

## **COLBÚN S.A. AND SUBSIDIARIES**

Unaudited Interim Consolidated Financial Statements  
as of June 30, 2017 and for the six-month  
and three-month periods then ended

(With the Independent Auditor's Review Report Thereon)

## **COLBÚN S.A. AND SUBSIDIARIES**

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Ch\$ : Amounts expressed in Chilean pesos

ThCh\$ : Amounts expressed in Thousands of Chilean pesos



## Independent Auditor's Review Report

The Shareholders and Directors  
Colbún S.A.

We have reviewed the accompanying interim consolidated financial statements of Colbún S.A. and its Subsidiaries, which comprise the interim consolidated statement of financial position as of June 30, 2017, the interim consolidated statements of profit or loss and other comprehensive loss for the six-month and three-month periods ended June 30, 2017, the interim consolidated statements of changes in equity and cash flows for the six-month period then ended, and the related notes to the interim consolidated financial statements.

The interim consolidated financial statements of profit or loss and other comprehensive loss for the six-month and three-month periods ended June 30, 2016, and the related interim consolidated statements of changes in equity and cash flows for the six-month period then ended, and the related notes to the interim consolidated financial statements were reviewed by other auditors whose report dated July 26, 2017, stated that based on their review, they were not aware of any material modifications that should be made to those interim consolidated financial statements, for them to be in conformity with IAS 34 "Interim Financial Reporting" of International Financial Reporting Standards (IFRS). The consolidated statement of financial position of Colbún S.A. and its Subsidiaries as of December 31, 2016, and the related consolidated statements of profit or loss and other comprehensive loss, changes in equity and cash flows for the year then ended (not presented herein), were audited by other auditors whose report dated January 31, 2017, expressed an unmodified opinion on those audited consolidated financial statements.

### **Management's responsibility for the interim consolidated financial statements**

Management is responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting" of International Financial Reporting Standards (IFRS); this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim consolidated financial statements, in accordance with the applicable financial reporting framework.

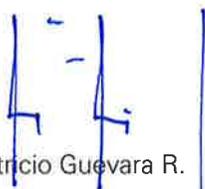
### **Auditor's responsibility**

Our responsibility is to conduct our review in accordance with Auditing Standards Generally Accepted in Chile applicable to reviews of interim financial statements. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Auditing Standards Generally Accepted in Chile, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion.



**Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for the six-month and three-month periods ended June 30, 2017, for them to be in accordance with IAS 34 "Interim Financial Reporting" of International Financial Reporting Standards (IFRS).



Patricio Guevara R.

Santiago, August 2, 2017

KPMG Ltda.



## **Unaudited Interim Consolidated Financial Statements**

**COLBUN S.A. AND SUBSIDIARIES**  
Thousands of U.S. dollars

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This report contains the following:

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

## Colbún S.A. and Subsidiaries

Unaudited Interim Consolidated Statements of Financial Position  
as of June 30, 2017 and December 31, 2016  
(In thousands of U.S. dollars)

ASSETS	Note No.	June 30, 2017 ThUS\$	December 31, 2016 ThUS\$
<b>Current assets</b>			
Cash and cash equivalents	8	243,527	593,720
Other financial assets, current	9	437,444	74,285
Other non-financial assets, current	20	24,168	27,190
Trade and other receivables, net	10	225,333	199,244
Trade receivables due from related parties, net	12.b	3,537	2,792
Inventory	13	41,021	45,114
Current income taxes recoverable	19	4,447	5,279
<b>Total current assets</b>		<b>979,477</b>	<b>947,624</b>
<b>Non-current assets</b>			
Other financial assets, non-current	9	6,100	5,377
Other non-financial assets, non-current	20	34,982	29,871
Trade receivables due from related parties, non-current	12.b	-	263
Equity accounted investees	16	37,754	38,576
Intangible assets other than goodwill	17	135,906	138,129
Goodwill	-	-	4,000
Property, plant and equipment	18	5,591,277	5,651,754
Non-Current income taxes recoverable	21.c	40,281	7,004
<b>Total non-current assets</b>		<b>5,846,300</b>	<b>5,874,974</b>
<b>TOTAL ASSETS</b>		<b>6,825,777</b>	<b>6,822,598</b>

See the accompanying notes to the unaudited interim consolidated financial statements

## Colbún S.A. and Subsidiaries

Unaudited Interim Consolidated Statements of Financial Position (continued)  
as of June 30, 2017 and December 31, 2016  
(In thousands of U.S. dollars)

EQUITY AND LIABILITIES	Note No.	June 30, 2017 ThUS\$	December 31, 2016 ThUS\$
<b>Current liabilities</b>			
Other financial liabilities, current	22.a	51,835	53,044
Trade and other payables, current	23	151,966	207,945
Payables due to related parties	12.b	9,853	32,339
Other provisions	24.a	20,164	7,393
Current income taxes payable	21.b	14,418	32,605
Provision for employee benefits, current	24.a	11,169	14,996
Other current non-financial liabilities	25	19,019	11,733
<b>Total current liabilities</b>		<b>278,424</b>	<b>360,055</b>
<b>Non-current liabilities</b>			
Other financial liabilities, non-current	22.a	1,650,755	1,656,988
Trade and other payables, non-current	23	17,274	18,960
Deferred income tax liabilities	21.c	950,905	957,848
Provisions for employee benefits, non-current	24.a	31,669	27,508
Other non-financial liabilities	25	11,808	11,407
<b>Total non-current liabilities</b>		<b>2,662,411</b>	<b>2,672,711</b>
<b>Total liabilities</b>		<b>2,940,835</b>	<b>3,032,766</b>
<b>Equity</b>			
Share capital	26.a	1,282,793	1,282,793
Retained earnings	26.f	1,592,273	1,510,514
Share premium	26.c	52,595	52,595
Other reserves	26.e	729,620	730,483
<b>Equity attributable to shareholders of the Parent</b>		<b>3,657,281</b>	<b>3,576,385</b>
Non-controlling interests	-	227,661	213,447
<b>Total equity</b>		<b>3,884,942</b>	<b>3,789,832</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,825,777</b>	<b>6,822,598</b>

See the accompanying notes to the unaudited interim consolidated financial statements

## Colbún S.A. and Subsidiaries

### Unaudited Interim Consolidated Statements of Profit or Loss, by Nature for the periods ended June 30, 2017 and 2016 (In thousands of U.S. dollars)

	Note No.	January - June		April - June	
		2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Revenue	7 and 27	775,569	732,695	393,525	370,150
Raw materials and consumables	28	(411,342)	(357,018)	(209,724)	(191,954)
Employee benefit expenses	29	(34,705)	(32,082)	(17,660)	(15,985)
Depreciation and amortization expense	30	(119,944)	(110,896)	(60,371)	(55,052)
Other expenses, by nature	-	(16,244)	(22,255)	(7,665)	(11,099)
Other income (expenses), net	34	9,985	(4,692)	14,588	(4,195)
<b>Income from operations</b>	-	<b>203,319</b>	<b>205,752</b>	<b>112,693</b>	<b>91,865</b>
Finance income	31	5,306	5,438	2,782	2,747
Finance costs	31	(40,419)	(59,473)	(20,188)	(32,048)
Share of profit of equity-accounted associates and joint ventures	33	1,848	3,057	1,108	1,661
Foreign currency transactions gains, net	32	1,375	4,992	817	1,944
(Loss) from inflation adjusted units, net	32	-	(59)	-	(59)
<b>Profit before income taxes</b>		<b>171,429</b>	<b>159,707</b>	<b>97,212</b>	<b>66,110</b>
Income tax expense	21.a	(32,578)	(32,229)	(18,883)	(14,675)
<b>Net profit for the period</b>		<b>138,851</b>	<b>127,478</b>	<b>78,329</b>	<b>51,435</b>
<b>Net profit attributable to</b>					
Shareholders of the parent	7 and 26.i	124,218	123,710	67,315	51,513
Non-controlling interests		14,633	3,768	11,014	(78)
<b>PROFIT</b>		<b>138,851</b>	<b>127,478</b>	<b>78,329</b>	<b>51,435</b>
<b>Earnings per share</b>					
Basic earnings per share - US\$/share	26.i	0.00708	0.00705	0.00447	0.00293
<b>Basic earnings per share</b>		<b>0.00708</b>	<b>0.00705</b>	<b>0.00447</b>	<b>0.00293</b>
Diluted earnings per share - US\$/share	26.i	0.00708	0.00705	0.00447	0.00293
<b>Diluted earnings per share</b>		<b>0.00708</b>	<b>0.00705</b>	<b>0.00447</b>	<b>0.00293</b>

See the accompanying notes to the unaudited interim consolidated financial statements

## Colbún S.A. and Subsidiaries

### Unaudited Interim Consolidated Statements of Other Comprehensive Loss for the periods ended June 30, 2017 and 2016 (In thousands of U.S. dollars)

STATEMENTS OF OTHER COMPREHENSIVE INCOME	Note No.	January - June		April - June	
		2017	2016	2017	2016
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Net profit for the period</b>		<b>138,851</b>	<b>127,478</b>	<b>78,329</b>	<b>51,435</b>
<b>Components of other comprehensive that will not be reclassified to profit or loss for the period, before tax</b>					
Loss for remeasurements of defined benefit plans	-	(3,505)	(1,269)	(2,312)	(637)
<b>Total other comprehensive loss that will not be reclassified to profit or loss for the period, before tax</b>	-	<b>(3,505)</b>	<b>(1,269)</b>	<b>(2,312)</b>	<b>(637)</b>
<b>Components of other comprehensive loss that will be reclassified to profit or loss for the period, before tax</b>					
Gain (loss) for foreign currency translation differences	16.a	75	1,694	(10)	294
Loss from cash flow hedges	-	(1,575)	(8,095)	(3,734)	(4,429)
Share of other comprehensive loss on associates and joint ventures using the equity method	-	64	(218)	100	(218)
<b>Total other comprehensive loss that will be reclassified to profit or loss for the period, before tax</b>		<b>(1,436)</b>	<b>(6,619)</b>	<b>(3,644)</b>	<b>(4,353)</b>
<b>Other components of other comprehensive loss, before tax</b>		<b>(4,941)</b>	<b>(7,888)</b>	<b>(5,956)</b>	<b>(4,990)</b>
<b>Income tax related to components of Other Comprehensive Income that will not be reclassified to profit or loss for the period</b>					
Income tax related to defined benefit plans	21.d	946	343	624	250
<b>Income tax related to components of Other Comprehensive Income that will be reclassified to profit or loss for the period</b>					
Income tax related to Share of other comprehensive income on associates and joint ventures using the equity method	21.d	(17)	59	(27)	59
Income tax related to cash flow hedges	21.d	449	948	1,014	1,110
<b>Income tax related to components of other comprehensive income</b>		<b>1,378</b>	<b>1,350</b>	<b>1,611</b>	<b>1,419</b>
<b>Total other comprehensive loss</b>		<b>(3,563)</b>	<b>(6,538)</b>	<b>(4,345)</b>	<b>(3,571)</b>
<b>Total comprehensive income</b>		<b>135,288</b>	<b>120,940</b>	<b>73,984</b>	<b>47,864</b>
<b>Comprehensive income attributable to</b>					
Shareholders of the Parent		121,074	118,215	63,325	47,864
Non-controlling interests		14,214	2,725	10,659	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>135,288</b>	<b>120,940</b>	<b>73,984</b>	<b>47,864</b>

See the accompanying notes to the unaudited interim consolidated financial statements

## Colbún S.A. and Subsidiaries

### Unaudited Consolidated Statements of Cash Flows - for the six months periods ended June 30, 2017 and 2016 (In thousands of U.S. dollars)

STATEMENTS OF CASH FLOW - DIRECT METHOD	Note No.	June 30, 2017 ThUS\$	June 30, 2016 ThUS\$
<b>Cash flows from operating activities</b>			
<b>Cash receipts from operating activities</b>			
Cash receipts from sale of goods and rendering of services	-	886,677	843,605
Other cash receipts from operating activities	-	2,234	1,679
<b>Classes of cash payments</b>			
Cash payments to suppliers for goods and services	-	(492,128)	(414,143)
Cash payments to and on behalf of employees	-	(38,437)	(32,378)
Cash payments from premiums and services, annuities and other	-	(17,731)	(15,879)
Other cash payments for operating activities	-	(49,123)	(51,156)
<b>Cash generated from operating activities</b>	-	<b>291,492</b>	<b>331,728</b>
Dividends received	-	5,167	5,950
Interest received	-	5,290	5,358
Income taxes paid	-	(59,157)	(30,688)
Other cash payments	-	(6,390)	(5,381)
<b>Net cash provided by operating activities</b>		<b>236,402</b>	<b>306,967</b>
<b>Cash flows from investing activities</b>			
Other cash payments to acquire interests in joint ventures	-	(2,763)	(2,660)
Cash flows used to obtain control of subsidiaries or other businesses	-	-	(5,827)
Acquisition of property, plant and equipment	-	(64,839)	(55,661)
Acquisition of intangible assets classified as investing activities	-	(3,938)	(48,000)
Other cash payments	-	(363,667)	(182,639)
<b>Net cash used in investing activities</b>		<b>(435,207)</b>	<b>(294,787)</b>
<b>Cash flows from financing</b>			
<b>Proceeds from borrowings</b>			
Proceeds from long-term borrowings	-	-	365,700
Repayment of borrowings	-	(12,072)	(614,352)
Dividends paid	-	(98,210)	(98,923)
Interest paid	-	(42,092)	(50,769)
Other cash payments	-	-	(18,223)
<b>Net cash used in financing activities</b>		<b>(152,374)</b>	<b>(416,567)</b>
<b>Net decrease in cash and cash equivalents before the effect of movements in exchange rates on cash held</b>		<b>(351,179)</b>	<b>(404,387)</b>
<b>Effects of movements in exchange rates on cash and cash equivalents</b>			
Effect of exchange rate changes on cash and cash equivalents		986	9,027
<b>Net decrease in cash and cash equivalents</b>		<b>(350,193)</b>	<b>(395,360)</b>
Cash and cash equivalents as of January 1		593,720	876,130
<b>Cash and cash equivalents as of June 30</b>	8	<b>243,527</b>	<b>480,770</b>

See the accompanying notes to the unaudited interim consolidated financial statements

## Colbún S.A. and Subsidiaries

### Unaudited Consolidated Statements of Changes in Equity - for the six months periods ended June 30, 2017 and 2016 (In thousands of U.S. dollars)

Statements of Changes in Equity	Note	Equity attributable to shareholders of the Parent									Non-controlling interests	Total equity
		Share capital	Share premium	Changes in reserves					Retained earnings (accumulated deficit)	Equity atributable to shareholders of the Parent		
				Translation difference reserve	Hedging Revenue	Actuarial profit or loss reserve of defined benefit plans	Other miscellaneous reserves	Other reserves				
ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Balance as of January 1, 2017		1,282,793	52,595	(265,406)	6,846	-	989,043	730,483	1,510,514	3,576,385	213,447	3,789,832
<b>Changes in Equity</b>												
<b>Comprehensive income</b>												
Net Profit for the period									124,218	124,218	14,633	138,851
Other comprehensive income (loss)				75	(660)	(2,559)	-	(3,144)		(3,144)	(419)	(3,563)
Dividends									(40,178)	(40,178)		(40,178)
Increase (decrease) for other changes		-	-	-	-	2,559	(278)	2,281	(2,281)	-		-
Total changes in equity		-	-	75	(660)	-	(278)	(863)	81,759	80,896	14,214	95,110
<b>Balance as of June 30, 2017</b>	<b>26</b>	<b>1,282,793</b>	<b>52,595</b>	<b>(265,331)</b>	<b>6,186</b>	<b>-</b>	<b>988,765</b>	<b>729,620</b>	<b>1,592,273</b>	<b>3,657,281</b>	<b>227,661</b>	<b>3,884,942</b>

Statements of Changes in Equity	Note	Equity attributable to shareholders of the Parent									Non-controlling interests	Total equity
		Share capital	Share premium	Changes in reserves					Retained earnings (accumulated deficit)	Equity atributable to shareholders of the Parent		
				Translation difference reserve	Hedging Revenue	Actuarial profit or loss reserve of defined benefit plans	Other miscellaneous reserves	Other reserves				
ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Balance as of January 1, 2016		1,282,793	52,595	(266,792)	(6,854)	-	989,234	715,588	1,412,537	3,463,513	203,577	3,667,090
Increase (decrease) due to correction of errors		-	-	-	-	-	-	-	(853)	(853)	(819)	(1,672)
Restated initial balance		1,282,793	52,595	(266,792)	(6,854)	-	989,234	715,588	1,411,684	3,462,660	202,758	3,665,418
<b>Changes in Equity</b>												
<b>Comprehensive income</b>												
Net Profit for the period									123,710	123,710	3,768	127,478
Other comprehensive income (loss)				1,694	(6,263)	(926)	-	(5,495)		(5,495)	(1,043)	(6,538)
Dividends									(40,630)	(40,630)		(40,630)
Increase (decrease) for other changes		-	-	-	(1,334)	926	(37)	(445)	(812)	(1,257)	5,598	4,341
Total changes in equity		-	-	1,694	(7,597)	-	(37)	(5,940)	82,268	76,328	8,323	84,651
<b>Balance as of June 30, 2016</b>	<b>26</b>	<b>1,282,793</b>	<b>52,595</b>	<b>(265,098)</b>	<b>(14,451)</b>	<b>-</b>	<b>989,197</b>	<b>709,648</b>	<b>1,493,952</b>	<b>3,538,988</b>	<b>211,081</b>	<b>3,750,069</b>

See the accompanying notes to the unaudited interim consolidated financial statements

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

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

(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 Superintendence of Securities and Insurance. The Company' shares are traded in the Santiago Stock Exchange, Santiago Electronic Stock Exchange and Valparaíso Stock Exchange.

As of June 30, 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, 11<sup>th</sup> 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 ownership interest of 49.96% of Company's share capital:

Controlling Group	No. of shares	Ownership interest %
Minera Valparaiso S.A.	6,166,879,733	35.17
Forestal Cominco S.A.	2,454,688,263	14.00
Forestal Constructora y Comercial del Pacifico Sur S.A.	34,126,083	0.19
Forestal y 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
<b>Total ownership interest</b>	<b>8,761,439,346</b>	<b>49.96</b>

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## 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 Central Interconnected System ("SIC").

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 Unit I Complex power plants, located in the Biobío Region.

#### Commercial 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., Luz Linares 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., and Cooperativa Rural Eléctrica Río Bueno Ltda., Chilquinta Energía S.A., Energía de Casablanca 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; unregulated customer associated to Enel Distribución Chile S.A. (Aguas Andinas S.A.'s La Farfana Plant), 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.

## **Power market**

The Chilean power sector has a regulatory framework of almost three decades of operations. Such framework allowed developing a highly dynamic industry with 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 3.0% during the last 10 years, slightly lower compared to the GDP during the same period.

Chile has four interconnected systems and Colbún operates the largest, the Central Interconnected System (SIC), which comprises Taltal in the north and Isla Grande de Chiloé in the south. The consumption in this zone represents 75% of total power demand in Chile. Colbún is the second power generation company based on SIC installed power with market share of 20%.

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 connect 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 2,000 KW, and they freely negotiate their prices with suppliers.

Note that the regulation allows users with connection power between 500 KW and 2,000 KW to select between systems of regulated or unregulated prices, with a minimum of four years in each system.

Spot market is where power generation companies trade at marginal cost energy and power (on an hour 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 its 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 a single system called 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 570 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.

### **Power 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 June 2017, the Peruvian power market has an installed capacity, at a domestic level, of approximately 13.8 GW, of which 12.7 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 14 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). Customer 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 expected power demand for 2017 is approximately 50.3 TWh, which is concentrated in the mining and residential sectors. In 2016, the system demand was 48.3 TWh.

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### 3. Significant accounting policies

#### 3.1 Accounting policies

These interim consolidated financial statements of Colbún S.A. and subsidiaries as of June 30, 2017 have been prepared in accordance with International Financial Standards ("IFRS") as issued by International Accounting Standards Board (IASB).

The interim consolidated financial statements have been prepared under the going concern assumption, and approved by the Board of Directors for issue on August 2, 2017.

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

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

- Statements of Financial Position as of June 30, 2017 and December 31, 2016.
- Statements of Comprehensive Income for the three and six-month periods ended June 30, 2017 and 2016.
- Statements of Changes in Equity for the six-month periods ended June 30, 2017 and 2016.
- Statements of Cash Flows for the six-month periods ended June 30, 2017 and 2016.
- Notes.

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

The interim consolidated statement of financial position as of December 31, 2016 has been derived from the Company's annual consolidated financial statements as of and for the year ended December 31, 2016, which is included elsewhere in this offering memorandum.

These interim 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 interim 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 interim 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 interim 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	Functional currency	Tax ID Number	Total ownership percentage as of				
				06.30.2017			06.30.2016	12.31.2016
				Direct	Indirect	Total	Total	Total
Empresa Eléctrica Industrial S.A.	Chile	U.S. Dollar	96.854.000-9	99.9999	-	99.9999	99.9999	99.9999
Sociedad Hidroeléctrica Melocotón Ltda.	Chile	U.S. Dollar	86.856.100-9	99.9000	0.1000	100	100	100
Río Tranquilo S.A.	Chile	U.S. Dollar	76.293.900-2	99.9999	0.0001	100	100	100
Termoeléctrica Nehuenco S.A.	Chile	U.S. Dollar	76.528.870-3	99.9999	0.0001	100	100	100
Termoeléctrica Antihue S.A.	Chile	U.S. Dollar	76.009.904-K	99.9998	-	99.9998	99.9998	99.9998
Colbún Transmisión S.A.	Chile	U.S. Dollar	76.218.856-2	99.9999	0.0001	100	100	100
Colbún Desarrollo SpA	Chile	U.S. Dollar	76.442.095-0	100	-	100	100	100
Inversiones SUD SpA	Chile	U.S. Dollar	76.455.649-6	100	-	100	100	100
Inversiones Andinas SpA	Chile	U.S. Dollar	76.455.646-1	100	-	100	100	100
Colbún Perú S.A.	Perú	U.S. Dollar	0-E	99.9996	0.0004	100	100	100
Inversiones de Las Canteras S.A.	Perú	U.S. Dollar	0-E	-	51	51	51	51
Fénix Power Perú S.A.	Perú	U.S. Dollar	0-E	-	51	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 in 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 Special Purpose 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.

As of June 30, 2017, Colbún granted ThUS\$229 to the Foundation for the compliance with goals. This amount has been included in these interim consolidated financial statements.

**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 the interest by the portion of net equity which represents Colbún ownership interest in the issuer's adjusted capital.

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	Functional currency	Tax ID Number	Total ownership percentage as of		
					06.30.2017	06.30.2016	12.31.2016
					Direct	Direct	Direct
Associated	Electrogas S.A.	Chile	U.S. Dollar	96.806.130-5	42.5	42.5	42.5
Joint venture	Centrales Hidroeléctricas de Aysén S.A.	Chile	Chilean pesos	76.652.400-1	49.0	49.0	49.0
Joint venture	Transmisora Eléctrica de Quillota Ltda.	Chile	Chilean pesos	77.017.930-0	50.0	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 venturers.

**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 deferred in equity, 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 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	06.30.2017	12.31.2016
Chilean peso	664.29	669.47
Euro	0.8760	0.9488
Peruvian sol	3.2550	3.3600
Inflation-adjusted units	0.0249	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 that represent an increase in productivity, capacity, efficiency or lengthening of the useful lives of assets, are capitalized as higher cost of the corresponding assets.
- Substitutions or renovation of assets that increase their useful lives, or their economic capacity, are recorded as 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 24 c).

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 correspond 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 in 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 a provision 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 June 30, 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 deducted. 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 liability 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 and promissory notes payable, 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 to be 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.

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**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 taxes** - 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 interim 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** – A provision is recognized when the Company has a present obligation as a result of a past event, it is probable (more likely than not), an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

Provisions are evaluated on a regular basis and are revised as considered necessary considering the best information available at the reporting date of these interim 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 interim 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 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 2,000 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 interim 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 interim 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 debit 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 interim 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.

**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.

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**w. 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.

**x. 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.

**y. 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. has recognized this effect in June 2017 in the following accounting items: Increase of MUS\$27 in deferred tax assets; decrease of MUS\$4,0 in goodwill; 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.

The adoption and early adoption of this standard is mandatory in Chile for dealers and brokers in accordance with Circular No. 615 issued by the SVS dated June 10, 2010.

#### 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 Programmes, 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 in 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	Tax treatment uncertainty	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 covers 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 of transaction is established for each payment or receipt.

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 to IFRS		Mandatory application date
IAS 7	Disclosure Initiative, amendments to IAS 7.	January 1, 2017
IAS 12	Income Tax: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12).	January 1, 2017
	Annual improvements cycle to IFRS 2014-2016. Amendments to IFRS 12	January 1, 2017
IAS 40	Transfers of 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 9 and IFRS 4	Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts, (Amendments to IFRS 4).	January 1, 2018
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	To be determined
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 improvement cycle to IFRS 2014-2016. Amendments to IFRS 12	January 1, 2018

### Amendments to IAS 7, “Statement of Cash Flows: Disclosure initiative”

This amendment, issued on February 1, 2016, provides instructions for the disclosure of information that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to fulfill this disclosure requirement is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. However, this objective may also be achieved by other means, which could exempt financial institutions and other entities, as they have improved disclosures in this area.

Even though it is possible to provide disclosures of changes in other assets and liabilities, such supplementary disclosure shall disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities.

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted.

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### Amendment to IAS 12, Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

This amendment, issued on January 19, 2016, clarifies that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount, or the way in which an entity expects to recover the asset. Accordingly, under the assumption that the tax base remains at the original cost of the debt instrument, a temporary difference exists.

An entity may consider recognizing a deferred tax asset if the entity expects a future tax loss related to that asset. Amendments show that the answer is "yes" if certain conditions are met.

The amendment is effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted, but requiring the related disclosures. This amendment is applied prospectively.

2014-2016 Annual Improvements Cycle: IFRS 1; IFRS 12 and IAS 28

IFRS 12: The disclosure requirements for interests in other entities also apply to interests classified as held for sale and not for distribution.

The amendment is effective for annual periods beginning on or after January 1, 2017. This amendment is applied retrospectively.

### IAS 40, Transfers of 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 in 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.

### Amendments to IFRS 9, Financial Instruments, and IFRS 4, Insurance Contracts: Applying IFRS 9 with IFRS 4 (Amendments 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.

#### 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. Also, it introduces new and unexpected recognition for transactions that partially consider maintenance in assets that are not businesses.

The effective application date has been deferred indefinitely.

#### 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; IFRS 12 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.

### **3.3 Responsibility for the information and estimates made**

The information contained in the accompanying interim 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 interim 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.

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In the preparation of these interim 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 interim consolidated financial statements (see Note 3.1.l).

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.

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## 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 will commence operations starting in the second half 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 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 December 2016), 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 hedge 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.

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## **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, among others.

In Peru, authorities are currently performing studies related to regulatory changes for the power sector. Some of these changes under consideration relate to: (i) Power generation/Wholesale market (include big unregulated users in the short-term market), and (ii) Duality (new methodology to monitor the performance of dual units).

The required and balanced development of the power market both in 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 2016 in the short-term price of power (marginal cost).

With respect to long-term prices, the bidding process of supply of regulated customers finished in August 2016 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 is 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 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 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	06.30.2017	12.31.2016
Fixed	97%	97%
Variable	3%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

As of June 30, 2017 and December 31, 2016, the Company's financial debt is denominated by 97% in fixed rate, and the remaining 3% relates to a portion of the Fenix's loan.

### 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 June 30, 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.

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#### **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 June 30, 2017, Colbún has cash surpluses of approximately US\$680 million, invested in term deposits for an average of 80 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\$86 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 June 30, 2017, Colbún has the following domestic risk ratings: A+ by Fitch Ratings and AA- by Humphreys, both with stable expectations. At international level, the Company's ratings are: BBB by Fitch Ratings and BBB- by Standard & Poor's (S&P), both 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 June 30, 2017, the Company's exposure to this risk relates to a potential impact of approximately US\$1.9 million for quarterly foreign currency exchange differences, based on a sensitivity analysis with a 95% reliance.

The interest rate variance risk is mostly mitigated, because 97% of the financial debt is assumed to be at a fixed rate (directly and using derivatives). As of June 30, 2017, the Company's exposure to the variable interest rate is low, which relates to a potential quarterly impact of US\$0.7 million due to an increase in interest rates, based on a sensitivity analysis with a reliance of 95%.

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 21%. For existing derivatives, the Company's foreign counterparties have risk ratings equivalent of BBB+ or higher and domestic counterparties have local ratings of BBB+ or higher. Note that, for derivatives, no counterparty has concentration of more than 22% 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, which include committed and uncommitted credit revolving facilities.

## 5. Critical accounting policies

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

### a. Estimation of the related useful lives of long-lived assets

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 June 30, 2017 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	30 - 50	33
Machinery	5 - 15	7
Transport equipment	5 - 15	5
Office equipment	5 - 30	26
IT equipment	3 - 10	4
Power-generating assets	20 - 60	27
Finance leases	20	16
Other property, plant and equipment	30 - 50	29

Additional detail per class of plants is presented below.

Class of plant	Useful life (years)	Average remaining useful life
<b>Power generation facilities</b>		
Hydroelectric power plants		
Civil works	30 - 60	32
Electromechanical equipment	20 - 60	36
Thermal power plants		
Civil works	20 - 50	27
Electromechanical equipment	20 - 35	21

**(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 contract 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.

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- 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 "Depreciation and amortization expense" 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 June 30, 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 June 30, 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, it 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 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.).

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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 I.

Colbún is part of the SIC 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).

As of June 30, 2017 and 2016 there are no sales between the segments from Chile and Peru.

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, Central Interconnected System in Chile and National Interconnected Electric System in Peru.

The following presents our segment information:

Segment Asset and Liability Information	06.30.2017				
	Country		Total Operating segments	Elimination of amounts	Consolidated totals
	Chile	Peru			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Assets</b>					
Cash and cash equivalents	205,402	38,125	243,527	-	243,527
Other financial assets, current	437,444	-	437,444	-	437,444
Other non-financial assets, current	21,030	3,138	24,168	-	24,168
Trade and other receivables	173,690	51,643	225,333	-	225,333
Trade receivables due from related parties, current	3,537	-	3,537	-	3,537
Inventory	35,445	5,576	41,021	-	41,021
Tax assets	1,251	3,196	4,447	-	4,447
<b>Total current assets</b>	<b>877,799</b>	<b>101,678</b>	<b>979,477</b>	<b>-</b>	<b>979,477</b>
Other financial assets, non-current	2,160	3,940	6,100	-	6,100
Other non-financial assets, non-current	31,129	3,853	34,982	-	34,982
Equity-accounted investees	274,914	-	274,914	(237,160)	37,754
Intangible assets other than goodwill	132,333	3,573	135,906	-	135,906
Property, plant and equipment	4,880,507	710,770	5,591,277	-	5,591,277
Deferred tax assets	4,363	35,918	40,281	-	40,281
<b>Total non-current assets</b>	<b>5,325,406</b>	<b>758,054</b>	<b>6,083,460</b>	<b>(237,160)</b>	<b>5,846,300</b>
<b>ASSETS</b>	<b>6,203,205</b>	<b>859,732</b>	<b>7,062,937</b>	<b>(237,160)</b>	<b>6,825,777</b>
<b>Equity and liabilities</b>					
Other financial liabilities, current	49,808	2,027	51,835	-	51,835
Trade and other payables, current	137,034	14,932	151,966	-	151,966
Payables due to related parties	9,853	-	9,853	-	9,853
Other provisions	17,932	2,232	20,164	-	20,164
Current tax liabilities	14,418	-	14,418	-	14,418
Provision for employee benefits, current	9,984	1,185	11,169	-	11,169
Other current non-financial liabilities	18,542	477	19,019	-	19,019
<b>Total current liabilities</b>	<b>257,571</b>	<b>20,853</b>	<b>278,424</b>	<b>-</b>	<b>278,424</b>
Other financial liabilities, non-current	1,291,420	359,335	1,650,755	-	1,650,755
Trade and other payables, non-current	3,218	14,056	17,274	-	17,274
Deferred tax liabilities	950,237	668	950,905	-	950,905
Provisions for employee benefits, non-current	31,669	-	31,669	-	31,669
Other non-financial liabilities	11,808	-	11,808	-	11,808
<b>Total non-current liabilities</b>	<b>2,288,352</b>	<b>374,059</b>	<b>2,662,411</b>	<b>-</b>	<b>2,662,411</b>
<b>Equity</b>					
Share capital	1,282,793	219,635	1,502,428	(219,635)	1,282,793
Retained earnings	1,592,273	16,108	1,608,381	(16,108)	1,592,273
Share premium	52,595	-	52,595	-	52,595
Reserves	729,620	1,417	731,037	(1,417)	729,620
<b>Equity attributable to shareholders of the Parent</b>	<b>3,657,281</b>	<b>237,160</b>	<b>3,894,441</b>	<b>(237,160)</b>	<b>3,657,281</b>
Non-controlling interests	-	227,660	227,660	-	227,660
<b>Total equity</b>	<b>3,657,281</b>	<b>464,820</b>	<b>4,122,101</b>	<b>(237,160)</b>	<b>3,884,941</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,203,204</b>	<b>859,732</b>	<b>7,062,936</b>	<b>(237,160)</b>	<b>6,825,776</b>

Continued

Segment operating results	For the six months ended 06.30.2017				
	Country		Total Operating segments	Elimination of amounts	Consolidated totals
	Chile	Peru			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$

**Other non-cash items**

Impairment loss of non-financial assets	3,490	-	3,490	-	3,490
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Total additions to non-current assets	61,871	6,906	68,777	-	68,777
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**Revenue**

Revenue	680,961	94,608	775,569	-	775,569
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<b>Total revenue from third parties</b>	<b>680,961</b>	<b>94,608</b>	<b>775,569</b>	-	<b>775,569</b>
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Raw materials and consumables	(343,015)	(68,327)	(411,342)	-	(411,342)
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Employee benefit expenses	(31,951)	(2,754)	(34,705)	-	(34,705)
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Depreciation and amortization expenses	(103,737)	(16,207)	(119,944)	-	(119,944)
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Other expenses by nature	(14,528)	(1,716)	(16,244)	-	(16,244)
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Other income (expenses)	(13,002)	22,987	9,985	-	9,985
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Finance income	5,036	270	5,306	-	5,306
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Finance costs	(34,026)	(6,393)	(40,419)	-	(40,419)
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Share profit (loss) of equity-accounted associates and joint-ventures	1,848	-	1,848	-	1,848
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Foreign currency translation differences	(186)	1,561	1,375	-	1,375
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Income (expense) from inflation adjusted units	-	-	-	-	-
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<b>Profit (loss) before income taxes</b>	<b>147,400</b>	<b>24,029</b>	<b>171,429</b>	-	<b>171,429</b>
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Income tax expense	(38,407)	5,829	(32,578)	-	(32,578)
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<b>Net profit for the period</b>	<b>108,993</b>	<b>29,858</b>	<b>138,851</b>	-	<b>138,851</b>
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**Cash Flows Information**

Net Cash provided by operating activities	206,391	30,011	236,402	-	236,402
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Net Cash used in investing activities	(428,301)	(6,906)	(435,207)	-	(435,207)
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Net Cash flows in financing activities	(144,661)	(7,713)	(152,374)	-	(152,374)
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Continued

Segment operating results	For the three months ended 06.30.2017				
	Country		Total Operating segments	Elimination of amounts	Consolidated totals
	Chile	Peru			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Statement of Comprehensive income</b>					
<b>Other non-cash items:</b>					
Impairment loss of non-financial assets	3,490	-	3,490	-	3,490
Total additions to non-current assets	27,785	3,341	31,126	-	31,126
<b>Revenue</b>					
Revenue	346,553	46,972	393,525	-	393,525
<b>Total revenue from third parties</b>	<b>346,553</b>	<b>46,972</b>	<b>393,525</b>	<b>-</b>	<b>393,525</b>
Raw materials and consumables	(175,751)	(33,973)	(209,724)	-	(209,724)
Employee benefit expenses	(16,257)	(1,403)	(17,660)	-	(17,660)
Depreciation and amortization expenses	(52,268)	(8,103)	(60,371)	-	(60,371)
Other expenses by nature	(6,972)	(693)	(7,665)	-	(7,665)
Other income (expenses)	(8,489)	23,077	14,588	-	14,588
Finance income	2,632	150	2,782	-	2,782
Finance costs	(16,948)	(3,240)	(20,188)	-	(20,188)
Share of profit (loss) of equity-accounted associates and joint ventures	(2,735)	-	(2,735)	3,843	1,108
Foreign currency translation differences	971	(154)	817	-	817
Income (expense) from inflation adjusted units	-	-	-	-	-
<b>Profit (loss) before income taxes</b>	<b>70,736</b>	<b>22,633</b>	<b>93,369</b>	<b>3,843</b>	<b>97,212</b>
Income tax expense	(18,723)	(160)	(18,883)	-	(18,883)
<b>Net profit for the period</b>	<b>52,013</b>	<b>22,473</b>	<b>74,486</b>	<b>3,843</b>	<b>78,329</b>
<b>Profit attributable to</b>					
Shareholders of the Parent	52,013	11,459	63,472	3,843	67,315
Non-controlling interests	-	11,014	11,014	-	11,014
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>52,013</b>	<b>22,473</b>	<b>74,486</b>	<b>3,843</b>	<b>78,329</b>
<b>Cash Flows Information</b>					
Net Cash provided by operating activities	206,391	30,011	236,402	-	236,402
Net Cash used in investing activities	(428,301)	(6,906)	(435,207)	-	(435,207)
Net Cash flows in financing activities	(144,661)	(7,713)	(152,374)	-	(152,374)

Segment asset and liability information	12.31.2016				
	Country		Total Operating segments	Elimination of amounts	Consolidated totals
	Chile	Peru			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Assets</b>					
Cash and cash equivalents	571,111	22,609	593,720	-	593,720
Other financial assets, current	74,285	-	74,285	-	74,285
Other non-financial assets, current	26,211	979	27,190	-	27,190
Trade and other receivables	135,160	64,084	199,244	-	199,244
Trade receivables due from related parties, current	2,792	-	2,792	-	2,792
Inventory	40,282	4,832	45,114	-	45,114
Tax assets	843	4,436	5,279	-	5,279
<b>Total current assets</b>	<b>850,684</b>	<b>96,940</b>	<b>947,624</b>	-	<b>947,624</b>
Other financial assets, non-current	224	5,153	5,377	-	5,377
Other non-financial assets, non-current	25,784	4,087	29,871	-	29,871
Trade receivables due from related parties, non-current	263	-	263	-	263
Equity-accounted investees	260,946	-	260,946	(222,370)	38,576
Intangible assets other than goodwill	134,266	3,863	138,129	-	138,129
Goodwill	-	4,000	4,000	-	4,000
Property, plant and equipment	4,929,104	722,650	5,651,754	-	5,651,754
Deferred tax assets	4,345	2,659	7,004	-	7,004
<b>Total non-current assets</b>	<b>5,354,932</b>	<b>742,412</b>	<b>6,097,344</b>	<b>(222,370)</b>	<b>5,874,974</b>
<b>ASSETS</b>	<b>6,205,616</b>	<b>839,352</b>	<b>7,044,968</b>	<b>(222,370)</b>	<b>6,822,598</b>
<b>Equity and liabilities</b>					
Other financial liabilities, current	49,099	3,945	53,044	-	53,044
Trade and other payables, current	188,319	19,626	207,945	-	207,945
Payables due to related parties	32,339	-	32,339	-	32,339
Other provisions	5,161	2,232	7,393	-	7,393
Current tax liabilities	32,493	112	32,605	-	32,605
Provision for employee benefits, current	13,391	1,605	14,996	-	14,996
Other current non-financial liabilities	11,260	473	11,733	-	11,733
<b>Total current liabilities</b>	<b>332,062</b>	<b>27,993</b>	<b>360,055</b>	-	<b>360,055</b>
Other financial liabilities, non-current	1,298,049	358,939	1,656,988	-	1,656,988
Trade and other payables, non-current	3,217	15,743	18,960	-	18,960
Deferred tax liabilities	956,988	860	957,848	-	957,848
Provisions for employee benefits, non-current	27,508	-	27,508	-	27,508
Other non-financial liabilities	11,407	-	11,407	-	11,407
<b>Total non-current liabilities</b>	<b>2,297,169</b>	<b>375,542</b>	<b>2,672,711</b>	-	<b>2,672,711</b>
<b>Equity</b>					
Share capital	1,282,793	219,635	1,502,428	(219,635)	1,282,793
Retained earnings (accumulated deficit):	1,510,514	882	1,511,396	(882)	1,510,514
Share premium	52,595	-	52,595	-	52,595
Other reserves	730,483	1,853	732,336	(1,853)	730,483
<b>Equity attributable to shareholders of the Parent</b>	<b>3,576,385</b>	<b>222,370</b>	<b>3,798,755</b>	<b>(222,370)</b>	<b>3,576,385</b>
Non-controlling interests	-	213,447	213,447	-	213,447
<b>Total equity</b>	<b>3,576,385</b>	<b>435,817</b>	<b>4,012,202</b>	<b>(222,370)</b>	<b>3,789,832</b>
<b>EQUITY AND LIABILITIES</b>	<b>6,205,616</b>	<b>839,352</b>	<b>7,044,968</b>	<b>(222,370)</b>	<b>6,822,598</b>

Continued

Segment operating results	For the six months ended 06.30.2016				
	Country		Total Operating segments	Elimination of amounts	Consolidated totals
	Chile	Peru			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$

**Other non-cash items**

Impairment loss of non-financial assets	3,114	-	3,114	-	3,114
Total additions to non-current assets	101,983	1,678	103,661	-	103,661

**Revenue**

Revenue	622,148	110,547	732,695	-	732,695
<b>Total revenue from third parties</b>	<b>622,148</b>	<b>110,547</b>	<b>732,695</b>	-	<b>732,695</b>
Raw materials and consumables	(282,917)	(74,101)	(357,018)	-	(357,018)
Employee benefit expenses	(29,223)	(2,859)	(32,082)	-	(32,082)
Depreciation and amortization expenses	(94,962)	(15,934)	(110,896)	-	(110,896)
Other expenses by nature	(14,467)	(7,788)	(22,255)	-	(22,255)
Other income (expenses)	(4,108)	(584)	(4,692)	-	(4,692)
Finance income	5,163	275	5,438	-	5,438
Finance costs	(51,398)	(8,075)	(59,473)	-	(59,473)
Share of profit (loss) of equity-accounted associates and joint ventures	6,974	-	6,974	(3,917)	3,057
Foreign currency translation differences	3,570	1,422	4,992	-	4,992
Income (expense) from inflation adjusted units	(59)	-	(59)	-	(59)
<b>Profit (loss) before income taxes</b>	<b>160,721</b>	<b>2,903</b>	<b>163,624</b>	<b>(3,917)</b>	<b>159,707</b>
Income tax expense	(37,011)	4,782	(32,229)	-	(32,229)
<b>Net profit for the period</b>	<b>123,710</b>	<b>7,685</b>	<b>131,395</b>	<b>(3,917)</b>	<b>127,478</b>

**Cash Flows Information**

Net Cash provided by operating activities	285,969	20,998	306,967	-	306,967
Net Cash used in investing activities	(287,282)	(7,505)	(294,787)	-	(294,787)
Net Cash flows in financing activities	(405,552)	(11,015)	(416,567)	-	(416,567)

Continued

Segment operating results	For the three months ended 06.30.2017				
	Country		Total Operating segments	Elimination of amounts	Consolidated totals
	Chile	Peru			
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Statement of Comprehensive income</b>					
<b>Other non-cash items:</b>					
Impairment loss of non-financial assets	3,114	-	3,114	-	3,114
Total additions to non-current assets	77,401	1,508	78,909	-	78,909
<b>Revenue</b>					
Revenue	315,187	54,963	370,150	-	370,150
<b>Total revenue from third parties</b>	<b>315,187</b>	<b>54,963</b>	<b>370,150</b>	<b>-</b>	<b>370,150</b>
Raw materials and consumables	(150,631)	(41,323)	(191,954)	-	(191,954)
Employee benefit expenses	(15,029)	(956)	(15,985)	-	(15,985)
Depreciation and amortization expenses	(47,103)	(7,949)	(55,052)	-	(55,052)
Other expenses by nature	(7,492)	(3,607)	(11,099)	-	(11,099)
Other income (expenses)	(3,528)	(667)	(4,195)	-	(4,195)
Finance income	2,639	108	2,747	-	2,747
Finance costs	(29,403)	(2,645)	(32,048)	-	(32,048)
Share of profit (loss) of equity-accounted associates and joint ventures	5,578	-	5,578	(3,917)	1,661
Foreign currency translation differences	1,892	52	1,944	-	1,944
Income (expense) from inflation adjusted units	(59)	-	(59)	-	(59)
<b>Profit (loss) before income taxes</b>	<b>72,051</b>	<b>(2,024)</b>	<b>70,027</b>	<b>(3,917)</b>	<b>66,110</b>
Income tax expense	(16,535)	1,860	(14,675)	-	(14,675)
<b>Net profit for the period</b>	<b>55,516</b>	<b>(164)</b>	<b>55,352</b>	<b>(3,917)</b>	<b>51,435</b>
<b>Profit attributable to</b>					
Shareholders of the Parent	55,516	(86)	55,430	(3,917)	51,513
Non-controlling interests	-	(78)	(78)	-	(78)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>55,516</b>	<b>(164)</b>	<b>55,352</b>	<b>(3,917)</b>	<b>51,435</b>
<b>Cash Flows Information</b>					
Net Cash provided by operating activities	285,969	20,998	306,967	-	306,967
Net Cash used in investing activities	(287,282)	(7,505)	(294,787)	-	(294,787)
Net Cash flows in financing activities	(405,552)	(11,015)	(416,567)	-	(416,567)

## Information on products and services

Sales	January - June		April - June	
	2017	2016	2017	2016
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Energy sales	572,800	541,620	295,940	264,248
Power sales	94,479	95,957	46,365	48,851
Other income	108,290	95,118	51,220	57,051
<b>Total sales</b>	<b>775,569</b>	<b>732,695</b>	<b>393,525</b>	<b>370,150</b>

## Information on major customers

Main customers	January - June				April - June			
	2017		2016		2017		2016	
	ThUS\$	%	ThUS\$	%	ThUS\$	%	ThUS\$	%
<b>Chile</b>								
CGE Distribución S.A	183,454	24%	176,996	24%	91,081	23%	89,432	24%
Corporación Nacional del Cobre Chile	171,411	22%	150,242	21%	88,290	22%	74,974	20%
Enel Distribución Chile S.A (ex Chilectra S.A)	103,622	13%	104,390	14%	51,386	13%	53,783	15%
Sociedad Austral del Sur S.A	47,038	6%	41,184	6%	21,020	5%	15,778	4%
Anglo American S.A	44,379	6%	42,886	6%	22,446	6%	21,838	6%
Other	131,057	17%	106,450	15%	72,331	18%	59,382	16%
<b>Subtotal</b>	<b>680,961</b>	<b>88%</b>	<b>622,148</b>	<b>85%</b>	<b>346,554</b>	<b>87%</b>	<b>315,187</b>	<b>85%</b>
<b>Peru</b>								
Luz del Sur	53,579	7%	46,247	6%	25,822	7%	18,323	5%
Empresa de Distribución Eléctrica de Lima Norte S.A	13,944	2%	9,845	1%	6,105	2%	3,832	1%
Hidrandina S.A	2,277	0%	-	0%	2,277	1%	-	0%
Electronoroeste S.A	3,906	1%	-	0%	1,719	0%	-	0%
Compañía Eléctrica El Platanal S.A	8,324	1%	9,800	1%	3,634	1%	4,226	1%
Other	12,578	1%	44,655	6%	7,414	2%	28,582	8%
<b>Subtotal</b>	<b>94,608</b>	<b>12%</b>	<b>110,547</b>	<b>15%</b>	<b>46,971</b>	<b>13%</b>	<b>54,963</b>	<b>15%</b>
<b>Total sales</b>	<b>775,569</b>	<b>100%</b>	<b>732,695</b>	<b>100%</b>	<b>393,525</b>	<b>100%</b>	<b>370,150</b>	<b>100%</b>

## 8. Cash and cash equivalents

### a. Detail

As of June 30, 2017, and December 31, 2016, this caption comprises the following:

Cash and cash equivalents	06.30.2017	12.31.2016
	ThUS\$	ThUS\$
Cash on hand	62	53
Cash in banks	18,986	21,706
Term deposits	111,194	459,522
Other cash equivalents	113,285	112,439
<b>Total</b>	<b>243,527</b>	<b>593,720</b>

As of June 30, 2017, cash in banks includes trust funds of Fenix Power S.A. for MUS\$14.3. As of December 31, 2016, such amount was MUS\$15.7.

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 June 30, 2017 and December 31, 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	06.30.2017		12.31.2016	
	Original currency ThUS\$	Currency with derivatives <sup>(1)</sup> ThUS\$	Original currency ThUS\$	Currency with derivatives <sup>(1)</sup> ThUS\$
EUR	316	316	516	516
Ch\$	150,088	130,608	435,370	135,370
PEN	14,114	14,114	17,359	17,359
US\$	79,009	98,489	140,475	440,475
<b>Total</b>	<b>243,527</b>	<b>243,527</b>	<b>593,720</b>	<b>593,720</b>

<sup>(1)</sup> Consider 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 June 30, 2017, and December 31, 2016, this caption comprises the following:

	Current		Non-current	
	06.30.2017 ThUS\$	12.31.2016 ThUS\$	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Term deposits <sup>(1)</sup>	436,941	73,277	-	-
Hedge derivative instruments <sup>(2)</sup> (See Note 14.1)	503	1,008	5,874	5,153
Investment in CDEC	-	-	226	224
<b>Total</b>	<b>437,444</b>	<b>74,285</b>	<b>6,100</b>	<b>5,377</b>

<sup>(1)</sup> As of June 30, 2017 and December 31, 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 60 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).

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

## 10. Trade and other receivables, net

As of June 30, 2017, and December 31, 2016, this caption comprises the following:

Category	Current	
	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Trade receivables by contract	185,692	161,672
Other receivables <sup>(1)</sup>	39,641	37,572
<b>Total</b>	<b>225,333</b>	<b>199,244</b>

<sup>(1)</sup> As of June 30, 2017, the current balance comprises recoverable taxes (General Sales Tax (GST)) of ThUS\$19,923, trust guarantee of ThUS\$8,612, collateral with JP Morgan of ThUS\$4,151, compensation associated with the Nehuenco insurance policy of ThUS\$2,964, and other minor items of ThUS\$3,991. As of December 31, 2016, the balance related to recoverable taxes (General Sales Tax (GST) and specific tax) for ThUS\$21,744, trust guarantee of ThUS\$8,988, collateral with JP Morgan of ThUS\$4,161 and others minor items of ThUS\$2,679. 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 allowance for impairment of trade and other receivables is as follows:

Impairment	Current	
	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Opening balance	11,187	5,463
Bad debt expense	-	5,724
Other	4	-
<b>Closing balance</b>	<b>11,191</b>	<b>11,187</b>

The fair value of trade and other receivables is not significantly different from their carrying amount.

As of June 30, 2017 and December 31, 2016, the analysis of trade receivables is as follows:

a) Aging of trade receivables portfolio.

Invoiced	Balance as of 06.30.2017					
	Current ThUS\$	1-30 days ThUS\$	31-60 days ThUS\$	61-90 days ThUS\$	Over 90 days ThUS\$	Total ThUS\$
Trade receivables, regulated	1,499	4,177	94	36	11,440	17,246
Trade receivables, unregulated	400	167	-	-	-	567
Other receivables	35	6,762	193	179	191	7,360
Provision for impairment	-	-	-	-	(11,191)	(11,191)
<b>Subtotal</b>	<b>1,934</b>	<b>11,106</b>	<b>287</b>	<b>215</b>	<b>440</b>	<b>13,982</b>

Invoices to be issued	Balance as of 06.30.2017					
	Current ThUS\$	1-30 days ThUS\$	31-60 days ThUS\$	61-90 days ThUS\$	Over 90 days ThUS\$	Total ThUS\$
Trade receivables, regulated	104,764	-	-	-	-	104,764
Trade receivables, unregulated	45,933	-	-	-	-	45,933
Other receivables	21,013	-	-	-	-	21,013
<b>Subtotal</b>	<b>171,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171,710</b>
<b>Total trade receivables</b>	<b>173,644</b>	<b>11,106</b>	<b>287</b>	<b>215</b>	<b>440</b>	<b>185,692</b>
<b>No. of customers</b>	<b>65</b>	<b>214</b>	<b>95</b>	<b>70</b>	<b>169</b>	

Invoiced	Balance as of 12.31.2016					
	Current ThUS\$	1-30 days ThUS\$	31-60 days ThUS\$	61-90 days ThUS\$	Over 90 days ThUS\$	Total ThUS\$
Trade receivables, regulated	5,858	4,752	30	28	12,838	23,506
Trade receivables, unregulated	148	552	-	-	-	700
Other receivables	1,881	674	463	29	121	3,168
Provision for impairment	-	-	-	-	(11,187)	(11,187)
<b>Subtotal</b>	<b>7,887</b>	<b>5,978</b>	<b>493</b>	<b>57</b>	<b>1,772</b>	<b>16,187</b>

Invoices to be issued	Balance as of 12.31.2016					
	Current ThUS\$	1-30 days ThUS\$	31-60 days ThUS\$	61-90 days ThUS\$	Over 90 days ThUS\$	Total ThUS\$
Trade receivables, regulated	89,987	-	-	-	-	89,987
Trade receivables, unregulated	48,912	-	-	-	-	48,912
Other receivables	6,586	-	-	-	-	6,586
<b>Subtotal</b>	<b>145,485</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,485</b>
<b>Total trade receivables</b>	<b>153,372</b>	<b>5,978</b>	<b>493</b>	<b>57</b>	<b>1,772</b>	<b>161,672</b>
<b>No. of customers</b>	<b>46</b>	<b>173</b>	<b>105</b>	<b>97</b>	<b>133</b>	

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

June 30, 2017	Cash and cash equivalents	Held to maturity	Loans and receivables <sup>(1)</sup>	Assets at fair value through profit or loss	Hedge derivatives	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash on hand and bank balances (see Note 8)	19,048	-	-	-	-	19,048
Term deposits and other cash instruments (see Note 8)	-	111,194	-	113,285	-	224,479
Trade and other receivables (see Note 10)	-	-	205,410	-	-	205,410
Receivables due from related parties (see Note 12.b.1)	-	-	3,537	-	-	3,537
Derivative financial instruments (see Note 14.1)	-	-	-	-	6,377	6,377
Other financial assets (see Note 9)	-	437,167	-	-	-	437,167
<b>Total</b>	<b>19,048</b>	<b>548,361</b>	<b>208,947</b>	<b>113,285</b>	<b>6,377</b>	<b>896,018</b>

December 31, 2016	Cash and cash equivalents	Held to maturity	Loans and receivables <sup>(1)</sup>	Assets at fair value through profit or loss	Hedge derivatives	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash on hand and bank balances (see Note 8)	21,759	-	-	-	-	21,759
Term deposits and other cash instruments (see Note 8)	-	459,522	-	112,439	-	571,961
Trade and other receivables (see Note 10)	-	-	177,500	-	-	177,500
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
<b>Total</b>	<b>21,759</b>	<b>533,023</b>	<b>180,555</b>	<b>112,439</b>	<b>6,161</b>	<b>853,937</b>

(1) As of June 30, 2017, it does not consider recoverable taxes for ThUS\$19,923. As of December 31, 2016, the balance related to recoverable tax was ThUS\$21,744, current

#### a.2 Liabilities

June 30, 2017	Other financial liabilities	Hedge derivatives	Total
	ThUS\$	ThUS\$	ThUS\$
Interest-bearing borrowings (see Note 22.a)	1,685,467	-	1,685,467
Liabilities under lease agreements (see Note 22.a)	15,267	-	15,267
Derivative financial instruments (see Note 14.1)	-	1,856	1,856
Trade payables (see Note 23)	169,240	-	169,240
Payables due to related parties (see Note 12.b.2)	9,853	-	9,853
<b>Total</b>	<b>1,879,827</b>	<b>1,856</b>	<b>1,881,683</b>

December 31, 2016	Other financial liabilities	Hedge derivatives	Total
	ThUS\$	ThUS\$	ThUS\$
Interest-bearing borrowings (see Note 22.a)	1,690,057	-	1,690,057
Liabilities under lease arrangements	15,451	-	15,451
Derivative financial instruments (see Note 14.1)	-	4,524	4,524
Trade payables (see Note 23)	226,905	-	226,905
Trade payables due to related entities (see Note 12.b.2)	32,339	-	32,339
<b>Total</b>	<b>1,964,752</b>	<b>4,524</b>	<b>1,969,276</b>

## 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	06.30.2017 ThUS\$	12.31.2016 ThUS\$
<b>Customers with local risk rating</b>		
AAA	36,836	40,958
AA+	24,344	15,466
AA	64,865	56,277
AA-	120	267
A+	884	36
<b>Total</b>	<b>127,049</b>	<b>113,004</b>
<b>Customers with no local risk rating</b>		
<b>Total</b>	<b>58,643</b>	<b>48,668</b>
<b>Cash on banks and bank short-term deposits, local market</b>		
AAA	251,747	231,337
AA+	51,674	102,717
AA	40,144	86,204
AA-	-	14,942
A+or lower	82,004	20,457
<b>Total</b>	<b>425,569</b>	<b>455,657</b>
<b>Cash on banks and bank short-term deposits, international market <sup>(*)</sup></b>		
BBB- or higher	141,614	98,901
<b>Total</b>	<b>141,614</b>	<b>98,901</b>
<b>Counterparty derivative financial assets, international market <sup>(*)</sup></b>		
A or higher	6,377	1,008
<b>Total</b>	<b>6,377</b>	<b>1,008</b>

<sup>(\*)</sup> 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 June 30, 2017, the distribution of ownership interest is as follows:

Shareholder	Ownership interest %
Minera Valparaíso S.A. <sup>(*)</sup>	35.17
Forestal Cominco S.A. <sup>(*)</sup>	14.00
Antarchile S.A.	9.58
AFP Habitat S.A. <sup>(**)</sup>	5.96
AFP Provida S.A. <sup>(**)</sup>	4.61
Banco de Chile on behalf of third parties	4.06
AFP Cuprum S.A. <sup>(**)</sup>	3.79
AFP Capital S.A. <sup>(**)</sup>	3.55
Banco Itaú on behalf of investors	3.38
Banco Santander - JP Morgan	1.57
Other shareholders	14.33
<b>Total</b>	<b>100</b>

<sup>(\*)</sup> Companies owned by Parent Group (Matte Group).

<sup>(\*\*)</sup> 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 Number	Company	Country	Relationship	Currency	Current		Current	
					06.30.2017 ThUS\$	12.31.2016 ThUS\$	06.30.2017 ThUS\$	12.31.2016 ThUS\$
96.806.130-5	Electrogas S.A.	Chile	Associate	U.S. Dollar	2,835	2,380	-	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Common group	Chilean pesos	-	40	-	263
96.529.310-8	CMPC Tissue S.A.	Chile	Common group	Chilean pesos	-	13	-	-
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Chilean pesos	23	11	-	-
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common group	Chilean pesos	634	348	-	-
65.485.050-K	Fundación Colbún	Chile	Special purpose entity	Chilean pesos	45	-	-	-
<b>Total</b>					<b>3,537</b>	<b>2,792</b>	<b>-</b>	<b>263</b>

#### b. 2. Trade payables due to related parties

Tax ID Number	Company	Country	Relationship	Currency	Current	
					06.30.2017 ThUS\$	12.31.2016 ThUS\$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Chilean pesos	399	197
96.565.580-8	Cla. Leasing Tattersall S.A.	Chile	Common Director	Chilean pesos	133	202
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Common Director	Chilean pesos	9,299	2,282
96.806.980-2	Entel PCS Comunicaciones S.A.	Chile	Common Director	Chilean pesos	22	28
90.412.000-6	Minera Valparaíso S.A.	Chile	Controlling shareholder	U.S. Dollar	-	21,194
79.621.850-9	Forestal Cominco S.A.	Chile	Controlling shareholder	U.S. Dollar	-	8,436
<b>Total</b>					<b>9,853</b>	<b>32,339</b>

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 Number	Company	Country	Relationship	Currency	Type of transaction	January - June				April - July			
						2017		2016		2017		2016	
						Amount ThUS\$	Effect on profit or loss (debit) credit ThUS\$	Amount ThUS\$	Effect on profit or loss (debit) credit ThUS\$	Amount ThUS\$	Effect on profit or loss (debit) credit ThUS\$	Amount ThUS\$	Effect on profit or loss (debit) credit ThUS\$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Chilean pesos	Toll for using facilities	1,193	(1,003)	1,322	(1,111)	595	(501)	561	(471)
				UF	Revenue from services rendered	69	58	53	46	34	29	22	20
76.652.400-1	Centrales Hidroeléctricas de Aysén S.A.	Chile	Joint venture	Chilean pesos	Capital contribution <sup>(1)</sup>	2,763	-	2,660	-	-	-	-	-
				U.S. Dollar	Gas transport service	4,961	(4,169)	4,623	(3,885)	2,438	(2,049)	2,328	(1,956)
96.806.130-5	Electrogas S.A.	Chile	Associate	U.S. Dollar	Diesel transport service	567	(476)	513	(430)	284	(238)	251	(210)
				U.S. Dollar	Declared dividend <sup>(2)</sup>	5,100	-	5,950	-	5,100	-	5,950	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Parent common director	Chilean pesos	Capacity reservation leased	-	-	26	22	-	-	(389)	(327)
97.080.000-K	Banco Bice	Chile	Common Director	Chilean pesos	Expenses for services received	21	(17)	14	(12)	3	(2)	6	(5)
96.731.890-6	Cartulinas CMPC S.A.	Chile	Parent common director	Chilean pesos	Easements	534	449	562	472	266	224	260	219
79.621.850-9	Forestal Cominco S.A.	Chile	Controlling shareholder	U.S. Dollar	Dividends <sup>(3)</sup>	14,065	-	14,213	-	7,658	-	8,665	-
90.412.000-6	Minera Valparaíso S.A.	Chile	Controlling shareholder	U.S. Dollar	Dividends <sup>(3)</sup>	35,336	-	35,706	-	19,240	-	21,769	-
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Common Director	Chilean pesos	Diesel supply service	20,880	(17,546)	3,977	(3,208)	14,765	(12,407)	2,625	(2,085)
96.565.580-8	Cia. Leasing Tattersall S.A.	Chile	Common Director	Chilean pesos	Vehicle rent	827	(695)	734	(617)	281	(236)	416	(350)
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	Common Director	Chilean pesos	Telephone services	247	(208)	219	(184)	136	(115)	109	(92)
96.697.410-9	Entel Telefonía Local S.A.	Chile	Common Director	Chilean pesos	Telephone services	52	(44)	36	(30)	28	(24)	24	(20)
96.925.430-1	Sercor S.A.	Chile	Common Director	Chilean pesos	Stock administration service	29	(24)	37	(31)	20	(16)	-	-
4.523.287-5	Arturo Mackenna	Chile	Director	Chilean pesos	Advisory services	52	47	-	-	52	47	-	-

<sup>(1)</sup> Contributions to Centrales Hidroeléctricas de Aysén S.A.

- As of March 8, 2016, Colbún made a second capital contribution to Centrales Hidroeléctricas de Aysén S.A. of MCh\$ 1,813 (ThUS\$ 2,660), as agreed by the shareholders at the Extraordinary Shareholders' Meeting of Hidroaysén of December 4, 2015.
- 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.

<sup>(2)</sup> Dividends declared by Electrogas S.A.

- In March 2016, Electrogas S.A. recorded a provisional dividend with a charge to profit for 2015, of MUS\$ 14.3 from which 42.5% belongs to Colbún.
- In March 2017, Electrogas S.A. recorded a provisional dividend with a charge to profit for 2016, of MUS\$ 13.1 from which 42.5% belongs to Colbún.
- In May 2017, the Company received a payment of ThUS\$ 5,100, with a remaining balance pending receipt of ThUS\$ 2,835.

<sup>(3)</sup> 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 22, 2015 and paid on January 12, 2016, and to the dividend declared agreed at the Ordinary Shareholders' Meeting and paid on May 5, 2016.
- 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.

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**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 June 30, 2017 and December 31, 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 Iñiguez, 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.

For the periods ended June 30, 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 - June						April - June					
		2017			2016			2017			2016		
		Board of Colbún ThUS\$	Variable remuneration <sup>(2)</sup> ThUS\$	Directors' Committee ThUS\$	Board of Colbún ThUS\$	Variable remuneration <sup>(2)</sup> ThUS\$	Directors' Committee ThUS\$	Board of Colbún ThUS\$	Variable remuneration ThUS\$	Directors' Committee ThUS\$	Board of Colbún ThUS\$	Variable remuneration <sup>(2)</sup> ThUS\$	Directors' Committee ThUS\$
Bernardo Larraín Matte <sup>(1)</sup>	Director	60	172	-	62	128	-	24	172	-	40	128	-
Vivianne Blanlot Soza <sup>(1)</sup>	Vice president	36	86	-	30	64	4	18	86	-	19	64	-
Juan Eduardo Correa García <sup>(1)</sup>	Chairman	48	86	8	28	64	6	30	86	2	17	64	6
Luz Granier Bulnes <sup>(1)</sup>	Director	36	86	12	31	48	8	18	86	6	20	48	4
María Ignacia Benítez Pereira <sup>(1)</sup>	Director	36	47	12	17	-	6	18	47	6	17	-	6
Arturo Mackenna Íñiguez <sup>(1)</sup>	Director	36	86	-	31	64	-	18	86	-	20	64	-
Jorge Matte Capdevila <sup>(1)</sup>	Director	36	47	-	17	-	-	18	47	-	17	-	-
Francisco Matte Izquierdo <sup>(1)</sup>	Director	36	47	4	17	-	-	18	47	4	17	-	-
Andrés Lehuedé Bromley <sup>(1)</sup>	Director	36	7	-	-	-	-	18	7	-	-	-	-
Eduardo Navarro Beltrán	Director	-	79	-	31	64	-	-	79	-	20	64	-
Luis Felipe Gaztúa Achondo	Director	-	35	-	19	64	4	-	35	-	8	64	-
Eliodoro Matte Larraín	Director	-	35	-	17	64	-	-	35	-	6	64	-
Juan Hurtado Vicuña	Director	-	35	-	17	64	-	-	35	-	6	64	-
Sergio Undurraga Saavedra	Director	-	-	-	1	16	-	-	-	-	1	16	-
		<b>360</b>	<b>848</b>	<b>36</b>	<b>318</b>	<b>640</b>	<b>28</b>	<b>180</b>	<b>848</b>	<b>18</b>	<b>208</b>	<b>640</b>	<b>16</b>

(1) Current Directors as of June 30, 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.

## e.2 Board Counseling Expenses

For the periods ended June 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 Stjepovic	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 - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Short-term employee benefits	2,173	2,546	1,091	1,508
Other long-term benefits	437	-	221	(138)
Termination benefits	160	94	118	62
<b>Total</b>	<b>2,770</b>	<b>2,640</b>	<b>1,430</b>	<b>1,432</b>

## e.4 Receivables and payables and other transactions

As of June 30, 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 June 30, 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 June 30, 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. Inventory

As of June 30, 2017 and December 31, 2016, this caption comprises the following:

Inventory	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Spare parts for maintenance <sup>(1)</sup>	24,743	21,259
Coal	7,761	15,603
Inventory in transit <sup>(2)</sup>	6,487	6,462
Oil	5,103	4,863
Gas Line Pack	274	274
Allowance for obsolescence <sup>(3)</sup>	(3,347)	(3,347)
<b>Total</b>	<b>41,021</b>	<b>45,114</b>

<sup>(1)</sup> As of June 30, 2017, spare parts for maintenance were reclassified to non-current assets in the caption property, plant and equipment caption based on inventory turnover of MUS\$133.6. As of December 31, 2016, the balance for such concept amounts to MUS\$ 98.1.

<sup>(2)</sup> Relates to coal stock for use at the Santa María Unit I Complex.

<sup>(3)</sup> 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 June 30, 2017 and 2016, the use of inventory recognized as expenses is detailed as follows:

Inventory cost	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Warehouse consumption	4,001	3,482	2,230	1,692
Oil (see Note 28)	23,564	25,321	16,594	23,231
Gas Line Pack (see Note 28)	192,167	140,921	97,683	68,565
Coal (see Note 28)	37,856	35,527	19,588	16,861
<b>Total</b>	<b>257,588</b>	<b>205,251</b>	<b>136,095</b>	<b>110,349</b>

## 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 June 30, 2017, the Company classified all its hedges as "Cash flow hedges."

### 14.1 Hedging instruments

As of June 30, 2017 and December 31, 2016, this caption includes the valuation of financial instruments for such periods, detailed as follows:

Hedging assets		Current		Non-current	
		06.30.2017 ThUS\$	12.31.2016 ThUS\$	06.30.2017 ThUS\$	12.31.2016 ThUS\$
<b>Currency hedging instrument</b>	Cash flow hedges	-	103	1,934	-
<b>Interest rate hedge</b>	Cash flow hedges	-	-	3,940	5,153
<b>Fuel price hedge</b>	Cash flow hedges	503	905	-	-
<b>Total (see Note 9)</b>		<b>503</b>	<b>1,008</b>	<b>5,874</b>	<b>5,153</b>

Hedging liabilities		Current		Non-current	
		06.30.2017 ThUS\$	12.31.2016 ThUS\$	06.30.2017 ThUS\$	12.31.2016 ThUS\$
<b>Currency hedging instrument</b>	Cash flow hedges	1,202	1,034	-	2,918
<b>Interest rate hedge</b>	Cash flow hedges	654	572	-	-
<b>Total (see Note 22.a)</b>		<b>1,856</b>	<b>1,606</b>	<b>-</b>	<b>2,918</b>

	06.30.2017 ThUS\$	12.31.2016 ThUS\$
<b>Hedging instruments, net</b>	<b>4,521</b>	<b>1,637</b>

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

Hedging instruments	Fair value		Hedged underlying asset	Hedged risk	Type of hedge
	06.30.2017 ThUS\$	12.31.2016 ThUS\$			
Currency forward	-	2	Project future disbursements	Exchange rate	Cash flow
Currency forward	(486)	100	Financial investments	Exchange rate	Cash flow
Interest rate swaps	3,599	4,939	Bank borrowings	Interest rate	Cash flow
Cross Currency Swaps	905	(4,309)	Obligations with the public (bonds)	Exchange rate and Interest rate	Cash flow
Oil options	247	905	Oil purchase	Oil price	Cash flow
Coal options	256	-	Energy sales	Coal price	Cash flow
<b>Total</b>	<b>4,521</b>	<b>1,637</b>			

As of June 30, 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 June 30, 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 interim consolidated financial statements include the financial statements of the Parent and subsidiaries. Information on subsidiaries as of June 30, 2017 and December 31, 2016 is detailed below.

Subsidiary	06.30.2017						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Revenue	Net profit (loss)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Empresa Eléctrica Industrial S.A.	1,129	15,542	3,625	9,084	3,962	2,826	862
Sociedad Hidroeléctrica Melocotón Ltda.	690	7,373	160	130	7,773	1,752	1,342
Río Tranquilo S.A.	1,660	44,566	495	10,839	34,892	10,044	4,456
Termoeléctrica Nehuenco S.A.	278	4,363	1,400	20,670	(17,429)	4,053	189
Termoeléctrica Antilhue S.A.	250	39,844	1,488	17,167	21,439	2,000	425
Colbún Transmisión S.A.	3,781	118,330	3,440	28,595	90,076	14,442	4,352
Colbún Desarrollo S.P.A.	160	-	-	-	160	-	-
Inversiones SUD S.P.A.	10	-	-	-	10	-	-
Inversiones Andinas S.P.A.	10	-	-	-	10	-	-
Colbún Perú S.A.	193	225,197	1	-	225,389	-	3,455
Inversiones de Las Canteras S.A.	123	442,334	256	668	441,533	-	6,781
Fenix Power Perú S.A.	101,617	755,139	20,852	373,391	462,512	94,608	6,674

Subsidiary	12.31.2016						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Revenue	Net profit (loss)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	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 Perú 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 Perú S.A.	96,363	735,358	27,992	374,682	429,047	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 June 30, 2017 and December 31, 2016 is described below.

Relationship	Company	Number of shares	Ownership percentage 06.30.2017 %	Balance as of 01.01.2017 ThUS\$	Additions ThUS\$	Accrued profit or loss ThUS\$	Dividends ThUS\$	Reserve in equity		Total 06.30.2017 ThUS\$
								Exchange rate difference ThUS\$	Reserve in hedge derivatives ThUS\$	
Associate	Electrogas S.A.	175,076	42.50%	17,049	-	4,030	(5,554)	-	46	15,571
Joint venture	Centrales Hidroeléctricas de Aysén S.A.	8,731,996	49.00%	9,245	2,763	(2,656)	-	(18)	-	9,334
Joint venture	Transmisora Eléctrica de Quillota Ltda.	-	50.00%	12,282	-	474	-	93	-	12,849
<b>Total</b>				<b>38,576</b>	<b>2,763</b>	<b>1,848</b>	<b>(5,554)</b>	<b>75</b>	<b>46</b>	<b>37,754</b>

Relationship	Company	Number of shares	Ownership percentage 12.31.2016 %	Balance as of 01.01.2016 ThUS\$	Additions ThUS\$	Accrued profit or loss ThUS\$	Dividends ThUS\$	Reserve in equity		Total 12.31.2016 ThUS\$
								Exchange rate difference ThUS\$	Reserve in hedge derivatives 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
<b>Total</b>				<b>36,012</b>	<b>3,323</b>	<b>5,414</b>	<b>(8,458)</b>	<b>1,386</b>	<b>899</b>	<b>38,576</b>

## 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 June 30, 2017 and December 31, 2016, is as follows:

Relationship	Company	06.30.2017							
		Current asset ThUS\$	Non-current asset ThUS\$	Current liability ThUS\$	Non-current liability ThUS\$	Equity ThUS\$	Revenue ThUS\$	Expenses ThUS\$	Retained earnings (accumulated losses) ThUS\$
Associated	Electrogas S.A.	10,946	58,253	14,022	18,540	36,637	18,030	(1,367)	9,483
Joint Venture	Centrales Hidroeléctricas de Aysén S.A.	1,285	22,820	4,955	102	19,048	-	(5,304)	(5,344)
Joint Venture	Transmisora Eléctrica de Quillota Ltda.	10,876	18,061	560	2,679	25,698	2,126	494	942

Relationship	Company	12.31.2016							
		Current asset ThUS\$	Non-current asset ThUS\$	Current liability ThUS\$	Non-current liability ThUS\$	Equity ThUS\$	Revenue ThUS\$	Expenses ThUS\$	Retained earnings (accumulated losses) ThUS\$
Associated	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

Additional information

**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):**

Colbún has confirmed that the hydroelectric potential of Aysén benefits Chile's growth and that the option of having interests in such an entity may represent a potential source for generating long-term value, regardless the natural uncertainty about terms and contents of the resolution of the legal proceeding filed by Hidroaysén S.A., and the actions conducted by the Chilean Government on long-term energy policies for such region. In addition, such potential has an impact on many of the possible changes in the Water Code currently under being assessed by the Chilean National Congress.

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, net

### a. Detail by classes of intangible assets

As of June 30, 2017 and December 31, 2016, this caption is detailed as follows:

<b>Intangible assets, net</b>		<b>06.30.2017</b>	<b>12.31.2016</b>
		ThUS\$	ThUS\$
<b>Rights not internally generated</b>	Emission rights for particulate matter	9,582	9,582
	Concessions	88	96
	Water rights	18,595	18,510
	Easements	58,349	58,118
	Intangible assets related to customers	44,951	46,539
<b>Licenses</b>	Software	4,341	5,284
<b>Total</b>		<b>135,906</b>	<b>138,129</b>
<b>Intangible assets, gross</b>		<b>06.30.2017</b>	<b>12.31.2016</b>
		ThUS\$	ThUS\$
<b>Rights not internally generated</b>	Emission rights for particulate matter	9,582	9,582
	Concessions	113	113
	Water rights	18,608	18,522
	Easements	59,591	59,273
	Intangible assets related to customers	46,815	46,815
<b>Licenses</b>	Software	12,887	12,889
<b>Total</b>		<b>147,596</b>	<b>147,194</b>
<b>Accumulated amortization</b>		<b>06.30.2017</b>	<b>12.31.2016</b>
		ThUS\$	ThUS\$
<b>Rights not internally generated</b>	Concessions	(25)	(17)
	Water rights	(13)	(12)
	Easements	(1,242)	(1,155)
	Intangible assets related to customers	(1,864)	(276)
<b>Licenses</b>	Software	(8,546)	(7,605)
<b>Total</b>		<b>(11,690)</b>	<b>(9,065)</b>

## b. Movements in intangible assets

As of June 30, 2017 and December 31, 2016, this caption comprises of the following:

Movements as of 2017	Rights not internally generated					Licenses	Intangible assets, net ThUS\$
	Emission rights for particulate matter	Concessions	Water rights	Easements	Intangible assets related to customers	Software	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Balance as of January 1, 2017	9,582	96	18,510	58,118	46,539	5,284	138,129
Additions	-	-	86	613	-	-	699
Increase (decrease) resulting from other movements	-	-	-	(295)	-	-	(295)
Disposals	-	-	-	-	-	(2)	(2)
Amortization expenses (see Note 30)	-	(8)	(1)	(87)	(1,588)	(941)	(2,625)
<b>Balance as of 06.30.2017</b>	<b>9,582</b>	<b>88</b>	<b>18,595</b>	<b>58,349</b>	<b>44,951</b>	<b>4,341</b>	<b>135,906</b>

Movements as of 2016	Rights not internally generated					Licenses	Intangible assets, net ThUS\$
	Emission rights for particulate matter	Concessions	Water rights	Easements	Intangible assets related to customers	Software	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Balance as of January 1, 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	-	(6)	(4)	(175)	(276)	(1,324)	(1,785)
<b>Balance as of 12.31.2016</b>	<b>9,582</b>	<b>96</b>	<b>18,510</b>	<b>58,118</b>	<b>46,539</b>	<b>5,284</b>	<b>138,129</b>

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 June 30, 2017 and December 31, 2016, the caption property, plant and equipment is detailed as follows:

Property, plant and equipment, net	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Land	297,656	296,368
Buildings, construction and facilities	230,063	230,010
Machinery	367	400
Transport equipment	719	591
Office equipment	3,229	3,394
IT equipment	1,651	1,620
Power-generating assets	4,081,101	4,136,815
Assets under construction	548,718	558,480
Finance leases	11,688	12,064
Other property, plant and equipment	416,085	412,012
<b>Total</b>	<b>5,591,277</b>	<b>5,651,754</b>
Property, plant and equipment, gross	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Land	297,656	296,368
Buildings, construction and facilities	284,296	279,186
Machinery	641	641
Transport equipment	1,780	1,581
Office equipment	8,666	8,666
IT equipment	8,294	7,925
Power-generating assets	5,402,173	5,354,184
Assets under construction	550,962	560,724
Finance leases	15,154	15,154
Other property, plant and equipment	497,185	485,933
<b>Total</b>	<b>7,066,807</b>	<b>7,010,362</b>
Accumulated depreciation and impairment of property, plant and equipment	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Buildings, construction and facilities	(54,233)	(49,176)
Machinery	(274)	(241)
Transport equipment	(1,061)	(990)
Office equipment	(5,437)	(5,272)
IT equipment	(6,643)	(6,305)
Power-generating assets	(1,321,072)	(1,217,369)
Assets under construction	(2,244)	(2,244)
Finance leases	(3,466)	(3,090)
Other property, plant and equipment	(81,100)	(73,921)
<b>Total</b>	<b>(1,475,530)</b>	<b>(1,358,608)</b>

## b. Movements in property, plant and equipment

As of June 30, 2017 and December 31, 2016, the caption property, plant and equipment, net is composed of the following:

Movements as of 2017	Land	Buildings, construction and facilities	Machinery	Transport equipment	Office equipment	IT equipment	Power-generating assets	Assets under construction	Finance leases	Other property, plant and equipment	Property, plant and equipment, net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Balance as of January 1, 2017	296,368	230,010	400	591	3,394	1,620	4,136,815	558,480	12,064	412,012	5,651,754
Additions	2	-	-	175	-	369	18	45,326	-	12	45,902
Increase (decrease) resulting from other movements	1,286	-	-	-	-	-	-	-	-	10,413	11,699
Disposals	-	-	-	-	-	-	(1,156)	-	-	-	(1,156)
Accumulated Depreciation, Disposals	-	-	-	-	-	-	397	-	-	-	397
Transport from assets under construction	-	5,110	-	24	-	-	49,127	(55,088)	-	827	-
Depreciation Expenses (see Note 30)	-	(5,057)	(33)	(71)	(165)	(338)	(104,100)	-	(376)	(7,179)	(117,319)
Total movements	1,288	53	(33)	128	(165)	31	(55,714)	(9,762)	(376)	4,073	(60,477)
<b>Balance as of June 30, 2017</b>	<b>297,656</b>	<b>230,063</b>	<b>367</b>	<b>719</b>	<b>3,229</b>	<b>1,651</b>	<b>4,081,101</b>	<b>548,718</b>	<b>11,688</b>	<b>416,085</b>	<b>5,591,277</b>

Movements as of 2016	Land	Buildings, construction and facilities	Machinery	Transport equipment	Office equipment	IT equipment	Power-generating assets	Assets under construction	Finance leases	Other property, plant and equipment	Property, plant and equipment, net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Balance as of January 1, 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 for Transport between Assets	-	-	-	(21)	-	-	(2,021)	-	-	2,042	-
Depreciation Expenses	-	(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)
<b>Balance as of December 31, 2016</b>	<b>296,368</b>	<b>230,010</b>	<b>400</b>	<b>591</b>	<b>3,394</b>	<b>1,620</b>	<b>4,136,815</b>	<b>558,480</b>	<b>12,064</b>	<b>412,012</b>	<b>5,651,754</b>

### c. Other disclosures

i) The Company has property, plant and equipment pledged as collateral through the subsidiary Fenix Power Perú to secure the payment of debt obligations in favor of Banco Scotiabank Perú S.A. as agent, together with other creditors under the loan contract entered into in February 2016.

As of June 30, 2017, assets pledged as collateral are detailed as follows:

Assets	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Land	29	28
Machinery	468,494	464,989
Other property, plant and equipment	6,998	6,863
<b>Total</b>	<b>475,521</b>	<b>471,880</b>

ii) 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.

iii) 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.

iv) As of June 30, 2017 and 2016, the Company had commitments associated with the acquisition of property, plant and equipment for construction agreements for ThUS\$67,498 and ThUS\$49,119, respectively. The companies in which it operates are: Abb S.A., Siemens S.A., Ser. Integrales de Mantenimientos Técnicos, Andritz Chile Limitada, Cobra Chile Servicios S.A., Abengoa Chile S.A., Andritz Hydro S.R.L., Toshiba America do Sul Ltda., Consorcio Isotron Sacyr S.A., Ingeniería Agrosonda Ltda., Pine SpA, Reivax S/A Automação E Controle, and CMI Energy, among others.

v) As of June 30, 2017 and 2016, accumulated capitalized interest costs (IAS 23) are detailed as follows:

Concept	January - June	
	2017	2016
<b>Borrowing costs</b>		
Capitalized borrowing costs (see Note 31)	258	1,479
Borrowing costs recognized as expenses	3,250	12,537
<b>Total borrowing costs incurred</b>	<b>3,508</b>	<b>14,016</b>
<b>Interest costs</b>		
Capitalized interest costs (see Note 31)	3,117	3,932
Interest expenses	37,032	44,503
<b>Total interest costs incurred</b>	<b>40,149</b>	<b>48,435</b>
Capitalization rate of borrowing costs subject to capitalization	4.63%	4.40%

#### vi) Operating leases

As of June 30, 2017 and December 31, 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:

June 30, 2017	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Minimum lease payments under operating non-cancellable leases	116,953	467,806	2,502,026	3,086,785
<b>Total</b>	<b>116,953</b>	<b>467,806</b>	<b>2,502,026</b>	<b>3,086,785</b>
December 31, 2016	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Minimum lease payments under operating non-cancellable leases	115,870	463,476	2,535,964	3,115,310
<b>Total</b>	<b>115,870</b>	<b>463,476</b>	<b>2,535,964</b>	<b>3,115,310</b>

#### vii) Finance leases

As of June 30, 2017, the caption property, plant and equipment includes ThUS\$11,688, 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 Transmataro 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:

June 30, 2017	Up to 1 year ThUS\$	Between 1 and 5 years ThUS\$	Over 5 years ThUS\$	Total ThUS\$
Gross	2,415	9,660	32,854	<b>44,929</b>
Interest	2,012	7,456	20,194	<b>29,662</b>
Present value (see Note 22.a)	403	2,204	12,660	<b>15,267</b>

December 31, 2016	Up to 1 year ThUS\$	Between 1 and 5 years ThUS\$	Over 5 years ThUS\$	Total ThUS\$
Gross	2,362	11,040	34,710	<b>48,112</b>
Interest	1,982	9,071	21,608	<b>32,661</b>
Present value (see Note 22.a)	380	1,969	13,102	<b>15,451</b>

viii) Additional information required for XBRL taxonomy.

1. Disbursements recognized during the construction

Disbursements recognized during the construction, gross	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Assets under construction	62,653	141,736
<b>Total</b>	<b>62,653</b>	<b>141,736</b>

2. Assets fully depreciated still in use

Assets fully depreciated still in use, gross	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Buildings	95	62
Machinery	30	25
Transport equipment	452	452
Office equipment	3,787	3,730
IT equipment	5,649	5,325
Power-generating assets	62,158	42,699
Other property, plant and equipment	1,414	1,411
<b>Total</b>	<b>73,585</b>	<b>53,704</b>

Assets fully depreciated still in use, accumulated depreciation and impairment	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Buildings	(95)	(62)
Machinery	(30)	(25)
Transport equipment	(452)	(452)
Office equipment	(3,787)	(3,730)
IT equipment	(5,649)	(5,325)
Power-generating assets	(59,884)	(42,699)
Other property, plant and equipment	(1,414)	(1,411)
<b>Total</b>	<b>(71,311)</b>	<b>(53,704)</b>

**ix) Detail of other property, plant and equipment:**

As of June 30, 2017 and December 31, 2016, this caption comprises the following:

<b>Other net property, plant and equipment</b>	<b>06.30.2017</b> ThUS\$	<b>12.31.2016</b> ThUS\$
Substations	153,453	157,618
Transmission lines	138,046	140,218
Spare parts classified as property, plant and equipment	124,578	114,165
Other property, plant and equipment	8	11
<b>Balance of Other net property, plant and equipment</b>	<b>416,085</b>	<b>412,012</b>

<b>Other property, plant and equipment, gross</b>	<b>06.30.2017</b> ThUS\$	<b>12.31.2016</b> ThUS\$
Substations	205,784	205,041
Transmission lines	165,380	165,284
Spare parts classified as property, plant and equipment	124,578	114,165
Other property, plant and equipment	1,443	1,443
<b>Total Other property, plant and equipment, gross</b>	<b>497,185</b>	<b>485,933</b>

<b>Accumulated depreciation and impairment of other property, plant and equipment</b>	<b>06.30.2017</b> ThUS\$	<b>12.31.2016</b> ThUS\$
Substations	(52,331)	(47,423)
Transmission lines	(27,334)	(25,066)
Other property, plant and equipment	(1,435)	(1,432)
<b>Total depreciation and impairment</b>	<b>(81,100)</b>	<b>(73,921)</b>

x) Detail of power-generating assets

Power-generating assets, net		06.30.2017	12.31.2016
		ThUS\$	ThUS\$
Power-generating civil works	Hydropower	1,655,663	1,686,572
	Coal-fired thermal power	209,816	196,248
	Oil and gas-fired thermal power	26,046	27,020
Power-generating-equipment and machinery	Hydropower	585,521	588,888
	Coal-fired thermal power	501,755	506,119
	Oil and gas-fired thermal power	1,102,300	1,131,968
<b>Balance of power-generating assets, net</b>		<b>4,081,101</b>	<b>4,136,815</b>

Power-generating assets, gross		06.30.2017	12.31.2016
		ThUS\$	ThUS\$
Power-generating civil works	Hydropower	2,199,832	2,198,701
	Coal-fired thermal power	245,751	228,430
	Oil and gas-fired thermal power	35,160	35,643
Power-generating-equipment and machinery	Hydropower	751,030	741,019
	Coal-fired thermal power	611,439	604,030
	Oil and gas-fired thermal power	1,558,961	1,546,361
<b>Total power-generating assets, gross</b>		<b>5,402,173</b>	<b>5,354,184</b>

Accumulated depreciation and impairment of power-generating assets		06.30.2017	12.31.2016
		ThUS\$	ThUS\$
Power-generating civil works	Hydropower	(544,169)	(512,129)
	Coal-fired thermal power	(35,935)	(32,182)
	Oil and gas-fired thermal power	(9,114)	(8,623)
Power-generating-equipment and machinery	Hydropower	(165,509)	(152,131)
	Coal-fired thermal power	(109,684)	(97,911)
	Oil and gas-fired thermal power	(456,661)	(414,393)
<b>Total depreciation and impairment</b>		<b>(1,321,072)</b>	<b>(1,217,369)</b>

## 19. Current income tax assets recoverable

As of June 30, 2017 and December 31, 2016, this caption comprises the following:

	Current	
	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Recoverable taxes from previous years	841	677
Recoverable taxes from the year	3,606	4,602
<b>Total</b>	<b>4,447</b>	<b>5,279</b>

## 20. Other non-financial assets

As of June 30, 2017 and December 31, 2016, this caption comprises the following:

	Current		Non-current	
	06.30.2017 ThUS\$	12.31.2016 ThUS\$	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Insurance premiums for facilities and civil responsibility	8,025	14,026	-	-
Prepayments	16,042	13,064	20,295	20,710
Patent for no use of water rights <sup>(1)</sup>	-	-	13,339	8,040
Other miscellaneous assets	101	100	1,348	1,121
<b>Total</b>	<b>24,168</b>	<b>27,190</b>	<b>34,982</b>	<b>29,871</b>

<sup>(1)</sup> Credit under Article No.129 bis 20 of the Chilean Water Code, Decree Law No.1.122. As of June 30, 2017, the Company recognized no impairment charges, whereas as of December 31, 2016, the Company recognized ThUS\$1,730. 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 - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
<b>Current Income tax (expense) benefit</b>				
Current income taxes	(45,514)	(47,132)	(23,330)	(20,789)
Adjustments to prior period current tax expense	1,347	(162)	(211)	(162)
<b>Total current income tax expense, net</b>	<b>(44,167)</b>	<b>(47,294)</b>	<b>(23,541)</b>	<b>(20,951)</b>
<b>Deferred Income tax (expense) benefit</b>				
Deferred Income tax benefit arising from temporary differences	11,589	15,065	4,658	6,276
<b>Total deferred income tax benefit, net</b>	<b>11,589</b>	<b>15,065</b>	<b>4,658</b>	<b>6,276</b>
<b>Income tax (expense) charged to profit and loss</b>	<b>(32,578)</b>	<b>(32,229)</b>	<b>(18,883)</b>	<b>(14,675)</b>

For the periods ended June 30, 2017 and 2016, domestic and foreign income tax benefit (expense) is detailed as follows:

Income tax benefit (expense)	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Domestic current income tax expense	(44,254)	(45,018)	(24,091)	(20,570)
Foreign current income tax (expense) benefit	87	(2,276)	550	(381)
<b>Total current income tax expense, net</b>	<b>(44,167)</b>	<b>(47,294)</b>	<b>(23,541)</b>	<b>(20,951)</b>
Domestic deferred income tax benefit	5,847	8,007	5,368	4,033
Foreign deferred income tax (expense) benefit	5,742	7,058	(710)	2,243
<b>Total deferred income tax benefit, net</b>	<b>11,589</b>	<b>15,065</b>	<b>4,658</b>	<b>6,276</b>
<b>Income tax expense charged to profit and loss</b>	<b>(32,578)</b>	<b>(32,229)</b>	<b>(18,883)</b>	<b>(14,675)</b>

### a.1 Reconciliation of current taxes recoverable and payable

As of June 30, 2017 and December 31, 2016, the reconciliation of current taxes to income tax is as follows:

Current tax reconciliation		06.30.2017					
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.	(38,050)	114	24,069	7	(115)	-	(13,975)
Empresa Eléctrica Industrial S.A.	(269)	-	391	-	-	122	-
Soc. Hidroeléctrica Melocotón Ltda.	(453)	-	433	-	-	-	(20)
Termoeléctrica Antihue S.A.	(331)	-	416	-	-	85	-
Río Tranquilo S.A.	(2,270)	-	2,473	-	-	203	-
Colbún Transmisión S.A.	(3,164)	-	2,741	-	-	-	(423)
Fenix Power S.A.	(862)	-	3,070	988	-	3,196	-
<b>Total</b>	<b>(45,399)</b>	<b>114</b>	<b>33,593</b>	<b>995</b>	<b>(115)</b>	<b>3,606</b>	<b>(14,418)</b>

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)
Empresa Eléctrica Industrial S.A.	(716)	-	581	7	(1)	-	(129)
Soc. Hidroeléctrica Melocotón Ltda.	(806)	-	716	-	-	-	(90)
Termoeléctrica Antihue S.A.	(821)	-	985	-	-	164	-
Termoeléctrica Nehuenco S.A.	-	-	-	1	-	1	-
Río Tranquilo S.A.	(4,575)	-	3,127	18	-	-	(1,430)
Colbún Transmisión S.A.	(5,580)	-	3,697	-	-	-	(1,883)
Fenix Power S.A.	(1,916)	-	3,279	3,074	-	4,437	-
<b>Total</b>	<b>(66,230)</b>	<b>(2,154)</b>	<b>37,138</b>	<b>3,425</b>	<b>(182)</b>	<b>4,602</b>	<b>(32,605)</b>

As of June 30, 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, amounting to ThUS\$14,418.

In the case of the foreign subsidiary Fenix Power Perú S.A., as of June 30, 2017, it recognizes accumulated tax losses of ThUS\$ 138,639. Accordingly, and as established by the Peruvian tax legislation, the subsidiary will use, on an annual basis, its loss carryforward by up to a 50% of the tax result for the period, generating as of to date a provision for income tax of ThUS\$ 862. Additionally, as of June 30, 2017, the accumulated tax losses of the domestic subsidiary Termoeléctrica Nehuenco S.A. amount to ThUS\$ 13,624. 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

As of June 30, 2017 and 2016, the total tax expense can be reconciled to the accounting profit as follows:

Income tax benefit (expense)	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Profit before tax	171,429	159,707	97,212	66,110
<b>Tax expense using the legal rate <sup>(1)</sup></b>	<b>(43,714)</b>	<b>(38,330)</b>	<b>(24,789)</b>	<b>(15,669)</b>
Differences between US dollars and tax financial accounting in local currency through deferred taxes <sup>(2)</sup>	11,524	4,898	6,662	(209)
Tax effect of exchange rate differences in other jurisdictions	(53)	(118)	47	(118)
Other differences	(335)	1,321	(803)	1,321
<b>Actual Income tax expense</b>	<b>(32,578)</b>	<b>(32,229)</b>	<b>(18,883)</b>	<b>(14,675)</b>

<sup>(1)</sup>As of June 30, 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.

<sup>(2)</sup> 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.

## a.3 Calculation of the effective rate

Tax rate	January - June		April - June	
	2017 %	2016 %	2017 %	2016 %
<b>Legal tax rate</b>	<b>25.50%</b>	<b>24.0%</b>	<b>25.5%</b>	<b>24.0%</b>
Total adjustments to the legal tax rate	-6.5%	-3.0%	-6.0%	-1.7%
Effect of tax rates paid abroad	0.0%	-0.8%	-0.1%	-0.1%
<b>Effective tax rate</b>	<b>19.0%</b>	<b>20.2%</b>	<b>19.4%</b>	<b>22.2%</b>

## b. Current tax payable

As of June 30, 2017 and December 31, 2016, tax payables comprise the following:

	Current	
	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Taxes payable for the year	14,418	32,605
<b>Total</b>	<b>14,418</b>	<b>32,605</b>

## c. Deferred taxes

As of June 30, 2017 and December 31, 2016, deferred tax assets and liabilities are detailed as follows:

Deferred tax assets	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Deferred taxes related to tax losses	44,592	43,001
Deferred taxes related to unearned revenue	3,748	3,284
Deferred taxes related to inventories	1,896	2,833
Deferred tax related to provisions	6,000	6,870
Deferred taxes RNR	583	583
Deferred taxes related to contingencies	4,085	705
Deferred taxes related to obligations for post-employment benefits	5,956	4,959
Deferred taxes related to tax expense	2,033	3,939
<b>Deferred tax assets</b>	<b>68,893</b>	<b>66,174</b>
Deferred tax liability	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Deferred taxes related to depreciation	(969,752)	(1,006,785)
Deferred taxes related to intangible assets	(3,272)	(4,388)
Deferred taxes related to financial expenses	(6,093)	(5,561)
Deferred tax related to hedging instruments	(400)	(284)
<b>Deferred tax liabilities</b>	<b>(979,517)</b>	<b>(1,017,018)</b>
<b>Deferred tax assets and liabilities, net</b>	<b>(910,624)</b>	<b>(950,844)</b>
Changes in deferred taxes	06.30.2017 ThUS\$	12.31.2016 ThUS\$
<b>Deferred taxes as of January 1</b>	<b>(950,844)</b>	<b>(949,034)</b>
Property, plant and equipment	37,033	5,576
Contingencies	3,380	(1,379)
Obligations for post-employment benefits	997	4,959
Tax losses	1,591	(8,198)
Intangible assets	1,116	(4,388)
Other assets	-	583
Unearned revenue	465	(2,397)
Hedging instruments	(116)	(4,764)
Finance expenses	(532)	3,739
Inventories	(937)	1,195
Provisions	(871)	(675)
Tax expense	(1,906)	3,939
<b>Final balance</b>	<b>(910,624)</b>	<b>(950,844)</b>

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

Net deferred tax position by company				
Company	Net position			
	Assets		Liabilities	
	06.30.2017	12.31.2016	06.30.2017	12.31.2016
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Empresa Eléctrica Industrial S.A.	-	-	(457)	(383)
Termoeléctrica Nehuenco S.A.	4,363	4,345	-	-
Soc. Hidroeléctrica Melocotón Ltda.	-	-	(129)	(146)
Colbún S.A.	-	-	(908,020)	(917,325)
Termoeléctrica Antilhue S.A.	-	-	(8,251)	(8,396)
Río Tranquilo S.A.	-	-	(10,083)	(10,162)
Colbún Transmisión S.A.	-	-	(23,297)	(20,576)
Colbún Perú S.A.	15	14	-	-
Inversiones de Las Canteras S.A.	-	-	(668)	(860)
Fénix Power Perú S.A. <sup>(1)</sup>	35,903	2,645	-	-
<b>Subtotal</b>	<b>40,281</b>	<b>7,004</b>	<b>(950,905)</b>	<b>(957,848)</b>
			<b>Net deferred taxes</b>	<b>(910,624)</b>
				<b>(950,844)</b>

<sup>(1)</sup>During the current period, 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).

#### d. Income tax in other comprehensive income

	January - June		April - June	
	2017	2016	2017	2016
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Related to cash flow hedges	449	948	1,014	1,110
Related to defined benefit plans	946	343	624	250
<b>Income tax related to components of other comprehensive income</b>	<b>1,395</b>	<b>1,291</b>	<b>1,638</b>	<b>1,360</b>
Related related to share of other comprehensive income on associates and joint ventures using the equity method	(17)	59	(27)	59
<b>Income tax related to components of other comprehensive income</b>	<b>1,378</b>	<b>1,350</b>	<b>1,611</b>	<b>1,419</b>

## 22. Other financial liabilities

As of June 30, 2017 and December 31, 2016, this caption comprises the following:

### a. Obligations with financial institutions

Other financial liabilities	Current		Non-current	
	06.30.2017 ThUS\$	12.31.2016 ThUS\$	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Borrowings from financial institutions <sup>(1)</sup>	1,283	3,350	344,471	343,868
Liabilities under lease arrangements	403	380	14,864	15,071
Obligations with the public (bonds, trade effects) <sup>(1)</sup>	48,293	47,708	1,291,420	1,295,131
Hedge derivatives <sup>(2)</sup>	1,856	1,606	-	2,918
<b>Total</b>	<b>51,835</b>	<b>53,044</b>	<b>1,650,755</b>	<b>1,656,988</b>

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

<sup>(2)</sup> See note 14.1

### 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	06.30.2017 ThUS\$	12.31.2016 ThUS\$
US Dollar	1,608,329	1,614,379
Unidad de Fomento (inflation-adjusted units)	94,261	95,653
<b>Total</b>	<b>1,702,590</b>	<b>1,710,032</b>

### c. Maturity and currency of the obligations with financial institutions

#### c.1 Bank borrowings

As of 06.30.2017	
Debtor's ID number	0-E
Debtor's name	Fenix Power Perú 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	US\$
Amortization type	Bullet
Interest type	Variable
Base	Libor 6M
Effective rate	2.89%
Nominal rate	2.37%

Nominal amounts	ThUS\$	Total
up to 90 days		-
90 days to 1 year	1,283	1,283
<b>1-3 years</b>	<b>347,700</b>	<b>347,700</b>
1-2 years	-	-
2-3 years	347,700	347,700
<b>3-5 years</b>	-	-
3-4 years	-	-
4-5 year	-	-
<b>More than 5 years</b>	-	-
<b>Subtotal nominal amounts</b>	<b>348,983</b>	<b>348,983</b>

Carrying amounts	ThUS\$	Total
up to 90 days	-	-
90 days to 1 year	1,283	1,283
<b>Current bank borrowings</b>	<b>1,283</b>	<b>1,283</b>
<b>1-3 years</b>	<b>344,471</b>	<b>344,471</b>
1-2 years	-	-
2-3 years	344,472	344,472
<b>3-5 years</b>	-	-
3-4 years	-	-
4-5 year	-	-
<b>More than 5 years</b>	-	-
<b>Non-current bank borrowings</b>	<b>344,471</b>	<b>344,471</b>
<b>Total bank borrowings</b>	<b>345,754</b>	<b>345,754</b>

## Bank borrowings

As of 12.31.2016	
Debtor's ID number	0-E
Debtor's name	Fenix Power Perú 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	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	<b>3,350</b>
90 days to 1 year	-	-
<b>1-3 years</b>	-	-
1-2 years	-	-
2-3 years	-	-
<b>3-5 years</b>	<b>347,700</b>	<b>347,700</b>
3-4 years	347,700	347,700
4-5 year	-	-
<b>More than 5 years</b>	-	-
<b>Subtotal nominal amounts</b>	<b>351,050</b>	<b>351,050</b>

Carrying amounts	ThUS\$	Total
up to 90 days	3,350	<b>3,350</b>
90 days to 1 year	-	-

<b>Current bank borrowings</b>	<b>3,350</b>	<b>3,350</b>
<b>1-3 years</b>	-	-
1-2 years	-	-
2-3 years	-	-
<b>3-5 years</b>	<b>343,868</b>	<b>343,868</b>
3-4 years	343,868	343,868
4-5 year	-	-
<b>More than 5 years</b>	-	-
<b>Non-current bank borrowings</b>	<b>343,868</b>	<b>343,868</b>
<b>Total bank borrowings</b>	<b>347,218</b>	<b>347,218</b>

## c.2 Bonds payable and promissory notes

As of 06.30.2017						
Debtor's ID number	96505760-9	96505760-9	96505760-9	96505760-9	96505760-9	96505760-9
Debtor's name	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.
Debtor's country	Chile	Chile	Chile	Chile	Chile	Chile
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	1/21/2020	7/10/2024	7/10/2024
Currency or inflation-adjusted unit	UF	UF	UF	US\$	US\$	US\$
Amortization frequency	Biannual	Biannual	Biannual	Bullet	Bullet	Bullet
Interest type	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Base	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Effective rate	8.10%	4.46%	5.02%	6.26%	4.97%	4.97%
Nominal rate	7.00%	3.40%	4.50%	6.00%	4.50%	4.50%
<b>Nominal amounts</b>	<b>ThUS\$</b>					<b>Total ThUS\$</b>
up to 90 days	-	-	-	13,250	10,625	<b>23,875</b>
90 days to 1 year	7,666	17,034	298	-	-	<b>24,998</b>
<b>1-3 years</b>	<b>15,429</b>	<b>32,116</b>	<b>21,896</b>	<b>500,000</b>	-	<b>569,441</b>
1-2 years	7,524	16,058	10,948	-	-	34,530
2-3 years	7,905	16,058	10,948	500,000	-	534,911
<b>3-5 years</b>	<b>12,614</b>	<b>32,116</b>	<b>21,896</b>	-	-	<b>66,626</b>
3-4 years	8,305	16,058	10,948	-	-	35,311
4-5 year	4,309	16,058	10,948	-	-	31,315
<b>More than 5 years</b>	-	<b>96,347</b>	<b>76,640</b>	-	<b>500,000</b>	<b>672,987</b>
<b>Subtotal nominal amounts</b>	<b>35,709</b>	<b>177,613</b>	<b>120,730</b>	<b>513,250</b>	<b>510,625</b>	<b>1,357,927</b>
<b>Carrying amounts</b>	<b>ThUS\$</b>					<b>Total ThUS\$</b>
up to 90 days	-	-	-	13,250	10,625	<b>23,875</b>
90 days to 1 year	7,551	16,569	298	-	-	<b>24,418</b>
<b>Current obligations with the public</b>	<b>7,551</b>	<b>16,569</b>	<b>298</b>	<b>13,250</b>	<b>10,625</b>	<b>48,293</b>
<b>1-3 years</b>	<b>15,181</b>	<b>31,186</b>	<b>21,442</b>	<b>497,871</b>	-	<b>565,680</b>
1-2 years	7,403	15,593	10,721	-	-	33,717
2-3 years	7,778	15,593	10,721	497,871	-	531,963
<b>3-5 years</b>	<b>12,412</b>	<b>31,186</b>	<b>21,442</b>	-	-	<b>65,040</b>
3-4 years	8,172	15,593	10,721	-	-	34,486
4-5 year	4,240	15,593	10,721	-	-	30,554
<b>More than 5 years</b>	-	<b>93,559</b>	<b>75,051</b>	-	<b>492,090</b>	<b>660,700</b>
<b>Non-current obligations with the public</b>	<b>27,593</b>	<b>155,931</b>	<b>117,935</b>	<b>497,871</b>	<b>492,090</b>	<b>1,291,420</b>
<b>Total obligations with the public</b>	<b>35,144</b>	<b>172,500</b>	<b>118,233</b>	<b>511,121</b>	<b>502,715</b>	<b>1,339,713</b>

## Bonds payable and promissory notes

As of 12.31.2016						
Debtor's ID number	96505760-9	96505760-9	96505760-9	96505760-9	96505760-9	96505760-9
Debtor's name	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.
Debtor's country	Chile	Chile	Chile	Chile	Chile	Chile
Registration number	234	499	538	-	-	
Series	Series C	Series F	Series 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%	
<b>Nominal amounts</b>	<b>ThUS\$</b>					<b>Total ThUS\$</b>
up to 90 days	-	-	-	13,250	10,625	<b>23,875</b>
90 days to 1 year	7,392	16,742	292	-	-	<b>24,426</b>
<b>1-3 years</b>	<b>14,756</b>	<b>31,484</b>	<b>16,100</b>	-	-	<b>62,340</b>
1-2 years	7,196	15,742	5,367	-	-	28,305
2-3 years	7,560	15,742	10,733	-	-	34,035
<b>3-5 years</b>	<b>16,288</b>	<b>31,484</b>	<b>21,466</b>	<b>500,000</b>	-	<b>569,238</b>
3-4 years	7,943	15,742	10,733	500,000	-	534,418
4-5 year	8,345	15,742	10,733	-	-	34,820
<b>More than 5 years</b>	-	<b>102,322</b>	<b>80,498</b>	-	<b>500,000</b>	<b>682,820</b>
<b>Subtotal nominal amounts</b>	<b>38,436</b>	<b>182,032</b>	<b>118,356</b>	<b>513,250</b>	<b>510,625</b>	<b>1,362,699</b>
<b>Carrying amount</b>	<b>ThUS\$</b>					<b>Total ThUS\$</b>
up to 90 days	-	-	-	13,250	10,625	<b>23,875</b>
90 days to 1 year	7,276	16,265	292	-	-	<b>23,833</b>
<b>Current obligations with the public</b>	<b>7,276</b>	<b>16,265</b>	<b>292</b>	<b>13,250</b>	<b>10,625</b>	<b>47,708</b>
<b>1-3 years</b>	<b>14,506</b>	<b>30,530</b>	<b>15,740</b>	-	-	<b>60,776</b>
1-2 years	7,074	15,265	5,247	-	-	27,586
2-3 years	7,432	15,265	10,493	-	-	33,190
<b>3-5 years</b>	<b>16,013</b>	<b>30,530</b>	<b>20,986</b>	<b>497,437</b>	-	<b>564,966</b>
3-4 years	7,809	15,265	10,493	497,437	-	531,004
4-5 year	8,204	15,265	10,493	-	-	33,962
<b>More than 5 years</b>	-	<b>99,222</b>	<b>78,699</b>	-	<b>491,468</b>	<b>669,389</b>
<b>Non-current obligations with the public</b>	<b>30,519</b>	<b>160,282</b>	<b>115,425</b>	<b>497,437</b>	<b>491,468</b>	<b>1,295,131</b>
<b>Total obligations with the public</b>	<b>37,795</b>	<b>176,547</b>	<b>115,717</b>	<b>510,687</b>	<b>502,093</b>	<b>1,342,839</b>

### c.3 Lease obligations

As of 06.30.2017		
Debtor's ID number	0-E	
Debtor's name	Fenix Power Perú S.A.	
Debtor's country	Peru	
Creditor's ID number	0-E	
Creditor's name	Consortio Transmantaro S.A.	
Creditor's country	Peru	
Currency or inflation-adjusted	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	403	403
<b>1-3 years</b>	<b>967</b>	<b>967</b>
1-2 years	455	455
2-3 years	512	512
<b>3-5 years</b>	<b>1,237</b>	<b>1,237</b>
3-4 years	580	580
4-5 year	657	657
<b>More than 5 years</b>	<b>12,660</b>	<b>12,660</b>
<b>Subtotal nominal amounts</b>	<b>15,267</b>	<b>15,267</b>
Carrying amounts	ThUS\$	Total
up to 90 days	-	-
90 days to 1 year	403	403
<b>Liabilities under lease arrangements, current</b>	<b>403</b>	<b>403</b>
<b>1-3 years</b>	<b>967</b>	<b>967</b>
1-2 years	455	455
2-3 years	512	512
<b>3-5 years</b>	<b>1,237</b>	<b>1,237</b>
3-4 years	580	580
4-5 year	657	657
<b>More than 5 years</b>	<b>12,660</b>	<b>12,660</b>
<b>Liabilities under lease arrangements, non-current</b>	<b>14,864</b>	<b>14,864</b>
<b>Total liabilities under lease arrangements</b>	<b>15,267</b>	<b>15,267</b>

## Lease obligations

As of 12.31.2016	
Debtor's ID number	0-E
Debtor's name	Fenix Power Perú S.A.
Debtor's country	Peru
Creditor's ID number	0-E
Creditor's name	Consortio Transmataro S.A.
Creditor's country	Peru
Currency or inflation-adjusted	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	<b>380</b>
<b>1-3 years</b>	<b>885</b>	<b>885</b>
1-2 years	428	428
2-3 years	457	457
<b>3-5 years</b>	<b>1,084</b>	<b>1,084</b>
3-4 years	511	511
4-5 year	573	573
<b>More than 5 years</b>	<b>13,102</b>	<b>13,102</b>
<b>Subtotal nominal amounts</b>	<b>15,451</b>	<b>15,451</b>

Carrying amounts	ThUS\$	Total
up to 90 days	-	-
90 days to 1 year	380	<b>380</b>

<b>Liabilities under lease arrangements, current</b>	<b>380</b>	<b>380</b>
<b>1-3 years</b>	<b>885</b>	<b>885</b>
1-2 years	428	428
2-3 years	457	457
<b>3-5 years</b>	<b>1,084</b>	<b>1,084</b>
3-4 years	511	511
4-5 year	573	573
<b>More than 5 years</b>	<b>13,102</b>	<b>13,102</b>
<b>Liabilities under lease arrangements, non-current</b>	<b>15,071</b>	<b>15,071</b>
<b>Total liabilities under lease arrangements</b>	<b>15,451</b>	<b>15,451</b>

**c.4 Expected debt and related interest to be paid by currency of the obligations with financial institutions:**

Liabilities	Currency	Interest as of 06.30.2017		Principal ThUS\$	Maturity date	Maturity					Total interest ThUS\$	Total debt ThUS\$
		accrued	forecasted			Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years		
		ThUS\$	ThUS\$			ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		
The Bank of Nova Scotia (Fenix Power Perú)	US\$	1,283	21,756	347,700	2/5/2020	2,107	6,252	14,680	-	-	23,039	370,739
Finance Lease (Fenix Power Perú)	US\$	-	18,981	15,976	3/28/2033	462	1,370	3,526	3,298	10,325	18,981	34,957
Series C Bond	Adjustable UF	13	143	877	4/15/2021	-	57	77	22	-	156	1,033
Series F Bond	Adjustable UF	24	829	4,400	5/1/2028	-	145	250	196	262	853	5,253
Series I Bond	Adjustable UF	7	894	3,000	6/10/2029	-	134	249	200	318	901	3,901
Bond 144A/RegS 2010	US\$	13,250	76,750	500,000	1/21/2020	15,000	15,000	60,000	-	-	90,000	590,000
Bond 144A/RegS 2014	US\$	10,625	158,125	500,000	7/10/2024	11,250	11,250	45,000	45,000	56,250	168,750	668,750

Liabilities	Currency	Interest as of 12.31.2016		Principal ThUS\$	Maturity date	Maturity					Total interest ThUS\$	Total debt ThUS\$
		accrued	forecasted			Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years		
		ThUS\$	ThUS\$			ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		
The Bank of Nova Scotia (Fenix Power Perú)	US\$	3,351	25,177	347,700	2/5/2020	4,075	4,075	16,302	4,076	-	28,528	376,228
Finance Lease (Fenix Power Perú)	US\$	-	20,363	15,684	3/28/2033	-	1,882	3,628	3,407	11,446	20,363	36,047
Series C Bond	Adjustable UF	14	175	963	4/15/2021	-	63	90	36	-	189	1,152
Series F Bond	Adjustable UF	25	905	4,600	5/1/2028	-	152	263	209	306.00	930	5,530
Series I Bond	Adjustable UF	7	961	3,000	6/10/2029	-	134	258	212	364.00	968	3,968
Bond 144A/RegS 2010	US\$	13,250	91,750	500,000	1/21/2020	15,000	15,000	60,000	15,000	-	105,000	605,000
Bond 144A/RegS 2014	US\$	10,625	169,375	500,000	7/10/2024	11,250	11,250	45,000	45,000	67,500	180,000	680,000

#### 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 Superintendence of Securities and Insurance (SVS) 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 June 30, 2017 and December 31, 2016, trade and other payables are composed of the following:

	Current		Non-current	
	06.30.2017	12.31.2016	06.30.2017	12.31.2016
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Trade payables	145,399	197,393	-	-
Other payables	6,567	10,552	17,274	18,960
<b>Total</b>	<b>151,966</b>	<b>207,945</b>	<b>17,274</b>	<b>18,960</b>

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

Main Creditors	%
CMC - Coal Marketing DAC	17.84
Andritz Hydro S.R.L.	11.17
General Electric International Inc.	7.22
Cía. General de Electricidad S.A.	6.83
Campanario Generación S.A.	6.00
Siemens Energy, Inc.	5.13
GE Energy Parts International, Llc.	3.55
Voith Hydro Services Ltda.	3.44
Enap Refinerías S.A.	2.69
Consortio Transmataro S.A.	0.88
Miranda & Amado Abogados S.C.R.L.	0.50
Other	34.75
	<b>100.00</b>

Aging of the portfolio of trade and other payables:

**a. Current suppliers**

Concept	Balance as of 06.30.2017	
	1-30 days ThUS\$	Total ThUS\$
Goods	57,716	<b>57,716</b>
Services	659	<b>659</b>
Other	86,907	<b>86,907</b>
<b>Subtotal</b>	<b>145,282</b>	<b>145,282</b>

Concept	Balance as of 12.31.2016	
	1-30 days ThUS\$	Total ThUS\$
Goods	67,365	<b>67,365</b>
Services	94,750	<b>94,750</b>
Other	32,622	<b>32,622</b>
<b>Subtotal</b>	<b>194,737</b>	<b>194,737</b>

As of June 30, 2017, the amounts payable for invoices receivable for goods and services amount to ThUS\$118,035; as of December 31, 2016 amounted to ThUS\$101,652.

Aging of the portfolio of trade and other payables:

**b. Past due amounts for trade payables**

Concept	Balance as of 06.30.2017						
	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-120 ThUS\$	121 - 180 ThUS\$	More than 180 ThUS\$	Total ThUS\$
Goods	-	-	-	-	-	-	-
Services	-	-	-	-	-	16	16
Other	-	-	-	-	-	101	101
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117</b>	<b>117</b>

Concept	Balance as of 12.31.2016						
	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-120 ThUS\$	121 - 180 ThUS\$	More than 180 ThUS\$	Total ThUS\$
Goods	23	-	-	-	-	33	<b>56</b>
Services	2,148	-	-	-	-	350	<b>2,498</b>
Other	-	-	-	-	-	102	<b>102</b>
<b>Subtotal</b>	<b>2,171</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>485</b>	<b>2,656</b>

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 June 30, 2017 and December 31, 2016, this caption comprises the following:

Provisions	Current		Non-current	
	06.30.2017 ThUS\$	12.31.2016 ThUS\$	06.30.2017 ThUS\$	12.31.2016 ThUS\$
<b>Other provisions</b>				
Other provisions, current	20,164	7,393	-	-
<b>Total</b>	<b>20,164</b>	<b>7,393</b>	<b>-</b>	<b>-</b>
<b>Provision for employee benefits</b>				
Provision for employee benefits (note 24.f)	11,169	14,996	973	1,067
Provision for IPAS reserve, non-current (note 24.g.i)	-	-	30,696	26,441
<b>Total</b>	<b>11,169</b>	<b>14,996</b>	<b>31,669</b>	<b>27,508</b>
<b>Total provisions</b>	<b>31,333</b>	<b>22,389</b>	<b>31,669</b>	<b>27,508</b>

### b. Movements in provisions during the period

As of June 30, 2017 and December 31, 2016, this caption comprises the following:

Movements in provisions in 2017	Benefits	Other provisions			Total
	Holidays and incentives ThUS\$	Supply agreements <sup>(1)</sup> ThUS\$	Thermal power plant emissions ThUS\$	Other <sup>(2)</sup> ThUS\$	
Opening balance as of January 1, 2017	14,996	2,233	-	5,160	22,389
Increase in current provisions	7,102	-	12,425	346	19,873
Decrease in current provisions	(139)	-	-	-	(139)
Provision used	(10,790)	-	-	-	(10,790)
<b>Balance as of June 30, 2017</b>	<b>11,169</b>	<b>2,233</b>	<b>12,425</b>	<b>5,506</b>	<b>31,333</b>

Movements in provisions in 2016	Benefits	Other provisions			Total
	Holidays and incentives ThUS\$	Supply agreements <sup>(1)</sup> ThUS\$	Thermal power plant emissions ThUS\$	Other <sup>(2)</sup> ThUS\$	
Opening balance as of January 1, 2016	11,237	10,918	-	4,583	26,738
Increase in current provisions	14,026	-	-	1,172	15,198
Decrease in current provisions	-	(8,685)	-	-	(8,685)
Provision used	(10,267)	-	-	(595)	(10,862)
<b>Balance as of December 31, 2016</b>	<b>14,996</b>	<b>2,233</b>	<b>-</b>	<b>5,160</b>	<b>22,389</b>

<sup>(1)</sup> Provisions arising from differences related to supplies agreed with clients

<sup>(2)</sup> Provisions for differences and/or tax and administrative contingencies, including provisions for litigation. (See Note 35.c)

### c. Environmental restoration

The Company has a provision for dismantling which corresponds to future costs that will be incurred at the end of the useful life of the assets for the removal of ashes and rehabilitation of the seafloor in the Santa María Unit I Complex in accordance with the Environmental Resolution for the project; they included the items at their present value of the disbursements that will be required to settle the obligation. Accordingly, the Company has established provisions for this concept, that at period-end amounted to ThUS\$212.

#### d. Restructuring

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

#### e. Litigation

As of June 30, 2017 and December 31, 2016, the Company recognized provisions for litigation in the caption Other provisions (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	
	06.30.2017 ThUS\$	12.31.2016 ThUS\$	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Accrued vacations, current	3,543	3,783	-	-
Performance incentive, current	7,626	11,213	-	-
Termination of contract for project completion	-	-	973	1,067
<b>Total</b>	<b>11,169</b>	<b>14,996</b>	<b>973</b>	<b>1,067</b>

#### 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 June 30, 2017, the Company has updated some indicators to better reflect the current market conditions.

i) **The detail of provision for employee benefits** - As of June 30, 2017 and December 31, 2016, this caption comprises the following:

Provision for employee benefits	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Severance indemnity payments	30,696	26,441
<b>Total</b>	<b>30,696</b>	<b>26,441</b>
Present value of the obligation for defined benefit plans	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Opening balance	26,441	22,075
Cost of current service	784	1,626
Interest cost	218	394
Foreign currency translation differences	206	1,342
Actuarial profit (loss) by experience	21	1
Actuarial profit (loss) by assumption	3,707	2,907
Payments	(681)	(1,904)
<b>Closing balance (see note 24.a)</b>	<b>30,696</b>	<b>26,441</b>

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

Actuarial basis used		06.30.2017	12.31.2016
Discount rate		1.64%	1.68%
Expected rate of salary increases		2.65%	2.65%
Turnover rate	Voluntary	2.40%	3.30%
	Dismissal	2.10%	2.40%
Retirement age	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 June 30, 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 Superintendence of Securities and Insurance (SVS).

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	
	06.30.2017 %	12.31.2016 %	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Period rate	1.64	1.68	30,696	26,441
Rate decreased by 50 b.p.	1.14	1.18	32,432	27,827
Rate increased by 50 b.p.	2.14	2.18	29,106	25,166

iv) **Projection of the actuarial calculation for the following year** - As of June 30, 2017, the following table details the projection of the liability for employee benefits under IAS 19 using the actuarial assumptions and the data reported by the company.

Forecast	Amount of the obligation ThUS\$
Current position as of 06.30.2017	30,696
Forecast as of 06.30.2018	30,856
Forecasted increase	160

v) **Future disbursements** - In accordance with the estimation provided by the Company, the projection of expected payment flows for the following year is as follows:

2017	Payment flow ThUS\$
July	364
August	306
September	106
October	156
November	474
December	146
January	152
February	78
March	78
April	167
May	77
June	134
<b>Total</b>	<b>2,238</b>

## 25. Other non-financial liabilities

As of June 30, 2017 and December 31, 2016, this caption comprises the following:

	Current		Non-current	
	06.30.2017 ThUS\$	12.31.2016 ThUS\$	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Withholdings	16,766	10,866	-	-
Deferred income <sup>(1)</sup>	2,068	750	11,808	11,407
Other liabilities	185	117	-	-
<b>Total</b>	<b>19,019</b>	<b>11,733</b>	<b>11,808</b>	<b>11,407</b>

<sup>(1)</sup> Corresponds to prepayments received related to the operations and maintenance services. Revenue is recognized when the service is rendered. Non-current balance includes ThUS\$4,872 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 June 30, 2017 and December 31, 2016, this caption comprises the following:

Number of shares			
Series	Number of shares subscribed	Number of shares fully paid	Number of shares with voting rights
Single	17,536,167,720	17,536,167,720	17,536,167,720
Capital (Amount US\$)			
Serie	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 June 30, 2017 and December 31, 2016, is detailed as follows:

Shares	06.30.2017	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 the end of the period	17,536,167,720	17,536,167,720

#### a.2 No. of shareholders

As of June 30, 2017, the number of shareholders is 3,098.

### b. Share capital

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

### c. Share premium

As of June 30, 2017 and December 31, 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.

#### e. Detail of Other reserves

This caption comprises the following:

Other reserves	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Effect of first adoption of paid-in capital deflation, Circular No. 456 of the Chilean Superintendence of Securities and Insurance	517,617	517,617
Effect of first-time adoption of translation in accordance with IAS 21	(230,797)	(230,797)
Affiliate translation effects	(49,876)	(49,950)
Affiliate hedging effects	117	70
Hedging reserve	6,068	6,775
<b>Subtotal</b>	<b>243,129</b>	<b>243,715</b>
Merge reserve Hidroeléctrica Cenelec S.A.	500,761	500,761
Subsidiaries' reserve	(14,270)	(13,993)
<b>Subtotal</b>	<b>486,491</b>	<b>486,768</b>
<b>Total</b>	<b>729,620</b>	<b>730,483</b>

Effect of first adoption of paid-in capital deflation: Circular No.456 issued by the 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.

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.

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.

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.

## f. Retained earnings

As of June 30, 2017 and December 31, 2016, changes in reserves for retained earnings are detailed as follows:

Distributable retained earnings	06.30.2017 ThUS\$	12.31.2016 ThUS\$
Opening balance	1,129,134	1,021,114
Profit or loss for the year	124,218	201,429
<b>Restated initial balance</b>	<b>1,253,352</b>	<b>1,222,543</b>
Adjustment effect of IFRS's first-time adoption	4,622	9,190
Effect of actuarial profit (loss)	(2,281)	(1,701)
Dividends	(40,178)	(100,898)
<b>Total distributable retained earnings</b>	<b>1,215,515</b>	<b>1,129,134</b>
<b>Non-distributable adjustments from first-time adoption of IFRS's</b>		
Revaluation of property, plant and equipment	452,534	458,312
Revaluation of deferred taxes	(75,776)	(76,932)
<b>Total non-distributable retained earnings</b>	<b>376,758</b>	<b>381,380</b>
<b>Total retained earnings</b>	<b>1,592,273</b>	<b>1,510,514</b>

The detail of adjustments for the first-time adoption of IFRS in accordance with Circular No.1,945 issued by the Chilean Superintendence of Securities and Insurance to present adjustments of first-time adoption of IFRS recognized with a credit to retained earnings and its corresponding realization is shown in the table below.

As of June 30, 2017 and December 31, 2016, the quantification of the realized amount and the unrealized amount is detailed as follows:

Concept	06.30.2017		12.31.2016	
	Amount realized during the year ThUS\$	Balance to be realized ThUS\$	Amount realized during the year ThUS\$	Balance to be realized ThUS\$
Revaluation of property, plant and equipment <sup>(1)</sup>	(5,778)	452,534	(11,487)	458,312
Revaluation of deferred taxes <sup>(2)</sup>	1,156	(75,776)	2,297	(76,932)
<b>Total</b>	<b>(4,622)</b>	<b>376,758</b>	<b>(9,190)</b>	<b>381,380</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

## g. Capital management

Capital management falls under the financing and investing 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 Colbun 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 June 30, 2017 and December 31, 2016, the indebtedness level is as follows:

	06.30.2017 ThUS\$	12.31.2016 ThUS\$
<b>Total liabilities</b>	<b>2,940,835</b>	<b>3,032,766</b>
Total current liabilities	278,424	360,055
Total non-current liabilities	2,662,411	2,672,711
<b>Total equity</b>	<b>3,884,942</b>	<b>3,789,832</b>
Equity attributable to the Parent	3,657,281	3,576,385
Non-controlling interests	227,661	213,447
<b>Indebtedness ratio</b>	<b>0.76</b>	<b>0.80</b>

The Company should report the compliance of commitments entered into with financial institutions on a quarterly basis. As of June 30, 2017, the Company complies with all the financial indicators required in such contracts (See note 36).

#### h. Restrictions over fund availability on subsidiaries

The Company, through its subsidiary Fenix Power Perú S.A. has a "Guarantee trust contract on cash flows" governed by the laws of the Republic of Peru. The purpose of this contract is to constitute an irrevocable guarantee and management trust fund to (i) manage the trust assets during the term of the loan agreement the Company entered into with The Bank of Nova Scotia, the agent bank, and until the full and timely payment of the guaranteed obligations; and (ii) that the trust fund act as a payment method and guarantee the compliance of all and each of the guaranteed obligations by the trustor derived from the loan agreement, as modified from time to time.

This trust is reinstated every 30 days with no loss of the Company's cash value.

#### i. 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.

	06.30.2017	06.30.2016	12.31.2016
Profit (loss) attributable to equity holders of the parent (ThUS\$)	124,218	123,710	201,429
Profit (loss) available for common shareholders, basic (ThUS\$)	124,218	123,710	201,429
Weighted average number of shares, basic (No. of shares)	17,536,167,720	17,536,167,720	17,536,167,720
<b>Basic earnings per share (US dollars for shares)</b>	<b>0.00708</b>	<b>0.00705</b>	<b>0.01149</b>

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

In conformity with Circular No.1.945 dated September 29, 2009, Colbún S.A. agreed to establish as 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)	06.30.2017 ThUS\$	06.30.2016 ThUS\$	12.31.2016 ThUS\$
<b>Profit (loss) attributable to the owners of the Parent</b>	<b>124,218</b>	<b>123,710</b>	<b>201,429</b>
Cash flow for the year charged to prior years	-	(560)	(541)
Effect on unrealized finance income which generated no cash flows	-	19	-
<b>Net cash flow for the year</b>	<b>-</b>	<b>(541)</b>	<b>(541)</b>
<b>Net distributable profit</b>	<b>124,218</b>	<b>123,169</b>	<b>200,888</b>
<b>Mandatory minimum dividend</b>	<b>-</b>	<b>-</b>	<b>60,266</b>

## 27. Revenue

For the periods ended June 30, 2017 and 2016, this caption comprises the following:

	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Supplier customer sales	398,671	392,013	194,183	182,994
Industrial customer sales	194,975	179,134	101,123	88,197
Toll charge	95,501	93,839	44,767	56,491
Sales to other power generation companies	73,633	66,430	46,999	41,908
Other income	12,789	1,279	6,453	560
<b>Total</b>	<b>775,569</b>	<b>732,695</b>	<b>393,525</b>	<b>370,150</b>

## 28. Raw materials and consumables

For the periods ended June 30, 2017 and 2016, this caption

	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Oil consumption (see note 13)	(23,564)	(25,321)	(16,594)	(23,231)
Gas consumption (see note 13)	(192,167)	(140,921)	(97,683)	(68,565)
Coal consumption (see note 13)	(37,856)	(35,527)	(19,588)	(16,861)
Purchase of energy and capacity	(18,450)	(23,687)	(8,141)	(15,655)
Toll charges	(94,692)	(90,758)	(45,029)	(47,275)
Work and third party supply	(44,613)	(40,804)	(22,689)	(20,367)
<b>Total</b>	<b>(411,342)</b>	<b>(357,018)</b>	<b>(209,724)</b>	<b>(191,954)</b>

## 29. Employee benefit expenses

For the periods ended June 30, 2017 and 2016, this caption comprises the following

	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Salaries and wages	(27,464)	(25,760)	(13,705)	(12,410)
Short-term employee benefits	(2,785)	(2,465)	(1,400)	(1,222)
Severance indemnity payments	(1,280)	(1,243)	(1,005)	(993)
Other personnel expenses	(3,176)	(2,614)	(1,550)	(1,360)
<b>Total</b>	<b>(34,705)</b>	<b>(32,082)</b>	<b>(17,660)</b>	<b>(15,985)</b>

### 30. Depreciation and amortization expenses

For the periods ended June 30, 2017 and 2016, this caption comprises the following:

	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Depreciation (see note 18.b)	(117,319)	(110,174)	(59,065)	(54,705)
Amortization of intangible assets (see note 17.b)	(2,625)	(722)	(1,306)	(347)
<b>Total</b>	<b>(119,944)</b>	<b>(110,896)</b>	<b>(60,371)</b>	<b>(55,052)</b>

### 31. Total finance income and finance costs

For the periods June 30, 2017 and 2016, this caption

Income (loss) from investments	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Income on cash and other cash equivalents	5,306	5,438	2,782	2,747
<b>Total finance income</b>	<b>5,306</b>	<b>5,438</b>	<b>2,782</b>	<b>2,747</b>
Finance costs	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Expenses on bonds	(33,318)	(34,624)	(16,631)	(17,143)
Expense incurred for financial provisions	(3,516)	(10,249)	(1,750)	(7,822)
Expense/income for measurement of net financial derivatives	(1,531)	(7,765)	(789)	(5,763)
Bank borrowings	(5,300)	(10,903)	(2,676)	(4,284)
Other expenses (bank expense)	(129)	(1,343)	(72)	(330)
Capitalized finance costs (see Note 18.c.v)	3,375	5,411	1,730	3,294
<b>Total finance costs</b>	<b>(40,419)</b>	<b>(59,473)</b>	<b>(20,188)</b>	<b>(32,048)</b>
<b>Total finance income and finance costs</b>	<b>(35,113)</b>	<b>(54,035)</b>	<b>(17,406)</b>	<b>(29,301)</b>

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

For the periods ended June 30, 2017 and 2016, this caption comprises the following:

#### Foreign currency translation difference

Foreign currency translation difference	Currency	January - June		April - June	
		2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Cash and cash equivalents	Chilean peso	(1,618)	9,163	(2,577)	2,343
Cash and cash equivalents	Peruvian sol	27	893	(104)	238
Trade and other receivables	Chilean peso	(725)	2,928	(479)	(1,210)
Trade and other receivables	Peruvian sol	(76)	78	49	(116)
Current tax assets	Chilean peso	35	270	366	1,208
Current tax assets	Peruvian sol	859	5	(54)	(608)
Other non-financial non-current assets	Chilean peso	(205)	1,404	(310)	831
Other non-financial non-current assets	Peruvian sol	844	38	(18)	38
Accounts receivable due from related parties, non-current	Chilean peso	643	(118)	643	-
<b>Foreign currency translation difference - assets</b>		<b>(216)</b>	<b>14,661</b>	<b>(2,484)</b>	<b>2,724</b>
Other current financial liabilities	UF	1,883	(8,330)	3,072	(672)
Other current financial liabilities	Peruvian sol	(76)	340	(16)	340
Trade and other payables	Chilean peso	(754)	645	(867)	(198)
Trade and other payables	Peruvian sol	(17)	51	(9)	136
Other non-financial liabilities	Chilean peso	(2)	36	(23)	122
Other non-financial liabilities	Peruvian sol	-	18	-	18
Provisions for employee benefits	Chilean peso	557	(2,429)	1,144	(526)
<b>Foreign currency translation difference - liabilities</b>		<b>1,591</b>	<b>(9,669)</b>	<b>3,301</b>	<b>(780)</b>
<b>Total foreign currency translation difference</b>		<b>1,375</b>	<b>4,992</b>	<b>817</b>	<b>1,944</b>

#### Gain (loss) from inflation-adjusted units

Income (expense) from inflation adjusted units	Adjustment unit	January - June		April - June	
		2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Current tax assets	UTM	-	(59)	-	(59)
<b>Total income (expense) from inflation-adjusted units</b>		<b>-</b>	<b>(59)</b>	<b>-</b>	<b>(59)</b>

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

Net interest in affiliates' income	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Electrogas S.A.	4,030	4,078	2,191	2,161
Centrales Hidroeléctricas de Aysén S.A.	(2,656)	(1,478)	(1,335)	(745)
Transmisora Eléctrica de Quillota Ltda.	474	457	252	245
<b>Total</b>	<b>1,848</b>	<b>3,057</b>	<b>1,108</b>	<b>1,661</b>

### 34. Other income (expenses)

For the periods ended June 30, 2017 and 2016, this caption comprises the following:

Other income derived from other than operating activities	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Other income	2,186	1,951	1,484	1,797
Business combination <sup>(2)</sup>	23,352	-	23,352	-
<b>Total other income</b>	<b>25,538</b>	<b>1,951</b>	<b>24,836</b>	<b>1,797</b>

Other expenses derived from other than operating activities	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Profit (loss) of derivative contracts	(1,292)	(19)	(244)	-
Legal fees	(250)	(500)	(165)	(335)
Disposal of property, plant and equipment	(3,490)	(3,114)	(3,490)	(3,114)
Write-offs and fines	(3)	(775)	(1)	(747)
Opt-out clause, termination of contract with GNL-Chile	(2,356)	-	(2,356)	-
Thermal power plant emissions <sup>(1)</sup>	(5,757)	-	(2,958)	-
Other	(2,405)	(2,235)	(1,034)	(1,796)
<b>Total other expenses</b>	<b>(15,553)</b>	<b>(6,643)</b>	<b>(10,248)</b>	<b>(5,992)</b>
<b>Total other gains (losses)</b>	<b>9,985</b>	<b>(4,692)</b>	<b>14,588</b>	<b>(4,195)</b>

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

(2) 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.

### 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 06.30.2017 ThUS\$	Release of guarantees		
			Type of guarantee	Currency	Carrying amount value		2017	2018	2099
	Name	Relationship							
Comité Innova Chile	Colbún S.A.	Creditor	Performance bond	Ch\$	7,210,000	11	-	11	-
Consorcio Transmataro	Fenix Power Perú 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\$	738,000	738	2	736	-
Bio Bio 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	542,557	21,779	1,085	20,694	-
Empresas CMPC S.A.	Colbún S.A.	Creditor	Performance bond	UF	370,560	14,874	14,874	-	-
Cementos Bio Bio 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	4,817	-	4,817	-
Inacal S.A.	Colbún S.A.	Creditor	Performance bond	US\$	69,643	70	70	-	-
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	-	-
Ministerio de Bienes Nacionales	Colbún S.A.	Creditor	Performance bond	UF	9,000	361	-	361	-
Elaboradora de Alimentos Frutale Ltda.	Colbún S.A.	Creditor	Performance bond	UF	3,300	132	132	-	-
Magotteaux Andino S.A.	Colbún S.A.	Creditor	Performance bond	UF	1,400	56	56	-	-
Soc. Concesionaria Autopista Los Andes S.A.	Colbún S.A.	Creditor	Performance bond	UF	1,000	40	40	-	-
SK Sabo Chile S.A.	Colbún S.A.	Creditor	Performance bond	UF	700	28	28	-	-
Enaex S.A.	Colbún S.A.	Creditor	Performance bond	UF	620	25	25	-	-
Director Regional de Vialidad Región del Bio Bio	Colbún S.A.	Creditor	Performance bond	UF	290	12	12	-	-
Enel Distribución Chile ex Chilectra S.A <sup>(1)</sup>	Colbún S.A.	Creditor	Performance bond	UF	100	4	-	-	4

(1) Guarantee with finite maturity date

## b. Third-party guarantees

### b.1 Current guarantees denominated in U.S. dollars as of June 30, 2017

Depositor	Relationship	Total ThUS\$
Siemens Financial Services Inc.	Suppliers	9,000
GE Energy Parts Inc.	Suppliers	5,250
OJSC Power Machines	Suppliers	2,147
TSGF SpA	Suppliers	1,157
ABB Ltda.	Suppliers	927
Ingeniería Agrosonda SpA	Suppliers	860
Toshiba América Do Sul Ltda.	Suppliers	648
Vigaflow S.A.	Suppliers	459
ABB S.A.	Suppliers	277
Siemens S.A.	Suppliers	197
Rhona S.A.	Suppliers	26
Sedicon AS	Suppliers	18
Max Control SpA	Suppliers	17
Techimp HQ S.R.L.	Suppliers	17
Jorpa Ingeniería S.A.	Suppliers	10
Eaton Industries Chile SpA	Suppliers	6
Tekmain Ltda.	Suppliers	6
Fernández Fica S.A.	Suppliers	5
<b>Total</b>		<b>21,027</b>

### b.2 Current guarantees denominated in Euros as of June 30, 2017

Depositor	Relationship	Total ThUS\$
Andritz Hydro S.R.L.	Suppliers	3,399
Siemens S.A.	Suppliers	779
Alstom Hydro France S.A.	Suppliers	248
Inerco Ingeniería, Tecnología y Consultoría S.A.	Suppliers	130
<b>Total</b>		<b>4,556</b>

**b.3 Current guarantees denominated in Chilean pesos as of June 30, 2017**

Depositor	Relationship	Total ThUS\$
Andritz Metaliza S.A.	Suppliers	202
Efepe S.A.	Suppliers	101
Contac Ingenieros Ltda.	Suppliers	64
Serv. Integrales de Mantenimientos Técnicos S.A.	Suppliers	61
Productos Arquitectónicos Prodarq S.A.	Suppliers	49
Constructora Pesa Ltda.	Suppliers	39
Sistema Integral de Telecomunicaciones Ltda.	Suppliers	30
Serv. Empresariales Mol Ltda.	Suppliers	29
Constructora y Maquinarias Pulmahue SpA	Suppliers	23
Serv. Forestales Juan Carlos Navarrete Mena EIRL	Suppliers	23
Mantenición y Montaje Imelev Ltda.	Suppliers	20
Serv. de Respaldo de Energía Teknica Ltda.	Suppliers	16
Asesoría Forestal Integral Ltda.	Suppliers	16
Soc. Constructora Trongol Ltda.	Suppliers	16
Soenco Soluciones Geotécnicas Ltda.	Suppliers	13
Betech Ingeniería Ltda.	Suppliers	12
Ingeniería y Comercial San Andrés Ltda.	Suppliers	10
Constructora Gómez Salazar Ltda.	Suppliers	9
Constructora Javag SpA	Suppliers	8
Centro de Estudios, Medición y Certificación de Calidad Cesmec S.A.	Suppliers	8
Soc. Comercial Camin Ltda.	Suppliers	8
Soc. Trans-Redes Serv. Eléctricos Integrales Ltda.	Suppliers	8
Ingeniería Multidisciplinaria, Arquitectura, Consultoría y Logística	Suppliers	7
Constructora Izquierdo SpA	Suppliers	5
Juan Angel Ortiz Soto	Suppliers	5
Atis Group S.A.	Suppliers	5
Eulen Seguridad S.A.	Suppliers	5
Mundifica SpA	Suppliers	4
Soc. Constructora Correa Lorenz Ltda.	Suppliers	4
Safe Energy SpA	Suppliers	2
EFD SpA	Suppliers	1
Industria Metalúrgica Inamar Ltda.	Suppliers	1
<b>Total</b>		<b>804</b>

**b.4 Current guarantees denominated in Inflation-adjusted units as of June 30, 2017**

Depositor	Relationship	Total ThUS\$
Zublin International GMBH Chile SpA	Suppliers	6,639
B. Bosch S.A.	Suppliers	810
Andritz Chile Ltda.	Suppliers	485
Arcadis Chile SpA	Suppliers	309
KDM Industrial S.A.	Suppliers	220
Soc. OGM Mecánica Integral S.A.	Suppliers	158
Kupfer Hermanos S.A.	Suppliers	95
Maquinaria y Transporte Aninat Ltda.	Suppliers	95
Serv. Industriales Ltda.	Suppliers	84
G4S Security Services Regiones S.A.	Suppliers	51
ABB S.A.	Suppliers	50
Soc. Comercial San Cristóbal Ltda.	Suppliers	48
Transportes José Carrasco Retamal EIRL	Suppliers	47
Ecopreneur Chile S.A.	Suppliers	43
Universidad de Concepción	Suppliers	39
Buses Ahumada Ltda.	Suppliers	32
Centro de Ecología Aplicada Ltda.	Suppliers	28
Cofama S.A.	Suppliers	22
Serv. Industriales Euroambiente Ltda.	Suppliers	16
Dragatec S.A.	Suppliers	12
Oma Topografía y Construcciones Ltda.	Suppliers	12
Serv. Emca Spa	Suppliers	12
Soc. Comercial Camin Ltda.	Suppliers	11
Sodexo Chile S.A.	Suppliers	11
Sistemas Eléctricos Ingeniería y Servicios S.A.	Suppliers	10
Ingeniería Consultoría ECB Ltda.	Suppliers	7
Laboratorio Hidrolab S.A.	Suppliers	7
Securitas S.A.	Suppliers	7
Mantenimiento de Jardines Arcoiris Ltda.	Suppliers	6
Proyecto Automatización Ltda.	Suppliers	5
Ingeniería y Servicios S.A.	Suppliers	4
MVH Américas Inc Chile Ltda.	Suppliers	2
<b>Total</b>		<b>9,377</b>

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**Fénix Power Perú S.A.**
**a. Current guarantees denominated in U.S. dollars as of June 30, 2017**

Depositor	Relationship	Total ThUS\$
Toshiba América Do Sul Ltda.	Suppliers	353
Busser SAC	Suppliers	55
Messer Gases	Suppliers	12
Peruvian Enterprice Service	Suppliers	7
<b>Total</b>		<b>427</b>

**b. Current guarantees denominated in Peruvian soles as of June 30, 2017**

Depositor	Relationship	Total ThUS\$
Empresa Regional de Serv.Público del oriente S.A.	Suppliers	30,407
J&V Resguardo S.A.C.	Suppliers	566
<b>Total</b>		<b>30,973</b>

**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 interim consolidated statement of financial position represent the best estimate of the payments likely to be made to settle litigation risks and other operations detailed in this note; accordingly, the amount and timing of the actual payments are dependent on the ultimate resolution of the cases and claims.

As of June 30, 2017, the detail of pending litigation is as follows:

Chile

1.- Arbitration against CGE Distribución for the application of Decree No.14 on Sub-transmission.

On October 7, 2014, Colbún S.A. filed an arbitration lawsuit with the Arbitration and Mediation Center of the Santiago Chamber of Commerce against CGE Distribución S.A. (CGE) for the unilateral amendment of the billing methodology for two supply contracts in force between the parties resulting from a difference in the right application of Supreme Decree No.14/2013 issued by the Chilean Ministry of Energy, which establishes sub-transmission tariffs. Colbún requested the compulsory compliance of the contract stating that the billing methodology established by the contract cannot be modified unilaterally and as such, any contractual amendment shall be agreed between the parties or alternatively be determined by the controversy and arbitration resolution mechanism under the supply contracts.

On January 4, 2017, the arbitration judgment ruled in favor of the lawsuit filed by Colbún against CGE, thereby requiring it, among other things, to pay Ch\$1,813,000,000 plus the corresponding interests.

On February 27, 2017 CGE Distribución filed an appeal in cassation against the arbitration award with the Supreme Court, the resolution of which is pending.

Management believes the inflow of economic benefits is probable but not practically certain and accordingly, has not recognize any asset for such litigation.

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2.- 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 for the two lawsuits described above and accordingly, the Company has not made any provisions through the present date. Through the present date, it is not possible to measure or estimate reliably the liability arising therefrom and because this relates to an environmental lawsuit the requirements ordered by the judgment issued by the court are not known previously or accurately should an adverse outcome be issued by such court for this case. Additionally, no reimbursements which can be claimed exist in the event of an adverse judgment.

3.- Tax procedure against Empresa Eléctrica Industrial S.A. filed with the Chilean Internal Revenue Service.

Through Assessment No.373 as of August 30, 2010, the Regional Director of the SII challenged items of the income tax return filed by Empresa Eléctrica Industrial S.A. (EEI) for 2007. The initial amount of the assessment was ThUS\$568 (ThCh\$403,410) (Case No. 10-120-2010). Subsequently, through assessments No.439, No.440 and No.441 dated August 29, 2011, the SII challenged three items of the income tax return filed by EEI for the fiscal years 2008, 2009 and 2010. The initial amount of the assessments was ThUS\$259 (ThCh\$183,769), ThUS\$352 (ThCh\$249,906) and ThUS\$358 (ThCh\$254,555), respectively (Case No. 10-541-2011). As of June 2017, the maximum amount of contingencies for both judgments was ThUS\$5,769 (ThCh\$3,832,004), including adjustments and interests.

In the first instance, judgment was rendered and notified on December 2, 2015, rejecting the appeals filed by EEI. On December 14, 2015, an appeal for reconsideration and an appeal in subsidy against that judgment was filed, settled partially in favor of EEI through resolution dated February 13, 2017. On March 10, 2017, the cancellation of the appeal in subsidy was filed, accepted by the Court; accordingly, the judgment is final and enforceable.

Management believes a present obligation exists, which probable requires an outflow of resources. Accordingly, the Company has made a provision which has been recorded in the caption "Other Provisions", which, in Management's opinion, adequately covers the risks arising from such contingency. Additionally, no reimbursements which can be claimed exist in the event of an adverse judgment.

#### 4.- 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 June 30, 2017 is ThUS\$2,675 (ThCh\$1,777,278), (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 a present obligation exists which probably requires an outflow of resources. Accordingly, the Company has made a provision which has been recorded in the caption "Other Provisions", which, in Management's opinion, adequately covers the risks arising from such contingency. Additionally, no reimbursements which can be claimed exist in the event of an adverse judgment.

#### 5.- Charge on patent for non-use of water rights. Collection process for 2015

Through Resolution No. 252 of January 29, 2016 issued by the DGA, the Chilean Water Department (DGA) rejected the appeal for reconsideration filed by Sociedad Hidroeléctrica Melocotón Ltda. against Resolution No. 3.438/2014 issued by DGA, which established the list of water rights subject to payment of patent for non-use during 2014.

Within such list the water rights of Sociedad Hidroeléctrica Melocotón Ltda. were included, which were leased to Colbún in 2012. From 2014, these water rights are used for power generation in the Angostura plant.

To avoid an auction due to non-payment of the patent, on April 29 such patent was paid. The amount paid was ThCh\$456,362.

Sociedad Hidroeléctrica Melocotón Ltda. filed an appeal against Resolution No. 252/2016 issued by DGA with the Court of Appeals of Santiago, which was accepted through the judgment of December 16, 2016.

The Chilean Water Department (DGA) filed an appeal in cassation against the aforementioned judgment with the Supreme Court, the resolution of which is pending.

Through Resolution issued by the DGA No. 1.389 of June 1, 2017, the Chilean Water Department (DGA) revoked Resolution No. 252/2016 issued by the DGA and accepted the appeal for reconsideration filed by Sociedad Hidroeléctrica Melocotón Ltda. against Resolution No. 3.438/2014, removing the aforementioned water rights from the list of rights subject to payment of patent for non-use. The Company should commence actions to obtain the refund of the amount paid on April 29, 2017 from the Chilean Treasury to avoid the auction.

Management believes the reimbursement of the account subject to claim is highly probable at short-term and accordingly, in the Company's view, it does not require recognizing any asset or provision.

#### 6.- Charge on patent for non-use of water rights. Collection process for 2016

On February 18, 2016, Sociedad Hidroeléctrica Melocotón Ltda. filed an appeal for reconsideration against Res DGA No.4.420 dated December 29, 2015, that established the list of water rights subject to payment of the patent for non-use of water rights during 2016.

Within such list the water rights of Sociedad Hidroeléctrica Melocotón Ltda. were included, which were leased to Colbún in 2012. From 2014, these water rights are used for power generation in the Angostura plant.

The amount charged for the patent due to the non-use of water rights during 2015 is 10,391.51 Monthly Tax Units (UTM).

Through Resolution No. 1.389 issued by the DGA of June 1, 2017, the Chilean Water Department (DGA) accepted the appeal for reconsideration filed by Sociedad Hidroeléctrica Melocotón Ltda. against Resolution No. 4.420/2015, removing the aforementioned water rights from the list of rights subject to payment of patent for non-use during 2015.

Management believes a possible obligation exists which may or not require an outflow of resources and accordingly, the Company has not made a provision through the present date. Additionally, no reimbursements which can be claimed exist in the event of an adverse judgment.

## Peru

### 1.- Arbitration between Termochilca S.A. and Fenix Power Perú S.A.

Termochilca S.A. (Termochilca) filed a request for arbitration against Fenix for alleged non-compliance of the active power and firm capacity purchase option agreement, in that Fenix allegedly settled and billed power considering parameters which are not related to the parameters established by the contract, and that relates to the effective capacity of Fenix. Additionally, Termochilca requests compensation for the power not supplied due to the delay in the start-up of Fenix, partial operations and unscheduled outages. The amount of the judgment is approximately ThUS\$5,000. On March 23, 2016 the Arbitration Court was formed. On April 22, 2016, Termochilca filed an arbitration lawsuit, answered by Fenix on May 24, 2016. On that occasion, Fenix counterclaimed Termochilca for ThUS\$11,000 due to unpaid invoices from July 2015.

On June 27, 2016 Termochilca answered the counterclaim of Fenix.

On August 12, 2016, the evidentiary stage hearing was held. The Tribunal requested the presentation of qualified financial and technical reports by September 29, 2016. Fenix presented its financial report and Termochilca presented its technical report. On November 23, 2016, Fenix and Termochilca answered to the related reports. The evidentiary and appraisal of evidence hearings held on January 23, 2017, and on March 10, 2017, Fenix presented its final arguments. The court has 30 working days to make the arbitration award, extendable for other 30 working days.

Through the present date, the arbitration award is pending.

Management believes a present obligation exists which probably requires an outflow of resources. Accordingly, the Company has made a provision which has been recorded in the caption "Other Provisions", which, in Management's opinion, adequately covers the risks arising from such contingency. Additionally, no reimbursements which can be claimed exist in the event of an adverse judgment.

### 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.

Covenants	Condition	06.30.2017	Term
<b>Local market bonds</b>			
EBITDA/Net Financial Expense	> 3.0	7.97	Jun/2029
Indebtedness ratio	< 1.2	0.76	Jun/2029
Minimum equity	> ThUS\$ 1,348,000	ThUS\$ 3,657,281	Jun/2029

#### Calculation methodology

Concept	Account	Amounts as of 06.30.2017	
Equity	Total equity	ThUS\$	3,884,942
Net equity	Total Equity - Non-controlling interest	ThUS\$	3,657,281
Minimum equity	Total Equity - Non-controlling interest	ThUS\$	3,657,281
Total liabilities	Total current liabilities + Total non-current liabilities	ThUS\$	2,940,835
Indebtedness ratio	Total liabilities / Equity		0.76
EBITDA <sup>(*)</sup>	Revenue - Raw materials and consumables used - Employee benefit expense - other expenses by nature	ThUS\$	593,688
Net finance costs <sup>(*)</sup>	Finance cost - Finance income	ThUS\$	74,464

<sup>(\*)</sup>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.

During the first quarter of 2017 the construction stage was completed. The project is expected commence business operations during the third quarter of 2017.

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 June 30, 2017 and 2016, the detail of the disbursements performed and to be performed in relation to environment regulations is the following:

**Accrued expense as of 06.30.2017**

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description of asset or expense	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement were or will be made
Colbún S.A.	Angostura	Environmental Management of Power Pla	Expense	Cost	455	06/30/2017
Colbún S.A.	CH Guaiquivilo-Melado	Environmental Management of Projects	Assets	Assets under construction	280	05/31/2017
Colbún S.A.	Zona Bio-Bio	Environmental Management of Power Pla	Profit or loss	Cost	218	05/30/2017
Colbún S.A.	Santa María 1	Environmental Management of Power Pla	Expense	Cost	207	06/29/2017
Colbún S.A.	Quilleco	Environmental Management of Power Pla	Expense	Cost	166	06/30/2017
Colbún S.A.	Candelaria	Environmental Management of Power Pla	Expense	Cost	155	06/30/2017
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Expense	Expense	130	06/06/2017
Colbún S.A.	Los Quilos	Environmental Management of Power Pla	Expense	Cost	126	06/30/2017
Colbún S.A.	Los Pinos	Environmental Management of Power Pla	Expense	Cost	117	06/30/2017
Colbún S.A.	Antihue	Environmental Management of Power Pla	Expense	Cost	79	06/30/2017
Colbún S.A.	CH La Mina	Environmental Management of Projects	Assets	Assets under construction	54	06/30/2017
Colbún S.A.	Rucúe	Environmental Management of Power Pla	Expense	Cost	42	06/30/2017
Colbún S.A.	Canutillar	Environmental Management of Power Pla	Expense	Cost	36	06/29/2017
Colbún S.A.	Carena	Environmental Management of Power Pla	Project	Work-in-progress	18	05/11/2017
Colbún S.A.	Colbún	Environmental Management of Power Pla	Expense	Cost	16	06/30/2017
Colbún S.A.	Nehuenco	Environmental Management of Power Pla	Profit or loss	Cost	14	06/30/2017
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Pla	Expense	Cost	29	06/30/2017
Termoeléctrica Nehuenco S.A.	Nehuenco	Environmental Management of Power Pla	Expense	Cost	293	06/21/2017
Río Tranquilo S.A.	Hornitos	Environmental Management of Power Pla	Expense	Cost	55	06/30/2017
<b>Total</b>					<b>2,490</b>	

**Future expense as of 06.30.2017**

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description of asset or expense	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement were or will be made
Colbún S.A.	Zona Bio-Bio	Environmental Management of Power Pla	Profit or loss	Cost	437	12/31/2017
Colbún S.A.	Angostura	Environmental Management of Power Pla	Expense	Cost	402	12/31/2017
Colbún S.A.	Antihue	Environmental Management of Parent	Profit or loss	Cost	343	12/31/2017
Colbún S.A.	Sta María 1	Environmental Management of Power Pla	Profit or loss	Cost	315	07/11/2017
Colbún S.A.	Candelaria	Environmental Management of Power Pla	Profit or loss	Cost	189	12/30/2017
Colbún S.A.	Antihue	Environmental Management of Power Pla	Profit or loss	Cost	142	12/31/2017
Colbún S.A.	Quilleco	Environmental Management of Power Pla	Profit or loss	Cost	119	12/31/2017
Colbún S.A.	Nehuenco	Environmental Management of Power Pla	Profit or loss	Cost	118	07/13/2017
Colbún S.A.	Los Quilos	Environmental Management of Power Pla	Profit or loss	Cost	107	12/31/2017
Colbún S.A.	Colbún	Environmental Management of Power Pla	Profit or loss	Cost	89	12/31/2017
Colbún S.A.	Los Pinos	Environmental Management of Power Pla	Profit or loss	Cost	52	12/31/2017
Colbún S.A.	La Mina	Environmental Management of Projects	Project	Work-in-progress	41	12/31/2017
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Profit or loss	Expense	44	12/31/2017
Colbún S.A.	CH Guaiquivilo-Melado	Environmental Management of Projects	Project	Work-in-progress	25	12/31/2017
Colbún S.A.	Rucúe	Environmental Management of Power Pla	Profit or loss	Cost	25	12/31/2017
Colbún S.A.	Canutillar	Environmental Management of Power Pla	Profit or loss	Cost	12	12/31/2017
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Pla	Expense	Cost	9	12/31/2017
Río Tranquilo S.A.	Hornitos	Environmental Management of Power Pla	Expense	Cost	117	12/31/2017
<b>Total</b>					<b>2,586</b>	

**Accrued expense as of 06.30.2016**

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description of asset or expense	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement were or will be made
Colbún S.A.	SSO y Medio Ambiente Sta María 1	Environmental Management of Power Pla	Expense	Cost	461	06/29/2016
Colbún S.A.	Medio Ambiente Angostura	Environmental Management of Power Pla	Assets	Assets under construction	459	06/30/2016
Colbún S.A.	C.Fijo Administración Candelaria	Environmental Management of Power Pla	Expense	Cost	170	06/30/2016
Colbún S.A.	C.Fijo Administración Antilhue	Environmental Management of Power Pla	Expense	Expense	125	06/30/2016
Colbún S.A.	Administración Los Pinos	Environmental Management of Power Pla	Expense	Cost	101	06/30/2016
Colbún S.A.	Proyecto San Pedro	Environmental Management of Projects	Expense	Cost	96	05/30/2016
Colbún S.A.	Gerencia Medio Ambiente	Environmental Management of Parent	Expense	Cost	45	06/14/2016
Colbún S.A.	Gestión Forestal	Environmental Management of Parent	Expense	Cost	41	06/30/2016
Colbún S.A.	Proyecto La Mina	Environmental Management of Projects	Assets	Assets under construction	37	06/24/2016
Colbún S.A.	Gestión Ambiental de Proyectos	Environmental Management of Parent	Expense	Cost	32	06/24/2016
Colbún S.A.	Gestión Ambiental de Proyectos	Environmental Management of Parent	Expense	Cost	25	06/28/2016
Colbún S.A.	Gerencia Medio Ambiente	Environmental Management of Parent	Expense	Cost	17	06/22/2016
Colbún S.A.	Administración Complejo Colbún	Environmental Management of Power Pla	Expense	Cost	15	06/30/2016
Colbún S.A.	Administración Los Quilos	Environmental Management of Power Pla	Expense	Cost	10	04/21/2016
Colbún S.A.	Administración Canutiillar	Environmental Management of Power Pla	Expense	Cost	7	04/27/2016
Colbún S.A.	Proyecto San Pedro	Environmental Management of Projects	Assets	Assets under construction	3	06/23/2016
Colbún S.A.	Proyecto CH Guaiquivilo-Melado	Environmental Management of Projects	Expense	Cost	1	06/30/2016
Empresa Eléctrica Industrial S.A.	Administración Carena	Environmental Management of Power Pla	Expense	Cost	31	06/30/2016
Termoeléctrica Nehuenco S.A.	Administración Nehuenco 1	Environmental Management of Power Pla	Expense	Cost	118	06/29/2016
<b>Total</b>					<b>1,794</b>	

**Future expense as of 06.30.2016**

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description of asset or expense	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement were or will be made
Colbún S.A.	Medio Ambiente Angostura	Environmental Management of Power Pla	Expense	Cost	465	06/30/2016
Colbún S.A.	SSO y Medio Ambiente Sta María 1	Environmental Management of Power Pla	Expense	Cost	441	06/30/2016
Colbún S.A.	C.Fijo Administración Candelaria	Environmental Management of Power Pla	Expense	Cost	108	06/08/2016
Colbún S.A.	Proyecto La Mina	Environmental Management of Projects	Assets	Assets under construction	88	05/27/2016
Colbún S.A.	C. Fijo Administración Antilhue	Environmental Management of Power Pla	Expense	Cost	58	06/30/2016
Colbún S.A.	Administración Los Pinos	Environmental Management of Power Pla	Expense	Cost	53	06/30/2016
Colbún S.A.	Gestión Ambiental de Proyectos	Environmental Management of Parent	Expense	Cost	14	06/15/2016
Colbún S.A.	Gestión Forestal	Environmental Management of Parent	Expense	Cost	13	06/15/2016
Colbún S.A.	Gerencia Medio Ambiente	Environmental Management of Parent	Expense	Cost	11	06/15/2016
Colbún S.A.	Gestión Ambiental de Proyectos	Environmental Management of Parent	Expense	Cost	9	06/15/2016
Colbún S.A.	Administración Complejo Colbún	Environmental Management of Power Pla	Expense	Expense	6	06/30/2016
Colbún S.A.	Proyecto San Pedro	Environmental Management of Projects	Assets	Assets under construction	1	06/30/2016
Empresa Eléctrica Industrial S.A.	Administración Carena	Environmental Management of Power Pla	Expense	Cost	5	05/09/2016
Termoeléctrica Nehuenco S.A.	Administración Nehuenco 1	Environmental Management of Power Pla	Expense	Cost	161	05/19/2016
Río Tranquilo S.A.	Administración Hornitos	Environmental Management of Power Pla	Expense	Cost	15	06/30/2016
<b>Total</b>					<b>1,448</b>	

Accrued expense as of 06.30.2017

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description of asset or expense	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement were or will be made
Fenix Power Perú S.A.	Monitoreo y Gestión Ambiental	Monitoreo y Gestión Ambiental	Expense	Cost	238	06/28/2017
<b>Total</b>					<b>238</b>	

Future expense as of 06.30.2017

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description of asset or expense	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement were or will be made
Fenix Power Perú S.A.	Monitoreo y Gestión Ambiental	Monitoreo y Gestión Ambiental	Expense	Cost	257	12/31/2017
<b>Total</b>					<b>257</b>	

Accrued expense as of 06.30.2016

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description of asset or expense	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement were or will be made
Fenix Power Perú S.A.	Monitoreo y Gestión Ambiental	Monitoreo y Gestión Ambiental	Expense	Cost	338	12/31/2016
<b>Total</b>					<b>338</b>	

Future expense as of 06.30.2016

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description of asset or expense	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement were or will be made
Fenix Power Perú S.A.	Monitoreo y Gestión Ambiental	Monitoreo y Gestión Ambiental	Expense	Cost	397	12/31/2016
<b>Total</b>					<b>397</b>	

### **38. Subsequent Events**

Between June 30, 2017 and the date of issuance of these interim consolidated financial statements, no subsequent events have occurred.

### 39. Foreign currency

This caption comprises the following:

Assets	Functional currency	Foreign currency	06.30.2017 ThUS\$	12.31.2016 ThUS\$
<b>Total current assets</b>				
Cash and cash equivalents	Chilean peso	U.S. dollar	130,608	135,370
Cash and cash equivalents	Euro	U.S. dollar	316	516
Cash and cash equivalents	Peruvian sol	U.S. dollar	14,114	17,359
Other current non-financial assets	Chilean peso	U.S. dollar	1,902	940
Trade and other receivables, current	Chilean peso	U.S. dollar	150,657	123,348
Trade and other receivables, current	Peruvian sol	U.S. dollar	38,248	49,781
Trad receivables due from related parties, current	Chilean peso	U.S. dollar	702	411
Current tax assets	Chilean peso	U.S. dollar	7	927
Current tax assets	Peruvian sol	U.S. dollar	3,196	4,437
<b>Total current assets</b>			<b>339,750</b>	<b>333,089</b>
<b>Non-current assets</b>				
Other non-current financial assets	Chilean peso	U.S. dollar	226	225
Other non-financial non-current assets	Chilean peso	U.S. dollar	14,287	8,761
<b>Total non-current assets</b>			<b>14,513</b>	<b>8,986</b>
<b>Total assets</b>			<b>354,263</b>	<b>342,075</b>
Liabilities	Functional currency	Foreign currency	06.30.2017 ThUS\$	12.31.2016 ThUS\$
<b>Total current liabilities</b>				
Other current financial liabilities	UF	U.S. dollar	7,700	7,422
Trade and other payables	Chilean peso	U.S. dollar	130,498	168,272
Trade and other payables	Peruvian sol	U.S. dollar	3,100	15,530
Trade payables due to related parties, current	Chilean peso	U.S. dollar	9,853	2,708
Other current provisions	Chilean peso	U.S. dollar	7,207	7,394
Current tax liabilities	Peruvian sol	U.S. dollar	-	112
Provisions for employee benefits, current	Chilean peso	U.S. dollar	9,969	13,388
Provisions for employee benefits, current	Peruvian sol	U.S. dollar	1,200	1,608
Other current non-financial liabilities	Chilean peso	U.S. dollar	14,145	11,260
Other current non-financial liabilities	Peruvian sol	U.S. dollar	600	473
<b>Total current liabilities</b>			<b>184,272</b>	<b>228,167</b>
<b>Non-current liabilities</b>				
Other non-current financial liabilities	UF	U.S. dollar	80,339	81,509
Provision for employee benefits, non-current	Chilean peso	U.S. dollar	31,669	27,508
Other non-current non-financial liabilities	Chilean peso	U.S. dollar	14,274	15,960
<b>Total non-current liabilities</b>			<b>126,282</b>	<b>124,977</b>
<b>Total liabilities</b>			<b>310,554</b>	<b>353,144</b>

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 06.30.2017	Foreign currency	Functional currency	Up to 91 days ThUS\$	From 91 days up to 1 year ThUS\$	From 1 year up to 3 years ThUS\$	More than 3 years up to 5 years ThUS\$	More than 5 years ThUS\$	Total ThUS\$
Other financial liabilities	UF	U.S. dollar	-	7,700	25,902	23,133	37,526	94,261
<b>Total</b>			-	<b>7,700</b>	<b>25,902</b>	<b>23,133</b>	<b>37,526</b>	<b>94,261</b>

As of 12.31.2016	Foreign currency	Functional currency	Up to 91 days ThUS\$	From 91 days up to 1 year ThUS\$	From 1 year up to 3 years ThUS\$	More than 3 years up to 5 years ThUS\$	More than 5 years ThUS\$	Total ThUS\$
Other financial liabilities	UF	U.S. dollar	-	7,422	22,376	26,506	39,349	95,653
<b>Total</b>			-	<b>7,422</b>	<b>22,376</b>	<b>26,506</b>	<b>39,349</b>	<b>95,653</b>

#### 40. Headcount

As of June 30, 2017 and December 31, 2016, this caption comprises the following:

	No. of employees					
	06.30.2017			12.31.2016		
	Chile	Peru	Total	Chile	Peru	Total
Managers and main executives	72	7	79	69	7	76
Professionals and technical staff	642	62	704	654	54	708
Other	288	25	313	288	30	318
<b>Total</b>	<b>1,002</b>	<b>94</b>	<b>1,096</b>	<b>1,011</b>	<b>91</b>	<b>1,102</b>
<b>Average for the year</b>	<b>1,003</b>	<b>93</b>	<b>1,096</b>	<b>990</b>	<b>90</b>	<b>1,080</b>

**Exhibit 1 Additional information required for XBRL taxonomy**

This exhibit forms an integral part of the Company's unaudited interim consolidated financial statements. Salaries for external auditors

For the periods ended June 30, 2017 and 2016, this caption comprises the following:

	January - June		April - June	
	2017 ThUS\$	2016 ThUS\$	2017 ThUS\$	2016 ThUS\$
Audit services	111	87	4	14
Tax services	25	6	-	6
Other services	67	8	63	4
<b>Auditors' fees</b>	<b>203</b>	<b>101</b>	<b>67</b>	<b>24</b>