. Expect for hedge accounting, a retrospective application is required, but comparative information is not mandatory. Generally, hedge accounting requirements are applied prospectively with some exceptions. The standard is mandatory for annual periods beginning on January 1, 2018. Early adoption is permitted.

The Company intends to adopt the new standard in the effective date required and no comparative information will be reformulated. During 2017, the Company assessed the detailed effect of the three aspects of IFRS 9. As a result, the Company determined that IFRS 9 has no significant effects in its financial statements.

This assessment is based on the information currently available and may be subject to changes derived from fair and supporting information available for the Company in 2018 when IFRS 9 is adopted.

The Company expects no significant increase in the estimate of uncollectibility of expected losses. In addition, as a result of the assessment the Company will implement no changes to the classification of its financial instruments.

(a) Classification and measurement

The Company expects no significant effect on its balance sheet or equity in applying the classification and measurement requirements of IFRS 9. The Company expects to maintain the measurement at fair value of all its financial assets.

Loans and receivables are held to obtain contractual cash flows and expected to generate cash flows, which only represent the payment of capital owed and interest. The Company analyzed its contractual cash flows, the instrument features and its business model and concluded that meet the criteria established measurement at amortized cost under IFRS 9.

Accordingly, these instruments require no reclassification.

(b) Impairment

IFRS 9 requires that the Company recognizes expected credit losses in all its debt securities, loans and trade receivables, for either twelve months or lifetime. The Company will apply a simplified approach and recognize expected lifetime losses in all its trade receivables. The Company determined that using the Forward-looking approach as a result of the nature of its loans and receivables, loss allocation will have a not significant increase in the consolidated financial statement.

(c) Hedge accounting

The Company determined that all hedge relationship currently effective are still eligible for hedge accounting under IFRS 9. As IFRS 9 changes no general principles on how an entity accounts for the effective hedges, the application of hedge requirements of IFRS 9 will have no significant effect on the consolidated financial statements.

IFRS 15 “Revenue from Contracts with Customers”

In May 2014, the IASB issued IFRS 15 and amended it in April 2016. Effective on January 1, 2018, this standard establishes a five-step model to recognize revenue from contracts with customers. In accordance with IFRS 15, revenue is recognized in an amount reflecting the consideration, which the entity expects to be entitled in exchange of the transfer of goods or services to a customer.

The new revenue standard will replace all current requirement of revenue recognition in accordance with IFRS.

A full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company intends to adopt the new standard in the effective date required using the modified retrospective approach.

During 2017, the Company conducted a detailed analysis and study of IFRS 15. The Company determined that the adoption of IFRS 15 will have no material effects.

The Company is mainly involved in the distribution of energy and capacity to regulated and unregulated customers in Chile and Peru. Equipment and services are sold in conjunction as a good and/or service package.

(a) Sale of goods

For contracts with customers which indicate the sale of equipment as the solely obligation, the adoption of IFRS 15 is expected to have no effect on the Company's income or losses, since revenue recognition should occur in a point in time where asset control in transferred to the customer, generally with the provision of goods. In addition, the Company expects no effects associated with the sale of good individually, as the entity's contracts do not include only the sale of goods.

(b) Rendering of services

The Company provides energy and capacity services to regulated and unregulated customers. These services are provided in conjunction with the sale of equipment (such as power meters) to customers. Currently, the Company recognizes equipment and services as separate products of the grouped sales and allocates consideration between these deliverables using the relative fair value method. The Company recognizes service revenue based on the physical delivery of energy and capacity. In accordance with IFRS 15, the allocation will be conducted based on the stand-alone selling prices. Accordingly, the allocation of consideration and timing of the amount of revenue recognized related to these sales will be affected.

The Company concluded that services are satisfied during the time as the customer receives and consumes simultaneously the benefits provided by the Company. Accordingly, the Company will continue to recognize revenue for service/service component of grouped contracts during the time and at a point in time.

A description of the Company's main revenue recognition policies for each type of customer is presented below.

- Regulated customers - distribution companies: Revenue from the sale of electric power is recorded based on physical delivery of energy and capacity in conformity with long-term agreements at a bid price.

- Unregulated customers - connection capacity exceeding 5,000 KW in Chile and between 200 KW and 2,500 KW in Peru: Revenue from the sale of electric power for these customers is recorded based on the physical delivery of energy and capacity, at fees established in the related contracts.

- Spot market customers: Revenue from the sale of electric power is recorded based on the physical delivery of energy and capacity to other power-generation companies at the marginal cost of energy and capacity. The spot market is legally organized through Delivery Centers (CEN in Chile and COES in Peru) where energy and capacity surplus and deficit is traded. Energy and capacity surplus are recognized as revenue, and deficit is recorded as costs in the consolidated statement of comprehensive income.

(c) Prepayment to customers

In general, the Company receives only short-term prepayments from customers related to operations and maintenance services. These are presented as part of other financial liabilities. However, the Company sometimes may receive long-term prepayments from customers. In accordance with the current accounting policy, the Company records such prepayments as deferred income by virtue of non-current liabilities classified in the statement of financial position. The Company recorded no accumulated interests on long-term prepayments received by virtue of the current accounting policy.

In accordance with IFRS 15, the Company should determine whether a significant financing component exists in its contracts. However, the Company decided to use the practical solution provided in IFRS 15, and will not adjust the consideration amount for a significant financing component in contracts, when the entity expects at the commencement of a contract, that the period in which the entity transfers a promised good or service to the customer or when the customer pays such good or service won't exceed one year. Accordingly, the Company will not recognize at short-term a financing component, even if significant.

Based on the nature of these goods and services offered and payment terms, the Company concluded there is no significant financing component in these contracts.

(d) Principal versus agent considerations

IFRS 15 requires the assessment whether the Group controls a specific good or service before its transfer to the customer.

The Company's contracts indicate that is the main responsible for complying with the provision of specific goods and services, mainly because the entity assumes the credit risk of these transactions. In conformity with the accounting policy, based on the existence of credit risk and the nature of the consideration indicated in the contract, the Company concluded that is exposed to the significant risks and rewards associated and, accordingly, the contracts are accounted for as a principal.

(e) Amounts collected on behalf of third parties

Any tax received on behalf of customers and forwarded to government authorities (e.g. VAT, taxes on sales and taxes, etc.) are recorded on a net basis, and therefore excluded from revenue in the consolidated statement of comprehensive income.

(f) Presentation and disclosure requirements

Presentation and disclosure requirements in IFRS 15 are more detailed compared to current IFRS. Presentation requirements have a significant change with respect to the current practice and increase significantly the volume of disclosure required in the Company's financial statements.

Many disclosure requirements in IFRS 15 are new; however, the Company assessed the effect as not significant. In particular, the Company expects the note to the financial statements are expanded as a result of the judgments made; how the transaction price was allocated to the performance obligations, and assumption made to estimate the stand-alone selling prices of each performance obligation. In addition, as required by IFRS 15, the Company will disaggregate the revenue recognized from contracts with customers in categories indicating how the nature, quantity, time and uncertainty of revenue and cash flows are affected by economic factors. Additionally, the Company will disclose the information on the relationship between the revenue detailed and the revenue disclosed for each reporting segment.
During 2017, the Company continued testing appropriate systems, internal controls, policies and procedures required to gather and disclose the information required.

3.3 Responsibility for the information and estimates made

The information contained in the accompanying consolidated financial statements is responsibility of the Company's Board of Directors which expressly indicates that it has fully implemented the principles and criteria contained in IFRS, as issued by the IASB.

The preparation of the consolidated financial statements requires the use of judgments, estimates and assumptions that affect assets and liabilities at the reporting date, and income and expense amounts during the reporting period. These estimates are based on the best knowledge of Management on the reported amounts, events, and actions.

In the preparation of these consolidated financial statements, the following estimates have been used:

- Useful lives and residual values of property, plant and equipment, and intangible assets (see Note 3.1.f and 5.a)

- Valuation of assets to determine the existence of impairment losses (see Note 5.b)

- Assumptions used to calculate the fair value of financial instruments (see Note 3.1.h)

- Assumptions used in the actuarial calculation of liabilities and employee obligations (see Note 3.1.m)

- Probability of occurrence and the amount of undetermined or contingent liabilities (see Note 3.1.n)

- The tax returns of the Company and its subsidiaries, which will be submitted to relevant tax authorities in the future and which have been used as a basis for recording different income tax-related amounts in the accompanying consolidated financial statements (see Note 3.1.l).

- Financial assumptions and estimated economic life for calculating the provision for dismantling (see note 3.n.2)

Although such estimates have been made considering the best information available at the reporting date, it is possible that future events require changes (increases or decreases) in such estimates for subsequent periods; this would be applied prospectively at the date in which such change is acknowledged, recognizing the effects of changes in estimates in the subsequent consolidated financial statements, in conformity with IAS 8.

4. Risk management

4.1 Risk Management Policy

The risk management policy intends to safeguard the Company's stability and sustainability principles, identifying and managing sources of uncertainty that affect or may affect the Company.

A comprehensive risk management policy involves identifying, measuring, analyzing, mitigating, and controlling different risks of the Company's different management departments, as well as estimating the impact on the Company's consolidated position, and its follow-up and control over time. This process involves both the Company's Senior Management and the areas that take such risks.

The acceptable risk limits, risk measurement metrics, and risk analysis periodicity are policies regulated by the Company's Board of Directors.

General management and each division and management department of the Company is responsible for the risk management function, with the support provided by the Risk Management Department, and the oversight, monitoring and coordination provided by the Risk and Sustainability Committee.

4.2 Risk Factors

The Company's activities are exposed to different risks, which have been classified as electric business risks, and financial risks.

4.2.1 Electric business risks

a. Hydrological risk

In Chile, 48% of installed capacity in Colbún is hydraulic, and therefore the Company is exposed to hydrological condition variables.

In dry hydrological conditions, Colbún operates its combined cycle thermal power plants by purchasing natural gas or diesel, or operates its backup thermal plants, or resorts to the spot market. This situation could increase the Company's costs, increasing the variability of profit or loss based on hydrological conditions.

The Company's exposure to hydrological risk is reasonably mitigated by a commercial policy aimed at maintaining a balance between competitive power generation (hydraulic in an average-to-dry year, or cost-efficient coal-based or natural gas-based thermal power generation, other cost-efficient renewable energy properly supported by other power generation sources given their intermittence and volatility) and commercial commitments. Under extreme conditions and continuous droughts, a possible lack of water for cooling would affect the power-generating capacity of the combined cycles. For the purpose of minimizing the use of water and ensuring operational availability during water shortage periods, Colbún has built a Reverse Osmosis Plant, which allows reducing up to 50% the water used in the cooling process of combined cycles of the Nehuenco Complex. The construction of such plant was completed in May 2017, and it commenced operations during the third quarter of 2017.

In Peru, Colbún has a combined cycle power plant and a commercial policy aimed at trading such energy base on short and long-term contracts. Exposure to dry hydrology is limited, as it would have an impact only in case of eventual operational failures, which would force the Company to resort to the spot market. In addition, the Peruvian power business has an efficient thermal power offering and availability of natural gas sufficient to cover such risk.

b. Fuel price risk

In Chile, in cases of low water supply in its hydraulic plants, Colbún mainly uses its thermal plants and purchases energy in the spot market at marginal cost. The aforementioned generates a risk due to possible fluctuations in the international price of fuel. Part of this risk is mitigated through contracts which sale prices are indexed with fuel price fluctuations. In addition, the Company performs hedging programs with different derivative instruments, such as call and put options, among others, in order to hedge the remaining portion of this exposure, if any. On the contrary, in case of water surplus, the Company may be in a selling position in the spot market, whose price would be, in part, determined by fuel price.

In Peru, the cost of natural gas has a lower dependence to international prices, given the significant domestic natural gas offer, which allows it to limit exposure to this risk.

As in Chile, the remaining portion exposed to international price fluctuations is mitigated through inflation-adjusted formulas in power selling contracts.

Accordingly, exposure to risk related to fuel price fluctuations is partly mitigated.

c. Fuel supply risk

With respect to liquid fuel supply, in Chile, the Company has agreements with suppliers and a storage capacity of its own which allows it to have a reasonable certainty of availability related to this fuel.

With respect to natural gas supply, in Chile, the Company has short-term contracts entered into with ERSA and Metrogas, and for the long term the highlights include a new contract entered into with ERSA with liquefied natural gas options and reserved regasification capacity entered into on May 24, and supplemented on July 26- effective from 2018 through 2030, which will allow Colbún to have natural gas available for the Nehuenco Complex. In Peru, the Fenix Plant has long-term agreements with the ECL88 Group (Pluspetrol, Pluspetrol Camisea, Hunt, SK, Sonatrach, Tecpetrol, and Repsol), as well as gas-transport agreements with TGP.

With respect to purchases of coal for the Santa María Unit I thermal power plant, the Company conducts tender processes (the most recent conducted in August 2017), inviting significant international suppliers and awarding such supply to competitive, financially stable companies. This is performed in accordance with an early purchase policy and an inventory management policy to substantially mitigate the risk of fuel unavailability.

d. Equipment malfunction and maintenance risk

The availability and reliability of the Company's power-generating units and transmission facilities are critical to the business. Accordingly, Colbún has a policy of performing scheduled, preventive and predictive maintenance to its equipment, based on its suppliers' recommendations, and has a hedging policy for this type of risk through insurances for its physical assets, including coverage for physical damages and damages due to stoppages.

e. Project construction risk

The development of new projects may be affected by factors such as: delays in obtaining permits, amendments to framework, litigation, increase in equipment and labor prices, opposition from local and international interest groups, unforeseen geographical conditions, natural disasters, accidents and other unforeseen events.

The Company's exposure to this type of risk is managed through a commercial policy that considers the effects of possible delays in projects. Alternatively, the Company includes certain flexibility to term estimates and construction costs. In addition, the Company's exposure to this type of risk is partially mitigated through subscribing "all type of construction risk" policies which cover both physical damages and profit losses due to a delay in commissioning as a result of a claim, both with standard deductibles for this type of insurance.

The companies in the industry face a very challenging power market, with considerable turmoil from different interest groups, mainly neighboring communities and NGOs, which legitimately demand more participation and spotlight. As part of this complex scenario, environmental processing deadlines have become uncertain, which are usually followed by extensive judicial processes. The above has resulted in a decrease in construction of projects of relevant sizes.

Colbún has a policy which calls for integrating social and environmental considerations to the development of its projects. In addition, the Company has developed a social bonding model which allows it to work jointly with neighboring communities and society in general, starting with a transparent citizen participation and trust-building process in the early stages of projects, and throughout their life cycle.

f. Regulatory risks

Regulatory stability is essential for the power-generating sector, where investment projects have long development terms, execution, and investment return. Colbún estimates that regulatory changes should be performed considering the complexities in the power system, and maintaining the proper incentives for investment. It is important to have regulations that provide clear and transparent rules that build trust between sector agents.

In Chile, the Government-led power agenda considers several regulatory changes, which, based on how they will be implemented, may expose the Company to risks. Particularly relevant are changes currently being discussed in Congress with respect to (i) amendments to the Water Code; (ii) the Act related to strengthening Chile's regionalization; (iii) the bill proposing the creation of the Ministry of Indigenous Peoples; (iv) the bill proposing the creation of a National Council and the Indigenous Peoples Councils; and (v) the Biodiversity and Protected Areas Act. Other significant issues for the Company relate to initiatives in the industry such as (i) the definition of Regulations required for the proper application of the already-enacted new Electric Transmission Act; (ii) the definition of a long-term Power Policy for Chile (2050), which is in its diffusion stage, and (iii) the first annual transmission expansion plan in 2017, among others.

In Peru, during December 2017, Ministry of Energy and Mining approved new legal provisions for establishing the gas price (gas price will be established on an annual basis and now has a minimum price declared) and requested reporting the operational inflexibilities of the cash generating units.

The required and balanced development of the power market in both Chile and Peru in the following years will depend, to a large extent, on the quality of these new regulations, and the signals shown by authorities in this respect.

g. Risk related to changes in demand/supply and power selling price

The forecast of future power consumption demand is very relevant information for determining the market price.

In Chile, a low demand growth, as well as a decrease in fuel prices and an increase in income related to solar and wind renewable energy projects, resulted in a decrease during the last years in the short-term price of power (marginal cost).

With respect to long-term prices, the bidding processes of supply of regulated customers finished in August 2016 and October 2017 resulted in an important decrease in prices offered and granted, which reflects a greater competitive dynamics present in this market, and the impact of the introduction of new technologies -mainly solar and wind power- with a significant decrease in costs as a result of their widespread growth. Although the Company may expect that these factors triggering such competitive dynamics and price trends are maintained in the future, it is difficult to determine the exact scope they will have on long-term power prices.
In addition, and because of the difference in power prices between regulated and unregulated customers, it is possible that certain regulated customers may adopt the unregulated customer regime. The above may occur given the option included in power laws, which allow customers with power connections between 500 kW and 5,000 kW to be categorized as regulated or unregulated customers. Colbún has one of the most efficient power generation plants in Chile, and therefore it has the capacity of offering competitive conditions.

In Peru, there is also a temporary imbalance between supply and demand, mainly generated from the increase in an efficient offer (hydroelectric and natural gas plants).

The increase in the Chilean market (and potentially in Peru) of Non-conventional renewable energy sources, such as solar and wind power generation, may generate integration costs, and therefore may affect the operating conditions of the remaining portion of the power system, particularly in the absence of a supplementary services market which adequately remunerates the services required to manage the variability of such power generation sources.

4.2.2 Financial risks

Financial risks relate to the Company's inability to perform transactions or comply with obligations from its operations due to lack of funding, changes in interest rates, exchange rates, bankruptcy of related parties, or other financial variables of the market that may affect Colbún's equity.

a. Currency risk

Currency risk relates mainly to fluctuations in currency coming from two sources. The first source of exposure is cash flows related to investment income, costs and expenses denominated in foreign currencies other than the functional currency (United States dollars).

The second source of exposure relates to the accounting mismatch between assets and liabilities in the statement of financial position denominated in a currency other than the functional currency.

The exposure to cash flows in currencies other than the U.S. dollar is limited, as practically all the Company's sales are denominated directly or adjusted to the U.S. dollar. Likewise, its main costs relate to purchases of diesel, natural gas and coal, which incorporates pricing formulas based on international prices denominated in U.S. dollars. With respect to disbursements related to investment projects, the Company incorporates inflation-adjusted rates in its contracts with suppliers, and resorts to the use of derivatives to determine cash outflows in currencies other than the U.S. dollar.

The accounting mismatch exposure is mitigated through the application of a policy for a maximum mismatch between assets and liabilities for structural items denominated in currencies other than U.S. dollar. Accordingly, Colbún maintains a relevant share of its cash surpluses in U.S. dollars and uses derivatives, where currency swaps and forwards are the securities most used for such purposes.

b. Interest rate risk

This refers to variances in interest rates affecting the value of future cash flows based on variable interest rates, and variances in the fair value of assets and liabilities based on fixed interest rates that are accounted for at fair value. To mitigate such risk, the Company uses fixed interest rate swaps.

The Company's financial debt, including the effect of contracted interest rate derivatives, is detailed as follows:

Interest rate	12.31.2017	12.31.2016
Fixed	100%	97%
Variable	0%	3%
Total	**100%**	**100%**

As of December 31, 2017, the Company's financial debt is denominated by 100% in fixed rate.

c. Credit risk

The Company's exposure to this risk is derived from the possibility that a counterparty fails to comply with its contractual obligations and generates financial or economic losses. Historically, all counterparties Colbún has engaged with to render energy services have complied with their payments on a timely basis.

With respect to placements in Treasury and their derivatives, Colbún performs transactions with high credit rated entities. In addition, the Company has established interest limits by counterparty, which are regularly approved and reviewed by the Board of Directors.

As of December 31, 2017, the Company invests its cash surpluses in mutual fund deposits (of bank subsidiaries) and in term deposits in local and foreign banks.

The former are short-term mutual fund deposits, at 90 days and known as "money market."

Information on customer's credit ratings is disclosed in note 11.b to these financial statements.

d. Liquidity risk

Such risk is derived from several fund needs to address investment commitments and business expenses, debt maturities, among others. The required funds to meet such outflows are obtained from Colbún's own revenue and by engaging revolving credit facilities to ensure sufficient funds will be available to support expected needs for a reasonable period.

As of December 31, 2017, Colbún has cash surpluses of approximately US$810 million, invested in term deposits for an average of 97 days (including term deposits with maturities exceeding 90 days, where the latter are recorded as "Other financial assets, current" in the consolidated financial statements), and in short-term mutual fund deposits maturing in less than 90 days To date, the Company has the following additional sources of liquidity available: (i) two lines of bonds registered with the local market for UF 7 million, (ii) a line of commercial paper registered with the local market for UF 2.5 million and (iii) uncommitted credit revolving facilities for approximately US$150 million.

Within the next twelve months, the Company will have to disburse approximately US$139 million associated with interests on financial debt and debt repayments. Such remaining interests and repayments are expected to be covered by the Company's internally generated cash flows.

As of December 31, 2017, Colbún has the following domestic risk ratings: A+ by Fitch Ratings and AA- by Standard & Poor’s (S&P), both with stable expectations. At international level, the Company's ratings are: BBB by Fitch Ratings and BBB- by S&P, both with stable expectations.

In addition, Fenix has the following international risk ratings: Baa3 by Moody’s, BBB- by Standard & Poor’s (S&P) and BBB- by Fitch Ratings, all of them with stable expectations.
Consequently, the Company's liquidity risk is currently considered to be low.

Information on contractual maturities of the main financial liabilities is disclosed in note 22.c.1 of the financial statements.

4.3 Risk measurement

As indicated above, the Company regularly analyzes and measures its exposure to several risk variables. Risk management is performed by a Risk Committee, supported by the Corporate Risk Management and coordinated with the other divisions of the Company.

With respect to business risks, specifically those related to variances in commodity prices, Colbún has implemented mitigating actions consisting of index-adjustments in energy sales contracts and hedges through derivative instruments to cover any possible remaining exposure. Because of this reason, the Company performs no sensitivity analysis.

The Company has insurance policies in force to cover damages to its physical assets, disruptions and loss of profits due to delays in the commencement of a project to mitigate the risk of equipment failure or project development. Such risk is currently considered to be reasonably controlled.

For measuring the financial risk exposure, Colbún performs a sensitivity analysis and value at risk analysis to monitor possible losses assumed by the Company in the event such exposure exists.

Foreign currency exchange risk is considered low because the Company's main cash flows (project revenue, costs and expenditures) are directly denominated in, or adjusted to, U.S. dollars.

The accounting mismatch exposure is mitigated through the application of a policy for maximum mismatch between assets and liabilities for structural items denominated in currencies other than the U.S. dollar. As of December 31, 2017, the Company's exposure to this risk relates to a potential impact of approximately US$1.8 million for quarterly foreign currency exchange differences, based on a sensitivity analysis with a 95% reliance.

There is no interest rate variance risk because 100% of the financial debt is assumed to be at a fixed rate.

The credit risk is low because Colbún operates solely with domestic and foreign bank counterparties with a high credit worthiness, and has established the maximum exposure policies for each counterparty, which limit the specific concentration with such institutions. For banks, the local institutions have risk ratings equal to or of more than BBB+ and foreign entities have investment grade international risk ratings. At the closing date, the financial institution which accounts for the highest share of cash surpluses has 24%. For existing derivatives, the Company's foreign counterparties have risk rating equivalent of BBB+ or higher and domestic counterparties have local ratings of BBB+ or higher. Note that, for derivatives, no counterparty has a concentration of more than 27% in terms of notional value.

Liquidity risk is considered low due to the Company's significant cash position, the amount of financial obligations for the following twelve months and access to additional sources of financing.

5. Critical accounting policies

Management necessarily makes judgments and estimates that have a significant effect on the amounts recorded in the consolidated financial statements. Changes in the assumptions and estimates could have a significant impact on the consolidated financial statements. The key estimations and judgments used by Management for the preparation of these consolidated financial statements are detailed below.

a. Calculation of depreciation and amortization, and estimation of the related useful lives

Property, plant and equipment, and intangible assets other than goodwill with finite useful lives, are depreciated and amortized on a straight-line basis over the estimated useful lives of the assets. The useful lives have been estimated and determined considering technical aspects, their nature and status.

Estimated useful lives as of December 31, 2017 and 2016 are as follows:

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

The detail of the useful lives of the main items of property, plant and equipment is as follows:

Classes of property, plant and equipment	Useful life (years)	Average remaining useful life
Buildings	10 - 100	66
Machinery	4 - 20	11
Transport equipment	5 - 15	8
Office equipment	5 - 30	27
IT equipment	3 - 10	5
Power-generating assets	2 - 100	18
Finance leases	20	16
Other property, plant and equipment	10 - 50	29

Additional detail per class of plants is presented below.

Class of plant	Useful life (years)	Average remaining useful life
Power-generating facilities		
Hydroelectric power plants		
Civil works	10 - 100	73
Electromechanical equipment	2 - 100	22
Thermal power plants		
Civil works	10 - 60	24
Electromechanical equipment	2 - 60	16

During 2017, the Company analyzed the useful lives and residual value, generating a change in the estimate of prospective effects.

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

Intangible assets from contracts with customers are mainly contracts for acquired energy supply.

Other material intangible assets refer to software, rights, concessions and other easements with finite useful lives. These assets are amortized in accordance with their expected useful lives.

Intangible assets	Useful life (years)
Client Contractual Relationships	2 - 15
Software	1 - 15
Rights and concessions	1 - 10

At the closing date of each period, the Company assesses whether there is any indicator of impairment of assets. If such indication exists, then the asset's recoverable amount is estimated to determine the impairment amount.

(iii) Intangible assets with indefinite useful lives:

The Company analyzed the useful lives of intangible assets, with indefinite useful lives (e.g., certain right-of-way easements or water rights, among others), and concluded there is no foreseeable time limit in which the asset would generate net cash inflows. For these intangible assets, the Company determined that their useful lives are indefinite.

b. Impairment of non-financial assets (tangible and intangible assets other than goodwill, excluding the goodwill)

At the closing date of each year, or at any date as deemed necessary, the value of assets is assessed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the amount of any impairment. For identifiable assets that do not generate cash flows independently, the recovery of the cash-generating unit (CGU) of the asset is estimated. Accordingly, it has been determined that all assets located in Chile represent a single CGU, whereas the assets located in Peru represent another CGU.

For CGUs assigned to intangible assets with a finite useful life, the recoverability analysis is conducted systematically at the reporting date, or at any date deemed necessary, except if considered that calculations of a CGU's recoverable amount from the prior period may be used for verifying the amount of the impairment of such unit at the current period, as it complies with the following criteria:

a) Assets and liabilities comprising such unit have not significantly changed since the latest recoverable amount calculation.

b) The latest recoverable amount calculation resulted in an amount that significantly exceeded the unit's carrying amount; and

c) Based on an analysis performed on the events and circumstances that had changed since the latest recoverable amount was calculated, it is unlikely that the current recoverable amount determination will be less than the unit's current carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, which comprises the current value of future estimated cash flows generated by the asset or a CGU. For calculating the tangible or intangible asset recoverable amount, the Company uses the value in use criterion.

To estimate the value in use, the Company prepares its estimate of future pre-tax cash flows based on the most recent budgets approved by Management. These budgets include the best estimates available on the income and costs of the cash-generating units, using the best available information, such as experience and future expectations.

Such cash flows are discounted to calculate their current amount at a pre-tax rate, which considers the capital cost of the business in which it operates. Their calculation considers the current cost of capital and risk premiums generally used for business purposes.

In the event the recoverable amount is less than the asset's carrying amount, the related allowance for impairment losses is recognized as "Other Gains (losses)" in the statement of comprehensive income.

Impairment losses recognized in prior years are reversed if there has been a change in the estimations on their recoverable amount increasing the value of the asset with a credit to profit or loss with the limit of the carrying amount the asset would have had no unwinding been conducted.

As of December 31, 2017, the Company considers there is no significant carrying amount impairment of tangible and intangible assets related to the CGU defined by the Company.

c. Fair value of derivatives and other financial instruments

As described in note 3.1, Management uses its criteria to select an appropriate valuation technique for financial instruments that are not quoted in an active market. The Company applies valuation techniques commonly used by market professionals. For derivative financial instruments, Management makes assumptions based on rates quoted in the market and adjusted according to the instrument-specific characteristics. Other financial instruments are valued using a cash flow update analysis based on supported assumptions, and on market prices or rates, if possible.

6. Business combinations

As of December 31, 2017, there have been no new business combinations.

7. Segment reporting

Colbún's line of business is the generation and sale of electric power. Accordingly, the Company has assets that generate such power, which is sold to several customers under supply agreements and others without contracts in accordance with the regulations in force.

Colbún's management control system analyzes the business from a mix of electric power-generating hydraulic/thermal assets standpoint to render services to its customer's portfolio. Consequently, resource allocation and performance measures are analyzed in aggregated terms.

Notwithstanding the foregoing, internal management considers classification criteria for assets and customers solely for descriptive purposes, but in no case for business segmentation purposes in accordance with IFRS 8.

Certain of such classification criteria are: production technology: hydroelectric power plant (which can be run-of-the-river or dam-based) and thermal power plants (which can be coal-based, combined cycle, open-cycle, etc.). Customers are classified in accordance with the concepts included in the Chilean electric regulation for regulated and unregulated customers and spot market; and in accordance with electric regulations currently in force in Peru for regulated and unregulated customers (see Note 2).

In general, there is no direct relation between each power generation company and supply agreements, but these are established according to Colbún's total capacity, fully supplying at any moment with the most efficient generation on its own or on behalf of third parties purchasing energy in the spot market from other power generation companies. An exception is Codelco in Chile, which has entered into two supply agreements with the Company. One of these agreements is covered by the full power generation fleet and the other has its preferential supply from the production of Santa María.

Colbún is part of the SEN dispatch system in Chile and SEIN dispatch system in Peru. Each of these plants generation within the systems are defined by its dispatch order, in accordance with the definition of economic optimum for both systems.

Both systems' electric regulations where Colbún is involved, contemplate a conceptual separation of energy and capacity, not for being two different physical elements, but for economically efficient pricing. This is the reason for distinguishing energy priced in monetary units for energy unit (KWh, MWh, etc.) and capacity priced in monetary units for capacity unit – time unit (KWh-month).

For the purpose of applying IFRS 8, information by segments has been organized in accordance with geographical distribution by country, due to the fact that Colbún S.A. operates in two electric systems, National Power System in Chile and National Interconnected Electric System in Peru.

The following caption presents information by geographic location:

Segment operating results for the period ended 12.31.2017	Chile	Peru	Total operating segments	Elimination of amounts	Consolidated totals
Revenue					
Revenue	1,355,575	192,837	1,548,412	-	1,548,412
Total revenue from third parties and transactions with other operating segments within the same entity	**1,355,575**	**192,837**	**1,548,412**	**-**	**1,548,412**
Raw materials and consumables	(614,154)	(141,526)	(755,680)	-	(755,680)
Employee benefit expenses	(70,937)	(5,848)	(76,785)	-	(76,785)
Interest expenses	(70,184)	(14,770)	(84,954)	-	(84,954)
Interest (cost) income	12,093	633	12,726	-	12,726
Depreciation and amortization expenses	(191,256)	(32,232)	(223,488)	-	(223,488)
Share of profit (loss) of equity-accounted associates and joint ventures	9,181	-	9,181	(6,277)	2,904
Income tax expense from continuing operations	(37,913)	3,833	(34,080)	-	(34,080)
Profit (loss) before tax	319,465	9,494	328,959	(6,277)	322,682
Profit (loss) before income taxes	281,552	13,327	294,879	(6,277)	288,602
Net profit for the period	**281,552**	**13,327**	**294,879**	**(6,277)**	**288,602**
Assets	6,313,953	847,422	7,161,375	(238,833)	6,922,542
Equity-accounted investees	277,131	-	277,131	(238,833)	38,298
Incorporation of non-current assets other than financial instruments, deferred tax assets, income tax related to defined benefit plans and rights arising from insurance contracts	5,011,080	704,772	5,715,852	-	5,715,852
Liabilities	2,583,949	387,886	2,971,835	-	2,971,835
Equity					3,950,707
Equity and liabilities					**6,922,542**
Impairment losses recognized in other comprehensive income	(76,128)	-	(76,128)	-	(76,128)
Cash flows from operating activities	523,445	77,494	600,939	-	600,939
Cash flows from investing activities	(587,076)	(9,741)	(596,817)	-	(596,817)
Cash flows from financing activities	(307,822)	(30,586)	(338,408)	-	(338,408)

Continued

Segment operating results for the period ended 12.31.2016	Chile	Peru	Total operating segment	Elimination of amounts	Consolidated totals
Revenue					
Revenue	1,219,514	216,726	1,436,240	-	1,436,240
Total revenue from third parties and transactions with other operating segments within the same entity	**1,219,514**	**216,726**	**1,436,240**	**-**	**1,436,240**
Raw materials and consumables	(580,246)	(144,341)	(724,587)	-	(724,587)
Employee benefit expenses	(61,919)	(5,894)	(67,813)	-	(67,813)
Interest expenses	(88,781)	(14,659)	(103,440)	-	(103,440)
Interest (cost) income	9,479	575	10,054	-	10,054
Depreciation and amortization expenses	(195,754)	(32,164)	(227,918)	-	(227,918)
Share of profit (loss) of equity-accounted associates and joint ventures	8,919	-	8,919	(3,505)	5,414
Income tax expense from continuing operations	(66,729)	(185)	(66,914)	-	(66,914)
Profit (loss) before tax	268,158	7,001	275,159	(3,505)	271,654
Profit (loss) before income taxes	201,429	6,816	208,245	(3,505)	204,740
Net profit for the period	**201,429**	**6,816**	**208,245**	**(3,505)**	**204,740**
Assets	6,205,616	839,352	7,044,968	(222,370)	6,822,598
Equity-accounted investees	260,946	-	260,946	(222,370)	38,576
Incorporation of non-current assets other than financial instruments, deferred tax assets, income tax related to defined benefit plans and rights arising from insurance contracts	5,127,730	734,600	5,862,330	-	5,862,330
Liabilities	2,629,231	403,535	3,032,766	-	3,032,766
Equity					3,789,832
Reversal of impairment losses recognized in other comprehensive income	-	-	-	-	-
Impairment losses recognized in other comprehensive income	(8,442)	-	(8,442)	-	(8,442)
Cash flows from operating activities	494,408	23,442	517,850	-	517,850
Cash flows from financing activities	(76,980)	(9,078)	(86,058)	-	(86,058)
Cash flows from financing activities	(705,868)	(35,147)	(741,015)	-	(741,015)

Information on products and services

Sales	January - December	
	2017 ThUS$	2016 ThUS$
Energy sales	1,142,351	1,058,575
Power sales	192,412	190,918
Other income	213,649	186,747
Total sales	**1,548,412**	**1,436,240**

Information on products and services

Main customers	January - December			
	2017		2016	
	ThUS$	%	ThUS$	%
Chile				
CGE Distribución S.A.	306,204	20%	334,798	23%
Corporación Nacional del Cobre Chile	378,856	24%	336,014	23%
Enel Distribución Chile S.A. (ex Chilectra S.A.)	204,567	13%	209,945	15%
Anglo American S.A.	90,871	6%	84,046	6%
Sociedad Austral del Sur S.A.	89,209	6%	89,748	6%
Other	285,868	19%	164,963	12%
Subtotal	**1,355,575**	**88%**	**1,219,514**	**85%**
Peru				
Luz del Sur	104,714	7%	103,255	7%
Empresa de Distribución Eléctrica de Lima Norte S.A.	34,266	2%	21,974	2%
Compañía Eléctrica El Platanal S.A.	13,351	1%	-	0%
Electronoroeste S.A.	7,676	0%	7,326	1%
Hidrandina S.A.	4,462	0%	5,305	0%
Other	28,368	2%	78,866	5%
Subtotal	**192,837**	**12%**	**216,726**	**15%**
Total sales	**1,548,412**	**100%**	**1,436,240**	**100%**

8. Cash and cash equivalents

a. Detail

As of December 31, 2017 and 2016, this caption comprises the following:

Cash and cash equivalents	12.31.2017 ThUS$	12.31.2016 ThUS$
Cash on hand	76	53
Cash in banks	20,354	21,706
Time deposits	90,965	459,522
Other cash equivalents	157,801	112,439
Total	**269,196**	**593,720**

Term deposits have maturities of less than three months from the acquisition date and accrue market interest applicable to these types of short-term investments.

Other liquid instruments relate to fixed income mutual fund deposits in Chilean pesos, Euros and U.S. dollars, of low risk, which are recognized at deposit value at the reporting date.

As of December 31, 2017 and 2016, in addition to these instruments, the Company has other term deposits with a maturity of more than three months from the acquisition date, which are presented in Note 9.

b. Detail by currency

The detail of cash and cash equivalents by currency, considering the effects of derivatives, is as follows:

Currency	12.31.2017		12.31.2016	
	Currency ThUS$	Currency with derivative (1) ThUS$	Currency ThUS$	Currency with derivative (1) ThUS$
EUR	1,121	1,121	516	516
Ch$	169,132	149,068	435,370	135,370
PEN	13,957	13,957	17,359	17,359
US$	84,986	105,050	140,475	440,475
Total	**269,196**	**269,196**	**593,720**	**593,720**

(1) Considers the subscribed exchange rate forward effect to re-denominate in U.S. dollars certain term deposits in Chilean pesos.

9. Other financial assets

As of December 31, 2017 and 2016, this caption comprises the following:

	Current		Non-current	
	12.31.2017 ThUS$	12.31.2016 ThUS$	12.31.2017 ThUS$	12.31.2016 ThUS$
Time deposits (1)	541,019	73,277	-	-
Hedge derivative instruments (2) (see Note 14.1)	950	1,008	20,829	5,153
Investment for share offering	-	-	93	-
Investment in CDEC	-	-	245	224
Total	**541,969**	**74,285**	**21,167**	**5,377**

(1) As of December 31, 2017 and 2016, investments in term deposits that were classified in this caption have an original average investment term of six months and the remaining average maturity term was 90 days. Cash flows related to these investments are presented in the statements of cash flows as cash flows from investing activities in other cash receipts (payments).

(2) Relates to the current positive mark-to-market adjustments of hedging derivatives in place at each reporting date.

10. Trade and other receivables

As of December 31, 2017 and 2016, this caption comprises the following:

Caption	Current	
	12.31.2017 ThUS$	12.31.2016 ThUS$
Trade receivables by contract	200,257	161,672
Other receivables [1]	24,807	37,572
Total	**225,064**	**199,244**

[1] As of December 31, 2017, the current balance comprises recoverable taxes (General Sales Tax (GST)) of ThUS$16,803, trust guarantee of ThUS$8,612, collateral with JP Morgan of ThUS$4,160, and other minor items of ThUS$3,844. As of December 31, 2016, the balance related to recoverable taxes (General Sales Tax (GST) and specific tax) for ThUS$21,744, collateral with JP Morgan of ThUS$4,161 and others minor items of ThUS$11,667. Company believes these assets are recoverable within 12 months.

The average payment period is 30 days.

Colbún's counterparties are companies with a high-level of credit worthiness, and distribution companies that present no indicators of impairment or significant delays in payment terms due to their regulations and/or historical behavior.

Considering debtors' solvency, current regulations, and in accordance with the doubtful accounts policy stated in our accounting policies (see note 3.1.h.1.6), the Company has estimated there is evidence of impairment for certain receivables from Fenix Power Perú S.A., for which it has established an allowance for doubtful accounts, which in Management's opinion, properly hedges the amount of risk of default for such receivables.

The detail of changes in the provision for impairment of trade and other receivables is as follows:

Impairment	Current	
	12.31.2017 ThUS$	12.31.2016 ThUS$
Opening balance	11,187	5,463
Bad debt expense	-	5,724
Reversal of impairment	(10,910)	-
Closing balance	**277**	**11,187**

The fair value of trade and other receivables is not significantly different from their carrying amount.
As of December 31, 2017 and 2016, the analysis of trade receivables is as follows:

a) Aging of trade receivables portfolio.

Invoiced	Balances as of 12.31.2017					
	Current ThUS$	1-30 days ThUS$	31-60 ThUS$	61-90 ThUS$	Over 91 days ThUS$	Total ThUS$
Trade receivables, regulated	5,804	5,114	4	1	141	11,064
Trade receivables, unregulated	5,247	19	16	-	-	5,282
Other receivables	2,459	348	88	24	138	3,057
Allowance for impairment	-	(109)	(6)	-	(162)	(277)
Subtotal	**13,510**	**5,372**	**102**	**25**	**117**	**19,126**

Invoices to be issued	Balances as of 12.31.2017					
	Current ThUS$	1-30 days ThUS$	31-60 ThUS$	61-90 ThUS$	Over 91 days ThUS$	Total ThUS$
Trade receivables, regulated	50,539	-	-	-	-	50,539
Trade receivables, unregulated	39,725	-	-	-	-	39,725
Other receivables	90,867	-	-	-	-	90,867
Subtotal	**181,131**	-	-	-	-	**181,131**
Total trade receivables	**194,641**	**5,372**	**102**	**25**	**117**	**200,257**
No. of customers (unaudited)	**286**	**198**	**85**	**85**	**219**	

Invoiced	Balances as of 12.31.2016					
	Current ThUS$	1-30 days ThUS$	31-60 ThUS$	61-90 ThUS$	Over 91 days ThUS$	Total ThUS$
Trade receivables, regulated	3,725	4,752	30	28	12,838	21,373
Trade receivables, unregulated	2,281	552	-	-	-	2,833
Other receivables	1,881	674	463	29	121	3,168
Allowance for impairment	-	-	-	-	(11,187)	(11,187)
Subtotal	**7,887**	**5,978**	**493**	**57**	**1,772**	**16,187**

Invoices to be issued	Balances as of 12.31.2016					
	Current ThUS$	1-30 days ThUS$	31-60 ThUS$	61-90 ThUS$	Over 91 days ThUS$	Total ThUS$
Trade receivables, regulated	88,379	-	-	-	-	88,379
Trade receivables, unregulated	50,520	-	-	-	-	50,520
Other receivables	6,586	-	-	-	-	6,586
Subtotal	**145,485**	-	-	-	-	**145,485**
Total trade receivables	**153,372**	**5,978**	**493**	**57**	**1,772**	**161,672**
No. of customers (unaudited)	**46**	**173**	**105**	**97**	**133**	

b) Customers in legal collection

There are no trade and other receivables accounted for in legal collection.

11. Financial instruments

a. Financial instruments by category

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

a.1 Assets

December 31, 2017	Cash and cash equivalents ThUS$	Held to maturity ThUS$	Loans and receivables (1) ThUS$	Assets at fair value through profit or loss ThUS$	Hedge derivatives ThUS$	Total ThUS$
Cash on hand and cash balances (see Note 8)	20,430	-	-	-	-	20,430
Time deposits and other cash equivalents (see Note 8)	-	90,965	-	157,801	-	248,766
Trade and other receivables (see Note 10)	-	-	208,260	-	-	208,260
Trade receivables due from related parties (see Note 12.b.1)	-	-	240	-	-	240
Derivative financial instruments (see Note 14.1)	-	-	-	-	21,779	21,779
Other financial assets (see Note 9)	-	541,264	-	-	-	541,264
Total	**20,430**	**632,229**	**208,500**	**157,801**	**21,779**	**1,040,739**

December 31, 2016	Cash and cash equivalents ThUS$	Held to maturity ThUS$	Loans and receivables (1) ThUS$	Assets at fair value through profit or loss ThUS$	Hedge derivatives ThUS$	Total ThUS$
Cash on hand and cash balances (see Note 8)	21,759	-	-	-	-	21,759
Time deposits and other cash equivalents (see Note 8)	-	459,522	-	112,439	-	571,961
Trade and other receivables (see Note 10)	-	-	177,500	-	-	177,500
Trade receivables due from related parties (see Note 12.b.1)	-	-	3,055	-	-	3,055
Derivative financial instruments (see Note 14.1)	-	-	-	-	6,161	6,161
Other financial assets (see Note 9)	-	73,501	-	-	-	73,501
Total	**21,759**	**533,023**	**180,555**	**112,439**	**6,161**	**853,937**

(1) As of December 31, 2017, it does not consider recoverable taxes for ThUS$16,804. As of December 31, 2016, the balance related to recoverable tax was ThUS$21,744, current.

a.2 Liabilities

December 31, 2017	Other financial liabilities ThUS$	Hedge derivatives ThUS$	Total ThUS$
Interest-bearing borrowings (see Note 22.a)	1,643,985	-	1,643,985
Lease obligations (see Note 22.a)	15,071	-	15,071
Derivative financial instruments (see Note 14.1)	-	396	396
Trade and other payables (see Note 23)	207,556	-	207,556
Payables due to related parties (see Note 12.b.2)	13,559	-	13,559
Total	**1,880,171**	**396**	**1,880,567**

December 31, 2016	Other financial liabilities ThUS$	Hedge derivatives ThUS$	Total ThUS$
Interest-bearing borrowings (see Note 22.a)	1,690,057	-	1,690,057
Lease obligations (see Note 22.a)	15,451	-	15,451
Derivative financial instruments (see Note 14.1)	-	4,524	4,524
Trade and other payables (see Note 23)	226,905	-	226,905
Payables due to related parties (see Note 12.b.2)	32,339	-	32,339
Total	**1,964,752**	**4,524**	**1,969,276**

b. Credit quality of financial assets

Credit quality of financial assets that have not expired or have no impairment losses can be assessed by credit classification ("rating") provided to the Company's counterparties by renowned domestic and foreign risk rating agencies.

Credit quality of financial assets	12.31.2017 ThUS$	12.31.2016 ThUS$
Customers with local risk rating		
AAA	56,277	40,958
AA+	27,462	15,466
AA	15,269	56,277
AA-	39,802	267
A+	232	36
A	556	-
Total	**139,598**	**113,004**
Customers with no local risk rating		
Total	**60,659**	**48,668**
Cash on banks and bank short-term deposits, local market		
AAA	507,492	231,337
AA+	-	102,717
AA	75,602	86,204
AA-	11,049	14,942
A+ or lower	21,942	20,457
Total	**616,085**	**455,657**
Cash on banks and bank short-term deposits, international market (*)		
BBB- or higher	36,329	98,901
Total	**36,329**	**98,901**
Counterparty derivative financial assets, international market (*)		
A or higher	21,779	1,008
Total	**21,779**	**1,008**

(*) Foreign risk classification

12. Related party disclosures

Operations between the Company and its subsidiaries, which are related parties, are part of the Company's customary transactions associated with its line of business and conditions, which have been eliminated on the consolidation. Relationships between the Controller, subsidiaries, associates, joint ventures, and special purpose entities, are detailed in Note 3.1, section b. and c.

a. Controlling interests

As of December 31, 2017, the distribution of ownership interest is as follows:

Shareholders	Ownership %
Minera Valparaíso S.A. (*)	35.17
Forestal Cominco S.A. (*)	14.00
Antarchile S.A.	9.58
AFP Habitat S.A. (**)	6.26
AFP Provida S.A. (**)	4.79
Banco de Chile on behalf of third parties	4.11
AFP Cuprum S.A. (**)	4.09
Banco Itaú on behalf of investors	3.71
AFP Capital S.A. (**)	3.70
Banco Santander - JP Morgan	1.78
Other shareholders	12.81
Total	**100.00**

(*) Companies owned by Parent Group (Matte Group).
(**) It relates to the consolidated interest for each Pension Fund Administrator.

b. Balances and transactions with related parties

Receivables from, payables due to and transactions with related parties were conducted under market terms and conditions and are adjusted in accordance with Article No. 44 of Law No. 18,046 (the "Public Company Act"). The Company records no allowance for doubtful accounts, because such obligations are paid within the agreed terms (less than 30 days) or relate to the allowance made by related parties (e.g. Electrogas S.A.) for the payment of dividends.

b. 1. Trade receivables due from related parties

Tax ID No.	Company	Country	Relationship	Currency	Current		Non-current	
					12.31.2017 ThUS$	12.31.2016 ThUS$	12.31.2017 ThUS$	12.31.2016 ThUS$
96.806.130-5	Electrogas S.A.	Chile	Associate	US$	-	2,380	-	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Common group	Ch$	-	40	-	263
96.529.310-8	CMPC Tissue S.A.	Chile	Common group	Ch$	-	13	-	-
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Ch$	-	11	-	-
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common group	Ch$	164	348	-	-
65.485.050-K	Fundación Colbún	Chile	Special purpose entity	Ch$	76	-	-	-
				Total	**240**	**2,792**	**-**	**263**

b. 2. Trade payables due to related parties

Tax ID No.	Company	Country	Relationship	Currency	Current	
					12.31.2017 ThUS$	12.31.2016 ThUS$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Ch$	212	197
96.565.580-8	Cía. Leasing Tattersall S.A.	Chile	Common director	Ch$	-	202
99.520.000-7	Compañía de Oils de Chile Copec S.A.	Chile	Director and controlling shareholder	Ch$	1,965	2,282
96.806.980-2	Entel PCS Comunicaciones S.A.	Chile	Common director	Ch$	36	28
90.412.000-6	Minera Valparaíso S.A.	Chile	Controlling shareholder	US$	8,116	21,194
79.621.850-9	Forestal Cominco S.A.	Chile	Controlling shareholder	US$	3,230	8,436
				Total	**13,559**	**32,339**

There are no guarantees granted to or received from related parties for transactions with related parties.

b. 3 Disclosures of transactions with related parties

Tax ID No.	Company	Country	Relationship	Currency	Transaction	January - December			
						2017		2016	
						Amount	Effect on profit or loss (debit) credit	Amount	Effect on profit or loss (debit) credit
						ThUS$	ThUS$	ThUS$	ThUS$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Ch$	Toll for using facilities	2,212	(1,859)	2,502	(2,103)
				UF	Revenue for services rendered	141	119	132	111
76.652.400-1	Centrales Hidroeléctricas de Aysén S.A.	Chile	Joint venture	Ch$	Capital contribution (1)	2,923	-	3,323	-
96.806.130-5	Electrogas S.A.	Chile	Associate	US$	Gas transport service	9,483	(7,969)	9,167	(7,703)
				US$	Diesel transport service	815	(685)	1,094	(919)
				US$	Dividend declared (2)	-	-	2,380	-
				US$	Dividend received (2)	10,484	-	8,682	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Parent common director	Ch$	Capacity reservation leased	-	-	37	31
97.080.000-K	Banco Bice	Chile	Common director	Ch$	Expenses for services received	35	(30)	28	(24)
96.731.890-6	Cartulinas CMPC S.A.	Chile	Parent common director	Ch$	Easements	1,068	897	1,118	939
79.621.850-9	Forestal Cominco S.A.	Chile	Controlling shareholder	US$	Dividends (3)	22,215	-	15,072	-
90.412.000-6	Minera Valparaíso S.A.	Chile	Controlling shareholder	US$	Dividends (3)	55,810	-	37,865	-
99.520.000-7	Compañía de Oils de Chile Copec S.A.	Chile	Director and controlling shareholder	Ch$	Diesel supply service	35,200	(29,580)	45,163	(34,071)
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	Common director	Ch$	Telephone services	377	(317)	418	(351)
96.697.410-9	Entel Telefonía Local S.A.	Chile	Common director	Ch$	Telephone services	92	(77)	54	(45)
96.925.430-1	Sercor S.A.	Chile	Common director	Ch$	Stock administration service	122	(102)	37	(31)
4.523.287-5	Arturo Mackenna	Chile	Director	Ch$	Advisory services	52	(47)	28	(28)

(1) Contributions to Centrales Hidroeléctricas de Aysén S.A.

- On February 17, 2017, Colbún made the first capital contribution to Centrales Hidroeléctricas de Aysén S.A. of MCh$ 1,764 (ThUS$ 2,763), as agreed by the shareholders at the Extraordinary Shareholders' Meeting of Hidroaysén of December 29, 2016.
- On December 15, 2017, Colbún made a capital contribution to Centrales Hidroeléctricas de Aysén S.A. of MCh$ 102.9 (ThUS$ 160.5), intended for the Company's activities during December 2017/June 2018.

(2) Dividends declared by Electrogas S.A.

- In March 2017, Electrogas S.A. recorded a provisional dividend with a charge to profit for 2016, of MUS$ 13.1 from which ThUS$5,554 (42.5%) belongs to Colbún. This dividend was paid in two partial payments, the first in May 30 of ThUS$ 2,720 and the second in September 27 of ThUS$ 2,834. In addition, on May 30, 2017, the dividend declared of ThUS$ 2,380 the prior year was paid.
- In November 2017, Electrogas agreed on a provisional dividend with a charge to profit or loss for 2017, of ThUS$ 6,000, from which ThUS$ 2,550 belongs to Colbún. This dividend was received on November 30, 2017.

(3) Dividends declared and paid to Minera Valparaíso S.A. and Forestal Cominco S.A.

- Relates to the provisional dividend agreed at the Board of Directors' Meeting held on December 20, 2016 and paid on January 9, 2017, and to the dividend declared agreed at the Ordinary Shareholders' Meeting and paid on May 9, 2017.
- Relates to the provisional dividend agreed at the Board of Directors' Meeting held on November 28, 2017 and paid on December 20, 2017.

c. Key management personnel and senior management

Members of senior management and other individuals that are considered members of the Company's Management, as well as the shareholders or natural persons or legal entities they represent have entered into no unusual and/or significant transactions as of December 31, 2017 and 2016.

The Company is managed by the Board of Directors, which is composed of 9 members, who remain in their position for a 3-year period and may be re-elected.

At the Ordinary Shareholders' Meeting held on April 27, 2017, a new Board was elected, which is composed of the following directors: María Ignacia Benítez Pereira, Vivianne Blanlot Soza, Luz Granier Bulnes, Bernardo Larraín Matte, Arturo Mackenna Íñiguez, Andrés Lehuedé Bromley, Jorge Matte Capdevila, Juan Eduardo Correa García and Francisco Matte Izquierdo. Mrs. María Ignacia Benítez Pereira and Mrs. Luz Granier Bulnes were elected as independent directors.

At the Extraordinary Board of Directors' Meeting held on May 3, 2017, Juan Eduardo Correa García was appointed as Chairman of the Board and Vivianne Blanlot Soza as Deputy Chairman.

d. Board of Directors' Committee

As per Article 50 bis of Law No. 18.046 the "Public Company Act," Colbún and its subsidiaries have a Directors' Committee composed of 3 members, who are invested with the powers provided by such article.

At the Extraordinary Board of Directors' Meeting held on May 3, 2017, Francisco Matte Izquierdo, Luz Granier Bulnes and María Ignacia Benítez Pereira were appointed as members of the Board.

e. Compensation and other benefits

As per Article 33 of Law No. 18.046 (the "Public Company Act"), the Board will be compensated for the performance of their duties and the amount of such compensation is established annually by the shareholders at the Company's General Ordinary Shareholders' Meeting.

As of December 31 2017 and 2016, the amounts paid, including amounts paid to the members of the Directors' Committee, are detailed as follows:

e.1 Board of Directors' remuneration

Name	Position	January - December 2017 Board of Colbún ThUS$	2017 Variable remuneration (2) ThUS$	2017 Directors' Committee ThUS$	2016 Board of Colbún ThUS$	2016 Variable remuneration (2) ThUS$	2016 Directors' Committee ThUS$
Juan Eduardo Correa García (1)	Chairman	124	86	8	66	64	18
Vivianne Blanlot Soza (1)	Deputy chairman	74	86	-	66	64	5
Bernardo Larraín Matte (1)	Director	98	172	-	132	128	-
Luz Granier Bulnes (1)	Director	74	86	25	66	48	22
María Ignacia Benítez Pereira (1)	Director	74	47	25	54	-	18
Arturo Mackenna Íñiguez (1)	Director	74	86	-	66	64	-
Jorge Matte Capdevila (1)	Director	74	47	-	54	-	-
Francisco Matte Izquierdo (1)	Director	74	47	17	54	-	-
Andrés Lehuedé Bromley (1)	Director	74	7	-	6	-	-
Eduardo Navarro Beltrán	Director	-	79	-	60	64	-
Luis Felipe Gazitua Achondo	Director	-	35	-	16	64	5
Eliodoro Matte Larraín	Director	-	35	-	16	64	-
Juan Hurtado Vicuña	Director	-	35	-	16	64	-
Sergio Undurraga Saavedra	Director	-	-	-	-	16	-
		740	**848**	**75**	**672**	**640**	**68**

(1) Current Directors as of December 31, 2017.

(2) On May 12, 2017, a net payment of ThUS$ 763 was made related to variable compensation based on the profit for 2016.

At the Ordinary Shareholders' Meeting held on April 27, 2017, an annual variable payroll of 0.75% of the profit from 2017 was agreed from which the fixed compensation paid in 2017 is deducted. As of December 31, 2017, ThUS$ 1,370 were accrued for this concept.

e.2 Board Counseling Expenses

For the years ended December 31, 2017 and 2016, the Board of Directors incurred no advisory expenses.

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

Name	Position
Thomas Keller Lippold	General Manager
Juan Eduardo Vásquez Moya	Business and Energy Management Department Manager
Carlos Luna Cabrera	Power Generation Manager
Sebastián Moraga Zúñiga	Finance and Administration Manager
Eduardo Lauer Rodríguez	Engineering and Projects Manager
Juan Pablo Schaeffer Fabres	Sustainable Development Manager
Rodrigo Pérez Stiepovic	Legal Manager
Paula Martínez Osorio	Organization and Personnel Manager
Sebastián Fernández Cox	Development Manager
Heraldo Alvarez Arenas	Internal Audit Manager

Key management personnel accrued compensation:

Concept	January - December	
	2017 ThUS$	2016 ThUS$
Short-term employee benefits	4,726	4,507
Other long-term benefits	946	853
Termination benefits	117	10
Total	**5,789**	**5,370**

e.4 Receivables and payables and other transactions

As of December 31, 2017 and 2016 there are no receivables and payables between the Company and its Directors and Managers.

e.5 Other transactions

There are no other transactions conducted between the Group's Directors and Managers.

e.6 Guarantees pledged by the Company in favor of its Directors

As of December 31, 2017 and 2016, the Company records no such operations.

e.7 Incentive plans for Senior Executives and Managers

The Company has benefits for all the executive area, in accordance with the individual performance and goal achievement assessments at the divisional and corporate level.

e.8 Indemnities paid to Senior Executives and Managers

As of December 31, 2017 and 2016, no indemnities were paid.

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

The Company has no guarantee clauses agreed with Directors and Managements.

e.10 Consideration plans associated with shares' quote

The Company has no such operations.

13. Inventories

As of December 31, 2017 and 2016, this caption comprises the following:

Inventory	12.31.2017 ThUS$	12.31.2016 ThUS$
Spare parts for maintenance	39,684	21,259
Coal	14,659	15,603
Inventory in transit (1)	7,226	6,462
Oil	4,495	4,863
Gas Line Pack	274	274
Allowance for obsolescence (2)	(3,427)	(3,347)
Total	**62,911**	**45,114**

(1) Relates to coal stock for use at the Santa María plant.

(2) Relates to the impairment estimate on the spare part stock, which is applied in accordance with the Policy.

There is no inventory pledged as collateral to secure compliance with debt obligations.

Inventory costs recognized as expense

As of December 31, 2017 and 2016, the use of inventory recognized as expenses is detailed as follows:

Inventory costs	January - December 2017 ThUS$	2016 ThUS$
Warehouse consumption	10,412	9,935
Oil (see Note 28)	31,145	41,330
Gas Line Pack (see Note 28)	308,369	262,823
Coal (see Note 28)	73,813	63,381
Total	**423,739**	**377,469**

14. Derivative instruments

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

Interest rate derivatives are used to determine or limit the variable interest rate of financial obligations and relate to interest rate swaps.

Currency derivatives are used to establish the U.S. dollar exchange for Chilean peso (Ch$), inflation-adjusted units (UF) and Peruvian sol (PEN), as a result of its existing obligations denominated in currencies other than U.S. dollar. Such instruments are mainly Forwards and Cross Currency Swaps.

Derivatives on fuel prices are used to mitigate the Company's fluctuations in sales revenue and energy production cost risk derived from a change in fuel prices used for such purposes. Instruments used are mainly options and forwards.

As of December 37, 2017, the Company classified all its hedges as "Cash flow hedges."

14.1 Hedging instruments

As of December 31, 2017 and 2016, this caption includes the valuation of financial instruments for such periods, detailed as follows:

Hedging assets		Current		Non-current	
		12.31.2017 ThUS$	12.31.2016 ThUS$	12.31.2017 ThUS$	12.31.2016 ThUS$
Currency hedging instrument	Cash flow hedges	883	103	20,829	-
Interest rate hedge	Cash flow hedges	-	-	-	5,153
Fuel price hedge	Cash flow hedges	67	905	-	-
	Total (see Note 9)	**950**	**1,008**	**20,829**	**5,153**

Hedging liabilities		Current		Non-current	
		12.31.2017 ThUS$	12.31.2016 ThUS$	12.31.2017 ThUS$	12.31.2016 ThUS$
Currency hedging instrument	Cash flow hedges	396	1,034	-	2,918
Interest rate hedge	Cash flow hedges	-	572	-	-
	Total (see Note 22.a)	**396**	**1,606**	-	**2,918**

	12.31.2017 ThUS$	12.31.2016 ThUS$
Hedging instruments, net	**21,383**	**1,637**

The portfolio of hedging instruments at Colbún S.A. and subsidiaries is as follows:

Hedging instrument	Fair value Hedging instrument		Underlying asset hedged	Hedged risk	Type of hedge
	12.31.2017 ThUS$	12.31.2016 ThUS$			
Currency forward	-	2	Project future disbursements	Exchange rate	Cash flow
Currency forward	(396)	100	Financial investments	Exchange rate	Cash flow
Interest rate swaps	-	4,939	Bank borrowings	Interest rate	Cash flow
Cross Currency Swaps	21,712	(4,309)	Obligations with the public (bonds)	Exchange rate and Interest rate	Cash flow
Oil options	67	905	Purchases of oil and gas	Oil price	Cash flow
Total	**21,383**	**1,637**			

As of December 31, 2017, the Company determined no gains or losses associated with ineffective cash flow hedges that should be recognized in profit or loss.

14.2 Fair value hierarchy

The fair value of financial instruments recognized in the Statements of Financial Position has been determined based on the following hierarchy, in accordance with inputs used to conduct such measurement:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2017, the calculation of fair value of all financial instruments subject to measurement has been determined based on Level 2 of the aforementioned hierarchy.

15. Investments in subsidiaries

The consolidated financial statements include the financial statements of the Parent and subsidiaries. Information on subsidiaries as of December 31, 2017 and 2016 is detailed below.

Subsidiary	12.31.2017						
	Current assets ThUS$	Non-current assets ThUS$	Current liabilities ThUS$	Non-current liabilities ThUS$	Equity ThUS$	Revenue ThUS$	Net profit (loss) ThUS$
Empresa Eléctrica Industrial S.A.	1,602	18,001	1,351	12,705	5,547	5,615	2,435
Sociedad Hidroeléctrica Melocotón Ltda.	746	8,591	48	144	9,145	3,504	2,714
Río Tranquilo S.A.	2,218	46,901	1,063	19,810	28,246	16,760	9,810
Termoeléctrica Nehuenco S.A.	267	3,992	1,620	19,028	(16,389)	8,311	913
Termoeléctrica Antilhue S.A.	253	32,976	3,217	16,304	13,708	4,400	(5,305)
Colbún Transmisión S.A.	4,429	121,628	16,011	23,033	87,013	29,546	15,555
Colbún Desarrollo S.P.A.	10	150	-	-	160	-	-
Inversiones SUD S.P.A.	5,749	2,173	1,187	6,686	49	-	39
Inversiones Andinas S.P.A.	10	-	-	-	10	-	-
Colbún Peru S.A.	3,428	235,406	1	-	238,833	-	6,257
Inversiones de Las Canteras S.A.	202	462,204	10	815	461,581	-	35,953
Fenix Power Peru S.A.	110,323	736,378	33,208	354,052	459,441	192,837	13,062

Subsidiary	12.31.2016						
	Current assets ThUS$	Non-current assets ThUS$	Current liabilities ThUS$	Non-current liabilities ThUS$	Equity ThUS$	Revenue ThUS$	Net profit (loss) ThUS$
Empresa Eléctrica Industrial S.A.	811	14,861	3,685	8,833	3,154	6,077	1,303
Sociedad Hidroeléctrica Melocotón Ltda.	685	6,040	148	146	6,431	3,212	2,493
Río Tranquilo S.A.	1,592	47,003	2,997	15,159	30,439	21,330	11,527
Termoeléctrica Nehuenco S.A.	265	4,345	2,003	20,002	(17,395)	8,278	432
Termoeléctrica Antilhue S.A.	164	41,048	1,318	18,880	21,014	4,800	1,403
Colbún Transmisión S.A.	3,148	96,731	14,079	20,576	65,224	25,562	14,897
Colbún Desarrollo S.P.A.	160	-	-	-	160	-	-
Inversiones SUD S.P.A.	10	-	-	-	10	-	-
Inversiones Andinas S.P.A.	10	-	-	-	10	-	-
Colbún Peru S.A.	198	222,173	1	-	222,370	-	3,428
Inversiones de Las Canteras S.A.	390	436,087	10	860	435,607	-	6,758
Fenix Power Peru S.A.	96,363	763,004	27,992	374,682	456,693	216,727	7,130

See note 3.1.b.

16. Equity-accounted investees

a. Equity-accounted investees

The detail of equity-accounted investees and its movements as of December 31, 2017 and 2016 is described below.

Relationship	Company	No. of shares	Ownership percentage 12.31.2017	Balance as of 01.01.2017	Additions	Accrued profit or loss	Dividends	Reserve in equity: Foreign currency translation difference	Reserve in equity: Reserve in hedge derivatives	Total 12.31.2017
			%	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Associate	Electrogas S.A.	175,076	42.50%	17,049	-	8,187	(8,104)	-	88	17,220
Joint venture	Centrales Hidroeléctricas de Aysén S.A.	8,731,996	49.00%	9,245	2,923	(6,202)	-	767	-	6,733
Joint venture	Transmisora Eléctrica de Quillota Ltda.	-	50.00%	12,282	-	919	-	1,144	-	14,345
			Total	**38,576**	**2,923**	**2,904**	**(8,104)**	**1,911**	**88**	**38,298**

Relationship	Company	No. of shares	Ownership percentage 12.31.2016	Balance as of 01.01.2016	Additions	Accrued profit or loss	Dividends	Reserve in equity: Foreign currency translation difference	Reserve in equity: Reserve in hedge derivatives	Total 12.31.2016
			%	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Associate	Electrogas S.A.	175,076	42.50%	16,968	-	7,640	(8,458)	-	899	17,049
Joint venture	Centrales Hidroeléctricas de Aysén S.A.	8,731,996	49.00%	8,201	3,323	(3,106)	-	827	-	9,245
Joint venture	Transmisora Eléctrica de Quillota Ltda.	-	50.00%	10,843	-	880	-	559	-	12,282
			Total	**36,012**	**3,323**	**5,414**	**(8,458)**	**1,386**	**899**	**38,576**

b. Financial information about investments in associates and joint ventures

The information in the financial statements of the Company's associates and joint ventures as of December 31, 2017 and 2016, is as follows:

Relationship	Company	12.31.2017							
		Current asset	Non-current asset	Current liability	Non-current liability	Equity	Revenue	Expenses	Retained earnings (accumulated deficit)
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Associate	Electrogas S.A.	7,742	56,095	7,468	15,855	40,514	36,152	(3,385)	19,264
Joint venture	Centrales Hidroeléctricas de Aysén S.A.	579	13,063	226	-	13,416	40	(1,669)	(12,658)
Joint venture	Transmisora Eléctrica de Quillota Ltda.	12,631	19,626	716	2,850	28,691	4,577	(1,124)	1,837

Relationship	Company	12.31.2016							
		Current asset	Non-current asset	Current liability	Non-current liability	Equity	Revenue	Expenses	Retained earnings (accumulated deficit)
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Associate	Electrogas S.A.	13,933	60,928	14,099	20,649	40,113	35,679	(3,048)	17,977
Joint venture	Centrales Hidroeléctricas de Aysén S.A.	1,291	22,644	4,965	102	18,868	29	(6,042)	(6,399)
Joint venture	Transmisora Eléctrica de Quillota Ltda.	9,465	18,021	254	2,667	24,565	4,176	(1,010)	1,780

i) Electrogas S.A.:

Electrogas S.A. is a company engaged in the transportation of natural gas and other fuels. It has a pipeline between "City Gate III" located in San Bernardo, Santiago, Chile and "Plant Gate" located in Quillota, Valparaíso, Chile, and a pipeline from "Plant Gate" to Colmo, Concón, Valparaíso, Chile. Its main customers are Compañía Eléctrica de Tarapacá S.A., Colbún S.A., Empresa de Gas Quinta Región (Gasvalpo), Energas S.A. and Enap Refinerías Concón.

Colbún has a direct ownership interest of 42.5% in such company.

ii) Centrales Hidroeléctricas de Aysén S.A. (HidroAysén):

On November 17, 2017, Hidroaysén S.A. from which Colbún S.A owns 49%, reported the end of activities and cancellation of “Proyecto Hidroeléctrico Hidroaysén” as it is not viable economically in the current context of the power market and its future insights; accordingly, the entity was dissolved and its good liquidated, the cancellation of remaining legal actions and the resignation to the Project water rights.

On November 17, 2017, through Essential Event was reported that in 2014, Colbún S.A. recorded an allowance for impairment loss of its interest in Hidroaysén S.A. of approximately MUS$102; accordingly, the dissolution will have no material adverse accounting effects.

Colbún owns an interest of 49% in HidroAysén S.A.

iii) Transmisora Eléctrica de Quillota Ltda.:

This company was incorporated by Colbún S.A. and San Isidro S.A. (currently, Compañía Eléctrica de Tarapacá S.A.), in June 1997, with the purpose of jointly developing and operating the required installations to transport the capacity and energy generated by their respective plants to the Quillota Substation owned by Transelec S.A.

Transmisora Eléctrica de Quillota Ltda. is the owner of San Luis substation, located beside the Nehuenco and San Isidro combined-cycle plants. In addition, it owns the high voltage line of 220 KV that links the substation with Quillota substation of SIC.

Colbún has an ownership interest of 50% in this company.

17. Intangible assets other than goodwill

a. Detail by classes of intangible assets

As of December 31, 2017 and 2016, this caption is detailed as follows:

Intangible assets, net		12.31.2017 ThUS$	12.31.2016 ThUS$
Rights not internally generated	Emission rights for particulate matter	9,582	9,582
	Concessions	87	96
	Water rights	17,440	18,510
	Easements	58,145	58,118
	Intangible assets related to customers	43,362	46,539
Licenses	Software	3,451	5,284
	Total	**132,067**	**138,129**

Intangible assets, gross		12.31.2017 ThUS$	12.31.2016 ThUS$
Rights not internally generated	Emission rights for particulate matter	9,582	9,582
	Concessions	113	113
	Water rights	17,455	18,522
	Easements	59,474	59,273
	Intangible assets related to customers	46,815	46,815
Licenses	Software	12,799	12,889
	Total	**146,238**	**147,194**

Accumulated amortization		12.31.2017 ThUS$	12.31.2016 ThUS$
Rights not internally generated	Concessions	(26)	(17)
	Water rights	(15)	(12)
	Easements	(1,329)	(1,155)
	Intangible assets related to customers	(3,453)	(276)
Licenses	Software	(9,348)	(7,605)
	Total	**(14,171)**	**(9,065)**

b. Movements in intangible assets

As of December 31, 2017 and 2016, this caption comprises the following:

Movements as of 2017	Rights not internally generated					Licenses	Intangible assets, net
	Emission rights for particulate matter	Concessions	Water rights	Easementss	Intangible assets related to customers	Software	
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Balance as of 01.01.2017	9,582	96	18,510	58,118	46,539	5,284	138,129
Additions	-	-	87	667	-	33	787
Increase (decrease) resulting from other movements	-	-	-	(466)	-	-	(466)
Disposals	-	-	(1,154)	-	-	-	(1,154)
Transport from assets under construction	-	-	-	-	-	(123)	(123)
Accumulated amortization, transfers	-	-	-	-	-	123	123
Amortization expenses (see Note 30)	-	(9)	(3)	(174)	(3,177)	(1,866)	(5,229)
Balance as of 12.31.2017	**9,582**	**87**	**17,440**	**58,145**	**43,362**	**3,451**	**132,067**

Movements as of 2016	Rights not internally generated					Licenses	Intangible assets, net
	Emission rights for particulate matter	Concessions	Water rights	Easementss	Intangible assets related to customers	Software	
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Balance as of 01.01.2016	7,701	87	18,418	57,844	3,315	3,975	91,340
Additions	-	15	96	1,548	43,500	690	45,849
Increase (decrease) resulting from other movements	-	-	-	(1,099)	-	-	(1,099)
Disposals	-	-	-	-	-	(228)	(228)
Accumulated amortization Disposals	-	-	-	-	-	63	63
Transport from assets under construction	1,881	-	-	-	-	2,108	3,989
Amortization expenses (see Note 30)	-	(6)	(4)	(175)	(276)	(1,324)	(1,785)
Balance as of 12.31.2016	**9,582**	**96**	**18,510**	**58,118**	**46,539**	**5,284**	**138,129**

As detailed in Note 5.b, the Company's Management, in its assessment, determined that there is no impairment of intangible assets' carrying amount. The Company has no intangible assets pledged as collateral to secure compliance with its debt obligations.

18. Property, plant and equipment, net

a. Detail of property, plant and equipment

As of December 31, 2017 and 2016, the caption property, plant and equipment is detailed as follows:

Property, plant and equipment, net	12.31.2017 ThUS$	12.31.2016 ThUS$
Land	297,742	296,368
Building, construction and facilities	225,930	230,010
Machinery	574	400
Transport equipment	755	591
Office equipment	3,410	3,394
IT equipment	1,472	1,620
Power-generating assets	4,068,854	4,136,815
Assets under construction	530,185	558,480
Finance leases	11,307	12,064
Other property, plant and equipment	376,249	412,012
Total	**5,516,478**	**5,651,754**

Property, plant and equipment, gross	12.31.2017 ThUS$	12.31.2016 ThUS$
Land	297,742	296,368
Building, construction and facilities	284,277	279,186
Machinery	882	641
Transport equipment	1,730	1,581
Office equipment	9,013	8,666
IT equipment	8,266	7,925
Power-generating assets	5,475,436	5,354,184
Assets under construction	595,431	560,724
Finance leases	15,154	15,154
Other property, plant and equipment	464,558	485,933
Total	**7,152,489**	**7,010,362**

Accumulated depreciation and impairment of property, plant and equipment	12.31.2017 ThUS$	12.31.2016 ThUS$
Building, construction and facilities	(58,347)	(49,176)
Machinery	(308)	(241)
Transport equipment	(975)	(990)
Office equipment	(5,603)	(5,272)
IT equipment	(6,794)	(6,305)
Power-generating assets	(1,406,582)	(1,217,369)
Assets under construction	(65,246)	(2,244)
Finance leases	(3,847)	(3,090)
Other property, plant and equipment	(88,309)	(73,921)
Total	**(1,636,011)**	**(1,358,608)**

b. Movements in property, plant and equipment

As of December 31, 2017 and 2016, the caption property, plant and equipment, net is composed of the following:

Movements as of 2017	Land ThUS$	Building, construction and facilities ThUS$	Machinery ThUS$	Transport equipment ThUS$	Office equipment ThUS$	IT equipment ThUS$	Power-generating assets ThUS$	Assets under construction ThUS$	Finance leases ThUS$	Other property, plant and equipment ThUS$	Property, plant and equipment, net ThUS$
Balance as of 01.01.2017	296,368	230,010	400	591	3,394	1,620	4,136,815	558,480	12,064	412,012	5,651,754
Additions	1,427	-	62	347	-	529	34,419	137,252	-	93	174,129
Increase (decrease) resulting from other movements	(51)	-	-	-	-	-	-	-	-	(23,509)	(23,560)
Disposals	(2)	-	-	(222)	-	(121)	(8,220)	-	-	-	(8,565)
Accumulated depreciation, disposals	-	-	-	163	-	117	2,104	-	-	-	2,384
Impairment losses recognized in profit or loss for the year	-	-	-		-			(63,002)	-	-	(63,002)
Transport from assets under construction	-	5,315	179	24	323	(67)	94,772	(102,545)	-	2,122	123
Accumulated depreciation, transport	-	3	-	-	-	67	1,354	-	-	50	1,474
Transport between assets	-	(224)	-	-	24	-	281	-	-	(81)	-
Depreciation expenses (see Note 30)		(9,174)	(67)	(148)	(331)	(673)	(192,671)		(757)	(14,438)	(218,259)
Total movements	**1,374**	**(4,080)**	**174**	**164**	**16**	**(148)**	**(67,961)**	**(28,295)**	**(757)**	**(35,763)**	**(135,276)**
Balance as of 12.31.2017	**297,742**	**225,930**	**574**	**755**	**3,410**	**1,472**	**4,068,854**	**530,185**	**11,307**	**376,249**	**5,516,478**

Movements as of 2016	Land ThUS$	Building, construction and facilities ThUS$	Machinery ThUS$	Transport equipment ThUS$	Office equipment ThUS$	IT equipment ThUS$	Power-generating assets ThUS$	Assets under construction ThUS$	Finance leases ThUS$	Other property, plant and equipment ThUS$	Property, plant and equipment, net ThUS$
Balance as of 01.01.2016	288,393	237,900	302	485	3,640	1,227	4,277,662	438,170	13,012	406,941	5,667,732
Additions	8,262	108	157	218	19	314	2,337	195,607	-	12,188	219,210
Increase (decrease) resulting from other movements	(287)	-	-	-	-	-	-	-	-	8,957	8,670
Disposals	-	-	-	(194)	-	-	(21,032)	(2,778)	(222)	-	(24,226)
Accumulated depreciation, disposals	-	-	-	200	-	-	10,975	-	-	-	11,175
Impairment losses recognized in profit or loss for the year	-	-	-	-	-	-	-	(685)	-	-	(685)
Transport from assets under construction	-	1,939	-	-	107	707	59,855	(71,834)	-	5,237	(3,989)
Transport between assets	-	-	-	43	-	-	9,126	-	-	(9,169)	-
Accumulated depreciation, transfers entre Assets	-	-	-	(21)	-	-	(2,021)	-	-	2,042	-
Depreciation expenses (see Note 30)		(9,937)	(59)	(140)	(372)	(628)	(200,087)		(726)	(14,184)	(226,133)
Total movements	**7,975**	**(7,890)**	**98**	**106**	**(246)**	**393**	**(140,847)**	**120,310**	**(948)**	**5,071**	**(15,978)**
Balance as of 12.31.2016	**296,368**	**230,010**	**400**	**591**	**3,394**	**1,620**	**4,136,815**	**558,480**	**12,064**	**412,012**	**5,651,754**

c. Other disclosures

i) Colbún S.A. and its subsidiaries have entered into insurance policies to cover the possible risks to which the different items of property, plant and equipment may be exposed, as well as possible claims that might be presented because of the performance of their business activities. Such policies sufficiently cover the risks to which they are exposed.

Additionally, loss of profit that may result from a claim is covered by insurance policies engaged by the Company.

ii) As of January 31, 2017 and prior to the Directors' Committee review, the Board of Directors of Colbún approved the transfer of trunk transmission assets of Colbún S.A., which is the transmission line 2 x 220 KV Polpaico – Los Maquis, the substations Paño J12 de Polpaico, Tap El Llano, Los Maquis and Mulchén; and related assets such as easements, land and contracts to its subsidiary Colbún Transmisión S.A. to comply with the legal requirement of the Electric Services Act, which establishes that trunk transmission assets should be owned by a company whose line of business is solely electric power transmission.

Note that Colbún S.A. has 100% of direct ownership in Colbún Transmisión S.A., which was incorporated in 2012, and is currently the owner of other trunk transmission assets.

iii) As of December 31, 2017 and 2016, the Company had commitments associated with the acquisition of property, plant and equipment for construction agreements for ThUS$62,796 and ThUS$49,119, respectively. The companies in which it operates are: Abb S.A., Siemens S.A., Compañía Puerto de Coronel S.A., Abengoa Chile S.A., Andritz Hydro S.R.L., Consorcio Isotron Sacyr S.A., Ingeniería Agrosonda Ltda., Pine SpA, CMI Energy, Orion Power S.A, Wuxi Suntech Power Co Ltd., SMA Solar Technology AG, Secretaría Ministerial de Bienes Nacionales, Flesan S.A., among others.

iv) As of December 31, 2017 and 2016, accumulated capitalized interest costs (IAS 23) are detailed as follows:

Concept	January - December	
	2017 ThUS$	2016 ThUS$
Borrowing costs		
Capitalized borrowing costs (see Note 31)	304	2,399
Borrowing costs recognized as expenses	8,840	19,751
Total borrowing costs incurred	**9,144**	**22,150**
Interest costs		
Capitalized interest costs (see Note 31)	3,660	7,481
Interest expenses	84,954	81,921
Total interest costs incurred	**88,614**	**89,402**
Capitalization rate of borrowing costs subject to capitalization	5.29%	5.27%

v) Operating leases

As of December 31, 2017 and 2016, the Company holds embedded operating leases corresponding to:

1. Transmission line contracts (Alto Jahuel-Candelaria 220 KV and Candelaria-Minero 220 KV) entered into between the Company and Corporación Nacional del Cobre de Chile. Such contracts have a term of 30 years.

2. Additional toll contracts (transmission lines - Polpaico substation-substation Maitenes) entered into between the Company and Anglo American Sur. Such contracts have a term of 21 years.

3. Energy supply and electric power contract entered into between Colbún and Corporación Nacional del Cobre de Chile. Such contract has a term of 30 years.

The estimated future charges derived from such contracts are detailed as follows:

December 31, 2017	0-1 year ThUS$	1-5 years ThUS$	Over 5 years ThUS$	Total ThUS$
Minimum lease payments under operating non-cancellable leases	118,313	473,242	2,473,271	3,064,826
Total	**118,313**	**473,242**	**2,473,271**	**3,064,826**

December 31, 2016	0-1 year ThUS$	1-5 years ThUS$	Over 5 years ThUS$	Total ThUS$
Minimum lease payments under operating non-cancellable leases	115,870	463,476	2,535,964	3,115,310
Total	**115,870**	**463,476**	**2,535,964**	**3,115,310**

vi) Finance lease

As of December 31, 2017, the caption property, plant and equipment includes ThUS$11,307, corresponding to the net accounting value of assets that are subject to finance lease agreements. In addition, as of December 31, 2016, property, plant and equipment included ThUS$12,064 for the same concept.

Leased assets are related to the subsidiary Fenix and correspond to a contract entered into between Consorcio Transmantaro S.A. (hereinafter, CTM), in which CTM is obliged to provide maintenance and operating services to the 8-km transmission line between the substation Chilca and the thermoelectric power plant Fenix. Such contract has a term of 20 years and accrues an annual interest of 12%. Additionally, CTM is obliged to build facilities for the rendering of transmission line services.

The present value of future payments derived from such contracts is as follows:

December 31, 2017	0-1 year ThUS$	1-5 years ThUS$	Over 5 years ThUS$	Total ThUS$
Gross	2,415	9,660	31,646	**43,721**
Interests	1,987	7,318	19,345	**28,650**
Current value (see Note 22.a)	428	2,342	12,301	**15,071**

December 31, 2016	0-1 year ThUS$	1-5 years ThUS$	Over 5 years ThUS$	Total ThUS$
Gross	2,362	11,040	34,710	**48,112**
Interests	1,982	9,071	21,608	**32,661**
Current value (see Note 22.a)	380	1,969	13,102	**15,451**

vii) Additional information required for XBRL taxonomy

1. Disbursements recognized during the construction

Disbursements recognized during the construction, gross	12.31.2017 ThUS$	12.31.2016 ThUS$
Assets under construction	119,574	141,736
Total	**119,574**	**141,736**

2. Assets fully depreciated still in use

Assets fully depreciated still in use, gross	12.31.2017 ThUS$	12.31.2016 ThUS$
Buildings	7,057	62
Machinery	36	25
Transport equipment	450	452
Office equipment	3,942	3,730
IT equipment	5,404	5,325
Power-generating assets	71,220	42,699
Other property, plant and equipment	1,430	1,411
Total	**89,539**	**53,704**

Assets fully depreciated still in use, accumulated depreciation and impairment	12.31.2017 ThUS$	12.31.2016 ThUS$
Buildings	(6,920)	(62)
Machinery	(36)	(25)
Transport equipment	(450)	(452)
Office equipment	(3,942)	(3,730)
IT equipment	(5,404)	(5,325)
Power-generating assets	(68,946)	(42,699)
Other property, plant and equipment	(1,430)	(1,411)
Total	**(87,128)**	**(53,704)**

viii) Detail of other property, plant and equipment

As of December 31, 2017 and 2016, this caption comprises the following:

Other property, plant and equipment, net	12.31.2017 ThUS$	12.31.2016 ThUS$
Substations	149,746	157,618
Transmission lines	127,635	140,218
Spare parts classified as property, plant and equipment	90,655	114,165
Other property, plant and equipment	8,213	11
Balance of other property, plant and equipment, net	**376,249**	**412,012**

Other property, plant and equipment, gross	12.31.2017 ThUS$	12.31.2016 ThUS$
Substations	207,047	205,041
Transmission lines	155,732	165,284
Spare parts classified as property, plant and equipment	90,655	114,165
Other property, plant and equipment	11,124	1,443
Total other property, plant and equipment, gross	**464,558**	**485,933**

Accumulated depreciation and impairment of property, plant and equipment	12.31.2017 ThUS$	12.31.2016 ThUS$
Substations	(57,301)	(47,423)
Transmission lines	(28,097)	(25,066)
Other property, plant and equipment	(2,911)	(1,432)
Total depreciation and impairment	**(88,309)**	**(73,921)**

ix) Detail of power-generating assets

Power-generating assets, net		12.31.2017 ThUS$	12.31.2016 ThUS$
Power-generating civil works	Hydropower	1,672,750	1,686,572
	Coal-fired thermal power	220,808	196,248
	Oil and gas-fired thermal power	44,124	27,020
Power-generating equipment and machinery	Hydropower	558,498	588,888
	Coal-fired thermal power	491,163	506,119
	Oil and gas-fired thermal power	1,081,511	1,131,968
Balance of power-generating assets, net		**4,068,854**	**4,136,815**

Power-generating assets, gross		12.31.2017 ThUS$	12.31.2016 ThUS$
Power-generating civil works	Hydropower	2,206,842	2,198,701
	Coal-fired thermal power	260,852	228,430
	Oil and gas-fired thermal power	54,501	35,643
Power-generating equipment and machinery	Hydropower	759,889	741,019
	Coal-fired thermal power	612,995	604,030
	Oil and gas-fired thermal power	1,580,357	1,546,361
Total power-generating assets, gross		**5,475,436**	**5,354,184**

Accumulated depreciation and impairment of power-generating assets		12.31.2017 ThUS$	12.31.2016 ThUS$
Power-generating civil works	Hydropower	(534,092)	(512,129)
	Coal-fired thermal power	(40,044)	(32,182)
	Oil and gas-fired thermal power	(10,377)	(8,623)
Power-generating equipment and machinery	Hydropower	(201,391)	(152,131)
	Coal-fired thermal power	(121,832)	(97,911)
	Oil and gas-fired thermal power	(498,846)	(414,393)
Total depreciation and impairment		**(1,406,582)**	**(1,217,369)**

19. Current income tax assets recoverable

As of December 31, 2017 and 2016, this caption comprises the following:

a. Current tax assets

	Current	
	12.31.2017 ThUS$	12.31.2016 ThUS$
Recoverable taxes from previous years	11,284	677
Recoverable taxes for the year (see Note 21.a.1)	7,106	4,602
Total	**18,390**	**5,279**

b. Current tax liabilities

	Current	
	12.31.2017 ThUS$	12.31.2016 ThUS$
Taxes payable for the year (see Note 21.a.1)	19,785	32,605
Total	**19,785**	**32,605**

20. Other non-financial assets

As of December 31, 2017 and 2016, this caption comprises the following:

	Current		Non-current	
	12.31.2017 ThUS$	12.31.2016 ThUS$	12.31.2017 ThUS$	12.31.2016 ThUS$
Insurance premium for facilities and civil responsibility	15,542	14,026	-	-
Prepayments	13,741	13,064	19,875	20,710
Patent for non-use of water rights (1)	-	-	7,774	8,040
Other miscellaneous assets	109	100	1,360	1,121
Total	**29,392**	**27,190**	**29,009**	**29,871**

(1) Credit under Article No.129 bis 20 of the Chilean Water Code, Decree Law No.1.122. As of December 31, 2017, the Company recognized impairment charges of ThUS$5,928, whereas as of December 31, 2016, the Company recognized ThUS$1,731. The payment of these patents relates to the implementation of projects that will use such water rights; accordingly, is an economic variable under permanent assessment by the Company. Within this context, the Company accurately controls the payments made and acknowledges the estimates of project start-ups to recognize the impairment of an asset, if it is foreseen that its use will be subsequent to the leverage ratio of the Fiscal Credit.

21. Income taxes

a. Income tax benefit (expense)

Income tax benefit (expense)	January - December	
	2017	2016
	ThUS$	ThUS$
Current income tax (expense) benefit		
Current income taxes	(87,313)	(66,413)
Adjustments to prior-year current income tax expense (1)	11,538	(1,008)
Total income tax expense, net	**(75,775)**	**(67,421)**
Deferred income tax (expense) benefit		
Deferred income tax benefit arising from temporary differences	41,695	507
Total deferred income tax benefit, net	**41,695**	**507**
Income tax benefit (expense)	**(34,080)**	**(66,914)**

(1) Rectification of 2017, requesting the return of a tax paid in excess of ThUS$ 10.4, related to PPA Sunedison.

As of December 31, 2017 and 2016, income tax benefit (expense) and deferred taxes from foreign and domestic parties is detailed as follows:

Income tax benefit (expense)	January - December	
	2017	2016
	ThUS$	ThUS$
Domestic current income tax (expense) benefit	(76,725)	(65,505)
Foreign current income tax (expense) benefit	950	(1,916)
Total current income tax expense, net	**(75,775)**	**(67,421)**
Domestic deferred income tax benefit (expense)	38,812	(1,148)
Foreign deferred income tax benefit	2,883	1,655
Total deferred income tax benefit	**41,695**	**507**
Income tax expense charged to profit or loss	**(34,080)**	**(66,914)**

a.1 Reconciliation of current taxes recoverable and payable

As of December 31, 2017 and 2016, the reconciliation of current taxes to income tax is as follows:

Current tax reconciliation	12.31.2017						
Company	Current taxes (profit or loss) ThUS$	Current taxes for equity adjustments ThUS$	Monthly provisional income tax payments ThUS$	Other credits ThUS$	Tax under Article No. 21 (profit or loss) ThUS$	Tax recoverable payable ThUS$	Tax liabilities ThUS$
Colbún S.A.	(74,889)	(30)	55,246	501	(207)	-	(19,379)
Colbún Transmisión S.A.	(6,532)	-	6,186	-	-	-	(346)
Río Tranquilo S.A.	(3,628)	-	4,186	-	-	558	-
Soc. Hidroeléctrica Melocotón Ltda.	(927)	-	880	-	-	-	(47)
Termoeléctrica Antilhue S.A.	(761)	-	850	-	-	89	-
Empresa Eléctrica Industrial S.A.	(355)	-	749	-	(1)	393	-
Inversiones SUD SpA	(13)	-	-	-	-	-	(13)
Fenix Power S.A.	-	-	3,087	2,979	-	6,066	-
Total	**(87,105)**	**(30)**	**71,184**	**3,480**	**(208)**	**7,106**	**(19,785)**

Current tax reconciliation	12.31.2016						
Company	Current taxes (profit or loss) ThUS$	Current taxes for equity adjustments ThUS$	Monthly provisional income tax payments ThUS$	Other credits ThUS$	Tax under Article No. 21 (profit or loss) ThUS$	Tax recoverable payable ThUS$	Tax liabilities ThUS$
Colbún S.A.	(51,816)	(2,154)	24,753	325	(181)	-	(29,073)
Colbún Transmisión S.A.	(5,580)	-	3,697	-	-	-	(1,883)
Río Tranquilo S.A.	(4,575)	-	3,127	18	-	-	(1,430)
Termoeléctrica Antilhue S.A.	(821)	-	985	-	-	164	-
Soc. Hidroeléctrica Melocotón Ltda.	(806)	-	716	-	-	-	(90)
Empresa Eléctrica Industrial S.A.	(716)	-	581	7	(1)	-	(129)
Termoeléctrica Nehuenco S.A.	-	-	-	1	-	1	-
Fenix Power S.A.	(1,916)	-	3,279	3,074	-	4,437	-
Total	**(66,230)**	**(2,154)**	**37,138**	**3,425**	**(182)**	**4,602**	**(32,605)**

As of December 31, 2017, Colbún S.A., along with its subsidiaries, generated taxable income and, accordingly, it recognized a consolidated income tax liability, net of monthly provisional income tax payments and credits, amounting to ThUS$19,785.

In the case of the foreign subsidiary Fénix Power Perú S.A., as of December 31, 2017, it recognizes accumulated tax losses of ThUS$ 149,4. Additionally, as of December 31, 2017, the accumulated tax losses of the domestic subsidiary Termoeléctrica Nehuenco S.A. amount to ThUS$ 12,029. With respect to the aforementioned subsidiaries with accumulated tax losses, such losses are expected to reverse in the future; accordingly, a deferred tax asset was recognized.

In accordance with IAS 12, a deferred tax asset for tax losses is recognized when Management has determined that is probable that future taxable income will be available against which they can be offset. This situation occurs in subsidiaries that recognize tax losses.

a.2 Reconciliation of consolidated tax expense and calculation of effective rate

As of December 31, 2017 and 2016, the total tax expense can be reconciled to the accounting profit as follows:

Income tax benefit (expense)	2017		2016	
	Amount ThUS$	Rate %	Amount ThUS$	Rate %
Profit before income taxes	322,682		271,654	
Tax expense using the legal rate (1)	**(82,284)**	**25.5%**	**(65,197)**	**24.0%**
Differences between US dollars and tax financial accounting in local currency through deferred taxes	5,711	-1.8%	1,971	-0.7%
Tax effect of exchange rate differences in other jurisdictions	-	0.0%	(296)	0.1%
Other differences (3)	42,493	-13.2%	(3,392)	1.2%
Actual Income tax expense	**(34,080)**	**10.6%**	**(66,914)**	**24.6%**

(1)As of December 31, 2017, the income tax expense was calculated using the legal tax rate of 25.5% (Law No. 20.780) for the Chilean operations and the legal tax rate of 29.5% for the Peruvian operations. As of December 31, 2016, the tax expense was calculated using the legal tax rate of 24% (Law No.20.780) for the Chilean operations and the legal tax rate of 28% for the Peruvian operations.

(2) In accordance with the International Financial Reporting Standards (IFRS), the Company and its subsidiaries recognize their tax and financial operations at their functional currency, which is the U.S. dollar. With respect to the foreign subsidiaries, the local currency is used for tax purposes.

(3) See note 21.b.

b. Deferred taxes

As of December 31, 2017 and 2016, deferred tax assets and liabilities are detailed as follows:

Deferred tax assets	12.31.2017 ThUS$	12.31.2016 ThUS$
Deferred taxes related to tax losses	47,332	43,001
Deferred taxes related to unearned revenue	3,539	3,284
Deferred taxes related to inventory	1,753	2,833
Deferred taxes related to provisions	20,418	6,870
Deferred taxes related to unrealized gain or loss	292	583
Deferred taxes related to contingencies	46	705
Deferred taxes related to obligations for post-employment benefits	7,641	4,959
Deferred taxes related to tax expenses	-	3,939
Deferred taxes related to investments (1)	39,980	-
Total deferred tax assets	**121,001**	**66,174**
Deferred tax liabilities	**12.31.2017 ThUS$**	**12.31.2016 ThUS$**
Deferred taxes related to depreciations	(967,128)	(1,006,785)
Deferred taxes related to intangible assets	(14,599)	(4,388)
Deferred taxes related to financial expenses	(17,972)	(5,561)
Deferred taxes related to hedging instruments	(987)	(284)
Total deferred tax liabilities	**(1,000,686)**	**(1,017,018)**
Total deferred tax assets and liabilities, net	**(879,685)**	**(950,844)**

(1) On December 7, 2017, the entity Centrales Hidroeléctricas de Aysén S.A. reported to the SVS, through essential event, the early agreement with respect to the dissolution of this entity and how the liquidation process will be conducted. Accordingly, as established in IAS 12, the differences between the accounting and financial basis should be considered as temporary, generating a deferred tax asset of ThUS$ 39,980.

Changes in deferred taxes	12.31.2017 ThUS$	12.31.2016 ThUS$
Deferred taxes as of January 1	**(950,844)**	**(949,034)**
Property, plant and equipment	39,657	5,576
Contingencies	(659)	(1,379)
Obligations for post-employment benefits	2,682	4,959
Tax losses	4,295	(8,198)
Intangible assets	(10,175)	(4,388)
Investments	39,980	-
Unrealized gain or loss	(291)	583
Unearned revenue	255	(2,397)
Hedging instruments	(703)	(4,764)
Finance costs	(12,411)	3,739
Inventories	(1,080)	1,195
Provisions	13,548	(675)
Tax expense	(3,939)	3,939
Closing balance	**(879,685)**	**(950,844)**

The net position of deferred taxes per company is as follows:

Net deferred tax position by company				
Company	Net position			
	Non-current assets		Non-current liabilities	
	12.31.2017 ThUS$	12.31.2016 ThUS$	12.31.2017 ThUS$	12.31.2016 ThUS$
Fenix Power Peru S.A. (1)	34,369	2,645	-	-
Termoeléctrica Nehuenco S.A.	3,992	4,345	-	-
Colbún Peru S.A.	-	14	-	-
Soc. Hidroeléctrica Melocotón Ltda.	-	-	(144)	(146)
Empresa Eléctrica Industrial S.A.	-	-	(405)	(383)
Inversiones de Las Canteras S.A.	-	-	(815)	(860)
Termoeléctrica Antilhue S.A.	-	-	(6,316)	(8,396)
Río Tranquilo S.A.	-	-	(10,642)	(10,162)
Colbún Transmisión S.A.	-	-	(23,033)	(20,576)
Colbún S.A.	-	-	(876,691)	(917,325)
Subtotal	**38,361**	**7,004**	**(918,046)**	**(957,848)**
		Net deferred taxes	**(879,685)**	**(950,844)**

(1) During the current year, our subsidiary Fenix Power in Peru has recorded a deferred tax asset of MUS$ 27.1, due to the temporary difference arising from the impairment of property, plant and equipment. (See Note 34).

c. Income tax in other comprehensive income

	January - December	
	2017 ThUS$	2016 ThUS$
Related to cash flow hedges	1,393	(5,201)
Related to defined benefit plans	689	729
Income tax related to components of other comprehensive income	**2,082**	**(4,472)**
Related to share of other comprehensive profit or loss on associates and joint ventures using the equity method	(31)	(332)
Income tax related to components of other comprehensive income	**2,051**	**(4,804)**

22. Other financial liabilities

As of December 31, 2017 and 2016, this caption comprises the following:

a. Obligations with financial institutions

Other financial liabilities	Current		Non-current	
	12.31.2017 ThUS$	12.31.2016 ThUS$	12.31.2017 ThUS$	12.31.2016 ThUS$
Borrowings from financial institutions (1) (4)	-	3,350	-	343,868
Lease obligations	428	380	14,643	15,071
Obligations with the public (1) (3)	56,592	47,708	1,587,393	1,295,131
Hedge derivatives (2)	396	1,606	-	2,918
Total	**57,416**	**53,044**	**1,602,036**	**1,656,988**

(1) Interest accrued for borrowings with financial institutions and obligations with the public have been determined using the effective rate.

(2)See note 14.1

(3) i) On September 13, 2017, the subsidiary Fenix Power Perú S.A. ended a refinancing process of its bank debt, whose maturity was falling due in February 2020, through the issuance of bonds in the international market of MUS$340. Such issuance was conducted in conformity with Rule 144A and Regulation S issued by the Securities and Exchange Commission, under Securities Act No. 1933 of the United States of America.

The issuance was rated as Investment Grade by the three main international risk rating agencies: Moody´s (Baa3), S&P (BBB-) and Fitch (BBB-). Likewise, the banks Citibank, Scotiabank, SMBC (Sumitomo Mitsui Banking Corporation) structured such issuance.

The transaction had a rate of 4.317% in a 10-year term considering repayment, with remaining payment of approximately 44% upon maturity.

ii) On October 4, 2017, Colbún issued bonds in international markets of MUS$ 500 maturing in a 10-year term. Placement interest rate was 3.984% and a coupon rate of 3.950%. Such issuance was conducted in conformity with Rule 144A and Regulation S issued by the Securities and Exchange Commission, under Securities Act No. 1933 of the United States of America.

The proceeds from the placement were used to prepay a bond previously issued by Colbún S.A. for the same amount in international markets, maturing in 2020 plus activated expenses. As a result of this refinancing, the financial debt profile of the Company improves, decreasing its average rate and extending its average life.

On September 13, 2017, the subsidiary Fenix Power Perú S.A. prepaid the bank borrowing maintained with Scotiabank, Citibank and SMBC for MUS$347.7 plus the accrued interest through the present date and adjusted the repayment of capitalized expenditure.

b. Financial debt by currency

The financial debt value of Colbún (bank liabilities, bonds and leases), considering only the effect of derivative instruments (liability position) is as follows:

Financial debt by currency	12.31.2017 ThUS$	12.31.2016 ThUS$
US dollar	1,560,803	1,614,379
Inflation-adjusted units	98,649	95,653
Total	**1,659,452**	**1,710,032**

c. Maturity and currency of the obligations with financial institutions

c.1 Bank borrowings

As of December 31, 2017, the Company has no bank borrowings. As of December 31, 2016, this is detailed as follows:

As of 12.31.2016		
Debtor's ID number	0-E	
Debtor's name	Fenix Power Peru S.A.	
Debtor's country	Peru	
Creditor's ID number	0-E	
Creditor's name	The Bank of Nova Scotia	
Creditor's country	Canada	
Currency or inflation-adjusted unit	US$	
Amortization type	Bullet	
Interest type	Variable	
Base	Libor 6M	
Effective rate	2.86%	
Nominal rate	2.34%	
Nominal amounts	**ThUS$**	**Total**
Up to 90 days	3,350	**3,350**
90 days to 1 year	-	**-**
1-3 years	-	**-**
1-2 years	-	-
2-3 years	-	-
Over 5 years	**347,700**	**347,700**
3-4 years	347,700	347,700
4-5 years	-	-
Over 5 years	-	**-**
Subtotal nominal amounts	**351,050**	**351,050**
Carrying amounts	**ThUS$**	**Total**
Up to 90 days	3,350	**3,350**
90 days to 1 year	-	**-**
Current bank borrowings	**3,350**	**3,350**
1-3 years	-	**-**
1-2 years	-	-
2-3 years	-	-
Over 5 years	**343,868**	**343,868**
3-4 years	343,868	343,868
4-5 years	-	-
Over 5 years	-	**-**
Non-current bank borrowings	**343,868**	**343,868**
Total bank borrowings	**347,218**	**347,218**

c.2 Bonds payable and promissory notes (bonds)

As of 12.31.2017							
Debtor's ID number	96.505.760-9	96.505.760-9	96.505.760-9	96.505.760-9	96.505.760-9	0-E	
Debtor's name	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Fenix Power Peru S.A.	
Debtor's country	Chile	Chile	Chile	Chile	Chile	Peru	
Registration number	234	499	538	-	-	-	
Series	Series C	Series F	Series I	144A/RegS	144A/RegS	144A/RegS	
Maturity date	10/15/2021	5/1/2028	6/10/2029	10/10/2027	7/10/2024	9/20/2027	
Currency or inflation-adjusted unit	UF	UF	UF	US$	US$	US$	
Amortization frequency	Biannual	Biannual	Biannual	Bullet	Bullet	Biannual	
Interest type	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Base	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Effective rate	8.10%	4.46%	5.02%	5.15%	4.97%	4.55%	
Nominal rate	7.00%	3.40%	4.50%	3.95%	4.50%	4.32%	
Nominal amounts	**ThUS$**						**Total ThUS$**
Up to 90 days	-	-	-	-	10,625	4,158	**14,783**
90 days to 1 year	8,464	18,448	6,268	4,334	-	5,000	**42,514**
1-3 years	**17,172**	**34,874**	**23,778**	**-**	**-**	**30,000**	**105,824**
1-2 years	8,374	17,437	11,889	-	-	12,000	49,700
2-3 years	8,798	17,437	11,889	-	-	18,000	56,124
Over 5 years	**9,244**	**34,874**	**23,778**	**-**	**-**	**51,000**	**118,896**
3-4 years	9,244	17,437	11,889	-	-	24,000	62,570
4-5 years	-	17,437	11,889	-	-	27,000	56,326
Over 5 years	**-**	**95,902**	**77,275**	**500,000**	**500,000**	**254,000**	**1,427,177**
Subtotal nominal amounts	**34,880**	**184,098**	**131,099**	**504,334**	**510,625**	**344,158**	**1,709,194**
Carrying amounts	**ThUS$**						**Total ThUS$**
Up to 90 days	-	-	-	-	10,625	4,158	**14,783**
90 days to 1 year	8,341	17,980	6,154	4,334	-	5,000	**41,809**
Current obligations with the public	**8,341**	**17,980**	**6,154**	**4,334**	**10,625**	**9,158**	**56,592**
1-3 years	**16,909**	**33,934**	**23,322**	**-**	**-**	**24,705**	**98,870**
1-2 years	8,246	16,967	11,661	-	-	10,342	47,216
2-3 years	8,663	16,967	11,661	-	-	14,363	51,654
Over 5 years	**9,103**	**33,934**	**23,322**	**-**	**-**	**45,281**	**111,640**
3-4 years	9,103	16,967	11,661	-	-	20,376	58,107
4-5 years	-	16,967	11,661	-	-	24,905	53,533
Over 5 years	**-**	**93,320**	**75,792**	**455,258**	**492,704**	**259,809**	**1,376,883**
Non-current obligations with the public	**26,012**	**161,188**	**122,436**	**455,258**	**492,704**	**329,795**	**1,587,393**
Total obligations with the public	**34,353**	**179,168**	**128,590**	**459,592**	**503,329**	**338,953**	**1,643,985**

Bonds payable and promissory notes (bonds)

As of 12.31.2016						
Debtor's ID number	96.505.760-9	96.505.760-9	96.505.760-9	96.505.760-9	96.505.760-9	
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	538	-	-	
Series	Serie C	Serie F	Serie I	144A/RegS	144A/RegS	
Maturity date	10/15/2021	5/1/2028	6/10/2029	1/21/2020	7/10/2024	
Currency or inflation-adjusted unit	UF	UF	UF	US$	US$	
Amortization frequency	Biannual	Biannual	Biannual	Bullet	Bullet	
Interest type	Fixed	Fixed	Fixed	Fixed	Fixed	
Base	Fixed	Fixed	Fixed	Fixed	Fixed	
Effective rate	8.10%	4.46%	5.02%	6.26%	4.97%	
Nominal rate	7.00%	3.40%	4.50%	6.00%	4.50%	
Nominal amounts			**ThUS$**			**Total ThUS$**
Up to 90 days	-	-	-	13,250	10,625	**23,875**
90 days to 1 year	7,392	16,742	292	-	-	**24,426**
1-3 years	**14,756**	**31,484**	**16,100**	**-**	**-**	**62,340**
1-2 years	7,196	15,742	5,367	-	-	28,305
2-3 years	7,560	15,742	10,733	-	-	34,035
Over 5 years	**16,288**	**31,484**	**21,466**	**500,000**	**-**	**569,238**
3-4 years	7,943	15,742	10,733	500,000	-	534,418
4-5 years	8,345	15,742	10,733	-	-	34,820
Over 5 years	**-**	**102,322**	**80,498**	**-**	**500,000**	**682,820**
Subtotal nominal amounts	**38,436**	**182,032**	**118,356**	**513,250**	**510,625**	**1,362,699**
Carrying amounts			**ThUS$**			**Total ThUS$**
Up to 90 days	-	-	-	13,250	10,625	**23,875**
90 days to 1 year	7,276	16,265	292	-	-	**23,833**
Current obligations with the public	**7,276**	**16,265**	**292**	**13,250**	**10,625**	**47,708**
1-3 years	**14,506**	**30,530**	**15,740**	**-**	**-**	**60,776**
1-2 years	7,074	15,265	5,247	-	-	27,586
2-3 years	7,432	15,265	10,493	-	-	33,190
Over 5 years	**16,013**	**30,530**	**20,986**	**497,437**	**-**	**564,966**
3-4 years	7,809	15,265	10,493	497,437	-	531,004
4-5 years	8,204	15,265	10,493	-	-	33,962
Over 5 years	**-**	**99,222**	**78,699**	**-**	**491,468**	**669,389**
Non-current obligations with the public	**30,519**	**160,282**	**115,425**	**497,437**	**491,468**	**1,295,131**
Total obligations with the public	**37,795**	**176,547**	**115,717**	**510,687**	**502,093**	**1,342,839**

c.3 Lease obligations

As of 12.31.2017		
Debtor's ID number	0-E	
Debtor's name	Fenix Power Peru S.A.	
Debtor's country	Peru	
Creditor's ID number	0-E	
Creditor's name	Consorcio Transmantaro S.A.	
Creditor's country	Peru	
Currency or inflation-adjusted unit	US$	
Amortization type	Quarterly	
Interest type	Fixed	
Base	-	
Effective rate	12.00%	
Nominal rate	12.00%	
Nominal amounts	**ThUS$**	**Total**
Up to 90 days	-	**-**
90 days to 1 year	428	**428**
1-3 years	**1,026**	**1,026**
1-2 years	482	482
2-3 years	544	544
Over 5 years	**1,316**	**1,316**
3-4 years	619	619
4-5 years	697	697
Over 5 years	**12,301**	**12,301**
Subtotal nominal amounts	**15,071**	**15,071**
Carrying amounts	**ThUS$**	**Total**
Up to 90 days	-	**-**
90 days to 1 year	428	**428**
Liabilities under lease agreements, current	**428**	**428**
1-3 years	**1,026**	**1,026**
1-2 years	482	482
2-3 years	544	544
Over 5 years	**1,316**	**1,316**
3-4 years	619	619
4-5 years	697	697
Over 5 years	**12,301**	**12,301**
Liabilities under lease agreements, non-current	**14,643**	**14,643**
Total liabilities under lease agreements	**15,071**	**15,071**

Lease obligations

As of 12.31.2016	
Debtor's ID number	0-E
Debtor's name	Fenix Power Peru S.A.
Debtor's country	Peru
Creditor's ID number	0-E
Creditor's name	Consorcio Transmantaro S.A.
Creditor's country	Peru
Currency or inflation-adjusted unit	US$
Amortization type	Quarterly
Interest type	Fixed
Base	-
Effective rate	12.00%
Nominal rate	12.00%

Nominal amounts	**ThUS$**	**Total**
Up to 90 days	-	**-**
90 days to 1 year	380	**380**
1-3 years	**885**	**885**
1-2 years	428	428
2-3 years	457	457
Over 5 years	**1,084**	**1,084**
3-4 years	511	511
4-5 years	573	573
Over 5 years	**13,102**	**13,102**
Subtotal nominal amounts	**15,451**	**15,451**

Carrying amounts	**ThUS$**	**Total**
Up to 90 days	-	**-**
90 days to 1 year	380	**380**
Liabilities under lease agreements, current	**380**	**380**
1-3 years	**885**	**885**
1-2 years	428	428
2-3 years	457	457
Over 5 years	**1,084**	**1,084**
3-4 years	511	511
4-5 years	573	573
Over 5 years	**13,102**	**13,102**
Liabilities under lease agreements, non-current	**15,071**	**15,071**
Total liabilities under lease agreements	**15,451**	**15,451**

c.4 Expected interests by currency of the obligations with financial institutions:

Liabilities	Currency	Interests as of 12.31.2017		Principal	Maturity date	Maturity					Total interest	Total debt
		Accrued	Forecasted			Up to 3 months	3-12 months	1 to 3 years	3 to 5 years	Over 5 years		
Bono 144A/RegS 2017 (Fenix Power Peru)	US$	4,159	106,756	340,000	20-09-2027	7,339	7,339	28,082	24,747	43,408	110,915	450,915
Finance lease (Fenix Power Peru)	US$	-	18,059	15,976	28-03-2033	457	1,354	3,474	3,232	9,542	18,059	34,035
Series C Bond	UFR	11	114	789	15-04-2021	-	51	63	11	-	125	914
Series F Bond	UFR	23	756	4,200	01-05-2028	-	138	236	182	223	779	4,979
Series I Bond	UFR	7	827	3,000	10-06-2029	-	134	237	188	275	834	3,834
Bond 144A/RegS 2014	US$	10,625	146,875	500,000	10-07-2024	11,250	11,250	45,000	45,000	45,000	157,500	657,500
Bond 144A/RegS 2017	US$	4,334	193,166	500,000	11-10-2027	-	19,750	39,500	39,500	98,750	197,500	697,500

Liabilities	Currency	Interests as of 12.31.2016		Principal	Maturity date	Maturity					Total interest	Total debt
		Accrued	Forecasted			Up to 3 months	3-12 months	1 to 3 years	3 to 5 years	Over 5 years		
The Bank of Nova Scotia (Fenix Power Peru)	US$	3,351	25,177	347,700	05-02-2020	4,075	4,075	16,302	4,076	-	28,528	376,228
Finance lease (Fenix Power Peru)	US$	-	20,363	15,684	28-03-2033	-	1,882	3,628	3,407	11,446	20,363	36,047
Series C Bond	UFR	14	175	963	15-04-2021	-	63	90	36	-	189	1,152
Series F Bond	UFR	25	905	4,600	01-05-2028	-	152	263	209	306	930	5,530
Series I Bond	UFR	7	961	3,000	10-06-2029	-	134	258	212	364	968	3,968
Bond 144A/RegS 2010	US$	13,250	91,750	500,000	21-01-2020	15,000	15,000	60,000	15,000	-	105,000	605,000
Bond 144A/RegS 2014	US$	10,625	169,375	500,000	10-07-2024	11,250	11,250	45,000	45,000	67,500	180,000	680,000

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d. Committed and uncommitted revolving credit facilities

The Company has uncommitted revolving credit facilities for approximately MUS$150.

Other revolving credit facilities:

The Company has a revolving credit facility of UF 2.5 million for issuance of commercial papers registered at the Chilean Financial Market Commission (former Superintendence of Securities and Insurance) in July 2008, with a life of 10 years.

Additionally, the Company has two lines of bonds registered at the SVS of up to UF 7 million with a life of 10 years and 30 years, respectively (from the date of approval in August 2009), against which no placements have been performed as of to date.

23. Trade and other payables

As of December 31, 2017 and 2016, trade and other payables are composed of the following:

	Current		Non-current	
	12.31.2017 ThUS$	12.31.2016 ThUS$	12.31.2017 ThUS$	12.31.2016 ThUS$
Trade payables	187,856	197,393	-	-
Other payables	6,776	10,552	12,924	18,960
Total	**194,632**	**207,945**	**12,924**	**18,960**

As of December 31, 2017, this caption comprises the following:

Main creditors	%
CMC - Coal Marketing DAC	9
Mapfre Cía. Seguros G. de Chile S.A.	6
Siemens Energy, Inc.	5
Ace Seguros S.A.	5
Transelec S.A.	4
GE Energy Parts International, Llc.	4
Pluspetrol Camisea S.A	2
GE Packaged Power, Inc.	2
Other	63
	100

Aging of the portfolio of trade and other payables:

Concept	Balances as of 12.31.2017			
	Current ThUS$	1-30 days ThUS$	Over 180 days ThUS$	Total ThUS$
Goods	56,732	-	-	56,732
Services	107,616	-	-	107,616
Other	23,508	-	-	23,508
Subtotal	**187,856**	**-**	**-**	**187,856**

Concept	Balances as of 12.31.2016			
	Current ThUS$	1-30 days ThUS$	Over 180 days ThUS$	Total ThUS$
Goods	67,365	23	33	**67,421**
Services	94,750	2,148	350	**97,248**
Other	32,622	-	102	**32,724**
Subtotal	**194,737**	**2,171**	**485**	**197,393**

As of December 31, 2017, the amounts payable for invoices receivable for goods and services amount to ThUS$113,379; as of December 31, 2016 amounted to ThUS$101,652.

For accounts payable to suppliers, the average payment period is 30 days; as a result of this, the fair value does not differ significantly from the related carrying amount.

Trade payables with a payment period greater than 180 days are pending payment, waiting for documentation to be sent by suppliers required to settle the debt.

24. Other provisions

a. Description of provisions

As of December 31, 2017 and 2016, this caption comprises the following:

Provisions	Current		Non-current	
	12.31.2017 ThUS$	12.31.2016 ThUS$	12.31.2017 ThUS$	12.31.2016 ThUS$
Other provisions				
Other provisions	29,748	7,393	33,389	-
Total	**29,748**	**7,393**	**33,389**	**-**
Provisions for employee benefits				
Provision for employee benefits (see Note 24.f)	17,325	14,996	5,095	1,067
Provision for IPAS reserve, non-current (see Note 24.g.i)	-	-	33,334	26,441
Total	**17,325**	**14,996**	**38,429**	**27,508**
Total provisions	**47,073**	**22,389**	**71,818**	**27,508**

b. Movements in provisions during the year

As of December 31, 2017 and 2016, this caption comprises the following:

Movements as of 2017	Benefits	Other provisions			Total
	Holidays and incentives	Supply agreements (1)	Thermal power plant emissions	Other (2)	
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Balance as of 01.01.2017	14,996	2,233	-	5,160	22,389
New provisions, other provisions	-	-	25,287	-	25,287
Increase in current provisions	14,031	-	-	2,232	16,263
Decrease in current provisions	(169)	(2,233)	-	(1,655)	(4,057)
Provision used	(11,533)	-	-	(1,276)	(12,809)
Balance as of 12.31.2017	**17,325**	**-**	**25,287**	**4,461**	**47,073**

Movements as of 2016	Benefits	Other provisions			Total
	Holidays and incentives	Supply agreements (1)	Thermal power plant emissions	Other (2)	
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Balance as of 01.01.2016	11,237	10,918	-	4,583	26,738
Increase (decrease) in current provisions	14,026	(8,685)	-	1,172	6,513
Provision used	(10,267)	-	-	(595)	(10,862)
Balance as of 12.31.2016	**14,996**	**2,233**	**-**	**5,160**	**22,389**

(1) Provisions arising from differences related to supplies agreed with clients
(2) Provisions for differences and/or tax and administrative contingencies. (See note 35.c)

c. Dismantling

As of December 31, 2017 and 2016, this caption comprises the following:

Out of service, restoration and reinstallation expenses	Non-current	
	12.31.2017	12.31.2016
	ThUS$	ThUS$
Opening balance	-	-
Bad debt expense	33,389	-
Reversal of impairment	-	-
Closing balance	**33,389**	**-**

The non-current balance corresponds to the disbursement related to the closure of certain facilities, and future costs associated with the removal of certain assets and rehabilitation of specific land.

d. Restructuring

The Company has not established or recorded any provisions for this concept.

e. Litigation

As of December 31, 2017 and 2016, the Company recognized provisions for litigation in accordance with IAS 37 (see note 35, letter c).

f. Employee Benefits

The Company recognizes provisions for benefits and bonuses for its employees, such as accrued vacations, benefits for termination of project contracts and performance incentives.

Employee benefits	Current		Non-current	
	12.31.2017 ThUS$	12.31.2016 ThUS$	12.31.2017 ThUS$	12.31.2016 ThUS$
Accrued vacations, current	4,272	3,783	-	-
Performance incentive, current	13,053	11,213	-	-
Termination of contract for project completed	-	-	426	1,067
Other benefits	-	-	4,669	-
Total	**17,325**	**14,996**	**5,095**	**1,067**

g. Provision for employee benefits, non-current

The Company and some subsidiaries have recorded a provision to cover the indemnity payments for all events in accordance with the collective bargaining agreements entered into with its employees. This provision represents the total accrued provision (see note 3.1. m.).

The basis for the actuarial calculation of the obligations with employees is permanently assessed by the Company. As of December 31, 2017, the Company has updated some indicators to better reflect the current market conditions.

i) The detail of provision for employee benefits - As of December 31, 2017 and 2016, this caption comprises the following:

Provision for employee benefits	12.31.2017 ThUS$	12.31.2016 ThUS$
Severance indemnity payments	33,334	26,441
Total	**33,334**	**26,441**

Present value of the obligation for defined benefit plans	12.31.2017 ThUS$	12.31.2016 ThUS$
Opening balance	26,441	22,075
Cost of current service	2,387	1,626
Interest cost	517	394
Foreign currency translation differences	2,354	1,342
Actuarial profit (loss)	3,128	2,908
Payments	(1,493)	(1,904)
Closing balance	**33,334**	**26,441**

ii) Actuarial assumptions - The main assumptions used for actuarial calculation purposes are as follows:

Actuarial basis used		12.31.2017	12.31.2016
Discount rate		2.17%	1.68%
Expected rate of salary increases		1.62%	2.65%
Turnover rate	Voluntary	2.20%	3.30%
	Dismissal	3.20%	2.40%
Retirement date	Men	65	65
	Women	60	60
Mortality rate		RV-2014	RV-2014

Discount rate: Corresponds to the interest rate to be used to show in present value terms the disbursements expected to be realized in the future. The discount rate was determined based on the bonds denominated in inflation-adjusted units (UF) of the Chilean Central Bank with a 20-year term as of December 31, 2017. The source of the reference rate is Bloomberg.

Salary increase rate: Refers to the salary increase rate estimated by the Company for the employee salaries based on the internal compensation policy.

Personnel turnover rate: Refers to the personnel turnover rate calculated by the Company based on its historical information.

Age of retirement: Refers to the legal retirement age for men and women in accordance with the Decree Law 3,500 that includes the standards governing the current Chilean pension system.

Mortality rate: Refers to the mortality rate published by the Chilean Financial Market Commission (former Superintendence of Securities and Insurance).

iii) Sensitivity analysis of the actuarial assumptions - Only the discount rate has been considered as a relevant parameter for sensitivity analysis purposes. The result of changes in the actuarial liability due to the sensitivity analysis of the discount rate is detailed as follows:

Sensitization	Rate		Amount of the obligation	
	12.31.2017 %	12.31.2016 %	12.31.2017 ThUS$	12.31.2016 ThUS$
Period rate	2.17	1.68	33,779	26,441
Rate decrease by 50 b.p.	1.67	1.18	36,256	27,827
Rate increased by 50 b.p.	2.67	2.18	31,542	25,166

25. Other non-financial liabilities

As of December 31, 2017 and 2016, this caption comprises the following:

	Current		Non-current	
	12.31.2017 ThUS$	12.31.2016 ThUS$	12.31.2017 ThUS$	12.31.2016 ThUS$
Withholdings	21,180	10,866	-	-
Deferred income (1)	899	750	12,210	11,407
Other liabilities	257	117	-	-
Total	**22,336**	**11,733**	**12,210**	**11,407**

(1) Corresponds to prepayments received related to the operations and maintenance services. Revenue is recognized when the service is rendered. Non-current balance includes ThUS$5,557 corresponding to the recognition of the lease agreement entered into between the Company and Anglo American (expiration of the contract in 2030).

26. Disclosures on equity

a. Subscribed, fully-paid capital and number of shares

At the General Shareholders' Meeting of Colbún S.A. held on April 29, 2009, the shareholders agreed to change the currency in which the share capital is denominated since December 31, 2008 to the U.S. dollars using the exchange rate prevailing at the reporting date as of December 31, 2008, divided into 17,536,167,720 ordinary and registered shares of the same series with no par value.

As of December 31, 2017 and 2016, this caption comprises the following:

No. of shares

Series	No. of shares subscribed	No. of shares fully paid	No. of shares with voting rights
Single	17,536,167,720	17,536,167,720	17,536,167,720

Capital (Amount US$)

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

a.1 Reconciliation of shares

The reconciliation of the number of outstanding shares as of December 31, 2017 and 2016, is detailed as follows:

Shares	12.31.2017	12.31.2016
No. of outstanding shares as of January 1	17,536,167,720	17,536,167,720
Changes in outstanding shares		
Increase (decrease) in outstanding shares	-	-
No. of outstanding shares as of December 31	17,536,167,720	17,536,167,720

a.2 No. of shareholders

As of December 31, 2017, the number of shareholders is 2,979.

b. Share capital

Share capital corresponds to the paid-in capital indicated in letter a.

c. Share premium

As of December 31, 2017 and 2016, the caption Share premium amounts to ThUS$52,595 and is composed of ThUS$30,700 related to premium received in the share subscription term approved at the Extraordinary Shareholders' Meeting held on March 14, 2008, plus a share premium of ThUS$21,895 resulting from capital increases performed prior to 2008.

d. Dividends

The general policy and procedure on dividend distribution agreed at the Shareholders' Meeting held on April 27, 2017, established that the Company will distribute at least 30% of net profit. In accordance with IFRS, there is a legal and assumed obligation requiring the accounting for of a liability at each reporting date for the concept of the minimum legal dividend.

At the Board of Directors' Meeting held on December 20, 2016, the directors agreed to distribute a provisional dividend of US$0.00261 per share corresponding to the profits as of December 31, 2016 payable in cash equivalent to ThUS$ 45,760. The Company started to pay such dividend on January 9, 2017.

At the Board of Directors' Meeting held on March 28, 2017, the directors agreed to propose to the Shareholders' Meeting the distribution of 50% of the dividends from profits corresponding to 2016. The increase in the percentage with respect to the policy of distributing at least 30% of net profit reveals the positive generation of cash experienced by the Company during the previous years as a result of the consolidation of its operating results. Such proposal resulted in ThUS$ 100,444.

At the Ordinary Shareholders' Meeting held on April 27, 2017, the shareholders agreed to distribute dividend declared No. 48 with a debit to profit for 2016 of ThUS$ 54,684, equivalent to US$ 0.00312 per share, which was paid starting on May 9, 2017.

At the Board of Directors' Meeting held on November 28, 2017, the directors agreed to distribute a provisional dividend of US$0.003320 per share corresponding to the profits as of December 31, 2017 payable in cash equivalent to ThUS$ 58,220. The Company started to pay such dividend on December 20, 2017.

e. Detail of Other reserves

This caption comprises the following:

Other reserves	12.31.2017 ThUS$	12.31.2016 ThUS$
Effect of first adoption of paid-in capital deflation	517,617	517,617
Effect of first-time adoption of translation in accordance with IAS 21	(230,797)	(230,797)
Revaluation of property, plant and equipment	445,137	458,312
Revaluation of deferred taxes	(120,187)	(123,744)
Merger reserve	232,153	251,783
Affiliate translation effects	(48,038)	(49,950)
Subsidiaries' reserve	(13,942)	(13,993)
Hedging reserve	5,273	6,775
Affiliate hedging effects	156	70
Total	**787,372**	**816,073**

Effect of first adoption of paid-in capital deflation: Circular No.456 issued by the Chilean Financial Market Commission (former Superintendence of Securities and Insurance) and effect of first-time adoption of translation in accordance with IAS 21: Reserves generated by the first-time adoption of the International Financial Reporting Standards (IFRSs), which are subject to capitalization if permitted by accounting standards and law.

Revaluation of property, plant and equipment: The methodology used to quantify the realization of this concept relates to the application of useful lives per class of asset used for the depreciation process to the revaluation amount determined as of the date of adoption.

Deferred taxes: The adjustments in the measurement of assets and liabilities arising from the application of IFRS have resulted in the determination of new temporary differences recognized against the retained earnings in equity. The realization of this concept has been determined in the same proportion as the items from which it arises.

Merger reserve: Refers to the revaluation reserve of assets at fair value recorded from mergers in previous years, which amounts have not been realized.

Effect of translation in associates: Refers to the exchange rate difference generated by fluctuations in exchange rates on investments in associates and joint ventures, which maintain as a functional currency the Chilean peso.

Reserve of subsidiaries: Reserve arising from the merger and variation in the interest of subsidiaries subject to capitalization if permitted by the accounting standards and law.

Effect of hedging reserve: Refers to the effective portion of transactions designated as cash flow hedges waiting for the recognition of the hedged item in profit or loss.

f. Retained earnings (accumulated losses)

As of December 31, 2017 and 2016, changes in reserves for retained earnings are detailed as follows:

Distributable retained earnings	12.31.2017 ThUS$	12.31.2016 ThUS$ (*)
Opening balance	1,424,924	1,021,114
Profit or loss for the year	270,985	201,429
Effect of actuarial profit (loss)	(1,912)	(1,701)
Provisional dividends	(121,473)	(100,898)
Realized retained earnings	29,248	304,980
Total distributable retained earnings	**1,601,772**	**1,424,924**

(*) See note 3.i.

g. Capital management

Capital management falls under the financing and investment policies of the Company, which establish, among other matters, that investments shall have appropriate financing according to the project in conformity with the Financing Policy.

The Company will try to have sufficient liquidity in order to maintain an adequate financial position to meet its commitments and risks associated with its business. The cash surpluses of the Company will be invested in securities issued by financial institutions and marketable securities in accordance with the portfolio selection and diversification criteria determined by Management.

The control on investments will be performed by the Board, in charge of approving specific investments both the amount and financing of specific investments in conformity with the Company's by-laws and the decision made at the Shareholders' Meeting, if applicable.

The financing shall provide for the necessary funds to operate existing assets appropriately and to realize new investments in conformity with the Investing Policy mandate. For such purpose, the internal and external resources available will be used without compromising the Company's equity position or growth.

Accordingly, the indebtedness level shall not compromise the "investment grade" credit rating of the debt securities issued by Colbún in the international and domestic markets.

The Company will have different financing options in the pipeline, for which the following financing sources are preferred: bank borrowings both with international and local banks, long-term bond markets both in the international and local market, credits to supplier, retained earnings and capital increases.

As of December 31, 2017 and 2016, the indebtedness level is as follows:

	12.31.2017 ThUS$	12.31.2016 ThUS$
Total liabilities	**2,971,835**	**3,032,766**
Total current liabilities	354,801	360,055
Total non-current liabilities	2,617,034	2,672,711
Total equity	**3,950,707**	**3,789,832**
Equity attributable to the Parent	3,724,532	3,576,385
Non-controlling interests	226,175	213,447
Indebtedness ratio	**0.75**	**0.80**

The Company should report the compliance of commitments entered into with financial institutions on a quarterly basis. As of December 31, 2017, the Company complies with all the financial indicators required in such contracts (See note 36).

h. Earnings per share and net distributable profit

Earnings per share are calculated dividing the profit or loss attributable to the shareholders of the Parent by the weighted average of common shares outstanding during the reported years.

	12.31.2017	12.31.2016
Profit (loss) attributable to equity holders of the Parent	270,985	201,429
Profit (loss) available for common shareholders, basic	270,985	201,429
Weighted average number of shares, basic (No. of shares)	17,536,167,720	17,536,167,720
Basic earnings per share (US dollars per shares)	**0.01545**	**0.01149**

The Company has not performed any type of operation with a potential dilutive effect that could create a difference in the diluted earnings per share from the basic earnings per share during the reported period.

In conformity with Circular No.1.945 dated September 29, 2009, Colbún S.A. agreed to establish a general policy that the net distributable profit to be considered for the calculation of the Additional and Compulsory Minimum Dividend is established on the base effectively performed, eliminating those significant fluctuations in the fair value of unrealized assets and liabilities, which must be included in the calculation of net profit for the year in which such fluctuations occur.

Consequently, additions and deductions to net distributable profit for fluctuations in the fair value of unrealized assets and liabilities and recognized in "profit (loss) attributable to shareholders of the Company," relate to potential effects arising from the fluctuations in the fair value of the Company's derivative instruments at each period-end, net of the corresponding income tax.

The calculation of net distributable profit is detailed as follows:

Calculation of net profit for distribution (cash flows)	12.31.2017 ThUS$	12.31.2016 ThUS$
Owners of the Parent	**270,985**	**201,429**
Cash flow for the year charged to prior years	-	(541)
Net cash flow for the year	**-**	**(541)**
Net distributable profit	**270,985**	**200,888**
Mandatory minimum dividend	**81,296**	**60,266**

27. Revenue

As of December 31, 2017 and 2016, this caption comprises the following:

	January - December	
	2017 ThUS$	2016 ThUS$
Supplier customer sales	796,942	769,523
Industrial customer sales	425,347	383,526
Toll charges	189,541	182,154
Sales to other power generation companies	112,474	96,444
Other income	24,108	4,593
Total	**1,548,412**	**1,436,240**

28. Raw materials and consumables

For the periods ended December 31, 2017 and 2016, this caption comprises the following:

	January - December	
	2017 ThUS$	2016 ThUS$
Oil consumption (see Note 13)	(31,145)	(41,330)
Gas consumption (see Note 13)	(308,369)	(262,823)
Coal consumption (see Note 13)	(73,813)	(63,381)
Purchase of energy and capacity	(46,004)	(101,700)
Toll charges	(194,087)	(177,516)
Work and third-party supply	(102,262)	(77,837)
Total	**(755,680)**	**(724,587)**

29. Employee benefit expenses

For the periods ended December 31, 2017 and 2016, this caption comprises the following (see notes 3.1.m. and 3.1.o.):

	January - December	
	2017 ThUS$	2016 ThUS$
Salaries and wages	(60,467)	(53,492)
Short-term employee benefits	(6,044)	(5,516)
Severance indemnity payments	(3,583)	(3,176)
Other personnel expenses	(6,691)	(5,629)
Total	**(76,785)**	**(67,813)**

30. Depreciation and amortization expenses

For the periods ended December 31, 2017 and 2016, this caption comprises the following:

	January - December	
	2017 ThUS$	2016 ThUS$
Depreciations (see Note 18.b)	(218,259)	(226,133)
Amortization of intangible assets (see Note 17.b)	(5,229)	(1,785)
Total	**(223,488)**	**(227,918)**

31. Total finance income and finance costs

For the periods ended December 31, 2017 and 2016, this caption comprises the following:

Income (loss) from investments	January - December	
	2017 ThUS$	2016 ThUS$
Income on cash and other cash equivalents	12,726	10,054
Total finance income	**12,726**	**10,054**
Finance costs	**January - December**	
	2017 ThUS$	**2016** ThUS$
Expenses on bonds	(69,186)	(68,146)
Expense incurred for financial provisions	(8,073)	(15,549)
Expense/income for measurement of net financial derivatives	(2,089)	(11,353)
Bank borrowings	(9,356)	(16,799)
Other expenses (bank expense)	(214)	(1,473)
Capitalized finance costs (see Note 18.c.iv)	3,964	9,880
Total finance cost	**(84,954)**	**(103,440)**
Total finance income and finance costs	**(72,228)**	**(93,386)**

32. Foreign currency translation and income (expense) from inflation-adjusted units

As of June 30, 2017 and 2016, this caption comprises the following:

Foreign currency exchange differences

Foreign currency translation differences	Currency	January - December	
		2017 ThUS$	2016 ThUS$
Cash and cash equivalents	Ch$	12,543	7,638
Cash and cash equivalents	PEN	327	1,340
Trade and other receivables	Ch$	11,726	3,612
Trade and other receivables	PEN	139	(583)
Current income taxes recoverable	Ch$	(1,315)	48
Current income taxes recoverable	PEN	957	(189)
Other non-financial non-current assets	Ch$	1,907	643
Other non-financial non-current assets	PEN	902	350
Accounts receivable due from related parties, non-current	Ch$	(800)	(350)
Foreign currency translation difference - assets		**26,386**	**12,509**
Other financial current liabilities	UF	(9,489)	(8,240)
Other financial current liabilities	PEN	(39)	360
Trade and other payables	Ch$	(2,467)	636
Trade and other payables	PEN	(13)	34
Other non-financial liabilities	Ch$	(3,296)	38
Other non-financial liabilities	PEN	-	15
Provisions for employee benefits	Ch$	(2,913)	(1,926)
Foreign currency translation difference - liabilities		**(18,217)**	**(9,083)**
Total foreign currency translation difference		**8,169**	**3,426**

Gain (loss) from inflation-adjusted units

Profit (loss) from inflation-adjusted units	Inflation-adjusted unit	January - December	
		2017 ThUS$	2016 ThUS$
Current income taxes recoverable	UTM	-	(55)
Total profit (loss) from inflation-adjusted units		**-**	**(55)**

33. Income (expense) from investments accounted for using the equity method

For the periods ended December 31, 2017 and 2016, this caption comprises the following:

Net interest in affiliates' income	January - December	
	2017 ThUS$	2016 ThUS$
Electrogas S.A.	8,187	7,640
Centrales Hidroeléctricas de Aysén S.A.	(6,202)	(3,106)
Transmisora Eléctrica de Quillota Ltda.	919	880
Total	**2,904**	**5,414**

34. Other gains (losses)

As of December 31, 2017 and 2016, this caption comprises the following:

Other income derived from other than operating activities	January - December	
	2017 ThUS$	2016 ThUS$
Insurance	1,269	445
Other income	3,029	3,198
Business combination (1)	23,352	-
Total other income	**27,650**	**3,643**

Other expenses derived from other than operating activities	January - December	
	2017 ThUS$	2016 ThUS$
Impairment of property, plant and equipment	-	(685)
Impairment of patent for unused water rights	(5,928)	(1,731)
Impairment of water rights	(1,154)	-
Impairment of other projects (2)	(63,002)	-
Loss from derivative contracts	(1,840)	(820)
Legal fees	(1,303)	(856)
Disposal of property, plant and equipment	(7,198)	(6,711)
Write-offs and fines	(51)	(773)
Inventory obsolescence	-	(687)
Opt-out clause, termination of contract with GNL-Chile	(2,356)	-
Thermal power plant emissions (3)	(10,907)	-
Commission prepayment Bond 2020 (Make Whole) (4)	(12,648)	-
Adjustment for Termochilca contingency provision	2,047	-
Other	(8,115)	(8,957)
Total other expenses	**(112,455)**	**(21,220)**
Total other gains (losses)	**(84,805)**	**(17,577)**

(1) In our subsidiary Fenix Power Perú, an adjustment for deferred taxes generated from the impairment of Property, Plant and Equipment was recorded in the accounting records prior to the acquisition by Colbún S.A. Such value represents a financial gain at business combination (gain from a bargain purchase) level, which, subsequent to conducting the related assessment, Management has determined the prospective record in the current period.

(2) Corresponds to the provision for impairment of individual assets of MUS$63 These should note the following: (1) Progressive impairment of the hydroelectric project San Pedro of MUS$45, amount generated from the future development of this project will face lower energy prices forecasted at the beginning the construction, which considers the investment at the date (and future investments); and (2) Santa María 2 thermal project of MUS$10, in which the Company stated publicly not to continue with the construction. The remaining amount relates to other charges amounted to MUS$8.

(3) Corresponds to the provision for tax expense that is levied on the emissions of thermoelectric plants (Law 20.780), effective beginning January 2017.

(4) See note 22.a.

35. Guarantees with third parties and contingent assets and liabilities

a. Guarantees with third parties

a.1 Direct guarantees

Creditor	Debtor		Assets committed			Pending balances	Release of guarantees		
	Name	Relationship	Type of guarantee	Currency	Carrying amount	12.31.2017 ThUS$	2018	2022	2099
Astillero y Maestranza de La Armada	Colbún S.A.	Creditor	Performance bond	Ch$	20,000,000	33	33	-	-
Transportadora de Gas del Perú	Fenix Power Peru S.A.	Creditor	Performance bond	US$	16,361,617	16,362	16,362	-	-
Citibank NA	Fenix Power Peru S.A.	Creditor	Performance bond	US$	7,500,000	7,500	7,500	-	-
Gas Natural de Lima y Callao S.A.	Fenix Power Peru S.A.	Creditor	Performance bond	US$	7,491,845	7,492	7,492	-	-
Comité Innova Chile	Colbún S.A.	Creditor	Performance bond	Ch$	7,210,000	12	12	-	-
Consorcio Transmantaro	Fenix Power Peru S.A.	Creditor	Performance bond	US$	3,000,000	3,000	3,000	-	-
Fisco de Chile Servicio Nacional de Aduanas	Colbún S.A.	Creditor	Performance bond	US$	736,000	736	736	-	-
Bío Bío Cementos S.A.	Colbún S.A.	Creditor	Performance bond	US$	653,005	653	653	-	-
Ministerio de Obras Públicas	Colbún S.A.	Creditor	Performance bond	UF	546,260	23,813	23,813	-	-
Empresas CMPC S.A.	Colbún S.A.	Creditor	Performance bond	UF	378,000	16,478	16,478	-	-
Cementos Bío Bío del Sur S.A.	Colbún S.A.	Creditor	Performance bond	US$	263,394	263	263	-	-
Cía. Minera Doña Inés de Collahuasi S.C.M.	Colbún S.A.	Creditor	Performance bond	UF	120,000	5,231	5,231	-	-
Inacal S.A.	Colbún S.A.	Creditor	Performance bond	US$	69,643	70	70	-	-
Ministerio de Goods Nacionales	Colbún S.A.	Creditor	Performance bond	UF	56,672	2,470	392	2,078	-
Cía. Minera Zaldívar SpA	Colbún S.A.	Creditor	Performance bond	UF	50,000	2,180	2,180	-	-
Gerdau Aza S.A.	Colbún S.A.	Creditor	Performance bond	UF	33,980	1,481	1,481	-	-
Arenex S.A.	Colbún S.A.	Creditor	Performance bond	US$	23,121	23	23	-	-
Minera El Way S.A.	Colbún S.A.	Creditor	Performance bond	US$	12,563	13	13	-	-
Aguas Andinas S.A.	Colbún S.A.	Creditor	Performance bond	UF	5,000	218	218	-	-
Empresa Nacional de Minería	Colbún S.A.	Creditor	Performance bond	UF	1,500	65	65	-	-
Agrícola El Porvenir S.A.	Colbún S.A.	Creditor	Performance bond	UF	1,000	44	44	-	-
Asociación Chilena de Seguridad	Colbún S.A.	Creditor	Performance bond	UF	500	22	22	-	-
Banco Santander-Chile	Colbún S.A.	Creditor	Performance bond	UF	200	9	9	-	-
Enel Distribución Chile S.A.(1)	Colbún S.A.	Creditor	Performance bond	UF	100	4	-	-	4
					Total	**88,172**			

(1) Guarantee with finite maturity date.

b. Third-party guarantees

b.1 Current guarantees denominated in U.S. dollars as of December 31, 2017

Depositor	Relationship	Total ThUS$
General Electric Internacional Inc.	Suppliers	15,000
Siemens Financial Services Inc.	Suppliers	9,000
Consorcio Isotron Sacyr S.A.	Suppliers	4,238
Ingeniería Agrosonda SpA	Suppliers	2,451
Abengoa Chile S.A.	Suppliers	1,691
TSGF SpA	Suppliers	1,157
Pine SpA	Suppliers	323
Siemens S.A.	Suppliers	314
ABB Ltda.	Suppliers	266
Vigaflow S.A.	Suppliers	259
Toshiba America Do Sul Ltda.	Suppliers	163
Reiva S/A Automaco e Controle	Suppliers	136
Cam Chile SpA	Suppliers	100
Ingeniería y Construcción Sigdo Koppers S.A.	Suppliers	100
Quanta Services Inc.	Suppliers	100
Soc.Com. e Ingeniería y Gestión Ind. Ingher Ltda.	Suppliers	100
ABB S.A.	Suppliers	86
Cobra Chile Servicios S.A.	Suppliers	66
Promecon Prozess Und Messtechnik Conrads GMBH	Suppliers	51
Rhona S.A.	Suppliers	26
Sistemas Eléctricos Ingeniería y Servicios S.A.	Suppliers	19
Sedicon AS	Suppliers	18
Techimp FQ S.R.L.	Suppliers	17
Jorpa Ingeniería S.A.	Suppliers	10
Techvalue SpA	Suppliers	8
Fernández Fica S.A.	Suppliers	4
E.F.D. SpA	Suppliers	4
	Total	**35,707**

b.2 Current guarantees denominated in Euros as of December 31, 2017

Depositor	Relationship	Total ThUS$
Andritz Hydro S.R.L.	Suppliers	3,245
Alstom Hydro France S.A.	Suppliers	262
Inerco Ingeniería, Tecnología y Consultoría S.A.	Suppliers	10
	Total	**3,517**

b.3 Current guarantees denominated in Chilean pesos as of December 31, 2017

Depositor	Relationship	Total ThUS$
Andritz Metaliza S.A.	Suppliers	219
Rafael Mauna Silva Construcciones y Servicios EIRL	Suppliers	202
Serv. de Respaldo de Energía Téknica Ltda.	Suppliers	201
Sistema Integral de Telecomunicaciones Ltda.	Suppliers	151
Mrisk S.A.	Suppliers	109
Juan Angel Ortiz Soto	Suppliers	66
Asesoría Forestal Integral Ltda.	Suppliers	56
María Angélica Alvarez Gonzalez	Suppliers	53
Inversiones y Asesorías Cloud Solutions Ltda.	Suppliers	49
DPL Grout Machinery Ltda.	Suppliers	42
Eulen Seguridad S.A.	Suppliers	32
Serv. de Mantenimiento Infrared Ltda.	Suppliers	21
Betech Ingeniería Ltda.	Suppliers	21
Soc. de Serv. Estructurales y Montaje Soldatec	Suppliers	21
Soc. Comercial Camin Ltda.	Suppliers	20
Flesan S.A.	Suppliers	18
Atis Group S.A.	Suppliers	17
Safe Energy SpA	Suppliers	17
ODR Ingeniería y Montajes Ltda.	Suppliers	13
Serv. Empresariales Mol Ltda.	Suppliers	12
Corrosión Integral y Tecnología Ltda.	Suppliers	11
Comercializadora de Artículos de Protección y Seguridad Ind. Manquehue Ltda.	Suppliers	11
Serv. Integrales de Mantenimientos Técnicos S.A.	Suppliers	9
Polyrev SpA	Suppliers	9
Soc. Constructora Correa Lorenz Ltda.	Suppliers	8
EFD SpA	Suppliers	7
Konecranes Chile SpA	Suppliers	6
Ecopreneur Chile S.A.	Suppliers	6
Sodexo Chile S.A.	Suppliers	5
Constructora Pesa Ltda.	Suppliers	5
Centro de Estudios, Medición y Certificación de Calidad Cesmec S.A.	Suppliers	5
Ingeteco SpA	Suppliers	4
Soc. Trans-Redes Serv. Eléctricos Integrales Ltda.	Suppliers	3
Irene del Carmen Carrera Arrano	Suppliers	3
Efepe S.A.	Suppliers	2
Soc. Constructora Trongol Ltda.	Suppliers	2
Soenco Soluciones Geotécnicas Ltda.	Suppliers	2
Mantención y Montaje Imelev Ltda.	Suppliers	1
	Total	**1,439**

b.4 Current guarantees denominated in Inflation-adjusted units as of December 31, 2017

Depositor	Relationship	Total ThUS$
Zublin International GMBH Chile SpA	Suppliers	2,497
B. Bosch S.A.	Suppliers	880
Echeverría Izquierdo Montajes Industriales S.A.	Suppliers	434
Constructora Propuerto Ltda.	Suppliers	275
Arcadis Chile SpA	Suppliers	170
KDM Industrial S.A.	Suppliers	154
Soc. OGM Mecánica Integral S.A.	Suppliers	147
Cobra Chile Servicios S.A.	Suppliers	140
Serv. Industriales Ltda.	Suppliers	92
Charrúa Transmisora de Energía S.A.	Suppliers	82
Soc. Austral de Electricidad S.A.	Suppliers	82
G4S Security Services Regiones S.A.	Suppliers	75
Kupfer Hermanos S.A.	Suppliers	69
Andritz Chile Ltda.	Suppliers	60
Soc. Com. San Cristóbal Ltda.	Suppliers	52
Ingeniería y Servicios S.A.	Suppliers	51
Transportes José Carrasco Retamal EIRL	Suppliers	51
Constructora Javag SpA	Suppliers	49
Sodexo Chile S.A.	Suppliers	47
Buses Ahumada Ltda.	Suppliers	35
Eulen Seguridad S.A.	Suppliers	34
Centro de Ecología Aplicada Ltda.	Suppliers	31
ABB S.A.	Suppliers	24
Gestión de Infraestructura S.A.	Suppliers	21
Marcelo Javier Urrea Caro EIRL	Suppliers	20
Universidad de Concepción	Suppliers	20
Interra SpA	Suppliers	19
Mejores Prácticas Asociados SpA	Suppliers	19
Jaime Rodríguez Veloz Seguridad Privada EIRL	Suppliers	18
Schneider Electric Systems Chile Ltda.	Suppliers	18
Securitas S.A.	Suppliers	18
Serv. Industriales Euroambiente Ltda.	Suppliers	18
CMF Sondajes Ltda.	Suppliers	15
Serv. Emca SpA	Suppliers	15
OMA Topografía y Construcciones Ltda.	Suppliers	13
Soc. Com. Camin Ltda.	Suppliers	12
Sistemas Eléctricos, Ingeniería y Servicios S.A.	Suppliers	10
Soc. Com. y de Inversiones Conyser Ltda.	Suppliers	10
Serv. de Seguridad y Protección Global Vision S.A.	Suppliers	9
Ingeniería Consultoría ECB Ltda.	Suppliers	8
Durán y Durán Cía. de Seguridad Ltda.	Suppliers	7
Laboratorio Hidrolab S.A.	Suppliers	7
Mantención de Jardines Arcoiris Ltda.	Suppliers	7
MWH Américas Inc Chile Ltda.	Suppliers	3
Serv. de Seguridad Prosegur Regiones Ltda.	Suppliers	2
	Total	**5,820**

Fénix Power Perú S.A.

a. Current guarantees denominated in U.S. dollars as of December 31, 2017

Depositor	Relationship	Total ThUS$
Toshiba América Do Sul Ltda.	Suppliers	180
Cosapi	Suppliers	76
Messer Gases	Suppliers	12
	Total	**268**

b. Current guarantees denominated in Peruvian soles as of December 31, 2017

Depositor	Relationship	Total ThUS$
Empresa Regional de Serv.Público del oriente S.A.	Suppliers	1,956
J&V Resguardo S.A.C.	Suppliers	36
T-Copia S.A.C.	Suppliers	14
R & J Ingeniería, Construcción y Suministros S.A.	Suppliers	5
	Total	**2,011**

c. Detail of litigation and others

Management believes that, on the basis of the information in its possession at the reporting date, the provisions recognized in the consolidated statement of financial position appropriately cover the litigation risks and other operations detailed in this note; accordingly, Management expects no additional liabilities arising from such litigation risks other than the liabilities recognized.

Considering the characteristics of the risks covering such provisions, it is impossible to determine a reasonable payment schedule, if applicable.

As of December 31, 2017, the detail of litigation in accordance with IAS 27 is as follows:

Chile

1.- Lawsuits on environment damage due to the operation of the Santa María thermoelectric power plant with the Third Environment Court of Valdivia.

(i)-Lawsuit filed on October 15, 2015, under Case No. D-11-2015 with the Third Environment Court of Valdivia by 6 local fishermen unions of Coronel and a group of fishermen from Lota alleging environmental damage caused by the operation of the Santa María thermoelectric power plant (unauthorized emission of heavy metals into the soil and water of the bay; excessive nitrogen and sulfur oxides originated from combustion processes of the plant, heat shock caused by cooling system failure and antifouling).

The lawsuit was responded to by Colbún on September 30, 2016.

The settlement, evidence and allegations hearings were held on January 2017. The judgment on the case is pending.

(ii)-Lawsuit filed on October 15, 2015, under Case No. D-12-2015 with the Third Environment Court of Valdivia by 6 local fishermen unions of Coronel and a group of fishermen from Lota alleging environmental damage caused by the operation of the Santa María thermoelectric power plant (unauthorized emission of heavy metals into the soil and water of the bay; excessive nitrogen and sulfur oxides originated from combustion processes of the plant, heat shock caused by cooling system failure and antifouling). Because the lawsuit filed under Case No. D-12-2015 is the same as the lawsuit filed under Case No. D-11-2015 mentioned above in section 2(i), the cases were joined with the latter.

Management believes a possible obligation exists which may or not require the outflow of resources, and accordingly, the Company has not made any provisions through the present date, since it is not possible to measure or estimate reliably the liability arising therefrom, and there are no recoverable refunds in the event of an unfavorable ruling.

2.- Tax procedure against Termoeléctrica Antilhue S.A. at the Chilean Internal Revenue Service.

Through Assessment No.257 dated September 24, 2015, notified on September 24, 2015, the Regional Director of the Metropolitan area of eastern Santiago challenged items of the income tax return filed by Termoeléctrica Antilhue S.A. for 2013, on which tax loss carryforward were included corresponding to the tax years from 2009 and 2012, among other concepts. The total amount updated as of December 31, 2017 is ThUS$3,063 (ThCh$1,883,093), (Case RIT GR-18-00002-2016).

An appeal for reconsideration against the assessment was filed, which was rejected.

On January 14, 2016, a tax claim was filed with the Fourth Tax and Customs Court of Santiago. The SII presented its defense and the beginning of the trial period remains pending.

Management believes there is a present obligation requiring a possible outflow of resources. In addition to disclose the contingency, the Company has recognized a provision in caption “Other Provisions, which in management’s view appropriately cover this contingency. In addition, there are no recoverable refunds in the event of an unfavorable ruling.

36. Commitments

Commitments entered into with financial institutions

The loan agreements signed by Colbún S.A. with financial institutions and the bond issue and commercial paper contracts impose different obligations on the Company other than the payment obligations, including the compliance with financial indicators of different types during the term of such contracts, which are conventional for these type of financing operations.

The Company should report on a quarterly basis the compliance with these obligations. As of December 31, 2017, the Company complies with all the financial indicators required in such contracts, the detail of which are as follows:

Covenants	Condition	12.31.2017		Term
Local market bonds				
EBITDA/Net finance costs	> 3,0	9.58		jun-2029
Indebtedness ratio	< 1,2	0.75		jun-2029
Minimum equity	> ThUS$ 1.348.000	ThUS$	3,724,532	jun-2029

Calculation methodologies

Concept	Accounts	Amounts as of 12.31.2017	
Equity	Total equity	ThUS$	3,950,707
Net equity	Total equity - Non-controlling interests	ThUS$	3,724,532
Minimum equity	Total equity - Non-controlling interests	ThUS$	3,724,532
Total liabilities	Total current liabilities + Total non-current liabilities	ThUS$	2,971,835
Indebtedness ratio	Total liabilities / Equity		0.75
EBITDA (*)	Revenue - Raw materials and consumables - Employee benefit expenses - other expenses by nature	ThUS$	692,130
Net finance costs (*)	Finance costs - Finance income	ThUS$	72,228

(*) Rolling year

37. Environment

The Group's companies on which disbursements associated with environment have been made are: Colbún S.A., Empresa Eléctrica Industrial S.A., Río Tranquilo S.A., Termoeléctrica Nehuenco S.A. and Fenix Power S.A.

Disbursements made for environmental expenses are mainly associated with facilities; accordingly, they will be recognized in profit or loss through depreciation in accordance with their useful life, except for the development of environmental impact statements and studies that correspond to environmental permits performed prior to the construction stage.

The main ongoing projects and a brief description of them are detailed as follows:

San Pedro hydroelectric power plant: Dam hydroelectric power plant located in Los Ríos Region.

The project has reached the 15% completion mark approximately and awaits the processing of the new environmental impact study of modifications to the project to resume the works and construction activities.

La Mina hydroelectric power plant: Run-of-the-river hydroelectric power plant located in the upper basin of the Maule river, in the region of the same name.

In December 2017, the commencement of its operation stage was informed to the Superintendencia del Medio Ambiente (Chilean Superintendence of the Environment).

Additionally, there are disbursements associated with 24 power generation plants in operation, including the Fenix power plant (Chilca, Peru) and the transmission assets such as electric substations and transmission lines.

As of December 31, 2017 and 2016, the detail of the disbursements performed and to be performed in relation to environmental regulations is the following:

Accrued expense as of 12.31.2017

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement were or will be made
Colbún S.A.	Sta María 1	Environmental Management of Power Plant	Expense	Cost	1,152	12-30-2017
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	883	12-28-2017
Colbún S.A.	CH Guaiquivilo-Melado	Environmental Management of Projects	Asset	Assets under construction	765	12-27-2017
Colbún S.A.	Nehuenco 1	Environmental Management of Power Plant	Expense	Cost	753	12-31-2017
Colbún S.A.	Candelaria	Environmental Management of Power Plant	Expense	Cost	373	12-29-2017
Colbún S.A.	Zona Bio-Bio	Environmental Management of Power Plant	Expense	Cost	312	12-29-2017
Colbún S.A.	Quilleco	Environmental Management of Power Plant	Expense	Cost	310	12-31-2017
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Expense	Expense	282	12-31-2017
Colbún S.A.	Los Quilos	Environmental Management of Power Plant	Expense	Cost	244	12-30-2017
Colbún S.A.	Los Pinos	Environmental Management of Power Plant	Expense	Cost	241	12-31-2017
Colbún S.A.	Antilhue	Environmental Management of Power Plant	Expense	Cost	200	12-31-2017
Colbún S.A.	Colbún	Environmental Management of Power Plant	Expense	Cost	139	12-31-2017
Colbún S.A.	Rucúe	Environmental Management of Power Plant	Expense	Cost	120	12-27-2017
Colbún S.A.	CH La Mina	Environmental Management of Projects	Asset	Assets under construction	106	12-20-2017
Colbún S.A.	Environmental Management of Projects	Environmental Management of Parent	Expense	Expense	97	12-31-2017
Colbún S.A.	Canutillar	Environmental Management of Power Plant	Expense	Cost	49	12-21-2017
Colbún S.A.	Nehuenco	Environmental Management of Power Plant	Asset	Assets under construction	21	12-22-2017
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Plant	Expense	Cost	94	12-31-2017
Río Tranquilo S.A.	Hornitos	Environmental Management of Power Plant	Expense	Cost	186	12-29-2017
				Total	**6,327**	

Future expense as of 12.31.2017

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement were or will be made
Colbún S.A.	Antilhue	Environmental Management of Power Plant	Expense	Cost	117	2018
Colbún S.A.	Zona Bio-Bio	Environmental Management of Power Plant	Expense	Cost	96	2018
Colbún S.A.	Sta María 1	Environmental Management of Power Plant	Expense	Cost	79	2018
Colbún S.A.	Colbún	Environmental Management of Power Plant	Expense	Cost	53	2018
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	41	2018
Colbún S.A.	Nehuenco 1	Environmental Management of Power Plant	Expense	Cost	37	2018
Colbún S.A.	Zona Bio-Bio	Environmental Management of Power Plant	Expense	Cost	34	2018
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Expense	Expense	26	2018
Colbún S.A.	Candelaria	Environmental Management of Power Plant	Expense	Cost	21	2018
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Expense	Expense	16	2018
Colbún S.A.	Los Pinos	Environmental Management of Power Plant	Expense	Cost	16	2018
Colbún S.A.	Quilleco	Environmental Management of Power Plant	Expense	Cost	16	2018
Colbún S.A.	Environmental Management of Projects	Environmental Management of Parent	Expense	Expense	9	2018
Colbún S.A.	Environmental Management of Projects	Environmental Management of Parent	Expense	Expense	8	2018
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Expense	Expense	7	2018
Colbún S.A.	Los Quilos	Environmental Management of Power Plant	Expense	Cost	3	2018
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Plant	Expense	Cost	1	2018
Río Tranquilo S.A.	Hornitos	Environmental Management of Power Plant	Expense	Cost	3	2018
				Total	**583**	

Accrued expense as of 12.31.2016

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement were or will be made
Colbún S.A.	Santa María 1	Environmental Management of Power Plant	Expense	Cost	1,121	12-30-2016
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	982	12-31-2016
Colbún S.A.	CH Guaiquivilo-Melado	Environmental Management of Projects	Asset	Assets under construction	375	12-12-2016
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Expense	Cost	356	12-30-2016
Colbún S.A.	Candelaria	Environmental Management of Power Plant	Expense	Cost	324	12-31-2016
Colbún S.A.	Antilhue	Environmental Management of Power Plant	Expense	Cost	255	12-31-2016
Colbún S.A.	Los Pinos	Environmental Management of Power Plant	Expense	Cost	211	12-31-2016
Colbún S.A.	CH San Pedro	Environmental Management of Projects	Asset	Assets under construction	160	12-29-2016
Colbún S.A.	CH La Mina	Environmental Management of Projects	Asset	Assets under construction	76	12-29-2016
Colbún S.A.	Colbún	Environmental Management of Power Plant	Expense	Cost	38	12-31-2016
Colbún S.A.	Canutillar	Environmental Management of Power Plant	Expense	Cost	11	12-29-2016
Colbún S.A.	Los Quilos	Environmental Management of Power Plant	Expense	Cost	10	12-20-2016
Colbún S.A.	Quilleco	Environmental Management of Power Plant	Expense	Cost	2	09-16-2016
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Plant	Expense	Cost	62	12-31-2016
Termoeléctrica Nehuenco S.A.	Nehuenco	Environmental Management of Power Plant	Expense	Cost	615	12-31-2016
				Total	**4,598**	

Future expense as of 12.31.2016

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement were or will be made
Colbún S.A.	CH Guaiquivilo-Melado	Environmental Management of Projects	Asset	Assets under construction	1,099	08-30-2016
Colbún S.A.	CH La Mina	Environmental Management of Projects	Asset	Assets under construction	50	05-27-2016
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	28	06-30-2016
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Expense	Cost	24	01-09-2017
Colbún S.A.	Quilleco	Environmental Management of Power Plant	Expense	Cost	22	12-30-2016
Colbún S.A.	Antilhue	Environmental Management of Power Plant	Expense	Cost	18	12-31-2016
Colbún S.A.	Santa María	Environmental Management of Power Plant	Expense	Cost	7	07-01-2016
Colbún S.A.	Rucúe	Environmental Management of Power Plant	Expense	Cost	6	12-31-2016
Colbún S.A.	Los Pinos	Environmental Management of Power Plant	Expense	Cost	5	12-31-2016
Colbún S.A.	Candelaria	Environmental Management of Power Plant	Expense	Cost	2	12-31-2016
Colbún S.A.	Colbún	Environmental Management of Power Plant	Expense	Cost	2	12-31-2016
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Plant	Expense	Cost	3	12-31-2016
Termoeléctrica Nehuenco S.A.	Nehuenco	Environmental Management of Power Plant	Expense	Cost	92	12-02-2016
Río Tranquilo S.A.	Hornitos	Environmental Management of Power Plant	Expense	Cost	15	06-30-2017
				Total	**1,373**	

Disbursements in Peru

Accrued expense as of 12.31.2017

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement were or will be made
Fenix Power Peru S.A.	Monitoring and Environmental Management	Monitoring and Environmental Management	Expense	Cost	811	12-29-2017
				Total	**811**	

Future expense as of 12.31.2017

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Total	Actual or estimated dates when the disbursement were or will be made
Fenix Power Peru S.A.	Monitoring and Environmental Management	Monitoring and Environmental Management	Expense	Cost	409	2018
				Total	**409**	

Accrued expense as of 12.31.2016

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement were or will be made
Fenix Power Peru S.A.	Monitoring and Environmental Management	Monitoring and Environmental Management	Expense	Cost	800	12-30-2016
				Total	**800**	

Future expense as of 12.31.2016

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement were or will be made
Fenix Power Peru S.A.	Monitoring and Environmental Management	Monitoring and Environmental Management	Expense	Cost	15	12-31-2016
				Total	**15**	

38. Subsequent events

On January 22, 2018, Colbún became aware of the sentence by the Environmental Court of Valdivia which partially accept a claim appealing against the Resolution by the Superintendence of the Environment (SMA), which in May 2017, after an extensive investigation process had filed the "file" containing six complaints against the Santa María plant for alleged non-compliances with the RCA of the Thermal Complex.

The Environmental Court considered that two matters (out of the six originally investigated by the SMA) there were background (or "presumption") that required continuing with the investigation process by the SMA, with respect to the alleged installation of electrical equipment other than those authorized in the RCA, and a possible oversizing of the complex chimney. In addition, the Court ordered reducing the gross power-generation of the plant from 370 MW to 350 MW.

The Company is analyzing the Sentence to apply the appropriate actions in its defense, and filing the related appeals, considering that the SMA had dismissed all the complaints and closed the case. The Company believes that all environmental effects of the complex have been appropriately identified, assessed, mitigated and offset as per the Environmental Qualification Resolution of the plant (RCA that authorized a 700 MW project) thus Santa Maria operation complies fully with the current legislation.

At the Board of Directors' Meeting held on February 1, 2018, the Company's Board approved the consolidated financial statements as of December 31, 2017, prepared in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Between December 31, 2017 and the date of issuance of these consolidated financial statements, no other subsequent events have occurred.

39. Foreign currency

This caption comprises the following:

Assets	Foreign currency	Currency	12.31.2017 ThUS$	12.31.2016 ThUS$
Total current assets				
Cash and cash equivalents	Ch$	US$	149,068	135,370
Cash and cash equivalents	Euro	US$	1,121	516
Cash and cash equivalents	PEN	US$	13,957	17,359
Other non-financial assets, current	Ch$	US$	2,206	940
Trade and other receivables, current	Ch$	US$	127,587	123,348
Trade and other receivables, current	PEN	US$	43,809	49,781
Trade receivables due from related parties, current	Ch$	US$	240	411
Current income taxes recoverable	Ch$	US$	129	927
Current income taxes recoverable	PEN	US$	6,065	4,437
Total current assets			**344,182**	**333,089**
Non-current assets				
Other financial assets, non-current	Ch$	US$	245	225
Other non-financial assets, non-current	Ch$	US$	8,734	8,761
Total assets, non-current			**8,979**	**8,986**
Total assets			**353,161**	**342,075**

Liabilities	Foreign currency	Currency	12.31.2017 ThUS$	12.31.2016 ThUS$
Total current liabilities				
Other financial current liabilities	UF	US$	11,418	7,422
Trade and other payables	Ch$	US$	147,805	168,272
Trade and other payables	PEN	US$	4,408	15,530
Payables due to related parties, current	Ch$	US$	2,213	2,708
Other provisions, current	Ch$	US$	3,928	7,394
Current income taxes payable	PEN	US$	-	112
Provisions for employee benefits	Ch$	US$	16,075	13,388
Provisions for employee benefits	PEN	US$	1,250	1,608
Other non-financial current liabilities	Ch$	US$	21,430	11,260
Other non-financial current liabilities	PEN	US$	906	473
Total current liabilities			**209,433**	**228,167**
Non-current liabilities				
Other financial non-current liabilities	UF	US$	79,005	81,509
Provisions for employee benefits, non-current	Ch$	US$	38,429	27,508
Other non-current non-financial liabilities	Ch$	US$	9,924	15,960
Total liabilities, non-current			**127,358**	**124,977**
Total liabilities			**336,791**	**353,144**

The detail of assets and liabilities in foreign currency does not include the investments accounted for using the equity method; accordingly, the differences arising from the exchange rate difference are recognized in equity as translation adjustment (see note 26, letter e).

Maturity profile of other financial liabilities in foreign currency

As of 12.31.2017	Foreign currency	Currency	Up to 91 days ThUS$	91 days to 1 year ThUS$	1 - 3 years ThUS$	3 -5 years ThUS$	Over 5 years ThUS$	Total ThUS$
Other financial liabilities	UF	US$	-	11,418	28,570	20,764	37,897	98,649
		Total	**-**	**11,418**	**28,570**	**20,764**	**37,897**	**98,649**

As of 12.31.2016	Foreign currency	Currency	Up to 91 days ThUS$	91 days to 1 year ThUS$	1 - 3 years ThUS$	3 - 5 years ThUS$	Over 5 years ThUS$	Total ThUS$
Other financial liabilities	UF	US$	-	7,422	22,376	26,506	39,349	95,653
		Total	**-**	**7,422**	**22,376**	**26,506**	**39,349**	**95,653**

40. Headcount (unaudited)

As of December 31, 2017 and 2016, this caption comprises the following:

	No. of employees					
	12.31.2017			12.31.2016		
	Chile	Peru	Total	Chile	Peru	Total
Managers and main executives	71	6	77	69	7	76
Professionals and technical staff	646	61	707	654	54	708
Other	275	25	300	288	30	318
Total	992	92	1,084	1,011	91	1,102
Average for the year	**994**	**94**	**1,088**	**990**	**90**	**1,080**

Exhibit 1 Additional information required for XBRL taxonomy

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

Salaries for external auditors

As of December 31, 2017 and 2016, this caption comprises the following:

	January - December	
	2017 ThUS$	**2016** ThUS$
Audit services	396	409
Tax services	37	14
Other services	1,111	132
Auditors' fees	**1,544**	**555**

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