Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

COLBÚN S.A. AND SUBSIDIARIES

Thousands of U.S. dollars

This report contains the following:

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

KPMG

Independent Auditor's Report

The Shareholders and Directors
Colbún S.A.:

We have audited the accompanying consolidated financial statements of Colbún S.A. and its Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of income and other comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colbún S.A. and its Subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

Patricio Guevara R. KPMG Ltda.

Santiago, January 29, 2019

Colbún S.A. and Subsidiaries
Consolidated Classified Statements of Financial Position
as of December 31, 2018 and 2017
(In thousands of U.S. dollars)

ASSETS	Note No.	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Current assets			
Cash and cash equivalents	7	219,191	269,196
Other financial assets, current	8	569,251	541,969
Other non-financial assets, current	19	19,796	29,392
Trade and other receivables	9	241,679	225,064
Trade receivables due from related parties, current	11.b	1,117	240
Inventory	12	44,249	62,911
Current income taxes recoverable	18.a	55,980	18,390
Total current assets		**1,151,263**	**1,147,162**
Non-current assets			
Other financial assets, non-current	8	8,797	21,167
Other non-financial assets, non-current	19	26,930	29,009
Equity-accounted investees	15.a	30,202	38,298
Intangible assets other than goodwill	16	127,940	132,067
Property, plant and equipment	17	5,397,156	5,516,478
Deferred tax assets	20.b	36,061	38,361
Total non-current assets		**5,627,086**	**5,775,380**
TOTAL ASSETS		**6,778,349**	**6,922,542**

See the accompanying notes to the Consolidated Financial Statements

Colbún S.A. and Subsidiaries
Consolidated Classified Statements of Financial Position (continued)
as of December 31, 2018 and 2017
(In thousands of U.S. dollars)

LIABILITIES AND EQUITY	Note No.	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Current liabilities			
Other financial liabilities, current	21.a	68,503	57,416
Trade and other payables, current	22	182,883	194,889
Payables due to related parties, current	11.b	17,971	13,559
Other provisions	23	31,504	29,748
Current tax liabilities	18.b	74	19,785
Provisions for employee benefits	24	20,462	22,921
Other non-financial liabilities, current	25	23,968	22,079
Current liabilities total		**345,365**	**360,397**
Non-current liabilities			
Other financial liabilities, non-current	21.a	1,534,760	1,602,036
Trade and other payables, non-current	22	3,739	12,924
Other provisions, non-current	23	34,948	33,389
Deferred income tax liabilities	20.b	958,800	918,046
Provisions for employee benefits, non-current	24	30,786	32,833
Other non-financial liabilities, non-current	25	13,013	12,210
Total non-current liabilities		**2,576,046**	**2,611,438**
TOTAL LIABILITIES		**2,921,411**	**2,971,835**
Equity			
Share capital	26.a	1,282,793	1,282,793
Retained earnings	26.f	1,550,677	1,601,772
Share premium	26.c	52,595	52,595
Other reserves	26.e	770,449	787,372
Equity attributable to the shareholders of the Parent		3,656,514	3,724,532
Non-controlling interests	-	200,424	226,175
Total equity		**3,856,938**	**3,950,707**
TOTAL LIABILITIES AND EQUITY		**6,778,349**	**6,922,542**

See the accompanying notes to the Consolidated Financial Statements

Colbún S.A. and Subsidiaries
Consolidated Statements of Comprehensive Income, by Nature
For the years ended December 31, 2018 and 2017
(In thousands of U.S. dollars)

STATEMENTS OF COMPREHENSIVE INCOME BY NATURE	Note	January - December	
		2018	2017
	No.	ThUS$	ThUS$
Revenue	6, 27	1,571,347	1,548,412
Raw materials and consumibles	28	(773,603)	(755,680)
Employee benefit expenses	29	(79,765)	(76,785)
Depreciation and amortization expense	30	(236,955)	(223,488)
Other expenses, by nature	-	(33,856)	(23,817)
Other expenses (income)	34	(53,568)	(84,805)
Income from operations	-	**393,600**	**383,837**
Finance income	31	20,367	12,726
Finance costs	31	(83,871)	(84,954)
Share of profit of equity-accounted associates and joint ventures	15, 33	11,388	2,904
Foreign currency translation gains, net	32	(12,641)	8,169
Profit before income taxes	-	**328,843**	**322,682**
Tax expense/(benefit) from continuing operations	20.a	(98,418)	(34,080)
Profit (loss) for the period		**230,425**	**288,602**
NET PROFIT		**230,425**	**288,602**
Net profit attributable to			
Shareholders of the Parent	26.h	240,350	270,985
Non-controlling interests	-	(9,925)	17,617
PROFIT		**230,425**	**288,602**
Earnings per share			
Basic earnings per share - Continuing operations **US$/share**	26.h	0.01371	0.01545
Basic earnings per share		**0.01371**	**0.01545**
Diluted earnings per share - Continuing operations **US$/ share**	26.h	0.01371	0.01545
Diluted earnings per share		**0.01371**	**0.01545**

See the accompanying notes to the Consolidated Financial Statements

Colbún S.A. and Subsidiaries
Consolidated Statements of Other Comprehensive Income
For the years ended December 31, 2018 and 2017
(In thousands of U.S. dollars)

STATEMENTS OF OTHER COMPREHENSIVE INCOME	Note	January - December	
		2018	2017
	No.	ThUS$	ThUS$
Net profit for the period		**230,425**	**288,602**
Components of other comprenhensive income that will not be reclassified to profit or loss for the period, before taxes			
Profit (loss) for new measurements of defined benefit plans	-	(765)	(2,551)
Total other comprehensive (loss) income that will not be reclassified to profit or loss for the period, before tax	-	**(765)**	**(2,551)**
Components of other comprehensive income (loss) that will be reclassified to profit or loss for the period, before tax			
Gain (loss) for foreign currency translation differences	15.a	(2,829)	1,911
Gain (loss) from cash flow hedges	-	6,645	(4,675)
Share of other comprehensive income on associates and joint ventures using the equity method	-	46	120
Total other comprehensive income (loss) that will be reclassified to profit for the year, before tax		**3,862**	**(2,644)**
Other components of other comprehensive income (loss), before tax		**3,097**	**(5,195)**
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss for the year			
Income tax related to new measurements of defined benefit plans	20.c	207	689
Income tax related to components of other comprehensive income that will be reclassified to profit or loss for the year			
Income tax related to share of other comprehensive income (loss) on associates and joint ventures using the equity method	20.c	(12)	(31)
Income tax related to cash flow hedges	20.c	(1,794)	1,393
Income tax related to components of other comprehensive income		**(1,599)**	**2,051**
Total other comprehensive income		**1,498**	**(3,144)**
Total comprehensive income		**231,923**	**285,458**
Comprehensive income attributable to			
Shareholders of the Parent		241,848	269,621
Non-controlling interests		(9,925)	15,837
TOTAL COMPREHENSIVE INCOME		**231,923**	**285,458**

See the accompanying notes to the Consolidated Financial Statements

Colbún S.A. and Subsidiaries

Consolidated Statements of Cash Flows - Direct Method
For the years ended December 31, 2018 and 2017
(In thousands of U.S. dollars)

STATEMENTS OF CASH FLOWS - DIRECT METHOD	Note No.	December 31, 2018 ThUS$	December 31, 2017 ThUS$
Cash flows from (used in) operating activities			
Cash receipts from operating activities			
Cash receipts from sale of goods and rendering of services	-	1,822,652	1,815,398
Cash payments for premiums and services, annuities and other benefits of subscribed policies	-	1,244	3,316
Other cash receipts from operating activities	-	6,442	19,579
Classes of cash payments			
Cash payments to suppliers for goods and services	-	(948,339)	(944,013)
Cash payments to and on behalf employees	-	(74,296)	(69,790)
Cash payments for premiums and services, annuities and other benefits of subscribed policies	-	(23,370)	(18,265)
Other cash payments for operating activities	-	(177,052)	(123,548)
Net cash generated from operating activities	-	**607,281**	**682,677**
Dividends received	-	7,923	10,551
Interest received	-	18,095	12,145
Income taxes paid	-	(108,356)	(97,169)
Other cash payments	-	(8,613)	(7,265)
Net cash generated from operating activities		**516,330**	**600,939**
Cash flows from investing activities			
Other cash payments to acquire interests in joint ventures	-	(4,100)	(2,926)
Acquisition of property, plant and equipment	-	(107,939)	(122,205)
Other cash (payments) receipts	-	(34,392)	(471,686)
Net cash used in investing activities		**(146,431)**	**(596,817)**
Cash flows from financing activities			
Proceeds from borrowings	-	**-**	**840,000**
Proceeds from long-term borrowings	-	-	840,000
Repayment of borrowings	-	(35,388)	(872,139)
Dividends paid	-	(290,665)	(161,005)
Interest paid	-	(74,587)	(88,735)
Other cash inflows (outflows)	-	4,160	(56,529)
Net cash used in financing activities	**7.c**	**(396,480)**	**(338,408)**
Net decrease in cash and cash equivalents before the effect of movements in exchange rates on cash held		**(26,581)**	**(334,286)**
Effects of movements in exchange rates on cash and cash equivalents			
Effects of movements in exchange rates on cash and cash equivalents		(23,424)	9,762
Net increase (decrease) in cash and cash equivalents		**(50,005)**	**(324,524)**
Cash and cash equivalents as of January 1		269,196	593,720
Cash and cash equivalents as of December 31	7	**219,191**	**269,196**

See the accompanying notes to the Consolidated Financial Statements

Colbún S.A. and Subsidiaries
Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(In thousands of U.S. dollars)

Statements of Changes in Equity	Nota	Equity attributable to owners of the Parent		Changes in other reserves								
		Share capital	Share premium	Translation difference reserve	Hedging reserve	Actuarial profit or loss reserve of defined benefit plans	Other miscellaneous reserves	Other reserves	Retained earnings (accumulated deficit)	Equity attributable to the shareholders of the Parent	Non-controlling interests	Equity
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Balance as of January 1, 2018		1,282,793	52,595	(263,495)	5,431	-	1,045,436	787,372	1,601,772	3,724,532	226,175	3,950,707
Changes in equity												
Comprehensive income												
Profit for the period									240,350	240,350	(9,925)	230,425
Other comprehensive income				(2,829)	4,885	(558)		1,498	-	1,498	-	1,498
Dividends									(309,866)	(309,866)	(15,826)	(325,692)
Increase (decrease) from other changes		-	-	10,187	-	558	(29,166)	(18,421)	18,421	-	-	-
Total changes in equity		**-**	**-**	**7,358**	**4,885**	**-**	**(29,166)**	**(16,923)**	**(51,095)**	**(68,018)**	**(25,751)**	**(93,769)**
Balance as of December 31, 2018	**26**	**1,282,793**	**52,595**	**(256,137)**	**10,316**	**-**	**1,016,270**	**770,449**	**1,550,677**	**3,656,514**	**200,424**	**3,856,938**

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

See the accompanying notes to the Consolidated Financial Statements

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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 Financial Market Commission. The Company' shares are traded on the Santiago Stock Exchange and Santiago Electronic Stock Exchange.

As of December 31, 2018, Colbún is a power generation company and the Parent of the Group (hereinafter, the Company, the Entity or Colbún), which is composed of fourteen entities: Colbún S.A. and thirteen Subsidiaries.

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

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

The control of the Company is performed in accordance with a control and joint venture agreement entered into for Forestal O'Higgins S.A. and other companies. It is hereby expressly established that the aforementioned joined control and operation agreement considers limitations to the free disposal of shares. The Parent is controlled by the members of the Larraín Matte, Matte Capdevila and Matte Izquierdo families, in form and proportional interest indicated below.

- 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%).

Natural persons indicated above because of family relationship are part of the same corporate group.

As of December 31, 2018, in accordance with Title XV of Law No. 18.045, shareholders representing 49.96% of the voting right shares are detailed as follows:

Controlling Group	No. of shares	Ownership %
Minera Valparaíso S.A.	6,166,879,733	35.17
Forestal Cominco S.A.	2,454,688,263	14.00
Forestal Constructora y Comercial del Pacífico 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
Total ownership interest	8,761,439,346	49.96

2. Description of business

Company's line of business

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

Description of business in Chile

Main assets

The power generation fleet is composed of hydroelectric power plants (reservoir and run-of-the-river) and coal-fired, diesel and gas power plants (combined and conventional cycles), and variable source renewable energies, which in total provide an installed capacity of 3,328 MW to the National Power System ("SEN").

Hydroelectric power plants have an installed capacity of 1,634 MW distributed among 17 plants: Colbún, Machicura, San Ignacio, Chiburgo, San Clemente and La Mina, 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 an installed capacity of 1,685 MW and are distributed in the Nehuenco Complex, located in the Valparaíso Region; Candelaria power plant in the O'Higgins Region; Antilhue power plant in Los Ríos Region; and Los Pinos and Santa María power plants, located in the Biobío Region.

In addition, during 2018, the photovoltaic plant "Ovejería" (9MW) located in Til til in the Metropolitan Region of Chile launched its operations.

Commercial policy

The Company's commercial policy is to achieve a proper balance between commitments to sell power 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:

The main regulated customers supplied during 2018 are: CGE Distribución S.A., Enel Distribución Chile S.A., Sociedad Austral de Electricidad S.A., Empresa Eléctrica de la Frontera S.A., Cooperativa de Consumo de Energía Eléctrica Chillán Ltda., Compañía Eléctrica de Osorno S.A., Cooperativa Eléctrica de Curicó Ltda., Compañía Distribuidora de Energía Eléctrica Codiner Ltda., Cooperativa Eléctrica Los Ángeles Ltda., Cooperativa de Abastecimiento de Energía Eléctrica Curicó Ltda. and Cooperativa Eléctrica Paillaco Ltda.

The main unregulated customers supplied during 2018 are: Codelco for its divisions Salvador, Andina, Ventanas an El Teniente, Anglo American Sur S.A. for its work sites Los Bronces/Las Tórtolas, Cartulinas CMPC.S.A., Forsac S.A., CMPC Pulp S.A., CMPC Maderas S.A., Forestal Mininco S.A., Walmart Chile S.A., Bio-Bío Cementos S.A., Essbio S.A., Nuevosur S.A., Sociedad Contractual Minera Franke, Viña Concha y Toro S.A., Viña Cono Sur S.A., Compañía Pesquera Camanchaca S.A., Salmones Camanchaca S.A., Camanchaca Pesca Sur S.A. and Camanchaca Cultivos Sur S.A. and ASMAR Astilleros.

The 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 approximately 2.8% during the last 10 years, slightly lower compared to the GDP during the same period.

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

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. Capacity payment is calculated based on the sufficiency power of plants, i.e., the reliable level of capacity that could be provided to supply the system at the point of high demand, considering the uncertainty associated with the availability of supplies, forced and programmed unavailability of units, and facility unavailability which connects the unit to the Transmission and Distribution System. Power price is determined as an economic indicator, which represents the investment in most efficient units to address power demand during high demand hours.

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

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

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

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

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

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

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

Description of business in Peru

Main assets

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

This power plant begun its commercial operation 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 one of 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, Ege Junín and Enel Distribución S.A.A.

Unregulated customers: Pamolsa and Algeciras (formerly - Centenario).

The 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 December 2018, the Peruvian power market has an installed capacity, at a domestic level, of approximately 15.1 GW, of which 13.0 GW corresponds to the capacity installed by the National Interconnected Power System (SEIN), out of this amount nearly 57% relates to thermal power, 38% to hydro power, and the remaining 5% to renewable energies. Accordingly, natural gas is critical at the domestic thermal power generation level, because of its significant reserves and exploration wells, being Camisea the main deposit with approximately 15.6 trillion cubic feet.

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

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

In terms of energy consumption, the annual power for 2018 was approximately 50.8 TWh, which is concentrated in the mining and residential sectors. In 2017, the system demand was 49.0 TWh.

3. Significant accounting policies

3.1 Accounting policies

These Consolidated Financial Statements of Colbún S.A. and subsidiaries as of December 31, 2018 and 2017, have been prepared in accordance with International Financial Standards ("IFRS") as issued by International Accounting Standards Board (IASB).

The Consolidated Financial Statements have been prepared assuming that the company will continue as a going concern and approved by the Board of Directors for issue at their Meeting held on January 29, 2019.

The accounting policies set out below have been used in the preparation of these Consolidated Financial Statements.

a. Basis of preparation and period - These Consolidated Financial Statements of Colbún S.A. and subsidiary comprise the following:

- Statements of Financial Position as of December 31, 2018 and 2017.
- Statements of Comprehensive Income for the years ended December 31, 2018 and 2017.
- Statements of Cash Flows for the years ended December 31, 2018 and 2017.
- Statements of Changes in Equity for the years ended December 31, 2018 and 2017.
- Notes to the Financial Statements.

The information contained in these Consolidated Financial Statements is the responsibility of the Company.

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

The translation of these financial statements is provided as a free translation from the Spanish language original, which is the official and binding version. Such translation has been made solely for the convenience of non-Spanish readers.

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

b. Basis of consolidation - The Consolidated Financial Statements include the financial statements of the Parent and controlled companies.

Control is established as the base for determining which entities are consolidated in the Consolidated Financial Statements.

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

The detail of subsidiaries is as follows:

Consolidated company	Country	Currency	Tax ID No.	Ownership % as of			
				12.31.2018			12.31.2017
				Direct	Indirect	Total	Total
Empresa Eléctrica Industrial S.A.	Chile	US$	96.854.000-9	100	-	100	99.9999
Sociedad Hidroeléctrica Melocotón Ltda.	Chile	US$	86.856.100-9	99.9000	0.1000	100	100
Río Tranquilo S.A.	Chile	US$	76.293.900-2	99.9999	0.0001	100	100
Termoeléctrica Nehuenco S.A.	Chile	US$	76.528.870-3	99.9999	0.0001	100	100
Termoeléctrica Antilhue S.A.	Chile	US$	76.009.904-K	99.9998	-	99.9998	99.9998
Colbún Transmisión S.A. (1)	Chile	US$	76.218.856-2	95.7682	4.2315	100	100
Colbún Desarrollo SpA	Chile	US$	76.442.095-0	100	-	100	100
Inversiones SUD SpA	Chile	US$	76.455.649-6	100	-	100	100
Inversiones Andinas SpA	Chile	US$	76.455.646-1	100	-	100	100
Santa Sofía SpA	Chile	US$	76.487.616-4	100	-	100	-
Colbún Perú S.A.	Peru	US$	0-E	99.9996	0.0004	100	100
Inversiones de Las Canteras S.A.	Peru	US$	0-E	-	51	51	51
Fenix Power Perú S.A.	Peru	US$	0-E	-	51	51	51

Differences in the consolidation perimeter

During the year ended December 31, 2018, changes in the consolidation perimeter were as follows:

(1) On October 1, 2018, within the framework of the reorganization process of the Colbún Group and in order to concentrate in the subsidiary Colbún Transmisión S.A. all the assets and businesses associated with energy transmission, Colbún S.A., Empresa Eléctrica Industrial S.A. and Río Tranquilo S.A. contributed certain electricity transmission assets to Colbún Transmisión S.A. by means of a capital increase in the latter. Such transaction has no effects on consolidation.

On June 6, 2018, Colbún S.A. acquired 100% of Santa Sofía SpA shares, which is a joint stock company incorporated in accordance with the current legislation in Chile. Accordingly, beginning on June 6, 2018, such company is a direct subsidiary of Colbún S.A.

In 2017, there were no changes in the consolidation perimeter.

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 income statement.

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 IFRS 9 Financial Instruments are measured at fair value, accounting for changes in fair value as gain or loss or through comprehensive income. In the events contingent considerations are not within the scope of IFRS 9, 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 in net 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 income statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Relationship	Company	Country	Currency	Tax ID No.	Ownership % as of	
					12.31.2018	12.31.2017
					Direct	Direct
Associate	Electrogas S.A.	Chile	US$	96.806.130-5	42,5	42,5
Joint venture	Centrales Hidroeléctricas de Aysén S.A. (1)	Chile	Ch$	76.652.400-1	-	49,0
Joint venture	Aysén Transmisión S.A., under liquidation (2)	Chile	Ch$	76.041.891-9	49,0	-
Joint venture	Aysén Energía S.A., under liquidation (2)	Chile	Ch$	76.091.595-5	49,0	-
Joint venture	Transmisora Eléctrica de Quillota Ltda.	Chile	Ch$	77.017.930-0	50,0	50,0

(1) At the Extraordinary Shareholders' Meeting held on December 7, 2017, the early dissolution was approved. On September 7, 2018, such dissolution was formalized from which the partners received the land at pro rata of their share, which the Company maintained as property and other minor assets.

Accordingly, the dissolution of this Company has been recognized in the taxable income, In accordance with the established in the Art. 38 Bis of the Income Tax Law and Ex. Resolution No. 74 of 2016 issued by the SII.

(2) On September 7, 2018, in the liquidation process of Centrales Hidroeléctricas de Aysén S.A., Colbún S.A., received interest of 49% of the shares of Aysén Transmisión S.A. and Aysén Energía S.A.

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 Investments in joint ventures - 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 comprehensive income, unless they have to be recognized in other retained earnings, as in the case of cash flow hedges and net investment hedges. In addition, the translation of balances receivable and payable at each reporting date in currency other than 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 pesos, Euros, Peruvian soles and inflation-adjusted units have been translated into United States dollars at the exchange rates at the reporting date, as per the following:

Exchange rate	12.31.2018	12.31.2017
Chilean peso	694.77	614.75
Euro	0.8742	0.8317
Peruvian sol	3.3790	3.2450
Inflation-adjusted units	0.0252	0.0229

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, in addition to 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, modernizations or improvements representing an increase in the productivity, capacity or efficiency or lengthening of the useful lives of assets, are capitalized as higher cost of the related assets.
- Substitutions or renovations of assets that increase their useful lives, or their economic capacity, are recorded as the higher value of the respective assets, with the consequent accounting derecognition of the substituted or renovated assets.
- Dismantling, removal and restoration costs of property, plant and equipment are recognized based on the legal obligation of each project (note 3.n.2).

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

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

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

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

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

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

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

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

h. Financial instruments

h.1 Financial assets - Financial assets are classified at initial recognition in three measurement categories:

a) At amortized cost
b) Fair value through other comprehensive income (equity)
c) Fair value through profit or loss

h.1.1 Amortized cost - It is intended to maintain a financial asset until obtaining contractual cash flows on an established date. Expected cash flows relate mainly to payments of principal and interest on the principal amount outstanding.

h.1.2 Fair value through other comprehensive income (equity) - To classify an asset at fair value through other comprehensive income as principle it has to comply with the requirement of the sale of financial assets for which the principal owed amount is expected to be recovered in a given term in addition to interests, if applicable.

h.1.3 Fair value through profit or loss - The last classification provided as an option by IFRS 9 is financial assets at fair value through profit or loss for the year.

Based on its business model, the Company holds financial assets at amortized costs as main financial asset as it aims to recover its future cash flows on a given date seeking the collection of principal owed plus interests on the principal, if applicable. Loans and receivables are the Group's main non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in the caption Trade and other receivables in the Statement of Financial Position. They must initially be recognized at fair value and subsequently at amortized cost in accordance with the effective interest method less the allowance account for impairment losses.

h.1.4 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.1.5 Impairment of non-derivative financial assets – The Company applies a simplified approach and records expected credit losses in all its debt securities, loans and trade receivables, whether for a 12-month period or for lifetime, as established by IFRS 9.

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

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

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

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

h.2. Financial liabilities

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

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

h.2.3 Financial liabilities - Financial liabilities are classified as financial liabilities at "fair value through profit or loss" or "other financial liabilities".

h.2.4 Financial liabilities at fair value through profit or loss - Financial liabilities are classified at fair value through profit or loss where the financial liability is either held for trading or it is designated at fair value through profit or loss. These are measured at fair value and changes therein, including any interest expenses, are recognized in profit or loss.

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

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

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

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

Changes in fair value of these instruments at the reporting date are recognized in the consolidated statement of comprehensive income unless these are designated as hedge accounting and meet the conditions established in IAS 39 to apply such criterion. For hedge accounting purposes, the Company continues to apply the criteria established in IAS 39.

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, regarding to the effective portion of the hedges, in equity reserve under "Cash flow hedges." Retained earnings or accumulated deficit in such caption are transferred to the statement of comprehensive income to the extent that the underlying portion has an impact on the statement of comprehensive income for the hedged risk, netting such effect in the same heading in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of comprehensive income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

m. Severance indemnity payments - Obligations recognized as severance indemnity payments arise as a result of collective and individual 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 and turnover, among others.

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

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

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

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

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

n.2 Dismantling - Future disbursements by the Company related to the closure of its facilities are included at the asset amount at fair value, recognizing the related provision for dismantling or remediation at the commencement of the plant's operations. The Company assesses on an annual basis its estimate on future disbursements indicated above, increasing or decreasing the asset value based on the results of such estimate (see Note 23 c).

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

p. Revenue from Contracts with Customers - Revenue from the sale of power in Chile and Peru is recognized at the fair value of the amount received or receivable and represents the amount for services rendered during the normal course of business, less any related discount or tax, in accordance with IFRS 15.

Revenue is classified in the following categories:

p.1 Sale of goods - For contracts with customers in which the sale of equipment is the sole obligation, the adoption of IFRS 15 has no impact on the Company's revenue or profit or loss because revenue is recognized at a point in time when the control of the asset is transferred to the customer upon delivering the goods. The Company has impacts associated with the individual sale of goods, because it is not currently engaged in the sale of goods as a single contract for the sale of goods.

p.2 Rendering of services - Colbún provides energy supply and capacity to both unregulated and regulated customers. The Company recognizes revenue for services based on the physical delivery of energy and capacity. Services are satisfied over time because the customer simultaneously receives and consumes the benefits provided by the Company. Consequently, the Company recognizes revenue from such service contracts over time instead of at a point in time.

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

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

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

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

p.3 Prepayments received from customers - The Company only receives short-term prepayments from its customers related to operations and maintenance services. These are recognized as other financial liabilities. However, the Company may receive long-term prepayments from customers from time to time. In accordance with the current accounting policies, the Company recognizes such prepayments as deferred revenue by virtue of non-current liabilities classified in the statement of financial position. No interests were accrued on long-term prepayments received by virtue of the accounting policy currently in force.

The Company should determine whether a significant finance component exists in its contracts. However, the Company decided to use the practical expedient provided by IFRS 15, and will not adjust the amount committed in the consideration for the effects of a significant financing component in the contracts, when the Company expects, at the onset of the contract, that the period between the time in which the entity transfers an asset or service committed with the customer and the time in which the customer pays for such good or service is one year or less. Consequently, at short-term the Company shall not account for a financing component, even if this is a significant component.

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

p.4 Principal versus agent considerations - In contracts for the sale of energy and capacity, the Company is considered as the main responsible for delivering the goods and services specified, mainly because the Company assumes the credit risks arising in such transactions. In accordance with the current accounting policy, in terms of the existence of a credit risk and the nature of the consideration in the contract, the Company is exposed to significant associated risks and benefits and, accordingly, it accounts for the contracts as a principal.

p.5 Amounts collected on behalf of third parties - any tax received by customers and forwarded to government authorities (e.g. VAT, taxes on sales and taxes, etc.) is recorded on a net basis, and therefore excluded from revenue in the consolidated statement of comprehensive income.

p.6 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 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 Annual Shareholders' Meeting, by unanimity of the issued shares, publicly traded companies 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 recognizes them as "Trade and other payables, current" and as "Trade payables due to related parties", as appropriate, with a charge 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 based on the current interpretation of environmental laws and regulations, when is probable that a current obligation will be produced and the amount of such liability can be estimated reliably.

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

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

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

Finance leases in which Colbún and its subsidiaries act as lessee are recognized at contract inception, recording an asset based on its nature, and a liability for the same amount, or equivalent to the fair value of the leased asset, or the current value of minimum payments for the lease, if this value is 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 section b and c.

All transactions are performed under 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 the types of government aid to which no fair value can be allocated. However, if these exist, the Company discloses the information of such aid.

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

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

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

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

y. Reclassifications – For comparative purposes, as of December 31, 2017, the Company reclassified the current portion of severance indemnity payments of ThUS$5,596 from “Provisions for employee benefits, non-current” to “Provisions for employee benefits, current.”

3.2 New accounting pronouncements

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2019 and have not been applied for the preparation of these consolidated financial statements. Those that may be relevant for the Group are indicated below.

New standards

New IFRSs		Mandatory for
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021

IFRS 16 "Leases"

Issued on January 13, 2016, this Standard requires that companies recording operating leases account for all leases in their financial statements beginning on January 1, 2019. Companies recording operating leases will be more asset-rich but also more heavily indebted. The larger the operating 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.

FRS 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 for
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

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.

Management is assessing the application of IFRIC 23, which will be adopted in its financial statements for the period beginning on January 1, 2019. Currently, the Company is assessing the impact of this new interpretation.

Amendments and/or modifications

Amendments to IFRS		Mandatory for
IAS 28	Long-Term Interests in Associates and Joint Ventures	January 1, 2019
IFRS 9	Prepayment Features with Negative Compensation	January 1, 2019
	Amendments to Plans, Reductions and Settlements (Amendments to IAS 19, Employee Benefits)	January 1, 2019
IFRS 10	Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date deferred indefinitely
	Annual Improvements Cycle to IFRS 2015-2017. Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	January 1, 2019
	Amendments to references in the Conceptual Framework for Financial Reporting	January 1, 2020
	Amendments to the definition of a Business (Amendments to IFRS 3)	January 1, 2020
	Amendments to the definition of Material (Amendments to IAS 1 and IAS 8)	January 1, 2020

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

This amendments includes the following:

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

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

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

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

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

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

Amendments to plans, reductions and settlements (Amendments to IAS 19, Employee Benefits)

On February 2018, the IASB has completed the changes made to IAS 19, related to amendments in plans, reductions and settlements.

The amendments clarify the following:

- For the amendment, reduction or settlement of a Defined Benefit Plan, the Company now uses updated actuarial assumptions to determine the current cost of service and net interest for the period; and

- The effect of the asset limit is not considered when calculating gain or loss from any settlement of the plan and is treated separately in Other Comprehensive Income (OCI).

The amendments apply for amendments, reductions or settlements of plans occurred on or after January 1, 2019 or at the date in which these amendments are applied for the first time. Early adoption is permitted.

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

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

The effective application date has been deferred indefinitely.

2015-2017 Annual Improvements Cycle: IFRS 3, IFRS 11, IAS 12 and IAS 23

IFRS 3, Business Combinations and IFRS 11, Joint Arrangements: Clarifies the accounting for increases in interest in a joint operation which meets the definition of a business.

- If one party maintains (or obtains) joint control, the interest previously held will not be remeasured.
- If one party obtains control, the transaction is considered as a business combination achieved in stages and the acquirer remeasures the interest previously held at fair value.

In addition to clarify when an interest previously held in a joint operation is remeasured, the amendments also provide guidance on what is previously-held interest. This is the total interest previously held in the joint operation.

IAS 12, Income Taxes: Clarifies that the entire effect of income tax from dividends (including the payments of financial instruments classified as equity) is recognized in a manner consistent with the transactions generating profit for distribution (i.e., through Profit or Loss, Other Comprehensive Income or Equity).

Even though the amendments provide some clarifications, they do not intend to address the underlying question (i.e., how to determine whether a payment represents a distribution of profit). Accordingly, challenges may remain in determining whether recognizing income tax on certain instruments in Profit or Loss or Equity.

IAS 23, Borrowing Costs: Clarifies that the general borrowing pool used for calculating the costs from eligible borrowings, excludes solely those borrowings which specifically finance qualifying assets which are still under development or construction. Borrowings that were intended particularly for financing qualifying assets which are now ready for use or sale (or any non-qualifying asset) are included in such general pool.

Because the costs from the retrospective application may exceed the benefits, the amendments are applied prospectively to the borrowing costs incurred in, or from, the date the entity adopts such amendments.
Depending on the entity's current policy, the recommended amendments may result in including other borrowings to the borrowings general pool.

If this results in the capitalization of more or less borrowings during the period, will depend on the following:

- If the weighted average cost of any loan included in the pool, as a result of the amendments, is higher or lower than the cost at which it would be included using the entity's current approach; and
- The relative amounts of qualifying assets under development and general borrowings in force during the period.

Amendments to references in the Conceptual Framework for Financial Reporting

In March 2018, the International Accounting Standards Board (the Board) issued the (revised) Conceptual Framework for Financial Reporting, which serves as a tool to assist the Board in developing standards and to assist the IFRS Interpretations Committee in interpreting such standards. The Conceptual Framework does not override any individual IFRS requirement.

The main changes to the principles included in the Conceptual Framework have an impact on how and when to recognize and derecognize assets and liabilities in the financial statements.

Certain concepts in the revised Framework are entirely new, such as the "practical ability" approach to liabilities. The main changes include:

New 'bundles of rights' approach to assets

A physical object can be 'divide and subdivide' from an accounting perspective. For example, in some circumstances a company would book as an asset a right to use an aircraft, rather than an aircraft itself. The challenge will be determining to what extent an asset can be split into different rights and the impact on recognition and derecognition

New 'practical ability' approach for recognizing liabilities

The old recognition thresholds are gone – a liability will be recognized if a company has no practical ability to avoid it. This may bring some liabilities on the balance sheet earlier than at present.

However, if there is uncertainty over existence and measurement or a low probability of outflows, then this may result in no or delayed recognition in some cases. The challenge will be determining which future actions/costs a company has no 'practical ability' to avoid.

New control-based approach to derecognition

A company will derecognize an asset when it loses control over all or part of it – i.e. the focus is no longer on the transfer of risks and rewards.

The challenge will be determining what to do if the company retains some rights after the transfer.

The amendment is effective for annual periods beginning on or after January 1, 2020.

Amendments to the definition of a Business (Amendments to IFRS 3)

In October 2018, the International Accounting Standards Board (Board) issued narrow-scope amendments to IFRS 3 Business Combinations to improve the definition of a business and help companies determine whether an acquisition made is a business or a group of assets.

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If the concentration test is not applied, or if the test is not met, the assessment focuses on whether a substantive process exists.

The amendments clarify the definition of a business in order to help entities to determine if a transaction should be accounted for as a business combination or the acquisition of an asset. The amendments:

(a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

(b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;

(c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;

(d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and

(e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendment is effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.

At the reporting date, Management has not assessed the potential impact of adopting this amendment.

Amendments to the definition of Material (amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

In October 2018, the International Accounting Standards Board amended its definition of 'material' aligning the definition used in the International Financial Reporting Standards and the Conceptual Framework. This new definition states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board incorporated the concept of "shadowing" to the definition, along with the existing references to "omit" and "misstate" information. In addition, the Board increased the threshold from "could influence" to "could reasonably be expected to influence."

Furthermore, the Board removed the definition of significant omissions and misstatements under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendment is effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.

The Management is assessing the impact of the application of the new standards, interpretations and amendments to IFRS. However, a reasonable estimation of the effects that such standards will have cannot be made until the Management conducts a detailed review.

Changes in the significant accounting policies

The Company implemented IFRS 9 and IFRS 15 beginning on January 1, 2018 and disclosed the impacts in the Interim Consolidated Financial Statements for the three-month period ended March 31, 2018. Because of the transitions methods selected by the Group when applying these standards, the comparative information included in these financial statements was no restated to express the requirements of the new standards.

The application of other pronouncements has had no significant effects for Colbún. The remaining accounting criteria applied during 2018 have remained unchanged compared to the criteria used in the prior year.

Transition to IFRS 16 "Leases"

IFRS 16 was issued in January 2016 replacing IAS 17 "Leases" beginning on January 1, 2019, IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease."

IFRS 16 establishes the principle for the recognition, measurement, presentation and disclosure of leases and it requires that lessees account for all leases under a single model, similar to the finance lease accounting under

IAS 17. The standard includes two recognition exemptions for leases: leases of “low value” assets (e.g.: Personal computers) and leases at short-term (i.e., leases with a term of 12 months or less).

On the start date of a lease, the lessor will recognize a liability for lease payments (i.e., the lease liability) and an asset representing the right of use of such underlying asset during the lease term (i.e.: the right-of-use asset). Lessees are required to recognize separately the interest expense on the lease liability and the amortization expense on the right-of-use asset. Lessees are also required to recalculate the lease liability upon the occurrence of certain events (e.g., a change in the term of the lease, a change in future lease payments as a result of a change in an index or rate used to determine those payments).

The lessee generally recognizes the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

The lessor's accounting under IFRS 16 is substantially the same as the current accounting under IAS 17.

Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating leases and finance leases.

IFRS 16 also requires that lessees and lessors prepare more extensive disclosures than those foreseen in IAS 17.

IFRS 16 is effective for the annual periods beginning on or after January 1, 2019. Early adoption is permitted, but not before the entity applies IFRS 15. The lessee may elect to apply the standard using a full or modified retrospective approach. The transitional provisions of the standard allow for some relief. The Company expects to use the option to value the lease liability reflecting the remaining future payments beginning on January 1, 2019 and to account for an asset at the value equal to the liability recognized.

During 2018, the Group assessed the impact that this standard will have on its consolidated financial statements using the modified retrospective approach, the approximate impact of which on the (consolidated) statement of financial position would amount to ThUS$9,870 (thereby recognizing a right-of-use asset and a lease liability). Such standard will be effective on January 1, 2019, considering the effective contracts as of December 31, 2018.

3.3 Responsibility for the information and estimates made

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

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

In the preparation of these Consolidated Financial Statements, the following estimates have been used:

- Useful lives and residual values of property, plant and equipment, and intangible assets (see Note 3.1.f and 5.a)
- Valuation of assets to determine the existence of impairment losses (see Note 5.b)
- Assumptions used to calculate the fair value of financial instruments (see Note 3.1.h)
- Assumptions used in the actuarial calculation of liabilities and employee obligations (see Note 3.1.m)
- Probability of occurrence and the amount of undetermined or contingent liabilities (see Note 3.1.n)
- The tax returns of the Company and its subsidiaries, which will be submitted to relevant tax authorities in the future and which have been used as a basis for recording different income tax-related amounts in the accompanying Consolidated Financial Statements (see Note 3.1.l).
- Financial assumptions and estimated economic life for calculating the provision for dismantling (see note 3.n.2)).
- Measurement of allowance for expected credit losses for trade receivables and contract assets (3.h.1.5).

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.

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

4.2 Risk factors

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

4.2.1 Electric business risks

a. Hydrological risk

To comply with its commitments in dry hydrologic conditions, Colbún must operate its combined thermal cycle plants mainly with natural gas purchases or with diesel, or by default operating its back-up thermal plants or even buying energy on the spot market. This situation raises Colbún’s costs, increasing earnings variability depending on the 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 could 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 built a Reverse Osmosis Plant, which allows reducing up to 50% the water used in the cooling process of combined cycles of the Nehuenco Complex. The construction of such plant was completed in May 2017, and it commenced operations during the third quarter of 2017.

In Peru, Colbún owns a combined cycle power plant and has a commercial policy aimed at committing such base energy 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 with sale prices indexed to 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 energy sales contracts.

Accordingly, exposure to the 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 the availability of this type of fuel.

Regarding natural gas supply, in Chile Colbún has medium-term contracts with ERSA and Metrogas. For the long term the new agreement with ERSA stand out, for the options of supply of liquefied natural gas and reserved regasification capacity effective from 2018 to 2030, which will allow Colbún to access natural gas for the Nehuenco Complex. In addition, gas supply contracts have been entered into with Argentine producers, which allow accessing gas surpluses that would be produced in Argentina.

On its part, in Peru, Fenix has long-term contracts with the ECL88 Consortium (Pluspetrol, Pluspetrol Camisea, Hunt, SK, Sonatrach, Tecpetrol and Repsol) and gas transportation agreements with TGP.

With respect to purchases of coal for Santa María Unit I thermal power plant, the Company conducts tender processes (the most recent conducted in November 2018), 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, regulatory framework changes, litigations, increase in equipment and labor prices, opposition from local and international stakeholders, adverse geographical conditions, natural disasters, accidents and other unforeseen events.

The Company's exposure to this risks 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 risks is partially mitigated through subscribing "All Construction Risk" insurance policies which cover both physical damages and profit losses due to a delay in service resulting from a casualty, both with standard deductibles for this type of insurance.

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

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

f. Regulatory risks

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

In Chile, the current Administration is conducting several regulatory changes, some of them being inherited from the previous Government and others have commenced during the current Administration. Such changes, based on how they will be implemented, might represent opportunities or risks for the Company. Particularly relevant are changes currently being discussed in the Chilean National Congress with respect to (i) the Reform of the Water Code; (ii) the bill to modernize the Environmental Impact Assessment System; (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.

In addition, the Ministry of Energy has announced the discussion and creation of a "Flexibility Act" and another "Improvements to the Transmission Act", which will seek to improve certain aspects of the Transmission Act enacted in 2016. The specific contents of these laws have not yet been defined.

In addition, the National Energy Commission and the Ministry of Energy have continued to develop Round Table Discussions to continue with their standard-setting work, highlighting the Round Table Discussions on Regulations for Transmission Systems and Transmission Planning. Additionally, the Ministry concluded the Round Table Discussions on Decarbonization of the electric matrix and the Annual Transmission Expansion Plan for 2017, and has made progress in this matter in the performance process of the Annual Transmission Expansion Plan for the Year 2018.

In Peru, two bills are currently being discussed in the Peruvian Senate, which seek recovering the efficiency in its electricity market through modifications in the declaration of gas prices. In addition, a law is being discussed that seeks the recognition of Firm Capacity for Renewable Energies. At the same time, the Ministry of Energy of Peru announced its agenda for regulatory changes, which includes (i) Amendments to the Regulations of Supply Auctions to promote competitiveness, (ii) the Drafting of a Distributed Generation Regulation, (iii) Bill for promoting electric vehicles.

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 the last years in the short-term price of power (marginal cost).

With respect to long-term prices, the bidding processes for the supply of regulated customers finished in August 2016 and October 2017 resulted in an important decrease in prices offered and granted, which reflects the 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 their precise impact on the 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 supply (hydroelectric and natural gas plants), involving a decrease of energy prices in recent months.

The increase of Non-conventional renewable energy sources in the Chilean market (and potentially in Peru) 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 are related 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 materially affect Colbún.

a. Exchange rate risk

Exchange rate 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 by applying a policy of 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 occasionally resorts to the use of derivatives, mainly currency swaps and forwards.

b. Interest rate risk

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

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

Interest rate	12.31.2018	12.31.2017
Fixed	100%	100%
Variable	0%	0%
Total	**100%**	**100%**

As of December 31, 2018, the Company's financial debt is 100% denominated in fixed rate.

c. Credit risk

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

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

As of December 31, 2018, the Company invests its cash surpluses in mutual funds (of bank subsidiaries) and in time deposits in local and foreign banks.

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

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

d. Liquidity risk

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

As of December 31, 2018, Colbún has cash surpluses of approximately US$788 million, invested in term deposits with an average of 108 days (including time 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, and (ii) uncommitted credit revolving facilities for approximately US$150 million.

Within the next twelve months, the Company will have to disburse approximately US$118 million associated with interests on financial debt and debt repayments. Such remaining interests and repayments are expected to be covered by the Company's internally generated cash flows.

As of December 31, 2018, Colbún has the following domestic risk ratings: AA- by Fitch Ratings and AA- by Standard & Poor’s (S&P), both with stable expectations. At international level, the Company's ratings are: Baa2 by Moddy’s, BBB by S&P and BBB by Fitch Ratings, all with stable outlooks.

In addition, Fenix has the following international risk ratings: Baa3 by Moody’s, BBB- by Standard & Poor’s (S&P) and BBB- by Fitch Ratings, all of them with stable outlooks.
Considering the foregoing, it is assessed that the Company’s liquidity risk is currently limited.

Information on contractual maturities of the main financial liabilities is disclosed in note 21.c.2 of the financial statements.

4.3 Risk measurement

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

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

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

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

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

The accounting mismatch exposure is mitigated through the application of a policy for maximum mismatch between assets and liabilities for structural items denominated in currencies other than the U.S. dollar. As of December 31, 2018, the Company's exposure to this risk relates to a potential impact of approximately US$4.3 million for quarterly foreign currency exchange differences, based on a sensitivity analysis with a 95% reliance.

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

The credit risk is low because Colbún operates solely with domestic and foreign bank counterparties with high credit rating, 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 23%. 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 a concentration of more than 21% in terms of notional value.

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

5. Critical accounting policies

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

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

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

Estimated useful lives as of December 31, 2018 and 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	10 - 65	34
Machinery	4 - 20	10
Transport equipment	5 - 15	7
Office equipment	5 - 30	27
IT equipment	3 - 10	5
Power-generating assets	2 - 100	41
Finance leases	20	15
Other property, plant and equipment	10 - 50	29

Additional detail per class of plants is presented below.

Class of plant	Useful life (years)	Average remaining useful life
Power-generating facilities		
Hydroelectric power plants		
Civil works	10 - 100	73
Electromechanical equipment	2 - 100	22
Thermal power plants		
Civil works	10 - 60	24
Electromechanical equipment	2 - 60	18
Solar power plant		
Electromechanical equipment	5 - 25	23
Civil works	25	25

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

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

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

Intangible assets	Useful life (years)
Client Contractual Relationships	2 - 15
Software	2 - 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 goodwill)

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

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

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

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

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

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

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

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

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

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

As of December 31, 2018, 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. Segment reporting

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

Colbún's management control system analyzes the business from a mix of 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, for example, production technologies: hydroelectric power plants (which can be run-of-the-river or dam-based) and thermal power plants (which can be coal-based, combined cycle, open-cycle, etc.). Customers are classified in accordance with the concepts included in the Chilean electric regulation for regulated and unregulated customers and spot market; and in accordance with electric regulations currently in force in Peru for regulated and unregulated customers (see Note 2).

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

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

The electric regulation of both systems where Colbún is involved, contemplate a conceptual separation of power 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 (KW-month).

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

The following caption presents information by geographic location:

Segment operating results for the year ended 12.31.2018	Chile	Peru	Total operating segments	Elimination of amounts	Consolidated totals
Revenue					
Revenue	1,369,868	201,479	1,571,347	-	1,571,347
Total revenue from third parties and transactions with other operating segments within the same entity	**1,369,868**	**201,479**	**1,571,347**	**-**	**1,571,347**
Raw materials and consumables	(617,394)	(156,209)	(773,603)	-	(773,603)
Employee benefit expenses	(73,637)	(6,128)	(79,765)	-	(79,765)
Interest expenses	(66,993)	(16,878)	(83,871)	-	(83,871)
Interest (cost) income	19,183	1,184	20,367	-	20,367
Depreciation and amortization expenses	(203,416)	(33,539)	(236,955)	-	(236,955)
Share of profit (loss) of equity-accounted associates and joint ventures	1,189	-	1,189	10,199	11,388
Income tax expense from continuing operations	(96,821)	(1,597)	(98,418)	-	(98,418)
Profit (loss) before tax	347,370	(28,726)	318,644	10,199	328,843
Profit (loss) from continuing operations	250,549	(30,323)	220,226	10,199	230,425
Profit (loss)	**250,549**	**(30,323)**	**220,226**	**10,199**	**230,425**
Assets	6,189,482	817,501	7,006,983	(228,634)	6,778,349
Equity-accounted investees	258,836	-	258,836	(228,634)	30,202
Incorporation of non-current assers other than financial instruments, deferred tax assets, income tax related to defined benefit plans and rights arising from insurance contracts	4,906,245	675,983	5,582,228	-	5,582,228
Liabilities	2,532,967	388,444	2,921,411	-	2,921,411
Equity		-			3,856,938
Equity and liabilities					**6,778,349**
Impairment losses recognized in other comprehensive income	(28,394)	-	(28,394)	-	(28,394)
Cash flows from (used in) operating activities	482,961	33,369	516,330	-	516,330
Cash flows from (used in) investing activities	(140,987)	(5,444)	(146,431)	-	(146,431)
Cash flows from (used in) financing activities	(369,492)	(26,988)	(396,480)	-	(396,480)

Continued

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

Information on products and services

Sales in the main geographical markets	January - December 2018 ThUS$	January - December 2017 ThUS$
Chile		
Energy sales	1,078,663	1,028,860
Power sales	161,444	158,889
Other income	129,761	167,826
Subtotal	**1,369,868**	**1,355,575**
Peru		
Energy sales	115,638	113,491
Power sales	38,894	33,523
Other income	46,947	45,823
Subtotal	**201,479**	**192,837**
Total sales	**1,571,347**	**1,548,412**

Information on sales to main customers

Main customers	January - December 2018		January - December 2017	
	ThUS$	%	ThUS$	%
Chile				
Corporación Nacional del Cobre Chile	422,385	27%	378,856	24%
CGE Distribución S.A.	308,504	20%	306,204	20%
Enel Distribución Chile S.A.	174,860	11%	204,567	13%
Anglo American S.A.	107,407	7%	90,871	6%
Sociedad Austral del Sur S.A.	72,176	5%	89,209	6%
Other	284,536	18%	285,868	18%
Subtotal	**1,369,868**	**88%**	**1,355,575**	**87%**
Peru				
Luz del Sur	101,280	6%	104,714	7%
Empresa de Distribución Eléctrica de Lima Norte S.A.	36,128	2%	34,266	2%
Electronoroeste S.A.	9,076	1%	7,676	0%
Compañía Eléctrica El Platanal S.A.	12,317	1%	13,351	1%
Other	42,678	2%	32,830	2%
Subtotal	**201,479**	**12%**	**192,837**	**13%**
Total sales	**1,571,347**	**100%**	**1,548,412**	**100%**

7. Cash and cash equivalents

a. Detail

As of December 31, 2018 and 2017, and December 31, 2017, the composition of this caption is the following:

Cash and cash equivalents	12.31.2018 ThUS$	12.31.2017 ThUS$
Cash on hand	57	76
Cash in banks	68,933	20,354
Time deposits	49,492	90,965
Other cash equivalents	100,709	157,801
Total	**219,191**	**269,196**

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

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

As of December 31, 2018 and 2017, 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 8.

b. Detail by currency

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

Currency	12.31.2018		12.31.2017	
	Currency ThUS$	Currency with derivative [1] ThUS$	Currency ThUS$	Currency with derivative [1] ThUS$
EUR	633	633	1,121	1,121
Ch$	155,136	127,136	169,132	149,068
PEN	7,564	7,564	13,957	13,957
US$	55,858	83,858	84,986	105,050
Total	**219,191**	**219,191**	**269,196**	**269,196**

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

c. Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities	Balance as of 01.01.2018	Cash flows	Changes that do not represent cash flows				Balance as of 12.31.2018
			Dividends	Interests	Valuation	Other	
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Finance lease liabilities [1]	15,071	(2,655)	-	2,228	-	-	14,644
Bond payable [1]	1,643,985	(107,320)	-	69,998	(29,665)	9,659	1,586,657
Dividends payable	23,075	(290,665)	309,866	-	(4,325)	(1,950)	36,001
Other receivable	(4,160)	4,160	-	-	-	-	-
Total	**1,677,971**	**(396,480)**	**309,866**	**72,226**	**(33,990)**	**7,709**	**1,637,302**

[1] See note 21.a

8. Other financial assets

As of December 31, 2018 and 2017, the composition of this caption is the following:

	Current		Non-current	
	12.31.2018 ThUS$	12.31.2017 ThUS$	12.31.2018 ThUS$	12.31.2017 ThUS$
Time deposits (1)	568,897	541,019	-	-
Hedge derivative instruments (2) (see Note 13.1)	354	950	8,706	20,829
Investment for share offering	-	-	91	93
Investment in CDEC	-	-	-	245
Total	**569,251**	**541,969**	**8,797**	**21,167**

(1)As of December 31, 2018 and 2017, 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 105 days. Cash flows related to these investments are presented in the statements of cash flows as cash flows from investing activities in other cash receipts (payments).

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

9. Trade and other receivables

As of December 31, 2018 and 2017, the composition of this caption is the following:

Caption	Current	
	12.31.2018 ThUS$	12.31.2017 ThUS$
Trade receivables by contract	217,680	200,257
Other receivables (1)	23,999	24,807
Total	**241,679**	**225,064**

(1) As of December 31, 2018, the current balance includes recoverable taxes (Remaining balance of value-added tax fiscal credit) of ThUS$21,902 and other minor taxes of ThUS$2,097. Whereas, as of December 31, 2017, the current balance comprises recoverable taxes (General Sales Tax (GST)) of ThUS$16,804, collateral with JP Morgan of ThUS$4,160, and other minor items of ThUS$3,843. Company believes these assets are recoverable within 12 months.

The average payment period is 30 days.

Considering debtors' solvency, current regulations, and in accordance with the doubtful accounts policy stated in our accounting policies (see note 3.1.h.1.5), the Company records the expected credit losses in all its trade receivables, either for 12 months or during the term of the asset by applying the simplified approach as established in IFRS 9. Accordingly, it has established an allowance for doubtful accounts, which in Management's opinion, properly hedges the amount of risk of default for such receivables.

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

Impairment	12.31.2018 ThUS$	12.31.2017 ThUS$
Opening balance as of 01.01.2018	277	11,187
Increase (decrease) in the allowance	552	-
Impairment losses	(182)	-
Reversal of impairment losses	(24)	(10,910)
Closing balance as of 12.31.2018	**623**	**277**

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

As of December 31, 2018 and 2017, the analysis of trade receivables is as follows:

a) Aging of trade receivables portfolio.

Invoiced	Balances as of 12.31.2018					
	Current ThUS$	1-30 days ThUS$	31-60 ThUS$	61-90 ThUS$	Over 91 days ThUS$	Total ThUS$
Trade receivables, regulated	931	2,560	698	27	1,363	5,579
Trade receivables, unregulated	5,376	1,322	336	361	435	7,830
Other receivables	853	195	372	84	684	2,188
Allowance for impairment	(209)	-	(11)	-	(403)	(623)
Subtotal	**6,951**	**4,077**	**1,395**	**472**	**2,079**	**14,974**
Invoices to be issued	**Balances as of 12.31.2018**					
	Current ThUS$	1-30 days ThUS$	31-60 ThUS$	61-90 ThUS$	Over 91 days ThUS$	Total ThUS$
Trade receivables, regulated	97,211	-	-	-	-	97,211
Trade receivables, unregulated	92,650	-	-	-	-	92,650
Other receivables	12,845	-	-	-	-	12,845
Subtotal	**202,706**	**-**	**-**	**-**	**-**	**202,706**
Total trade receivables	**209,657**	**4,077**	**1,395**	**472**	**2,079**	**217,680**
No. of customers (unaudited)	**379**	**139**	**103**	**29**	**242**	

Invoiced	Balances as of 12.31.2017					
	Current ThUS$	1-30 days ThUS$	31-60 ThUS$	61-90 ThUS$	Over 91 days ThUS$	Total ThUS$
Trade receivables, regulated	5,804	5,114	4	1	141	11,064
Trade receivables, unregulated	5,247	19	16	-	-	5,282
Other receivables	2,459	348	88	24	138	3,057
Allowance for impairment	-	(109)	(6)	-	(162)	(277)
Subtotal	**13,510**	**5,372**	**102**	**25**	**117**	**19,126**
Invoices to be issued	**Balances as of 12.31.2017**					
	Current ThUS$	1-30 days ThUS$	31-60 ThUS$	61-90 ThUS$	Over 91 days ThUS$	Total ThUS$
Trade receivables, regulated	50,539	-	-	-	-	50,539
Trade receivables, unregulated	39,725	-	-	-	-	39,725
Other receivables	90,867	-	-	-	-	90,867
Subtotal	**181,131**	**-**	**-**	**-**	**-**	**181,131**
Total trade receivables	**194,641**	**5,372**	**102**	**25**	**117**	**200,257**
No. of customers (unaudited)	**286**	**198**	**85**	**85**	**219**	

b) Customers in legal collection

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

10. Financial instruments

a. Financial instruments by category

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

a.1 Assets

December 31, 2018	Amortized cost ThUS$	Fair value ThUS$	Total ThUS$
Cash on hand and cash balances (see Note 7)	-	68,990	68,990
Time deposits and other cash equivalents (see Note 7)	49,492	100,709	150,201
Trade and other receivables (1) (see Note 9)	219,777	-	219,777
Trade receivables due from related parties (see Note 11.b.1)	1,117	-	1,117
Derivative financial instruments (see Note 13.1)	-	9,060	9,060
Other financial assets (see Note 8)	568,897	-	568,897
Total	**839,283**	**178,759**	**1,018,042**

December 31, 2017	Amortized cost ThUS$	Fair value ThUS$	Total ThUS$
Cash on hand and cash balances (see Note 7)	-	20,430	20,430
Time deposits and other cash equivalents (see Note 7)	90,965	157,801	248,766
Trade and other receivables (1) (see Note 9)	208,260	-	208,260
Trade receivables due from related parties (see Note 11.b.1)	240	-	240
Derivative financial instruments (see Note 13.1)	-	21,779	21,779
Other financial assets (see Note 8)	541,264	-	541,264
Total	**840,729**	**200,010**	**1,040,739**

(1) As of December 31, 2018, it does not consider recoverable taxes for ThUS$21,902. As of December 31, 2017, the balance related to recoverable tax was ThUS$16,804, current.

a.2 Liabilities

December 31, 2018	Amortized cost ThUS$	Fair value ThUS$	Total ThUS$
Interest-bearing borrowings (see Note 21.c.2)	1,586,657	-	1,586,657
Lease obligations (see Note 21.c.3)	14,644	-	14,644
Derivative financial instruments (see Note 13.1)	-	1,962	1,962
Trade and other payables (see Note 22)	186,622	-	186,622
Payables due to related parties (see Note 11.b.2)	17,971	-	17,971
Total	**1,805,894**	**1,962**	**1,807,856**

December 31, 2017	Amortized cost ThUS$	Fair value ThUS$	Total ThUS$
Interest-bearing borrowings (see Note 21.c.2)	1,643,985	-	1,643,985
Lease obligations (see Note 21.c.3)	15,071	-	15,071
Derivative financial instruments (see Note 13.1)	-	396	396
Trade and other payables (see Note 22)	207,813	-	207,813
Payables due to related parties (see Note 11.b.2)	13,559	-	13,559
Total	**1,880,428**	**396**	**1,880,824**

b. Credit quality of financial assets

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

Credit quality of financial assets	12.31.2018 ThUS$	12.31.2017 ThUS$
Customers with local risk rating		
AAA	73,443	56,277
AA+	30,064	27,462
AA	14,389	15,269
AA-	4,494	39,802
A+	35,107	232
A	2,373	556
Total	**159,870**	**139,598**
Customers with no local risk rating		
Total	**57,810**	**60,659**
Cash on banks and bank short-term deposits, local market		
AAA	136,947	507,492
AA	-	75,602
AA-	-	11,049
A+ or lower	503,177	21,942
Total	**640,124**	**616,085**
Cash on banks and bank short-term deposits, international market (*)		
BBB- or higher	47,255	36,329
Total	**47,255**	**36,329**
Counterparty derivative financial assets, international market (*)		
A or higher	9,060	21,779
Total	**9,060**	**21,779**

(*) Foreign risk classification

11. Related party disclosures

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

a. Controlling interests

As of December 31, 2018, the distribution of ownership interest is as follows:

Shareholders	Ownership %
Minera Valparaíso S.A. (*)	35.17
Forestal Cominco S.A. (*)	14.00
Antarchile S.A.	9.58
AFP Habitat S.A. (**)	6.82
AFP Provida S.A. (**)	4.69
AFP Cuprum S.A. (**)	4.02
Banco Itaú por cuenta de inversionistas	3.89
Banco de Chile por cuenta de terceros	3.82
AFP Capital S.A. (**)	3.17
Banco Santander - JP Morgan	3.07
Other shareholders	11.77
Total	**100.00**

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

b. Balances and transactions with related parties

Receivables from, payables due to and transactions with related parties were conducted under market terms and conditions and are adjusted in accordance with Article No. 44 of Law No. 18,046 (the “Public Company Act").

b. 1. Trade receivables due from related parties

Tax ID No.	Company	Country	Relationship	Currency	Current 12.31.2018 ThUS$	Current 12.31.2017 ThUS$
96.806.130-5	Electrogas S.A.	Chile	Associate	US$	690	-
96.532.330-9	CMPC Celulosa S.A.	Chile	Common group	Ch$	13	-
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Ch$	11	-
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common group	Ch$	275	164
65.027.584-5	Fundación Colbún	Chile	Special purpose entity	Ch$	128	76
				Total	**1,117**	**240**

b. 2. Trade payables due to related parties

Tax ID No.	Company	Country	Relationship	Currency	Current 12.31.2018 ThUS$	Current 12.31.2017 ThUS$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Ch$	211	212
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Director and controlling shareholder	Ch$	15	1,965
97.080.000-K	Banco Bice	Chile	Common director	Ch$	3	-
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	Common group	Ch$	32	36
90.412.000-6	Minera Valparaíso S.A.	Chile	Controlling shareholder	US$	12,662	8,116
79.621.850-9	Forestal Cominco S.A.	Chile	Controlling shareholder	US$	5,040	3,230
96.806.130-5	Electrogas S.A.	Chile	Associate	US$	8	-
				Total	**17,971**	**13,559**

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

b. 3 Disclosures of transactions with related parties

Tax ID No.	Company	Country	Relationship	Currency	Transaction	January - December 2018 Amount ThUS$	2018 Effect on profit or loss (debit) credit ThUS$	2017 Amount ThUS$	2017 Effect on profit or loss (debit) credit ThUS$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Ch$	Toll for using facilities	2,606	(3,101)	2,212	(1,859)
				UF	Revenue for services rendered	145	122	141	119
76.652.400-1	Centrales Hidroeléctricas de Aysén S.A. [4]	Chile	Joint venture	Ch$	Capital contribution [1]	-	-	2,923	-
96.806.130-5	Electrogas S.A.	Chile	Associate	US$	Gas transport service	9,342	(7,850)	9,483	(7,969)
				US$	Diesel transport service	515	(433)	815	(685)
				US$	Dividend declared [2]	690	-	-	-
				US$	Dividend received [2]	5,931	-	10,484	-
97.080.000-K	Banco Bice	Chile	Common Director	Ch$	Expenses for services received	100	(84)	35	(30)
96.731.890-6	Cartulinas CMPC S.A.	Chile	Parent common director	Ch$	Easements	923	776	1,068	897
				Ch$	Sale of energy and capacity	6,709	5,638	-	-
79.621.850-9	Forestal Cominco S.A.	Chile	Controlling shareholder	US$	Dividends [3]	41,583	-	22,215	-
90.412.000-6	Minera Valparaíso S.A.	Chile	Controlling shareholder	US$	Dividends [3]	104,467	-	55,810	-
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Director and controlling shareholder	Ch$	Diesel supply service	14,681	(11,087)	35,200	(29,580)
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	Common Group	Ch$	Telephone services	371	(312)	377	(317)
96.697.410-9	Entel Telefonía Local S.A.	Chile	Common Director	Ch$	Telephone services	62	(52)	92	(77)
96.925.430-1	Sercor S.A.	Chile	Common Director	Ch$	Stock administration service	112	(94)	122	(102)
4.523.287-5	Arturo Mackenna	Chile	Director	Ch$	Advisory Services	-	-	52	(47)
76.158.513-4	Puerto Central S.A.	Chile	Common Director	Ch$	Electrical Supply	1,564	1,314	-	-

(1) Contributions to Centrales Hidroeléctricas de Aysén S.A.
- On February 17, 2017, Colbún made the first capital contribution to Centrales Hidroeléctricas de Aysén S.A. of MCh$ 1,764 (ThUS$2,763), as agreed by the shareholders at the Extraordinary Shareholders' Meeting of Hidroaysén of December 29, 2016.
- On September 7, 2018, the Company was liquidated. From the liquidation, the partners received, on a pro rata basis of their participation, the land owned by the Company and other minor assets.

(2) Dividends declared and paid by Electrogas S.A.
- In March 2018, Electrogas S.A. recorded a provisional dividend with a debit to profit for 2017 of MUS$ 14.0 of which Colbún is entitle to receive ThUS$5,931 (42.5%). In March 2017, Electrogas S.A. recorded a provisional dividend with a debit to profit for 2016 of MUS$ 13.1 of which Colbún is entitle to receive ThUS$5,554 (42.5%).
- In May 2018, the Company received a payment of ThUS$ 2,550, with a remaining balance pending receipt of ThUS$ 3,381.
- In September 2018, the Company paid the balance of the dividend declared in the previous year of ThUS$3,381.
- In December 2018, Electrogas agreed a provisional dividend with a debt to 2018 profit or loss of ThUS$4,000, related to Colbún of ThUS$1,700. Such dividend was received on December 11, 2018.

(3) Dividends declared and paid to Minera Valparaíso S.A. and Forestal Cominco S.A.
- Relates to the provisional dividend agreed at the Board of Directors' Meeting held on December 20, 2016 and paid on January 9, 2017.
- Relates to the final dividend agreed at the Shareholders' Meeting held on April 27, 2018 and paid on May 8, 2018.
- Related to the provisional dividend agreed at the Board of Directors’ Meeting held on November 27, 2018 and paid on December 19, 2018.

(4) See note 3.1.c

c. Key management personnel and senior management

Members of senior management and other individuals that are considered members of the Company's Management, as well as the shareholders or natural persons or legal entities they represent have entered into no unusual and/or significant transactions as of December 31, 2018 and 2017.

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 Board of Directors' Meeting held on July, 31, 2018, the Director Mr. Arturo Mackenna Iñiguez resigned as director of this Company. Hernán Rodríguez Wilson was appointed as a replacement at such meeting. He will hold office from August 1, 2018 until the next Ordinary Shareholders' Meeting of Colbún S.A., where the new Board of Directors of the Company will be elected.

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.

e. Compensation and other benefits

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

As of December 31, 2018 and 2017, the amounts paid, including amounts paid to the members of the Directors' Committee, are detailed as follows:

e.1 Board of Directors' remuneration

Name	Position	January - December					
		2018			2017		
		Board of Colbún ThUS$	Variable remuneration [1] ThUS$	Directors' Committee ThUS$	Board of Colbún ThUS$	Variable remuneration ThUS$	Directors' Committee ThUS$
Juan Eduardo Correa García [1]	Chairman	153	236	-	124	86	8
Vivianne Blanlot Soza [1]	Deputy chairman	76	141	-	74	86	-
Bernardo Larraín Matte [1]	Director	76	190	-	98	172	-
Luz Granier Bulnes [1]	Director	76	141	26	74	86	25
María Ignacia Benítez Pereira [1]	Director	76	141	26	74	47	25
Francisco Matte Izquierdo [1]	Director	76	141	26	74	47	17
Jorge Matte Capdevila [1]	Director	76	141	-	74	47	-
Andrés Lehuedé Bromley [1]	Director	76	141	-	74	7	-
Arturo Mackenna Íñiguez	Director	46	141	-	74	86	-
Hernán Rodríguez Wilson [1]	Director	31	-	-	-	-	-
Eduardo Navarro Beltrán	Director	-	-	-	-	79	-
Luis Felipe Gazitúa Achondo	Director	-	-	-	-	35	-
Eliodoro Matte Larraín	Director	-	-	-	-	35	-
Juan Hurtado Vicuña	Director	-	-	-	-	35	-
TOTAL		**762**	**1,413**	**78**	**740**	**848**	**75**

[1]Current Directors as of December 31, 2018 and 2017.

[2]On May 4, 2018, a net payment made related to variable compensation based on the profit for 2017.

At the Ordinary Shareholders' Meeting held on April 27, 2018, an annual variable payroll of 0.75% of the profit from 2018 was agreed from which the fixed compensation paid in 2018 is deducted. As of December 31, 2018, a provision of ThUS$1,010 was recorded for this item.

e.2 Board Counseling Expenses

For the years and December 31, 2018 and 2017, 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
Rodrigo Pérez Stiepovic	Legal Manager
Paula Martínez Osorio	Organization and Personnel Manager
Sebastián Fernández Cox	Development Manager
Heraldo Alvarez Arenas	Internal Audit Manager
Daniel Gordon Adam	Environmental Manager
Pedro Vial Lyon	Public Affairs Manager

Key management personnel accrued compensation:

Concept	January - December	
	2018 ThUS$	2017 ThUS$
Short-term employee benefits	4,352	4,726
Other long-term benefits	883	946
Termination benefits	95	117
Total	**5,330**	**5,789**

e.4 Receivables and payables and other transactions

As of December 31, 2018 and 2017, there are no receivables and payables between the Company and its Directors and Managers.

e.5 Other transactions

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

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

As of December 31, 2018 and 2017, 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

During the year ended December 31 2018, severance indemnities of ThUS$92 were paid, whereas as of December 31, 2017 there were no payments for such concept.

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.

12. Inventories

As of December 31, 2018 and 2017, this caption comprises the following:

Inventory	12.31.2018 ThUS$	12.31.2017 ThUS$
Spare parts for maintenance	25,562	39,684
Coal	18,620	14,659
Inventory in transit	163	7,226
Oil	4,506	4,495
Gas Line Pack	951	274
Allowance for obsolescence (1)	(5,553)	(3,427)
Total	**44,249**	**62,911**

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

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

Inventory costs recognized as expense

As of December 31, 2018 and 2017, the use of inventory recognized as expenses is detailed as follows:

Inventory costs	January - December	
	2018 ThUS$	2017 ThUS$
Warehouse consumption	9,462	10,412
Oil (see Note 28)	16,429	31,145
Gas Line Pack (see Note 28)	355,478	308,369
Coal (see Note 28)	86,799	73,813
Total	**468,168**	**423,739**

13. Derivative instruments

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

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

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

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

As of December 31, 2018 and 2017, the Company classified all its hedges as "Cash flow hedges."

13.1 Hedging instruments

As of December 31, 2018 and 2017, this caption includes the valuation of financial instruments for such periods, detailed as follows:

Hedging assets		Current		Non-current	
		12.31.2018 ThUS$	12.31.2017 ThUS$	12.31.2018 ThUS$	12.31.2017 ThUS$
Currency hedging instrument	Cash flow hedges	-	883	8,706	20,829
Fuel price hedge	Cash flow hedges	354	67	-	-
	Total (see note 8)	**354**	**950**	**8,706**	**20,829**

Hedging liabilities		Current	
		12.31.2018 ThUS$	12.31.2017 ThUS$
Currency hedging instrument	Cash flow hedges	1,091	396
Currency hedging instrument	Cash flow hedges	871	-
	Total (see note 21.a)	**1,962**	**396**
Hedging instruments, net		**7,098**	**21,383**

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

Hedging instrument	Fair value Hedging instruments		Underlying asset hedged	Hedged risk	Type of hedge
	12.31.2018 ThUS$	12.31.2017 ThUS$			
Currency forward	(1,092)	(396)	Financial investments	Exchange rate	Cash flow
Cross Currency Swaps	7,836	21,712	Obligations with the public (bonds)	Exchange rate and Interest rate	Cash flow
Oil options	-	67	Purchases of oil and gas	Oil price	Cash flow
Coal options	354	-	Purchase of Energy	Coal price	Cash flow
Total	**7,098**	**21,383**			

As of December 31, 2018 and 2017, the Company determined no gains or losses associated with ineffective cash flow hedges that should be recognized in profit or loss.

13.2 Fair value hierarchy

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

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

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

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

As of December 31, 2018 and 2017, the calculation of fair value of all financial instruments subject to measurement, has been determined based on Level 2 of the aforementioned hierarchy.

14. Investments in subsidiaries

The Consolidated Financial Statements include the financial statements of the Parent and subsidiaries. Information on subsidiaries As of December 31, 2018 and 2017 is detailed below.

Subsidiary	12.31.2018						
	Current assets ThUS$	Non-current assets ThUS$	Current liabilities ThUS$	Non-current liabilities ThUS$	Equity ThUS$	Revenue ThUS$	Net profit (loss) ThUS$
Empresa Eléctrica Industrial S.A.	2,996	26,607	2,155	16,460	10,988	5,112	718
Sociedad Hidroeléctrica Melocotón Ltda.	4	2,482	127	1,065	1,294	3,504	2,649
Río Tranquilo S.A.	2,490	46,050	1,340	21,729	25,471	12,950	7,792
Termoeléctrica Nehuenco S.A.	229	3,189	1,826	15,821	(14,229)	8,529	2,269
Termoeléctrica Antilhue S.A.	366	27,955	3,366	11,992	12,963	4,800	(745)
Colbún Transmisión S.A.	15,575	368,173	55,993	62,546	265,209	40,060	15,509
Colbún Desarrollo SpA	11	149	-	-	160	-	-
Inversiones SUD SpA	120	-	-	51	69	-	20
Inversiones Andinas SpA	10	-	-	-	10	-	-
Santa Sofía SpA (1)	-	153	-	180	(27)	-	(532)
Colbún Perú S.A.	20,058	208,604	28	-	228,634	-	(10,199)
Inversiones de Las Canteras S.A.	22,369	409,707	22,316	733	409,027	-	(20,254)
Fenix Power Perú S.A.	71,836	712,136	43,461	333,290	407,221	201,479	(19,921)

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

(1) See note 3.1.b.

15. Equity-accounted investees

a. Equity-accounted investees

The detail of equity-accounted investees and its movements As of December 31, 2018 and 2017 is described below.

Relationship	Company	No. of shares	Ownership percentage 12.31.2018	Balance as of 01.01.2018	Additions	Accrued profit or loss	Dividends	Equity reserve		Settlement	Other increase (decrease)	Total 12.31.2018
								Foreign currency translation difference	Reserve in hedge derivatives			
			%	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Associate	Electrogas S.A.	175,076	42.5%	17,220	-	7,670	(8,321)	-	34	-	-	16,603
Joint venture	Centrales Hidroeléctricas de Aysén S.A. [1]	8,731,996	0.0%	6,733	-	2,756	-	(1,157)	-	(8,332)	-	-
Joint venture	Aysén Transmisión S.A., en Liquidación [2]	4,900	49.0%	-	-	(42)	-	35	-	-	(18)	(25)
Joint venture	Aysén Energía S.A., en Liquidación [2]	4,900	49.0%	-	-	(15)	-	22	-	-	(18)	(11)
Joint venture	Transmisora Eléctrica de Quillota Ltda.	-	50.0%	14,345	-	1,019	-	(1,729)	-	-	-	13,635
			Total	38,298	-	11,388	(8,321)	(2,829)	34	(8,332)	(36)	30,202

Relationship	Company	No. of shares	Ownership percentage 31.12.2017	Balance as of 01.01.2017	Additions	Accrued profit or loss	Dividends	Equity reserve		Settlement	Other increase (decrease)	Total 12.31.2017
								Foreign currency translation difference	Reserve in hedge derivatives			
			%	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Associate	Electrogas S.A.	175,076	42.5%	17,049	-	8,187	(8,104)	-	88	-	-	17,220
Joint venture	Centrales Hidroeléctricas de Aysén S.A.	8,731,996	49.0%	9,245	2,923	(6,202)	-	767	-	-	-	6,733
Joint venture	Transmisora Eléctrica de Quillota Ltda.	-	50.0%	12,282	-	919	-	1,144	-	-	-	14,345
			Total	38,576	2,923	2,904	(8,104)	1,911	88	-	-	38,298

[1] [2] See note 3.1.c.

b. Financial information about investments in associates and joint ventures

The information in the financial statements of the Company's associates and joint ventures As of December 31, 2018 and 2017, is as follows:

Relationship	Company	12.31.2018							
		Current assets ThUS$	Non-current assets ThUS$	Current liabilities ThUS$	Non-current liabilities ThUS$	Equity ThUS$	Revenue ThUS$	Cost of sales ThUS$	Retained earnings (accumulated deficit) ThUS$
Associate	Electrogas S.A.	7,073	51,345	6,679	12,674	39,065	35,146	(3,326)	18,049
Joint venture	Aysén Transmisión S.A., en Liquidación (1)	5	-	57	-	(52)	-	-	-
Joint venture	Aysén Energía S.A., en Liquidación (1)	1	-	23	-	(22)	-	-	-
Joint venture	Transmisora Eléctrica de Quillota Ltda.	13,433	16,636	339	2,459	27,271	4,323	(779)	2,039

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

(1) (2) See note 3.1.c.

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 Gas Atacama Chile 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), liquidated:

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

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

The dissolution of the Company was agreed at the Extraordinary General Shareholders' Meeting held on December 7, 2017, which was converted into a public deed on August 14, 2018 in the Santiago notary's office of Mr. Germán Rousseau del Rio.

The liquidation of the company and the allocation of its assets to each partner was performed on September 7, 2018. From the liquidation process of Centrales Hidroeléctricas de Aysén S.A., Colbún S.A. receives 49% of the shares of Aysén Transmisión S.A. and Aysén Energía S.A.

iii) Transmisora Eléctrica de Quillota Ltda.:

This company was incorporated by Colbún S.A. and San Isidro S.A. (currently, Gas Atacama Chile 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.

16. Intangible assets other than goodwill

a. Detail by classes of intangible assets

As of December 31, 2018 and 2017, this caption is detailed as follows:

Intangible assets, net		12.31.2018 ThUS$	12.31.2017 ThUS$
Rights not internally generated	Emission rights for particulate matter	9,582	9,582
	Concessions	202	87
	Water rights	17,436	17,440
	Easements	58,246	58,145
	Intangible assets related to customers	40,186	43,362
Licenses	Software	2,288	3,451
	Total	**127,940**	**132,067**

Intangible assets, gross		12.31.2018 ThUS$	12.31.2017 ThUS$
Rights not internally generated	Emission rights for particulate matter	9,582	9,582
	Concessions	228	113
	Water rights	17,455	17,455
	Easements	59,749	59,474
	Intangible assets related to customers	46,815	46,815
Licenses	Software	13,889	12,799
	Total	**147,718**	**146,238**

Accumulated amortization		12.31.2018 ThUS$	12.31.2017 ThUS$
Rights not internally generated	Concessions	(26)	(26)
	Water rights	(19)	(15)
	Easements	(1,503)	(1,329)
	Intangible assets related to customers	(6,629)	(3,453)
Licenses	Software	(11,601)	(9,348)
	Total	**(19,778)**	**(14,171)**

b. Movements in intangible assets

As of December 31, 2018 and 2017, this caption comprises the following:

Movements as of 2018	Rights not internally generated					Licenses	Intangible assets, net
	Emission rights for particulate matter ThUS$	Concessions ThUS$	Water rights ThUS$	Easementss ThUS$	Intangible assets related to customers ThUS$	Software ThUS$	ThUS$
Balance as of 01.01.2018	9,582	87	17,440	58,145	43,362	3,451	132,067
Additions	-	115	-	30	-	37	182
Increase (decrease) resulting from other movements	-	-	-	13	-	-	13
Disposals	-	-	-	(43)	-	-	(43)
Transport from assets under construction	-	-	-	275	-	966	1,241
Accumulated amortization, transfers	-	-	-	-	-	87	87
Amortization expenses (see Note 30)	-	-	(4)	(174)	(3,176)	(2,253)	(5,607)
Balance as of 12.31.2018	**9,582**	**202**	**17,436**	**58,246**	**40,186**	**2,288**	**127,940**

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

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.

17. Property, plant and equipment

a. Detail of property, plant and equipment

As of December 31, 2018 and 2017, the caption property, plant and equipment is detailed as follows:

Property, plant and equipment, net	12.31.2018 ThUS$	12.31.2017 ThUS$
Land	306,894	297,742
Building, construction and facilities	112,707	225,930
Machinery	1,186	574
Transport equipment	626	755
Office equipment	3,168	3,410
IT equipment	1,439	1,472
Power-generating assets	4,233,043	4,068,854
Assets under construction	314,410	530,185
Finance leases	10,558	11,307
Other property, plant and equipment	413,125	376,249
Total	**5,397,156**	**5,516,478**

Property, plant and equipment, gross	12.31.2018 ThUS$	12.31.2017 ThUS$
Land	306,894	297,742
Building, construction and facilities	134,587	284,277
Machinery	1,640	882
Transport equipment	1,663	1,730
Office equipment	9,087	9,013
IT equipment	9,001	8,266
Power-generating assets	5,887,279	5,475,436
Assets under construction	398,480	595,431
Finance leases	15,154	15,154
Other property, plant and equipment	516,612	464,558
Total	**7,280,397**	**7,152,489**

Accumulated depreciation and impairment of property, plant and equipment	12.31.2018 ThUS$	12.31.2017 ThUS$
Building, construction and facilities	(21,880)	(58,347)
Machinery	(454)	(308)
Transport equipment	(1,037)	(975)
Office equipment	(5,919)	(5,603)
IT equipment	(7,562)	(6,794)
Power-generating assets	(1,654,236)	(1,406,582)
Assets under construction	(84,070)	(65,246)
Finance leases	(4,596)	(3,847)
Other property, plant and equipment	(103,487)	(88,309)
Total	**(1,883,241)**	**(1,636,011)**

b. Movements in property, plant and equipment

As of December 31, 2018 and 2017, the caption property, plant and equipment, net is composed of the following:

Movements as of 2018	Land	Building, 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 01.01.2018	297,742	225,930	574	755	3,410	1,472	4,068,854	530,185	11,307	376,249	5,516,478
Additions	9,042	-	5	-	-	224	283	99,628	-	-	109,182
Increase (decrease) resulting from other movements	(22)	-	-	-	-	-	-	-	-	24,475	24,453
Disposals	-	(384)	-	(67)	(41)	(46)	(4,035)	-	-	-	(4,573)
Accumulated depreciation, disposals	-	373	-	67	26	6	2,470	-	-	-	2,942
Impairment losses recognized in profit or loss for the year	-	-	-	-	-	-	-	(18,824)	-	-	(18,824)
Transport from assets under construction	132	886	730	-	115	543	265,582	(296,579)	-	27,350	(1,241)
Transport between assets	-	(150,192)	23	-	-	14	150,013	-	-	229	87
Accumulated depreciation, transport between assets	-	40,428	(1)	-	-	-	(40,427)	-	-	-	-
Depreciation expenses (see Note 30)	-	(4,334)	(145)	(129)	(342)	(774)	(209,697)		(749)	(15,178)	(231,348)
Total movements	**9,152**	**(113,223)**	**612**	**(129)**	**(242)**	**(33)**	**164,189**	**(215,775)**	**(749)**	**36,876**	**(119,322)**
Balance as of 12.31.2018	**306,894**	**112,707**	**1,186**	**626**	**3,168**	**1,439**	**4,233,043**	**314,410**	**10,558**	**413,125**	**5,397,156**

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

c. Other disclosures

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

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

ii) During the second quarter of 2018, the Chilean National Electric Coordinator (CEN) received the following projects:

- On June 5, 2018, the PMGD project Ovejería commenced its operations with an installed capacity of 9 MW.

- On June 15, 2018, the hydro power plant La Mina commenced its operations with an installed capacity of 37 MW.

iii) As of December 31, 2018 and 2017, the Company had commitments associated with the acquisition of property, plant and equipment for construction agreements for ThUS$36,612 and ThUS$62,796, respectively. The companies in which it operates are: Abb S.A., Siemens Chile S.A., Constructora y Maquinarias Pulmahue SpA, Andritz Hydro S.R.L., Toshiba America do Sul Ltda., Consorcio Isotron Sacyr S.A., Ingeniería Agrosonda Ltda., Soc. Com., e Ingeniería y Gestión Ind. Ingher Ltda., Rhona S.A., Tadeo Czerweny S.A., IMCD Ingeniería and Construcción SpA, among others.

iv) As of December 31, 2018 and 2017, accumulated capitalized interest costs (IAS 23) are detailed as follows:

Concept	January - December	
	2018 ThUS$	**2017 ThUS$**
Borrowing costs		
Capitalized borrowing costs (see Note 31)	-	304
Borrowing costs recognized as expenses	8,587	8,840
Total borrowing costs incurred	**8,587**	**9,144**
Interest costs		
Capitalized interest costs (see Note 31)	-	3,660
Interest expenses	74,846	84,954
Total interest costs incurred	**74,846**	**88,614**
Capitalization rate of borrowing costs subject to capitalization	5.20%	5.29%

v) Operating leases

As of December 31, 2018 and 2017, 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-Maitenes substation) entered into between the Company and Anglo American Sur. Such contracts have a term of 21 years.

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

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

December 31, 2018	0-1 year ThUS$	1-5 years ThUS$	Over 5 years ThUS$	Total ThUS$
Minimum lease payments under operating non-cancellable leases	120,863	483,435	2,407,864	3,012,162
Total	**120,863**	**483,435**	**2,407,864**	**3,012,162**

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

vi) Financial lease

As of December 31, 2018 and 2017, the caption property, plant and equipment includes ThUS$10,558, corresponding to the net accounting value of assets that are subject to finance lease agreements. In addition, as of December 31, 2017, property, plant and equipment included ThUS$11,307 for the same concept.

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

As of December 31, 2018 and 2017, the present value of future payments derived from such contracts is as follows:

December 31, 2018	0-1 year ThUS$	1-5 years ThUS$	Over 5 years ThUS$	Total ThUS$
Gross	2,473	10,316	28,748	**41,537**
Interest	(1,990)	(7,720)	(17,183)	**(26,893)**
Current value (see Note 21.a)	483	2,596	11,565	**14,644**

December 31, 2017	0-1 year ThUS$	1-5 years ThUS$	Over 5 years ThUS$	Total ThUS$
Gross	2,415	9,660	31,646	**43,721**
Interest	(1,987)	(7,318)	(19,345)	**(28,650)**
Current value (see Note 21.a)	428	2,342	12,301	**15,071**

vii) Additional information required for XBRL taxonomy.

1. Disbursements recognized during the construction

Disbursements recognized during the construction, gross	12.31.2018 ThUS$	12.31.2017 ThUS$
Assets under construction	106,431	119,574
Total	**106,431**	**119,574**

2. Assets fully depreciated still in use

Assets fully depreciated still in use, gross	12.31.2018 ThUS$	12.31.2017 ThUS$
Buildings	63	32
Machinery	47	36
Transport equipment	587	474
Office equipment	3,991	3,942
IT equipment	6,330	5,642
Power-generating assets	12,481	9,688
Other property, plant and equipment	1,430	1,430
Total	**24,929**	**21,244**

Assets fully depreciated still in use, accumulated depreciation and impairment	12.31.2018 ThUS$	12.31.2017 ThUS$
Buildings	(63)	(32)
Machinery	(47)	(36)
Transport equipment	(585)	(472)
Office equipment	(3,991)	(3,942)
IT equipment	(6,330)	(5,642)
Power-generating assets	(12,470)	(9,688)
Other property, plant and equipment	(1,430)	(1,430)
Total	**(24,916)**	**(21,242)**

viii) Detail of other property, plant and equipment:

As of December 31, 2018 and 2017, this caption comprises the following:

Other property, plant and equipment, net	12.31.2018 ThUS$	12.31.2017 ThUS$
Substations	150,725	149,746
Transmission lines	137,577	127,635
Spare parts classified as property, plant and equipment	116,839	90,655
Other property, plant and equipment	7,984	8,213
Balance of other property, plant and equipment, net	**413,125**	**376,249**

Other property, plant and equipment, gross	12.31.2018 ThUS$	12.31.2017 ThUS$
Substations	218,417	207,047
Transmission lines	170,000	155,732
Spare parts classified as property, plant and equipment	116,839	90,655
Other property, plant and equipment	11,356	11,124
Total other property, plant and equipment, gross	**516,612**	**464,558**

Accumulated depreciation and impairment of property, plant and equipment	12.31.2018 ThUS$	12.31.2017 ThUS$
Substations	(67,692)	(57,301)
Transmission lines	(32,423)	(28,097)
Other property, plant and equipment	(3,372)	(2,911)
Total depreciation and impairment	**(103,487)**	**(88,309)**

ix) Detail of power-generating assets

Power-generating assets, net		12.31.2018 ThUS$	12.31.2017 ThUS$
Power-generating civil works	Hydropower	1,683,169	1,672,750
	Coal-fired thermal power	284,275	220,808
	Oil and gas-fired thermal power	43,420	44,124
	Solar power	158	-
Power-generating equipment and machinery	Hydropower	650,133	558,498
	Coal-fired thermal power	472,991	491,163
	Oil and gas-fired thermal power	1,089,736	1,081,511
	Solar power	9,161	-
Balance of power-generating assets, net		**4,233,043**	**4,068,854**

Power-generating assets, gross		12.31.2018 ThUS$	12.31.2017 ThUS$
Power-generating civil works	Hydropower	2,227,502	2,206,842
	Coal-fired thermal power	358,731	260,852
	Oil and gas-fired thermal power	54,700	54,501
	Solar power	162	-
Power-generating equipment and machinery	Hydropower	934,531	759,889
	Coal-fired thermal power	620,012	612,995
	Oil and gas-fired thermal power	1,682,223	1,580,357
	Solar power	9,418	-
Total power-generating assets, gross		**5,887,279**	**5,475,436**

Accumulated depreciation and impairment of power-generating assets		12.31.2018 ThUS$	12.31.2017 ThUS$
Power-generating civil works	Hydropower	(544,333)	(534,092)
	Coal-fired thermal power	(74,456)	(40,044)
	Oil and gas-fired thermal power	(11,280)	(10,377)
	Solar power	(4)	-
Power-generating equipment and machinery	Hydropower	(284,398)	(201,391)
	Coal-fired thermal power	(147,021)	(121,832)
	Oil and gas-fired thermal power	(592,487)	(498,846)
	Solar power	(257)	-
Total depreciation and impairment		**(1,654,236)**	**(1,406,582)**

18. Current income tax assets recoverable

As of December 31, 2018 and 2017, this caption comprises the following:

a. Current tax assets

	Current	
	12.31.2018 ThUS$	12.31.2017 ThUS$
Recoverable taxes from previous years	12,733	11,284
Recoverable taxes for the year (see Note 20.a.1)	43,247	7,106
Total	**55,980**	**18,390**

b. Current tax liabilities

	Current	
	12.31.2018 ThUS$	12.31.2017 ThUS$
Recoverable taxes for the year (see Note 20.a.1)	74	19,785
Total	**74**	**19,785**

19. Other non-financial assets

As of December 31, 2018 and 2017, this caption comprises the following:

	Current		Non-current	
	12.31.2018 ThUS$	12.31.2017 ThUS$	12.31.2018 ThUS$	12.31.2017 ThUS$
Insurance premium for facilities and civil responsibility	14,440	15,542	-	-
Prepayments [1]	5,222	13,741	21,816	19,875
Patent for non-use of water rights [2]	-	-	3,916	7,774
Other miscellaneous assets	134	109	1,198	1,360
Total	**19,796**	**29,392**	**26,930**	**29,009**

[1] Corresponds to advance payments to domestic and foreign suppliers.

[2] Credit under Article No.129 bis 20 of the Chilean Water Code, Decree Law No.1.122. As of December 31, 2018 and 2017, the Company recognized no impairment charges for ThUS$8,076, whereas as of December 31, 2017, the Company recognized ThUS$5,928. 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.

20. Income taxes

a. Income tax benefit (expense)

Income tax benefit (expense)	January - December	
	2018	2017
	ThUS$	ThUS$
Current income tax (expense) benefit		
Current income taxes	(53,647)	(87,313)
Adjustments to prior-year current income tax expense	(2,185)	11,538
Total income tax expense, net	**(55,832)**	**(75,775)**
Deferred income tax (expense) benefit		
Deferred income tax benefit arising from temporary differences [1]	(42,586)	41,695
Total deferred income tax benefit, net	**(42,586)**	**41,695**
Income tax benefit (expense)	**(98,418)**	**(34,080)**

[1] See note 3.1.c

As of December 31, 2018 and 2017, income tax benefit (expense) and deferred taxes from foreign and domestic parties is detailed as follows:

Income tax benefit (expense)	January - December	
	2018	2017
	ThUS$	ThUS$
Domestic current income tax (expense) benefit	(55,804)	(76,725)
Foreign current income tax (expense) benefit	(28)	950
Total current income tax expense, net	**(55,832)**	**(75,775)**
Domestic deferred income tax benefit (expense)	(41,018)	38,812
Foreign deferred income tax benefit	(1,568)	2,883
Total deferred income tax benefit	**(42,586)**	**41,695**
Income tax expense charged to profit or loss	**(98,418)**	**(34,080)**

a.1 Reconciliation of current taxes recoverable and payable

As of December 31, 2018 and 2017, the reconciliation of current taxes to income tax is as follows:

Current tax reconciliation	12.31.2018						
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.	(41,487)	(1,120)	77,158	1,065	(29)	35,587	-
Colbún Transmisión S.A.	(7,224)	-	8,247	-	-	1,023	-
Río Tranquilo S.A.	(2,893)	-	3,248	-	-	355	-
Soc. Hidroeléctrica Melocotón Ltda.	(980)	-	933	-	-	-	(47)
Termoeléctrica Antilhue S.A.	(790)	-	904	-	-	114	-
Empresa Eléctrica Industrial S.A.	(209)	-	440	1	-	232	-
Colbún Perú S.A.	(28)	-	1	-	-	-	(27)
Inversiones SUD SpA	(7)	-	73	-	-	66	-
Fenix Power S.A.	-	-	2,740	3,130	-	5,870	-
Total	**(53,618)**	**(1,120)**	**93,744**	**4,196**	**(29)**	**43,247**	**(74)**

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

As of December 31, 2018 and 2017, Colbún S.A., along with its subsidiaries, generated taxable income and, accordingly, it recognized a consolidated income tax liability, net of monthly provisional income tax payments and credits, amounting to ThUS$74.

In the case of the foreign subsidiary Fenix Power Perú S.A., as of December 31, 2018, it recognizes accumulated tax losses of ThUS$167,456. Additionally, the accumulated tax losses of the domestic subsidiary Termoeléctrica Nehuenco S.A. records an amount to ThUS$9,241. With respect to the aforementioned subsidiaries with accumulated tax losses, such losses are expected to reverse in the future; accordingly, a deferred tax asset was recognized.

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

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

As of December 31, 2018 and 2017, the total tax expense can be reconciled to the accounting profit as follows:

Income tax benefit (expense)	January - December			
	2018		2017	
	Amount ThUS$	Rate %	Amount ThUS$	Rate %
Profit before income taxes	328,843		322,682	
Tax expense using the legal rate [1]	**(88,788)**	**27.0%**	**(82,284)**	**25.5%**
Differences between US dollars and tax financial accounting in local currency through deferred taxes [2]	(6,500)	2.0%	5,711	-1.8%
Tax effect of exchange rate differences in other jurisdictions	-	0.0%	-	0.0%
Other differences	(3,130)	1.0%	42,493	-13.2%
Actual Income tax expense	**(98,418)**	**29.9%**	**(34,080)**	**10.6%**

[1] As of December 31, 2018, the income tax expense was calculated using the legal tax rate of 27% (Law No. 20.780) for the Chilean operations and the legal tax rate of 29.5% for the Peruvian operations. As of December 31, 2017, the 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.

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

b. Deferred taxes

At each reporting period, deferred tax assets and liabilities are detailed as follows:

Deferred tax assets	12.31.2018 ThUS$	12.31.2017 ThUS$
Deferred taxes related to tax losses	51,908	47,332
Deferred taxes related to unearned revenue	3,763	3,539
Deferred taxes related to inventory	1,918	1,753
Deferred taxes related to provisions	19,895	20,418
Deferred taxes related to unrealized gain or loss	292	292
Deferred taxes related to contingencies	663	46
Impuestos Diferidos a Instrumentos de Cobertura	99	(987)
Deferred taxes related to obligations for post-employment benefits	7,503	7,641
Deferred taxes related to investments in associates [1]	-	39,980
Total deferred tax assets	**86,041**	**120,014**

Deferred tax liabilities	12.31.2018 ThUS$	12.31.2017 ThUS$
Deferred taxes related to depreciation	(979,537)	(967,128)
Deferred taxes related to intangible assets	(13,482)	(14,599)
Deferred taxes related to finance costs	(15,761)	(17,972)
Total deferred tax liabilities	**(1,008,780)**	**(999,699)**
Total deferred tax assets and liabilities, net	**(922,739)**	**(879,685)**

Changes in deferred taxes	12.31.2018 ThUS$	12.31.2017 ThUS$
Deferred taxes as of January 1	**(879,685)**	**(950,844)**
Property, plant and equipment	(12,409)	39,657
Contingencies	617	(659)
Obligations for post-employment benefits	(138)	2,682
Tax losses	4,576	4,295
Intangible assets	1,117	(10,175)
Investments in associates	(39,980)	39,980
Unrealized gain or loss	-	(291)
Unearned revenue	224	255
Hedging instruments	1,086	(703)
Finance costs	2,211	(12,411)
Inventories	165	(1,080)
Provisions	(523)	13,548
Tax expense	-	(3,939)
Closing balance	**(922,739)**	**(879,685)**

[1] See note 3.1.c.

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

Net deferred tax position by company				
Company	Net position			
	Non-current assets		Non-current liabilities	
	12.31.2018 ThUS$	12.31.2017 ThUS$	12.31.2018 ThUS$	12.31.2017 ThUS$
Fenix Power Perú S.A.	32,719	34,369	-	-
Termoeléctrica Nehuenco S.A.	3,189	3,992	-	-
Santa Sofía SpA	153	-	-	-
Soc. Hidroeléctrica Melocotón Ltda.	-	-	(144)	(144)
Empresa Eléctrica Industrial S.A.	-	-	(766)	(405)
Inversiones de Las Canteras S.A.	-	-	(733)	(815)
Termoeléctrica Antilhue S.A.	-	-	(5,250)	(6,316)
Río Tranquilo S.A.	-	-	(10,388)	(10,642)
Colbún Transmisión S.A.	-	-	(62,546)	(23,033)
Colbún S.A.	-	-	(878,973)	(876,691)
Subtotal	**36,061**	**38,361**	**(958,800)**	**(918,046)**
		Net deferred taxes	**(922,739)**	**(879,685)**

c. Income tax in other comprehensive income

	January - December	
	2018 ThUS$	**2017** ThUS$
Related to cash flow hedges	(1,794)	1,393
Related to defined benefit plans	207	689
Income tax related to components of other comprehensive income	**(1,587)**	**2,082**
Related to share of other comprehensive profit or loss on associates and joint ventures using the equity method	(12)	(31)
Income tax related to components of other comprehensive income	**(1,599)**	**2,051**

21. Other financial liabilities

As of December 31, 2018 and 2017, this caption comprises the following:

a. Obligations with financial institutions

Other financial liabilities	Current		Non-current	
	12.31.2018 ThUS$	12.31.2017 ThUS$	12.31.2018 ThUS$	12.31.2017 ThUS$
Lease obligations	483	428	14,161	14,643
Obligations with the public (Bonds, commercial paper) [1]	66,058	56,592	1,520,599	1,587,393
Hedging derivatives [2]	1,962	396	-	-
Total	**68,503**	**57,416**	**1,534,760**	**1,602,036**

[1] Interest accrued for obligations with the public have been determined using the effective rate.

[2]See note 13.1

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	12.31.2018 ThUS$	12.31.2017 ThUS$
US dollar	1,523,196	1,560,803
Inflation-adjusted units	80,067	98,649
Total	**1,603,263**	**1,659,452**

c. Maturity and currency of the obligations with financial institutions

c.1 Bank borrowings

As of December 31, 2018, the Company has no bank borrowings.

c.2 Obligations with the public (bonds)

As of 12.31.2018							
Debtor's ID number	96.505.760-9	96.505.760-9	96.505.760-9	96.505.760-9	96.505.760-9	0-E	
Debtor's name	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Fenix Power Perú S.A.	
Debtor's country	Chile	Chile	Chile	Chile	Chile	Peru	
Creditor's ID number	234	499	538	-	-	-	
Series	Series C	Series F	Series I	144A/RegS	144A/RegS	144A/RegS	
Maturity date	10-15-2021	05-01-2028	06-10-2029	10-10-2027	07-10-2024	09-20-2027	
Currency or inflation-adjusted unit	UF	UF	UF	US$	US$	US$	
Amortization frequency	Biannual	Biannual	Biannual	Bullet	Bullet	Biannual	
Interest type	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Base	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Effective rate	8.10%	4.46%	5.02%	5.11%	4.80%	4.57%	
Nominal rate	7.00%	3.40%	4.50%	3.95%	4.50%	4.32%	
Nominal amounts	**ThUS$**						**Total ThUS$**
Up to 90 days	-	-	-	-	10,625	10,017	**20,642**
90 days to 1 year	7,968	16,706	11,104	4,334	-	6,000	**46,112**
1-3 years	**16,424**	**31,746**	**21,646**	**-**	**-**	**42,000**	**111,816**
1-2 years	8,009	15,873	10,823	-	-	18,000	52,705
2-3 years	8,415	15,873	10,823	-	-	24,000	59,111
Over 3 years up to 5 years	**-**	**31,746**	**21,646**	**-**	**-**	**55,000**	**108,392**
Over 3 years up to 4 years	-	15,873	10,823	-	-	27,000	53,696
Over 4 years up to 5 years	-	15,873	10,823	-	-	28,000	54,696
Over 5 years	**-**	**71,429**	**59,524**	**500,000**	**500,000**	**226,000**	**1,356,953**
Subtotal nominal amounts	**24,392**	**151,627**	**113,920**	**504,334**	**510,625**	**339,017**	**1,643,915**
Carrying amounts	**ThUS$**						**Total ThUS$**
Up to 90 days	-	-	-	-	10,624	10,017	**20,641**
90 days to 1 year	7,865	16,297	10,922	4,333	-	6,000	**45,417**
Current obligations with the public	**7,865**	**16,297**	**10,922**	**4,333**	**10,624**	**16,017**	**66,058**
1-3 years	**16,201**	**30,926**	**21,282**	**-**	**-**	**40,755**	**109,164**
1-2 years	7,900	15,463	10,641	-	-	17,367	51,371
2-3 years	8,301	15,463	10,641	-	-	23,388	57,793
Over 3 years up to 5 years	**-**	**30,926**	**21,282**	**-**	**-**	**53,892**	**106,100**
Over 3 years up to 4 years	-	15,463	10,641	-	-	26,424	52,528
Over 4 years up to 5 years	-	15,463	10,641	-	-	27,468	53,572
Over 5 years	**-**	**69,584**	**58,516**	**459,549**	**493,906**	**223,780**	**1,305,335**
Non-current obligations with the public	**16,201**	**131,436**	**101,080**	**459,549**	**493,906**	**318,427**	**1,520,599**
Total obligations with the public	**24,066**	**147,733**	**112,002**	**463,882**	**504,530**	**334,444**	**1,586,657**

Obligations with the public (bonds)

As of 12.13.2017							
Debtor's ID number	96.505.760-9	96.505.760-9	96.505.760-9	96.505.760-9	96.505.760-9	0-E	
Debtor's name	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Fenix Power Perú S.A.	
Debtor's country	Chile	Chile	Chile	Chile	Chile	Peru	
Creditor's ID number	234	499	538	-	-	-	
Series	Series C	Series F	Series I	144A/RegS	144A/RegS	144A/RegS	
Maturity date	10-15-2021	05-01-2028	06-10-2029	10-10-2027	07-10-2024	09-20-2027	
Currency or inflation-adjusted unit	UF	UF	UF	US$	US$	US$	
Amortization frequency	Biannual	Biannual	Biannual	Bullet	Bullet	Biannual	
Interest type	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Base	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Effective rate	8.10%	4.46%	5.02%	5.15%	4.97%	4.55%	
Nominal rate	7.00%	3.40%	4.50%	3.95%	4.50%	4.32%	
Nominal amounts	**ThUS$**						**Total ThUS$**
Up to 90 days	-	-	-	-	10,625	4,158	**14,783**
90 days to 1 year	8,464	18,448	6,268	4,334	-	5,000	**42,514**
1-3 years	**17,172**	**34,874**	**23,778**	**-**	**-**	**30,000**	**105,824**
1-2 years	8,374	17,437	11,889	-	-	12,000	49,700
2-3 years	8,798	17,437	11,889	-	-	18,000	56,124
Over 3 years up to 5 years	**9,244**	**34,874**	**23,778**	**-**	**-**	**51,000**	**118,896**
Over 3 years up to 4 years	9,244	17,437	11,889	-	-	24,000	62,570
Over 4 years up to 5 years	-	17,437	11,889	-	-	27,000	56,326
Over 5 years	**-**	**95,902**	**77,275**	**500,000**	**500,000**	**254,000**	**1,427,177**
Subtotal nominal amounts	**34,880**	**184,098**	**131,099**	**504,334**	**510,625**	**344,158**	**1,709,194**
Carrying amounts	**ThUS$**						**Total ThUS$**
Up to 90 days	-	-	-	-	10,625	4,158	**14,783**
90 days to 1 year	8,341	17,980	6,154	4,334	-	5,000	**41,809**
Current obligations with the public	**8,341**	**17,980**	**6,154**	**4,334**	**10,625**	**9,158**	**56,592**
1-3 years	**16,909**	**33,934**	**23,322**	**-**	**-**	**24,705**	**98,870**
1-2 years	8,246	16,967	11,661	-	-	10,342	47,216
2-3 years	8,663	16,967	11,661	-	-	14,363	51,654
Over 3 years up to 5 years	**9,103**	**33,934**	**23,322**	**-**	**-**	**45,281**	**111,640**
Over 3 years up to 4 years	9,103	16,967	11,661	-	-	20,376	58,107
Over 4 years up to 5 years	-	16,967	11,661	-	-	24,905	53,533
Over 5 years	**-**	**93,320**	**75,792**	**455,258**	**492,704**	**259,809**	**1,376,883**
Non-current obligations with the public	**26,012**	**161,188**	**122,436**	**455,258**	**492,704**	**329,795**	**1,587,393**
Total obligations with the public	**34,353**	**179,168**	**128,590**	**459,592**	**503,329**	**338,953**	**1,643,985**

c.3 Lease obligations

As of 12.31.2018	
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	Consorcio Transmantaro S.A.
Creditor's country	Peru
Currency or inflation-adjusted unit	USD
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	483	483
1-3 years	**1,163**	**1,163**
1-2 years	544	544
2-3 years	619	619
Over 3 years up to 5 years	**1,432**	**1,432**
Over 3 years up to 4 years	696	696
Over 4 years up to 5 years	736	736
Over 5 years	**11,565**	**11,565**
Subtotal nominal amounts	**14,643**	**14,643**

Carrying amounts	ThUS$	Total
Up to 90 days	-	-
90 days to 1 year	483	483
Liabilities under lease	**483**	**483**
1-3 years	**1,163**	**1,163**
1-2 years	544	544
2-3 years	619	619
Over 3 years up to 5 years	**1,433**	**1,433**
Over 3 years up to 4 years	697	697
Over 4 years up to 5 years	736	736
Over 5 years	**11,565**	**11,565**
Liabilities under lease agreements, non-current	**14,161**	**14,161**
Total liabilities under lease agreements	**14,644**	**14,644**

Lease obligations

As of 12.31.2017	
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	Consorcio Transmantaro S.A.
Creditor's country	Peru
Currency or inflation-adjusted unit	USD
Amortization type	Quarterly
Interest type	Fixed
Base	-
Effective rate	12.00%
Nominal rate	12.00%

Nominal amounts	**ThUS$**	**Total**
Up to 90 days	-	**-**
90 days to 1 year	428	**428**
1-3 years	**1,026**	**1,026**
1-2 years	482	482
2-3 years	544	544
Over 3 years up to 5 years	**1,316**	**1,316**
Over 3 years up to 4 years	619	619
Over 4 years up to 5 years	697	697
Over 5 years	**12,301**	**12,301**
Subtotal nominal amounts	**15,071**	**15,071**

Carrying amounts	**ThUS$**	**Total**
Up to 90 days	-	**-**
90 days to 1 year	428	**428**
Liabilities under lease	**428**	**428**
1-3 years	**1,026**	**1,026**
1-2 years	482	482
2-3 years	544	544
Over 3 years up to 5 years	**1,316**	**1,316**
Over 3 years up to 4 years	619	619
Over 4 years up to 5 years	697	697
Over 5 years	**12,301**	**12,301**
Liabilities under lease agreements, non-current	**14,643**	**14,643**
Total liabilities under lease agreements	**15,071**	**15,071**

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

Liabilities	Currency	Interests as of 12.31.2018		Capital	Maturity date	Maturity					Total interest	Total debt
		Accrued	Forecasted			Up to 3 months	3 - 12 months	1 to 3 years	3 to 5 years	Over 5 years		
Bond 144A/RegS 2017 (Fenix Power Perú)	US$	4,057	92,179	335,000	9/20/2027	7,231	7,101	26,657	22,502	32,745	96,236	431,236
Finance lease (Fenix Power Perú)	US$	-	16,248	15,976	3/28/2033	446	1,318	3,360	3,088	8,036	16,248	32,224
Series C Bond	UFR	9	65	606	4/15/2021	-	38	36	-	-	74	680
Series F Bond	UFR	21	620	3,800	5/1/2028	-	125	209	155	152	641	4,441
Series I Bond	UFR	7	693	2,864	6/10/2029	-	124	212	164	200	700	3,564
Bond 144A/RegS 2014	US$	10,625	124,375	500,000	7/10/2024	11,250	11,250	45,000	45,000	22,500	135,000	635,000
Bond 144A/RegS 2017	US$	4,334	212,916	500,000	10/11/2027	-	19,750	39,500	39,500	118,500	217,250	717,250

Liabilities	Currency	Interests as of 12.31.2017		Capital	Maturity date	Maturity					Total interest	Total debt
		Accrued	Forecasted			Up to 3 months	3 - 12 months	1 to 3 years	3 to 5 years	Over 5 years		
Bond 144A/RegS 2017 (Fenix Power Perú)	US$	4,159	106,756	340,000	9/20/2027	7,339	7,339	28,082	24,747	43,408	110,915	450,915
Finance lease (Fenix Power Perú)	US$	-	18,059	15,976	3/28/2033	457	1,354	3,474	3,232	9,542	18,059	34,035
Series C Bond	UFR	11	114	789	4/15/2021	-	51	63	11	-	125	914
Series F Bond	UFR	23	756	4,200	5/1/2028	-	138	236	182	223	779	4,979
Series I Bond	UFR	7	827	3,000	6/10/2029	-	134	237	188	275	834	3,834
Bond 144A/RegS 2014	US$	10,625	146,875	500,000	7/10/2024	11,250	11,250	45,000	45,000	45,000	157,500	657,500
Bond 144A/RegS 2017	US$	4,334	193,166	500,000	10/11/2027	-	19,750	39,500	39,500	98,750	197,500	697,500

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d. Committed and uncommitted revolving credit facilities

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

Other revolving credit facilities:

The Company has two lines of bonds registered with the CMF 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.

In addition, Fenix Power has a revolving credit facility US$ 20 million assumed for a year term and nine remaining months with a local bank.

22. Trade and other payables

As of December 31, 2018 and 2017, trade and other payables are composed of the following:

	Current		Non-current	
	12.31.2018 ThUS$	12.31.2017 ThUS$	12.31.2018 ThUS$	12.31.2017 ThUS$
Trade payables	171,292	176,127	-	-
Dividends payable	584	11,986	-	-
Other payables	11,007	6,776	3,739	12,924
Total	**182,883**	**194,889**	**3,739**	**12,924**

As of December 31, 2018 and 2017, this caption comprises the following:

Main creditors	%
Siemens Energy, Inc.	5.02
Mapfre Cía. Seguros de Chile S.A.	4.30
Chubb Seguros Chile S.A.	3.84
Enap Refinerías S.A.	3.49
GE Packaged Power, Inc.	1.87
Punta Palmeras S.A.	1.86
Other	79.62
	100.00

Aging of the portfolio of trade and other payables:

Concept	Balance as of 12.31.2018	
	Current ThUS$	Total ThUS$
Goods	45,382	45,382
Services	99,548	99,548
Other	26,362	26,362
Subtotal	**171,292**	**171,292**

Concept	Balance as of 12.31.2017	
	Current ThUS$	Total ThUS$
Goods	56,732	56,732
Services	107,616	107,616
Other	11,779	11,779
Subtotal	**176,127**	**176,127**

As of December 31, 2018, the amounts payable for invoices receivable for goods and services amount to ThUS$104,641; as of December 31, 2017 amounted to ThUS$113,289.

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.

23. Other provisions

a. Description of provisions

As of December 31, 2018 and 2017, this caption comprises the following:

Provisions	Current		Non-current	
	12.31.2018 ThUS$	12.31.2017 ThUS$	12.31.2018 ThUS$	12.31.2017 ThUS$
From legal proceedings	7,433	4,461	-	-
Decommissioning, restoration and rehabilitation costs	-	-	34,948	33,389
Related to the environment	24,071	25,287	-	-
Total	**31,504**	**29,748**	**34,948**	**33,389**

b. Movements in provisions during the period

As of December 31, 2018 and 2017, this caption comprises the following:

Movements in provisions	For legal proceedings [1] ThUS$	Decommissioning, restoration and rehabilitation costs ThUS$	Related to the environment [2] ThUS$	Other miscellaneous provisions [3] ThUS$	Total ThUS$
Balance as of 01.01.2018	4,461	33,389	25,287	-	63,137
Increase in existing provisions, other provisions	2,972	1,559	24,071	-	28,602
Provision used, other provisions	-	-	(25,287)	-	(25,287)
Balance as of 12.31.2018	**7,433**	**34,948**	**24,071**	**-**	**66,452**

Movements in provisions	For legal proceedings [1] ThUS$	Decommissioning, restoration and rehabilitation costs ThUS$	Related to the environment [2] ThUS$	Other miscellaneous provisions [3] ThUS$	Total ThUS$
Balance as of 01.01.2017	5,160	-	-	2,233	7,393
New provisions, other provisions	-	33,389	25,287	-	58,676
Increase in existing provisions, other provisions	2,232	-	-	-	2,232
Provision used, other provisions	(2,931)	-	-	(2,233)	(5,164)
Balance as of 12.31.2017	**4,461**	**33,389**	**25,287**	**-**	**63,137**

(1) Provisions for differences and/or tax and administrative contingencies. (See Note 35.c)
(2) Corresponds to the provision for tax expense that is levied on the emissions of thermoelectric plants (Law 20.780), effective beginning January 2017.
(3) Provisions arising from differences related to supplies agreed with clients.

c. Dismantling

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

d. Restructuring

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

e. Litigation

As of December 31, 2018 and 2017, the Company recognized provisions for litigation in accordance with IAS 37 (see note 35, letter c).

24. Provisions for employee benefits

a. 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.

As of December 31, 2018 and 2017, this caption comprises the following:

Employee benefits	Current		Non-current	
	12.31.2018 ThUS$	12.31.2017 ThUS$	12.31.2018 ThUS$	12.31.2017 ThUS$
Accrued vacations, current	3,989	4,272	-	-
Performance bonus current	10,843	13,053	-	-
Termination of contract for project completed	-	-	-	426
Other benefits	175	-	3,428	4,669
Provision for severance indemnity payments	5,455	5,596	27,358	27,738
Total	**20,462**	**22,921**	**30,786**	**32,833**

b. Movements in provisions during the period

As of December 31, 2018 and 2017, this caption comprises the following:

Movements in provisions	Accrued vacations, current ThUS$	Performance incentive, current ThUS$	Other benefits, current ThUS$	Provision for severance indemnity payments ThUS$	Total ThUS$
Balance as of 01.01.2018	4,272	13,053	-	5,596	22,921
Increase in current provisions, other provisions	295	10,991	175	(141)	11,320
Provision used, other provisions	(578)	(13,201)	-	-	(13,779)
Balance as of 12.31.2018	**3,989**	**10,843**	**175**	**5,455**	**20,462**

Movements in provisions	Accrued vacations, current ThUS$	Performance incentive, current ThUS$	Other benefits, non-currennt ThUS$	Provision for severance indemnity payments ThUS$	Total ThUS$
Balance as of 01.01.2017	3,783	11,213	-	-	14,996
New provisions, other provisions	-	-	-	5,596	5,596
Increase in current provisions, other provisions	489	1,840	-	-	2,329
Provision used, other provisions	-	-	-	-	-
Balance as of 12.31.2017	**4,272**	**13,053**	**-**	**5,596**	**22,921**

c. Provision for employee benefits, non-current

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

The basis for the actuarial calculation of the obligations with employees is permanently assessed by the Company. As of December 31, 2018, the Company has updated some indicators to better reflect the current market conditions.

i) The detail of provision for employee benefits - As of December 31, 2018 and 2017, this caption comprises the following:

Provision for employee benefits	12.31.2018 ThUS$	12.31.2017 ThUS$
Severance indemnity payments	32,813	33,334
Total	**32,813**	**33,334**

Present value of the obligation for defined benefit plans	12.31.2018 ThUS$	12.31.2017 ThUS$
Opening balance	33,334	26,441
Cost of current service	4,471	2,387
Interest cost	527	517
Foreign currency translation differences	(3,839)	2,354
Actuarial gain (loss)	726	3,128
Payments	(2,406)	(1,493)
Closing balance	**32,813**	**33,334**

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

Actuarial basis used		12.31.2018	12.31.2017
Discount rate		1.85%	2.17%
Expected rate of salary increases		1.62%	1.62%
Turnover rate	Voluntary	2.30%	2.20%
	Dismissal	3.70%	3.20%
Retirement date	Men	65	65
	Women	60	60
Mortality rate		RV-2014	RV-2014

Discount rate: Corresponds to the interest rate to be used to show in present value terms the disbursements expected to be realized in the future. The discount rate was determined based on the bonds denominated in inflation-adjusted units (UF) of the Chilean Central Bank with a 20-year term as of December 31, 2018. The source of the reference rate is Bloomberg.

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

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

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

Mortality rate: Refers to the mortality rate published by the Chilean Financial Market Commission.

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

Sensitization	Rate		Amount of the obligation	
	12.31.2018 %	12.31.2017 %	12.31.2018 ThUS$	12.31.2017 ThUS$
Period rate	1.85	2.17	33,196	33,779
Rate decrease by 50 b.p.	1.35	1.67	35,652	36,256
Rate increased by 50 b.p.	2.35	2.67	30,980	31,542

25. Other non-financial liabilities

As of December 31, 2018 and 2017, this caption comprises the following:

	Current		Non-current	
	12.31.2018 ThUS$	12.31.2017 ThUS$	12.31.2018 ThUS$	12.31.2017 ThUS$
Withholdings	23,101	21,180	-	-
Deferred income (1)	867	899	13,013	12,210
Total	**23,968**	**22,079**	**13,013**	**12,210**

(1) Corresponds to prepayments received related to the operations and maintenance services. Revenue is recognized when the service is rendered. Non-current balance includes ThUS$6,469 corresponding to the recognition of the lease agreement entered into between the Company and Anglo American (expiration of the contract in 2030).

26. Disclosures on equity

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

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

As of December 31, 2018 and 2017, this caption comprises the following:

No. of shares

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

Capital (Amount US$)

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 December 31, 2018 and 2017, is detailed as follows:

Shares	12.31.2018	12.31.2017
No. of outstanding shares as of January 1	17,536,167,720	17,536,167,720
Changes in outstanding shares		
Increase (decrease) in outstanding shares	-	-
No. of outstanding shares as of December 31	17,536,167,720	17,536,167,720

a.2 N° of shareholders

As of December 31, 2018, the number of shareholders is 2,891.

b. Share capital

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

c. Share premium

As of December 31, 2018 and 2017, 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, 2018, established that the Company will distribute at least 50% 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 November 28, 2017, the directors agreed to distribute a provisional dividend of US$0.003320 per share corresponding to the net distributable profit as of December 31, 2017 payable in cash equivalent to ThUS$ 58,220. The Company started to pay such dividend on December 20, 2017.

At the Board of Directors' Meeting held on March 27, 2018, the directors agreed to propose to the Shareholders' Meeting the distribution of 100% of the net profit for distribution profit for 2017 of ThUS$270,985. Such amount is composed of a provisional dividend of ThUS$58,220 referred to above, paid in December 2017 and a dividend declared of ThUS$212,765.

At the Shareholders' Meeting held on April 27, 2018, the shareholders agreed to distribute dividend declared No. 50 with a debit to profit for the period-end December 31, 2017, of ThUS$212,765, equivalent to US$0.01214 per share, which was paid starting on May 8, 2018.

At the Board of Directors' Meeting held on November 27, 2018, the directors agreed to distribute a provisional dividend with a debit to net profit for distribution for the year ended December 31, 2018, payable in cash equivalent to ThUS$84,236 corresponding to US$0.00480 per share. The Company started to pay such dividend on December 19, 2018.

e. Detail of Other reserves

This caption comprises the following:

Other reserves	12.31.2018 ThUS$	12.31.2017 ThUS$
Effect of first adoption of paid-in capital deflation	517,617	517,617
Effect of first-time adoption of translation in accordance with IAS 21	(230,797)	(230,797)
Revaluation of property, plant and equipment	428,893	445,137
Revaluation of deferred taxes	(115,780)	(120,187)
Merger reserve	213,024	232,153
Affiliate translation effects	(40,680)	(48,038)
Subsidiaries' reserve	(12,142)	(13,942)
Hedging reserve	10,124	5,273
Affiliate hedging effects	190	156
Total	**770,449**	**787,372**

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

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

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

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

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

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

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

f. Retained earnings (accumulated losses)

As of December 31, 2018 and 2017, changes in reserves for retained earnings are detailed as follows:

Distributable retained earnings	12.31.2018 ThUS$	12.31.2017 ThUS$
Opening balance	1,601,772	1,424,924
Profit or loss for the year	240,350	270,985
Effect of actuarial profit (loss)	(558)	(1,912)
Dividends	(309,866)	(121,473)
Realized retained earnings	20,899	29,248
Legal reserve of Subsidiaries (Art. 229 General Copany Act, Pe	(1,920)	-
Total distributable retained earnings	**1,550,677**	**1,601,772**

(1) In accordance with the General Corporations Act, the legal reserve is constituted by transferring at least 10 percent of the net income of each year, after deducting accumulated losses, until it reaches an amount equivalent to one-fifth of capital. In the absence of undistributed profits or unrestricted reserves, the legal reserve must be applied to offset losses, but must be replenished. The legal reserve may be capitalized, but must be replenished.

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 Colbún in the international and domestic markets.

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

As of December 31, 2018 and 2017, the indebtedness level is as follows:

	12.31.2018 ThUS$	12.31.2017 ThUS$
Total liabilities	**2,921,411**	**2,971,835**
Total current liabilities	345,365	360,397
Total non-current liabilities	2,576,046	2,611,438
Total equity	**3,856,938**	**3,950,707**
Equity attributable to the Parent	3,656,514	3,724,532
Non-controlling interests	200,424	226,175
Indebtedness ratio	**0.76**	**0.75**

The Company should report the compliance of commitments entered into with financial institutions on a quarterly basis. As of December 31, 2018, the Company complies with all the financial indicators required in such contracts (See note 36).

h. Earnings per share and net distributable profit

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

	12.31.2018	12.31.2017
Profit (loss) attributable to equity holders of the Parent (ThUS$)	240,350	270,985
Profit (loss) available for common shareholders, basic (ThUS$)	240,350	270,985
Weighted average number of shares, basic (No. of shares)	17,536,167,720	17,536,167,720
Basic earnings per share (US dollars per share)	**0.01371**	**0.01545**

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

In conformity with Circular No.1,945 dated September 29, 2009, Colbún S.A. agreed to establish 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 related income tax.

The calculation of net distributable profit is detailed as follows:

Calculation of net profit for distribution (cash flows)	12.31.2018 ThUS$	12.31.2017 ThUS$
Owners of the Parent	**240,350**	**270,985**
Cash flow for the year charged to prior years	-	-
Effect on unrealized finance income that generated no cash flows	-	-
Net cash flow for the year	-	-
Net distributable profit	**240,350**	**270,985**
Mandatory minimum dividend	**120,175**	**81,296**

The general policy and procedure on dividend distribution agreed at the Shareholders' Meeting held on April 27, 2018, established that the Company will distribute at least 50% of net profit.

27. Revenue

As of December 31, 2018 and 2017, this caption comprises the following:

	January - December	
	2018 ThUS$	**2017** ThUS$
Supplier customer sales	706,566	796,942
Industrial customer sales	587,953	425,347
Toll charges	138,233	189,541
Sales to other power generation companies	111,037	112,474
Other income	27,558	24,108
Total	**1,571,347**	**1,548,412**

28. Raw materials and consumables

As of December 31, 2018 and 2017, this caption comprises the following:

	January - December	
	2018 ThUS$	**2017** ThUS$
Oil consumption (see Note 12)	(16,429)	(31,145)
Gas consumption (see Note 12)	(355,478)	(308,369)
Coal consumption (see Note 12)	(86,799)	(73,813)
Purchase of energy and capacity	(45,513)	(46,004)
Toll charges	(170,111)	(194,087)
Work and third-party supply	(99,273)	(102,262)
Total	**(773,603)**	**(755,680)**

29. Employee benefit expenses

For the years ended December 31, 2018 and 2017, this caption comprises the following (see notes 3.1.m. and 3.1.o.):

	January - December	
	2018 ThUS$	2017 ThUS$
Salaries and wages	(60,722)	(60,467)
Short-term employee benefits	(6,203)	(6,044)
Severance indemnity payments	(6,259)	(3,583)
Other personnel expenses	(6,581)	(6,691)
Total	**(79,765)**	**(76,785)**

30. Depreciation and amortization expenses

For the years ended December 31, 2018 and 2017, this caption comprises the following:

	January - December	
	2018 ThUS$	2017 ThUS$
Depreciation (see Note 17.b)	(231,348)	(218,259)
Amortization of intangible assets (see Note 16.b)	(5,607)	(5,229)
Total	**(236,955)**	**(223,488)**

31. Total finance income and finance costs

For the years ended December 31, 2018 and 2017, this caption comprises the following:

Income (loss) from investments	January - December	
	2018 ThUS$	2017 ThUS$
Income on cash and other cash equivalents	20,367	12,726
Total finance income	**20,367**	**12,726**
Finance costs	**January - December**	
	2018 ThUS$	**2017** ThUS$
Expenses on bonds	(72,868)	(69,186)
Expense incurred for financial provisions	(8,587)	(8,073)
Expense/income for measurement of net financial derivatives	(1,978)	(2,089)
Bank borrowings	-	(9,356)
Other expenses (bank expenses)	(438)	(214)
Capitalized finance costs (see Note 17.c.iv)	-	3,964
Total finance cost	**(83,871)**	**(84,954)**
Total finance income and finance costs	**(63,504)**	**(72,228)**

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

As of December 31, 2018 and 2017, this caption comprises the following:

Foreign currency translation differences	Currency	January - December	
		2018 ThUS$	2017 ThUS
Cash and cash equivalents	Ch$	(24,199)	12,543
Cash and cash equivalents	PEN	839	327
Trade and other receivables	Ch$	(10,680)	11,726
Trade and other receivables	PEN	467	139
Current income taxes recoverable	Ch$	247	(1,315)
Current income taxes recoverable	PEN	615	957
Other non-financial non-current assets	Ch$	(1,242)	1,907
Other non-financial non-current assets	PEN	19	902
Receivables due from related parties, non-current	Ch$	-	(800)
Foreign currency translation difference - assets		**(33,934)**	**26,386**
Other financial current liabilities	UF	8,159	(9,489)
Other financial current liabilities	PEN	24	(39)
Trade and other payables	Ch$	7,166	(2,467)
Trade and other payables	PEN	52	(13)
Other non-financial liabilities	Ch$	82	(3,296)
Provisions for employee benefits	Ch$	5,810	(2,913)
Foreign currency translation difference - liabilities		**21,293**	**(18,217)**
Total foreign currency translation difference		**(12,641)**	**8,169**

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

As of December 31, 2018 and 2017, income from investments accounted for using the equity method of accounting are detailed as follows:

Net interest in affiliates' income	January - December	
	2018 ThUS$	2017 ThUS$
Electrogas S.A.	7,670	8,187
Centrales Hidroeléctricas de Aysén S.A. (1)	2,756	(6,202)
Aysén Transmisión S.A., en Liquidación (2)	(42)	-
Aysén Energía S.A., en Liquidación (2)	(15)	-
Transmisora Eléctrica de Quillota Ltda.	1,019	919
Total	**11,388**	**2,904**

(1) (2) See note 3.1.c.

34. Other gains (losses)

As of December 31, 2018 and 2017, other gains (losses) are detailed as follows:

Other income derived from other than operating activities	January - December 2018 ThUS$	January - December 2017 ThUS$
Insurance	71	1,269
Other income	1,556	3,029
Business combination	-	23,352
Total other income	**1,627**	**27,650**

Other expenses derived from other than operating activities	January - December 2018 ThUS$	January - December 2017 ThUS$
Impairment for water rights permits not used	(8,076)	(5,928)
Impairment of water rights	-	(1,154)
Impairment of miscellaneous projects (1)	(18,823)	(63,002)
Loss from derivative contracts	(832)	(1,840)
Litigation-related legal fees	(1,118)	(1,303)
Disposal of property, plant and equipment	(1,495)	(7,198)
Write-offs and fines	(1,018)	(51)
Termination clause, termination of contract with GNL-Chile	-	(2,356)
Allowance for doubtful accounts	(9,663)	(10,907)
Commission for bond prepayment 2020 (Make Whole)	-	(12,648)
Adjustment for provision for Termochilca contingency	-	2,047
Inventory obsolescence	(2,126)	-
Dismantling costs	(1,288)	-
Donations and contributions to the community	(3,167)	-
Other (2)	(7,589)	(8,115)
Total other expenses	**(55,195)**	**(112,455)**
Total other gains (losses)	**(53,568)**	**(84,805)**

(1) Corresponds to the record of provisions for partial impairment of water projects under study for ThUS$16 million; the remaining amount refers to other charges that accumulate an amount of US$2.8 million.

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

(3) During June 2018, the Company recorded an allowance account for impairment losses of MUS$ 4.1 associated with the acquisition of Sociedad Santa Sofía.

35. Guarantees with third parties and contingent assets and liabilities

a. Guarantees with third parties

a.1 Direct guarantees

Creditor	Debtor		Assets committed			Pending balances	Release of guarantees			
	Name	Relationship	Type of guarantee	Currency	Carrying amount	12.31.2018 ThUS$	2019	2022	2025	2099
Dirección Regional de Vialidad del Bío-Bío	Colbún S.A.	Creditor	Performance bond	Ch$	600,000,000	864	864	-	-	-
Hospital Guillermo Grant Benavente	Colbún S.A.	Creditor	Performance bond	Ch$	135,415,080	195	-	-	195	-
Hospital Las Higueras	Colbún S.A.	Creditor	Performance bond	Ch$	125,069,734	180	-	-	180	-
Complejo Asistencial Dr Víctor Ríos Ruiz	Colbún S.A.	Creditor	Performance bond	Ch$	123,921,099	178	-	-	178	-
Hospital Herminda Martín	Colbún S.A.	Creditor	Performance bond	Ch$	87,962,609	127	-	-	127	-
Astillero y Maestranza de La Armada	Colbún S.A.	Creditor	Performance bond	Ch$	80,000,000	115	115	-	-	-
Hospital Penco-Lirquén	Colbún S.A.	Creditor	Performance bond	Ch$	32,544,993	47	-	-	47	-
Hospital San Carlos	Colbún S.A.	Creditor	Performance bond	Ch$	23,370,206	34	-	-	34	-
Hospital Traumatológico de Concepción	Colbún S.A.	Creditor	Performance bond	Ch$	23,058,502	33	-	-	33	-
Hospital Tomé	Colbún S.A.	Creditor	Performance bond	Ch$	15,700,562	23	-	-	23	-
Ciribank NA	Fenix Power Perú S.A.	Creditor	Performance bond	Ch$	13,250,000	13,250	13,250	-	-	-
Gobierno Regional de la Región del Bío-Bío	Colbún S.A.	Creditor	Performance bond	Ch$	6,730,719	10	-	-	10	-
Universidad de Concepción	Colbún S.A.	Creditor	Performance bond	Ch$	5,000,000	7	7	-	-	-
Centro de Sangre Concepción	Colbún S.A.	Creditor	Performance bond	Ch$	4,794,720	7	-	-	7	-
Consorcio Transmantaro	Fenix Power Perú S.A.	Creditor	Performance bond	US$	3,000,000	3,000	3,000	-	-	-
Cementos Bío-Bío del Sur S.A.	Colbún S.A.	Creditor	Performance bond	US$	1,021,726	1,022	1,022	-	-	-
Coordinador Independiente del Sistema Eléctrico Nacional	Colbún S.A.	Creditor	Performance bond	US$	890,000	890	890	-	-	-
Empresas CMPC S.A.	Colbún S.A.	Creditor	Performance bond	UF	378,000	14,998	14,998	-	-	-
Compañía Minera Zaldívar SpA	Colbún S.A.	Creditor	Performance bond	UF	250,000	9,919	9,919	-	-	-
Ministerio de Bienes Nacionales	Colbún S.A.	Creditor	Performance bond	UF	47,672	1,891	-	1,891	-	-
Cemento Polpaico S.A.	Colbún S.A.	Creditor	Performance bond	UF	22,500	893	893	-	-	-
Ministerio de Obras Públicas Dirección de Aguas	Colbún S.A.	Creditor	Performance bond	UF	15,361	609	609	-	-	-
Asociación Chilena de Seguridad	Colbún S.A.	Creditor	Performance bond	UF	7,720	306	306	-	-	-
Corporación Nacional del Cobre	Colbún S.A.	Creditor	Performance bond	US$	1,200	48	48	-	-	-
Enel Distribución Chile S.A.[(1)]	Colbún S.A.	Creditor	Performance bond	UF	100	4	-	-	-	4
					Total	**48,650**				

[(1)] Guarantee with finite maturity date.

b. Third-party guarantees

b.1 Current guarantees denominated in U.S. dollars as of December 31, 2018

Depositor	Relationship	Total ThUS$
Siemens Financial Services Inc	Suppliers	9,000
Consorcio Isotron Sacyr S.A.	Suppliers	6,200
Ingeniería Agrosonda SpA	Suppliers	3,275
Tsgf SpA	Suppliers	2,892
Soc.Comercial e Ing. y Gestión Industrial Ingher Ltda.	Suppliers	732
Abengoa Chile S.A.	Suppliers	593
Siemens S.A.	Suppliers	290
Vigaflow S.A.	Suppliers	259
Thoshiba América Do Sul Ltda.	Suppliers	163
ABB S.A.	Suppliers	158
Pine SpA	Suppliers	81
SAP Chile Ltda.	Suppliers	55
GE Energy Parts Inc	Suppliers	23
Engie Chile S.A.	Suppliers	19
Schneider Electric Chile Ltda.	Suppliers	19
Reliable Energy Ingeniería Ltda.	Suppliers	17
Rhona S.A.	Suppliers	14
Social Capital Group SAC	Suppliers	3
	Total	**23,793**

b.2 Current guarantees denominated in Euros as of December 31, 2018

Depositor	Relationship	Total ThUS$
Andritz Chile Ltda.	Suppliers	1,879
Andritz Hydro S.R.L.	Suppliers	224
Siemens S.A	Suppliers	53
	Total	**2,156**

b.3 Current guarantees denominated in Chilean pesos as of December 31, 2018

Depositor	Relationship	Total ThUS$
Rhona S.A.	Suppliers	661
ODR Ingeniería y Montaje Ltda.	Suppliers	501
SG Ingeniería Eléctrica Ltda.	Suppliers	360
Konecranes Chile SpA	Suppliers	177
Climatermic Ltda.	Suppliers	116
Constructora Pesa Ltda.	Suppliers	92
Sistema Integral de Telecomunicaciones Ltda.	Suppliers	44
Sodexo Chile S.A.	Suppliers	43
Andritz Metaliza S.A.	Suppliers	41
Dimetales SpA	Suppliers	38
ISS Facility Service S.A.	Suppliers	33
Constructora R2 SpA	Suppliers	28
Asesoría Forestal Integral Ltda.	Suppliers	16
Serv. Industriales Esteban Carrasco	Suppliers	8
Ingeteco SpA	Suppliers	6
Transportes María Angélica Alvarez Empr.	Suppliers	5
Verónica Peña V. Forestal Paisaje Forestal EIRL	Suppliers	5
Garmendia Macus S.A.	Suppliers	5
Ximena Mariela Soto Orellana	Suppliers	4
Corrosión Integral y Tecnología Ltda.	Suppliers	4
Andrés Bustos Ojeda Soc. Ltda.	Suppliers	4
Eulen Seguridad S.A.	Suppliers	3
Máximo E. Sanhueza Manríquez	Suppliers	2
	Total	**2,196**

b.4 Current guarantees denominated in Inflation-adjusted units as of December 31, 2018

Depositor	Relationship	Total ThUS$
Zublin International Gmbh Chile SpA	Suppliers	2,273
Serv. Industriales Ltda.	Suppliers	327
Soc. OGM Mecánica Integral S.A.	Suppliers	150
KDM Industrial S.A.	Suppliers	148
Echeverría Izquierdo Montajes Industriales S.A.	Suppliers	81
Andritz Chile Ltda.	Suppliers	77
Charrúa Transmisora de Energía S.A.	Suppliers	75
Soc. Austral de Electricidad S.A.	Suppliers	75
Soc. Comercial Camin Ltda.	Suppliers	63
Securitas S.A.	Suppliers	57
IMCD Ingeniería y Construcción SpA	Suppliers	57
Serv. Emca SpA	Suppliers	54
Soc. Comercial San Cristóbal Ltda.	Suppliers	48
Abengoa Chile S.A.	Suppliers	48
Ingeniería Agrosonda SpA	Suppliers	48
Soc. de Serv. Integrales de Ingeniería, Mantenimiento y Reparación Zu Ltda.	Suppliers	48
Constructora Propuerto Ltda.	Suppliers	46
MV Servicios para la Construcción Ltda.	Suppliers	45
Constructora Javag SpA	Suppliers	44
Sodexo Chile S.A.	Suppliers	43
Latinoamericana Serv. de Ing. y Construcción Ltda.	Suppliers	38
Durán y Durán Cía. de Seguridad Ltda.	Suppliers	35
Transporte José Carrasco Retamal E.I.R.L.	Suppliers	33
Buses Ahumada Ltda.	Suppliers	32
Flota Verschae Viña del Mar S.A.	Suppliers	30
Marcelo Javier Urrea Caro	Suppliers	27
Emp. Serv. Ingeniería e Información Ambiental Esinfa Ltda.	Suppliers	26
Kupfer Hermanos S.A.	Suppliers	17
Serv. Industriales Euroambiente Ltda.	Suppliers	16
Measwind América Ltda.	Suppliers	14
Sistemas Eléctricos Ing. y Servicios S.A.	Suppliers	9
Mantención de Jardines Arcoiris Ltda.	Suppliers	9
Soc. Comercial Conyser Ltda.	Suppliers	9
MYA Chile Soluciones contra Incendios e Industrial	Suppliers	8
DPL Grout Construcciones Ltda.	Suppliers	8
Félix Atilio Valenzuela Pérez	Suppliers	7
Tecnoeléctrica Valparaíso S.A.	Suppliers	6
Serv. Integrales de Mantenimientos Técnicos S.A.	Suppliers	6
Comercial e Industrial Accuratek S.A.	Suppliers	6
Algoritmos y Mediciones Ambientales SpA	Suppliers	6
Centro de Estudios Medición y Certificación de Calidad Cesmec S.A.	Suppliers	6
Inerco Tecnología Chile SpA	Suppliers	6
SGS Chile Ltda. Sociedad de Control	Suppliers	6
Servicios y Proyectos Ambientales S.A.	Suppliers	6
Woss SpA	Suppliers	6
Arcadis Chile SpA	Suppliers	3
Eulen Chile S.A.	Suppliers	3
Ana María Gómez Vega	Suppliers	2
	Total	**4,187**

Fénix Power Perú S.A.

a. Current guarantees denominated in U.S. dollars as of December 31, 2018

Depositor	Relationship	Total ThUS$
Thoshiba América Do Sul Ltda.	Suppliers	179
Contract Workplaces Peru SAC	Suppliers	33
Cosapi S.A.	Suppliers	77
Quimex S.A.	Suppliers	9
Fursys S.A.	Suppliers	5
	Total	**303**

b. Current guarantees denominated in Peruvian soles as of December 31, 2018

Depositor	Relationship	Total ThUS$
Empresa Regional de Serv. Público del oriente S.A.	Suppliers	1,806
Julio Crespo Perú S.A.	Suppliers	12
IT Servicios SRL	Suppliers	7
	Total	**1,825**

c. Detail of litigation and others

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

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

As of December 31, 2018, the detail of litigation in accordance with IAS 37 is as follows:

Chile

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

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

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

The settlement, evidence and allegations hearings were held on January 2017.

(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.

On December 31, 2018, the Environmental Court of Valdivia issued a judgment rejecting both claims. Against such judgment, legal appeals may be filed and because of this, the judgment it has not yet been executed.

In compliance with IAS 37, Management deemed a contingency as possible; accordingly, it disclosed such contingency but no provision has been recorded through the present date as it is not possible to make a reliable estimation of the related liability derived therefrom and there are no reimbursements to which the Company may be entitled in the event of an unfavorable judgment.

2.- The following charges were filed by the Superintendence of the Environment (SMA) against Santa María thermoelectric power plant as required by the Environment Court of Valdivia (TAV); (i) alleging existence of equipment other than the pieces of equipment authorized in the Environmental Qualification resolution (RCA) and (ii) for possibly not having registered with the Environmental Impact Evaluation System (SEIA) oversizing of the thermal power plant chimney. Colbún duly substantiated and submitted its defense against the charges filed by the SMA and is currently waiting for the proceeding to continue.

Notwithstanding the foregoing, both Colbún S.A. and the Chilean Superintendence of the Environment (SMA) filed appeals in cassation with the Supreme Court against the judgment of the TAV, which ordered such filing of charges and established a limit of 350 MW gross to the power plant's capacity. The allegations have already been made and an agreement has been reached on this case by the Court.

Note that in the administrative proceeding conducted prior to the investigation by SMA against Santa María thermoelectric power plant, the regulating authority concluded that there was no background information to file such charges; however, when the TAV reviewed the administrative resolution conducted by the SMA, it ordered to file those two charges.

In compliance with IAS 37, Management deemed a contingency as possible; accordingly, it disclosed such contingency but no provision has been recorded through the present date as it is not possible to make a reliable estimation of the related liability derived therefrom and there are no reimbursements to which the Company may be entitled in the event of an unfavorable judgment.

3.- 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 was included for tax years from 2009 and 2012, among other concepts. The total amount updated as of December 31, 2018is ThUS$3,062 (ThCh$2,127,077), (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.

In compliance with IAS 37, Management believes there may be a possible contingency requiring an outflow of resources. In addition to disclosing the contingency, the Company has recorded a provision in the caption “Other Provisions,” which in Management's view, appropriately covers the risks arising from such contingency. Additionally, there are no reimbursements to which the Company may be entitled in the event of an unfavorable judgment.

36. Commitments

Commitments entered into with financial institutions.

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

The Company should report on a quarterly basis the compliance with these obligations. As of December 31, 2018, the Company complies with all the financial indicators required in such contracts, the detail of which are as follows:

Covenants	Condition	12.31.2018		Term
Local Market Bonds				
EBITDA/Net finance costs	> 3,0		10.77	Jun-2029
Indebtedness ratio	< 1,2		0.76	Jun-2029
Minimum equity	> ThUS$ 1.348.000	ThUS$	3,656,514	Jun-2029

Calculation methodologies

Concept	Accounts	Amounts as of 12.31.2018	
Equity	Total equity	ThUS$	3,856,938
Net equity	Total equity - Non-controlling interests	ThUS$	3,656,514
Minimum equity	Total equity - Non-controlling interests	ThUS$	3,656,514
Total liabilities	Total current liabilities + Total non-current liabilities	ThUS$	2,921,411
Indebtedness ratio	Total liabilities / Equity		0.76
Ebitda	Revenue - Raw materials and consumables - Employee benefit expenses - other expenses by nature	ThUS$	684,123
Net finance costs	Finance costs - Finance income	ThUS$	63,504

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.

Additionally, there are disbursements associated with 26 power generation plants in operation, including the Fenix plant (Chilca, Peru) and the transmission assets such as electric substations and transmission lines.

As of December 31, 2018 and 2017, the detail of the disbursements performed and to be performed in relation to environment regulations is the following:

Accrued expense as of 12.31.2018

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement was or will be made
Colbún S.A.	Sta María 1	Environmental Management of Power Plant	Expense	Cost	809	Dec-18
Colbún S.A.	Nehuenco	Environmental Management of Power Plant	Expense	Cost	629	Dec-18
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	567	Dec-18
Colbún S.A.	Zona Bio-Bio	Environmental Management of Power Plant	Expense	Cost	449	Nov-18
Colbún S.A.	Antilhue	Environmental Management of Power Plant	Expense	Cost	356	Dec-18
Colbún S.A.	Candelaria	Environmental Management of Power Plant	Expense	Cost	316	Dec-18
Colbún S.A.	Colbún	Environmental Management of Power Plant	Expense	Cost	283	Dec-18
Colbún S.A.	Corporate Environmental Management	Environmental Management of Parent	Expense	Cost	265	Dec-18
Colbún S.A.	Los Quilos	Environmental Management of Power Plant	Expense	Cost	261	Dec-18
Colbún S.A.	Los Pinos	Environmental Management of Power Plant	Expense	Cost	229	Dec-18
Colbún S.A.	Corporate Environmental Management	Environmental Management of Parent	Expense	Cost	193	Oct-18
Colbún S.A.	Quilleco	Environmental Management of Power Plant	Expense	Cost	143	Dec-18
Colbún S.A.	Maule Zone	Environmental Management of Power Plant	Expense	Cost	139	Dec-18
Colbún S.A.	Rucúe	Environmental Management of Power Plant	Expense	Cost	104	Dec-18
Colbún S.A.	Canutillar	Environmental Management of Power Plant	Expense	Cost	53	Feb-18
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	7	Nov-18
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Plant	Expense	Cost	33	Dec-18
Río Tranquilo S.A.	Hornitos	Environmental Management of Power Plant	Expense	Cost	93	Dec-18
				Total	**4,929**	

Future expense as of 12.31.2018

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement was or will be made
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	148	Dec-18
Colbún S.A.	Sta María 1	Environmental Management of Power Plant	Expense	Cost	100	Dec-18
Colbún S.A.	Nehuenco	Environmental Management of Power Plant	Expense	Cost	51	Dec-18
Colbún S.A.	Colbún	Environmental Management of Power Plant	Expense	Cost	48	Dec-18
Colbún S.A.	Corporate Environmental Management	Environmental Management of Parent	Expense	Cost	18	Dec-18
Colbún S.A.	Quilleco	Environmental Management of Power Plant	Expense	Cost	14	Dec-18
Colbún S.A.	Maule Zone	Environmental Management of Power Plant	Expense	Cost	14	Dec-18
Colbún S.A.	Bio-Bio Zone	Environmental Management of Power Plant	Expense	Cost	10	Dec-18
Colbún S.A.	Rucúe	Environmental Management of Power Plant	Expense	Cost	7	Dec-18
Colbún S.A.	Los Pinos	Environmental Management of Power Plant	Expense	Cost	4	Dec-18
Colbún S.A.	Los Quilos	Environmental Management of Power Plant	Expense	Cost	3	Dec-18
Colbún S.A.	Antilhue	Environmental Management of Power Plant	Expense	Cost	1	Dec-18
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Plant	Expense	Cost	3	Dec-18
				Total	**421**	

Accrued expense as of 12.31.2017

Identification of Parent or Subsidiary	Project name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement was or will be made
Colbún S.A.	Sta María 1	Environmental Management of Power Plan	Expense	Cost	1,152	Dec-17
Colbún S.A.	Angostura	Environmental Management of Power Plan	Expense	Cost	883	Dec-17
Colbún S.A.	CH Guaiquivilo-Melado	Environmental Management of Projects	Asset	Assets under construction	765	Dec-17
Colbún S.A.	Nehuenco 1	Environmental Management of Power Plan	Expense	Cost	753	Dec-17
Colbún S.A.	Candelaria	Environmental Management of Power Plan	Expense	Cost	373	Dec-17
Colbún S.A.	Bio-Bio Zone	Environmental Management of Power Plan	Expense	Cost	312	Dec-17
Colbún S.A.	Quilleco	Environmental Management of Power Plan	Expense	Cost	310	Dec-17
Colbún S.A.	Corporate Environmental Management	Environmental Management of Parent	Expense	Cost	282	Dec-17
Colbún S.A.	Los Quilos	Environmental Management of Power Plan	Expense	Cost	244	Dec-17
Colbún S.A.	Los Pinos	Environmental Management of Power Plan	Expense	Cost	241	Dec-17
Colbún S.A.	Antilhue	Environmental Management of Power Plan	Expense	Cost	200	Dec-17
Colbún S.A.	Colbún	Environmental Management of Power Plan	Expense	Cost	139	Dec-17
Colbún S.A.	Rucúe	Environmental Management of Power Plan	Expense	Cost	120	Dec-17
Colbún S.A.	CH La Mina	Environmental Management of Projects	Asset	Assets under construction	106	Dec-17
Colbún S.A.	Project Environmental Management	Environmental Management of Parent	Expense	Expense	97	Dec-17
Colbún S.A.	Canutillar	Environmental Management of Power Plan	Expense	Cost	49	Dec-17
Colbún S.A.	Nehuenco	Environmental Management of Power Plan	Asset	Assets under construction	21	Dec-17
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Plan	Expense	Cost	94	Dec-17
Río Tranquilo S.A.	Hornitos	Environmental Management of Power Plan	Expense	Cost	186	Dec-17
				Total	**6,327**	

Future expenses as of 12.31.2017

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

Disbursements in Peru

Accrued expense as of 12.31.2018

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement was or will be made
Fenix Power Perú S.A.	Monitoring and Environmental Management	Monitoring and Environmental Management	Expense	Cost	723	Sep-18
				Total	**723**	

Future expense as of 12.31.2018

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement was or will be made
Fenix Power Perú S.A.	Monitoring and Environmental Management	Monitoring and Environmental Management	Expense	Cost	1	Dec-18
				Total	**1**	

Accrued expense as of 12.31.2017

Identification of Parent or Subsidiary	Project name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement was or will be made
Fenix Power Perú S.A.	Monitoring and Environmental Management	Monitoring and Environmental Managemen	Expense	Cost	811	Dec-17
				Total	**811**	

Future expenses as of 12.31.2017

Identification of Parent or Subsidiary	Project name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS$	Actual or estimated dates when the disbursement was or will be made
Fenix Power Perú S.A.	Monitoring and Environmental Management	Monitoring and Environmental Managemen	Expense	Cost	409	2018
				Total	**409**	

38. Events occurred after the date of the financial position

At the Board of Directors' Meeting held on January 29, 2019, the Company's Board approved the Consolidated Financial Statements as of December 31, 2018 and 2017, prepared in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

On January 3, 2019, the Commission for the Financial Market (CMF) was notified of a corporate reorganization process that Colbún S.A. is carrying out in relation to certain of its subsidiaries, in compliance with the provisions of number 1 of article 4 of Decree Law No. 3.538 per its current text contained in Law No. 21.000.

Indeed, on December 22, 2018, Colbún S.A. became the owner of one hundred percent of the shares of its subsidiary Empresa Eléctrica Industrial S.A. ("EEI") and, after an uninterrupted period exceeding 10 days, EEI has been dissolved and merged into Colbún S.A., pursuant to article 103 No. 2 of the Public Company Act.

The dissolution of EEI and its merger into Colbún S.A. has the effect that Colbún S.A. has become the sole partner of its subsidiary Sociedad Hidroeléctrica Melocotón Limitada, which consequently has also been dissolved. In addition, the dissolution of EEI implies that Colbún S.A. has become the sole shareholder of the subsidiary Río Tranquilo S.A., which will be dissolved once an uninterrupted period of more than 10 days has elapsed in this situation.

In addition, on January 4, 2019, the subsidiaries Inversiones SUD SpA and Inversiones Andinas SpA were dissolved because Colbún S.A. became the owner of one hundred percent of their shares resulting in their dissolution in accordance with the provisions of their by-laws.

Between December 31, 2018 and the date of issuance of these consolidated financial statements, no other subsequent events have occurred.

39. Foreign currency

This caption comprises the following:

Assets	Foreign currency	Currency	12.31.2018 ThUS$	12.31.2017 ThUS$
Total current assets				
Cash and cash equivalents	Ch$	US$	127,136	149,068
Cash and cash equivalents	Euro	US$	633	1,121
Cash and cash equivalents	PEN	US$	7,564	13,957
Other non-financial assets, current	Ch$	US$	897	2,206
Trade and other receivables, current	Ch$	US$	143,400	127,587
Trade and other receivables, current	PEN	US$	29,589	43,809
Trade receivables due from related parties, current	Ch$	US$	428	240
Current income taxes recoverable	Ch$	US$	103	129
Current income taxes recoverable	PEN	US$	6,442	6,065
Total current assets			**316,192**	**344,182**
Non-current assets				
Other financial assets, non-current	Ch$	US$	-	245
Other non-financial assets, non-current	Ch$	US$	4,714	8,734
Total assets, non-current			**4,714**	**8,979**
Total assets			**320,906**	**353,161**

Liabilities	Foreign currency	Currency	12.31.2018 ThUS$	12.31.2017 ThUS$
Total current liabilities				
Other financial current liabilities	UF	US$	13,326	11,418
Trade and other payables	Ch$	US$	145,953	147,805
Trade and other payables	PEN	US$	6,443	4,408
Payables due to related parties, current	Ch$	US$	261	2,213
Other provisions, current	Ch$	US$	4,678	3,928
Provisions for employee benefits	Ch$	US$	19,282	16,075
Provisions for employee benefits	PEN	US$	1,180	1,250
Other non-financial current liabilities	Ch$	US$	23,354	21,430
Other non-financial current liabilities	PEN	US$	614	906
Total current liabilities			**215,091**	**209,433**
Non-current liabilities				
Other financial non-current liabilities	UF	US$	62,260	79,005
Provisions for employee benefits, non-current	Ch$	US$	30,786	38,429
Other non-current non-finacial liabilities	Ch$	US$	739	9,924
Total liabilities, non-current			**93,785**	**127,358**
Total liabilities			**308,876**	**336,791**

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

Maturity profile of other financial liabilities in foreign currency

As of 12.31.2018	Foreign currency	Currency	Up to 91 days ThUS$	91 days to 1 year ThUS$	1 - 3 years ThUS$	3 - 5 years ThUS$	Over 5 years ThUS$	Total ThUS$
Other financial liabilities	UF	US$	-	13,326	26,842	10,641	29,258	80,067
		Total	**-**	**13,326**	**26,842**	**10,641**	**29,258**	**80,067**

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

40. Headcount (unaudited)

As of December 31, 2018 and 2017, this caption comprises the following:

	No. of employees					
	12.31.2018			12.31.2017		
	Chile	Peru	Total	Chile	Peru	Total
Managers and main executives	71	6	77	71	6	77
Professionals and technical staff	636	53	689	646	61	707
Other	264	29	293	275	25	300
Total	971	88	1,059	992	92	1,084
Average for the year	**984**	**90**	**1,074**	**994**	**94**	**1,088**

41. Exhibit 1 Additional information required for XBRL taxonomy

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

Salaries for external auditors

As of December 31, 2018 and 2017, this caption comprises the following:

Concept	January - December	
	2018 ThUS$	2017 ThUS$
Audit services	311	396
Tax services	17	37
Other services	237	1,111
Auditors' fees	**565**	**1,544**

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