



**Interim Consolidated Financial Statements**  
For the periods ended as of March 31, 2018

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

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This report contains the following:

- Interim Consolidated Financial Statements
- Notes to the Interim Consolidated Financial Statements

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

ASSETS	Note N°	March 31, 2018 ThUS\$	December 31, 2017 ThUS\$
<b>Current assets</b>			
Cash and cash equivalents	8	454,153	269,196
Other financial assets, current	9	428,745	541,969
Other non-financial assets, current	20	20,819	29,392
Trade and other receivables	10	218,379	225,064
Trade receivables due from related parties, current	12.b	6,027	240
Inventory	13	63,223	62,911
Current income taxes recoverable	19.a	19,693	18,390
<b>Current assets other than non-current assets or asset groups for disposal classified as held-for-sale or held for distribution</b>		<b>1,211,039</b>	<b>1,147,162</b>
Non-current assets, or disposal groups classified as held-for-sale or held for distribution to owners	6	9,429	-
<b>Total current assets</b>		<b>1,220,468</b>	<b>1,147,162</b>
<b>Non-current assets</b>			
Other financial assets, non-current	9	33,706	21,167
Other non-financial assets, non-current	20	34,541	29,009
Equity-accounted investees	16	27,775	38,298
Intangible assets other than goodwill	17	131,252	132,067
Property, plant and equipment	18	5,498,949	5,516,478
Deferred tax assets	21.b	39,423	38,361
<b>Total non-current assets</b>		<b>5,765,646</b>	<b>5,775,380</b>
<b>TOTAL ASSETS</b>		<b>6,986,114</b>	<b>6,922,542</b>

See the accompanying notes to the consolidated financial

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

LIABILITIES AND EQUITY	Note	March 31, 2018 ThUS\$	December 31, 2017 ThUS\$
	N°		
<b>Current liabilities</b>			
Other financial liabilities, current	22.a	63,127	57,416
Trade and other payables, current	23	187,002	194,884
Payables due to related parties, current	12.b	11,843	13,564
Other provisions	24	37,898	29,748
Current tax liabilities	19.b	21,604	19,785
Provisions for employee benefits	25	7,354	17,325
Other non-financial liabilities, current	26	16,649	22,079
<b>Current liabilities total</b>		<b>345,477</b>	<b>354,801</b>
<b>Non-current liabilities</b>			
Other financial liabilities, non-current	22.a	1,605,320	1,602,036
Trade and other payables, non-current	23	12,702	12,924
Other provisions, non-current	24	33,711	33,389
Deferred income tax liabilities	21.b	921,061	918,046
Provisions for employee benefits, non-current	25	39,038	38,429
Other non-financial liabilities, non-current	26	12,411	12,210
<b>Total non-current liabilities</b>		<b>2,624,243</b>	<b>2,617,034</b>
<b>TOTAL LIABILITIES</b>		<b>2,969,720</b>	<b>2,971,835</b>
<b>Equity</b>			
Share capital	27.a	1,282,793	1,282,793
Retained earnings	27.f	1,675,491	1,601,772
Share premium	27.c	52,595	52,595
Other reserves	27.e	784,991	787,372
<b>Equity attributable to the shareholders of the Parent</b>		<b>3,795,870</b>	<b>3,724,532</b>
Non-controlling interests	-	220,524	226,175
<b>Total equity</b>		<b>4,016,394</b>	<b>3,950,707</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,986,114</b>	<b>6,922,542</b>

See the accompanying notes to the consolidated financial statements

**Colbún S.A. and Subsidiaries**  
**Interim Consolidated Statements of Profit or Loss, by Nature**  
**for the years ended March 31, 2018 and 2017 (unaudited)**  
**(In thousands of U.S. dollars)**

STATEMENTS OF COMPREHENSIVE INCOME BY NATURE	Note N°	January - March	
		2018 ThUS\$	2017 ThUS\$
Revenue	7 and 28	406,618	382,044
Raw materials and consumables	29	(214,612)	(201,618)
Employee benefit expenses	30	(20,833)	(17,045)
Depreciation and amortization expense	31	(58,619)	(59,573)
Other expenses, by nature	-	(7,595)	(8,579)
Other expenses	35	(4,174)	(4,603)
<b>Income from operations</b>	-	<b>100,785</b>	<b>90,626</b>
Finance income	32	4,856	2,524
Finance costs	32	(21,131)	(20,231)
Share of profit of equity-accounted associates and joint ventures	16 and 34	4,650	740
Foreign currency translation gains, net	33	(1,113)	558
<b>Profit before income taxes</b>		<b>88,047</b>	<b>74,217</b>
Tax expense/(benefit) from continuing operations	21.a	(23,640)	(13,695)
<b>Profit (loss) for the period</b>		<b>64,407</b>	<b>60,522</b>
<b>NET PROFIT</b>		<b>64,407</b>	<b>60,522</b>
<b>Net profit attributable to</b>			
Shareholders of the Parent	27.h	65,158	56,903
Non-controlling interests	-	(751)	3,619
<b>PROFIT</b>		<b>64,407</b>	<b>60,522</b>
<b>Earnings per share</b>			
Basic earnings per share - Continuing operations <b>US\$/share</b>	27.h	0.00372	0.00324
<b>Basic earnings per share</b>		<b>0.00372</b>	<b>0.00324</b>
Diluted earnings per share - Continuing operations <b>US\$/share</b>	27.h	0.00372	0.00324
<b>Diluted earnings per share</b>		<b>0.00372</b>	<b>0.00324</b>

See the accompanying notes to the consolidated financial statements

**Colbún S.A. and Subsidiaries**  
**Interim Consolidated Statements of Other Comprehensive Loss**  
**for the years ended March 31, 2018 and 2017 (unaudited)**  
**(In thousands of U.S. dollars)**

STATEMENTS OF OTHER COMPREHENSIVE INCOME	Note N°	January - March	
		2018 ThUS\$	2017 ThUS\$
<b>Net profit for the period</b>		<b>64,407</b>	<b>60,522</b>

**Components of other comprehensive income that will not be reclassified to profit or loss for the period, before taxes**

Profit (loss) for remeasurements of defined benefit plans	-	(97)	(1,193)
<b>Total other comprehensive (loss) income that will not be reclassified to profit for the period, before tax</b>	<b>-</b>	<b>(97)</b>	<b>(1,193)</b>

**Components of other comprehensive Income (loss) that will be reclassified to profit or loss for the period, before tax**

Gain (loss) for foreign currency translation differences	16.a	235	85
Gain (loss) from cash flow hedges	-	8,180	2,159
Share of other comprehensive income on associates and joint ventures using the equity method	-	(66)	(36)
<b>Total other comprehensive income (loss) that will be reclassified to profit for the period, before tax</b>		<b>8,349</b>	<b>2,208</b>
<b>Other components of other comprehensive income (loss), before tax</b>		<b>8,252</b>	<b>1,015</b>

**Income tax related to components of other comprehensive income that will not be reclassified to profit or loss for the period**

Income tax related to defined benefit plans	21.c	26	322
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**Income tax related to components of other comprehensive income that will be reclassified to profit or loss for the period**

Income tax related to share of other comprehensive income (loss) on associates and joint ventures using the equity method	21.c	18	10
Income tax related to cash flow hedges	21.c	(2,117)	(565)

<b>Income tax related to components of other comprehensive income</b>		<b>(2,073)</b>	<b>(233)</b>
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<b>Total other comprehensive income</b>		<b>6,179</b>	<b>782</b>
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<b>Total comprehensive income</b>		<b>70,586</b>	<b>61,304</b>
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**Comprehensive income attributable to**

Shareholders of the Parent		71,337	57,749
Non-controlling interests		(751)	3,555

<b>TOTAL COMPREHENSIVE INCOME</b>		<b>70,586</b>	<b>61,304</b>
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See the accompanying notes to the consolidated financial

**Colbún S.A. and Subsidiaries**  
**Interim Consolidated Statements of Cash Flows – Direct Method**  
**for the years ended March 31, 2018 and 2017 (unaudited)**  
**(In thousands of U.S. dollars)**

STATEMENTS OF CASH FLOWS - DIRECT METHOD	Note N°	March 31, 2018 ThUS\$	March 31, 2017 ThUS\$
<b>Cash flows from (used in) operating activities</b>			
<b>Cash receipts from operating activities</b>			
Cash receipts from sale of goods and rendering of services	-	486,643	441,006
Cash payments for premiums and services, annuities and other	-	350	-
Other cash receipts from operating activities	-	2,375	613
<b>Classes of cash payments</b>			
Cash payments to suppliers for goods and services	-	(254,361)	(245,691)
Cash payments to and on behalf of employees	-	(27,829)	(21,787)
Cash payments for premiums and services, annuities and other	-	(10,222)	(17,731)
Other cash payments for operating activities	-	(43,042)	(28,254)
<b>Cash generated from operating activities</b>			
Dividends received	-	-	67
Interest received	-	4,161	2,400
Income taxes paid	-	(21,157)	(12,702)
Other cash payments	-	(6,140)	(5,673)
<b>Net cash generated from operating activities</b>		<b>130,778</b>	<b>112,248</b>
<b>Cash flows from financing activities</b>			
Other cash payments to acquire interests in joint ventures	-	-	(2,763)
Acquisition of property, plant and equipment	-	(35,635)	(37,651)
Other cash (payments) receipts	-	107,907	(30,816)
<b>Net cash used in investing activities</b>		<b>72,272</b>	<b>(71,230)</b>
<b>Cash flows from financing activities</b>			
<b>Proceeds from borrowings</b>			
Proceeds from long-term borrowings	-	-	-
Repayment of borrowings	-	(107)	-
Dividends paid	-	(4,655)	(45,037)
Interest paid	-	(19,119)	(30,954)
Other cash payments	-	4,160	-
<b>Net cash used in financing activities</b>		<b>(19,721)</b>	<b>(75,991)</b>
<b>Net decrease in cash and cash equivalents before the effect of movements in exchange rates on cash held</b>		<b>183,329</b>	<b>(34,973)</b>
<b>Effects of movements in exchange rates on cash and cash equivalents</b>			
Effect of movements in exchange rates on cash on cash equivalents		1,628	1,346
<b>Net decrease in cash and cash equivalents</b>		<b>184,957</b>	<b>(33,627)</b>
Cash and cash equivalents as of April 1,		269,196	593,720
<b>Cash and cash equivalents as of March 31,</b>	<b>8</b>	<b>454,153</b>	<b>560,093</b>

See the accompanying notes to the consolidated financial statements

**Colbún S.A. and Subsidiaries**  
**Interim Statements of Changes in Equity**  
**for the years ended March 31, 2018 and 2017 (unaudited)**  
**(In thousands of U.S. dollars)**

Statements of Changes in Equity	Note	Equity attributable to owners of the Parent										Non-controlling interests	Equity
		Share capital	Share premium	Changes in other reserves					Retained earnings (accumulated deficit)	Equity attributable to the shareholders of the Parent			
				Translation difference reserve	Hedging reserve	Actuarial profit or loss reserve of defined benefit plans	Other reserves	Other reserves					
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Balance as of 01.01.2018		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	
<b>Changes in equity</b>													
<b>Comprehensive income</b>													
Profit for the period									65,158	65,158	(751)	64,407	
Other comprehensive income				235	6,015	(71)	-	6,179	-	6,179	-	6,179	
Dividends									-	-	(4,900)	(4,900)	
Increase (decrease) from other changes		-	-	-	-	71	(8,631)	(8,560)	8,561	1	-	1	
Total changes in equity		-	-	235	6,015	-	(8,631)	(2,381)	73,719	71,338	(5,651)	65,687	
<b>Balance as of March 31, 2018</b>	27	<b>1,282,793</b>	<b>52,595</b>	<b>(263,260)</b>	<b>11,446</b>	<b>-</b>	<b>1,036,805</b>	<b>784,991</b>	<b>1,675,491</b>	<b>3,795,870</b>	<b>220,524</b>	<b>4,016,394</b>	

Statement of Changes in Equity	Note	Equity attributable to owners of the Parent										Non-controlling interests	Equity
		Share capital	Share premium	Changes in other reserves					Retained earnings (accumulated deficit)	Equity attributable to the shareholders of the Parent			
				Translation difference reserve	Hedging reserve	Actuarial profit or loss reserve of defined benefit plans	Other reserves	Other reserves					
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Balance as of 01.01.2017		1,282,793	52,595	(265,406)	6,846	-	989,043	730,483	1,510,514	3,576,385	213,447	3,789,832	
<b>Changes in equity</b>													
<b>Comprehensive income</b>													
Profit for the period									56,903	56,903	3,619	60,522	
Other comprehensive income				85	1,632	(871)	-	846	-	846	(64)	782	
Dividends									-	-	-	-	
Increase (decrease) from other changes		-	-	-	-	871	(57)	814	(812)	2	-	2	
Total changes in equity		-	-	85	1,632	-	(57)	1,660	56,091	57,751	3,555	61,306	
<b>Balance as of March 31, 2017</b>	27	<b>1,282,793</b>	<b>52,595</b>	<b>(265,321)</b>	<b>8,478</b>	<b>-</b>	<b>988,986</b>	<b>732,143</b>	<b>1,566,605</b>	<b>3,634,136</b>	<b>217,002</b>	<b>3,851,138</b>	

See the accompanying notes to the consolidated financial statements

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

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

(In thousands of U.S. dollars)

**1. General information**

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

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

As of March 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 thirteen entities: Colbún S.A. and twelve Subsidiaries.

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

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

The 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. 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, who have an ownership interest of 49.96% of Company's share capital.

As of March 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
<b>Total ownership interest</b>	<b>8,761,439,346</b>	<b>49.96</b>

## 2. Description of business

### Company's line of business

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

### Description of business in Chile

#### Main assets

The power generation fleet is composed of hydroelectric power plants (reservoir and run-of-the-river) and coal-fired, diesel and gas power plants (combined and conventional cycles), which in total provides installed capacity of 3,319 MW to the National Power System ("SEN").

Hydroelectric power plants have an installed capacity of 1,634 MW distributed among 16 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; Antihue power plant in Los Ríos Region; and Los Pinos and Santa María power plants, located in the Biobío Region.

#### Business policy

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

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## Main customers

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

Regulated customer with Long-Term Node Price Agreements tendered are as follows: Enel Distribución Chile S.A., Compañía General de Electricidad, S.A.; Saesa S.A., Frontel S.A., Compañía Eléctrica de Osorno S.A., Cooperativa Eléctrica de Curicó Ltda., Compañía Distribuidora de Energía Eléctrica Codiner Ltda., Cooperativa de Consumo de Energía Eléctrica Chillán Ltda., Cooperativa Eléctrica Los Ángeles Ltda., Cooperativa Regional Eléctrica Llanquihue Ltda., Cooperativa Eléctrica Paillaco Ltda., Cooperativa Eléctrica Charrúa Ltda., Compañía Nacional de Fuerza Eléctrica S.A., Empresa Eléctrica de Puente Alto Ltda., Cooperativa Rural Eléctrica Río Bueno Ltda., Chilquinta Energía S.A., Energía de Casablanca S.A., Luz Linares S.A., Compañía Eléctrica del Litoral S.A., Empresa Eléctrica de Antofagasta S.A. and Empresa Eléctrica Atacama S.A..

Unregulated customers, among others, are: Anglo American Sur S.A. for its work sites Los Bronces/Las Tórtolas, Cartulinas CMPC S.A., Forestal Mininco S.A., CMPC Maderas S.A., CMPC Pulp S.A., Walmart Chile S.A., Bio-Bio Cementos S.A., Essbio S.A., Nuevosur S.A., together with other minor customers and Codelco for divisions Salvador, Andina, Ventanas and El Teniente.

## 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 a significant private equity interest. This sector has been able to comply with the increasing power demand, which has grown at an annual average rate of approximately 3.0% during the last 10 years, slightly lower compared to the GDP during the same period.

Chile has 3 interconnected systems and Colbún operates 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 is the second power generation company based on the SEN's installed capacity with a market share of around 19%.

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

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

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

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

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

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

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

## **Description of business in Peru**

### **Main assets**

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

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

### **Main customers**

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

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

Unregulated customers: Pamolsa e Inversiones 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 March 2018, the Peruvian power market has an installed capacity, at a domestic level, of approximately 14.6 GW, of which 12.5 GW corresponds to the capacity installed by the National Interconnected Power System (SEIN), out of this amount nearly 58% relates to thermal power, 39% to hydro power, and the remaining 3% to renewable energies. Accordingly, natural gas is critical at the domestic thermal power generation level, because of its significant reserves and exploration wells, being Camisea the main deposit with approximately 15.6 trillion cubic feet.

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

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

In terms of energy consumption, the annual power demand for 2018 is approximately 51.0 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 interim consolidated financial statements of Colbún S.A. and subsidiaries as of March 31, 2018, have been prepared in accordance with International Financial Standards ("IFRS") as issued by International Accounting Standards Board (IASB).

The interim consolidated financial statements have been prepared under the going concern assumption and approved by the Board of Directors for issue on May 2, 2018.

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

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

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

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

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.

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

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

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

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

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

The detail of subsidiaries is as follows:

Consolidated company	Country	Currency	Tax ID No.	Ownership % as of				
				03-31-2018			03-31-2017	12-31-2017
				Direct	Indirect	Total	Total	Total
Empresa Eléctrica Industrial S.A.	Chile	US\$	96.854.000-9	99.9999	-	99.9999	99.9999	99.9999
Sociedad Hidroeléctrica Melocotón Ltda.	Chile	US\$	86.856.100-9	99.9000	0.1000	100	100	100
Río Tranquilo S.A.	Chile	US\$	76.293.900-2	99.9999	0.0001	100	100	100
Termoeléctrica Nehuenco S.A.	Chile	US\$	76.528.870-3	99.9999	0.0001	100	100	100
Termoeléctrica Antilhue S.A.	Chile	US\$	76.009.904-K	99.9998	-	99.9998	99.9998	99.9998
Colbún Transmisión S.A.	Chile	US\$	76.218.856-2	99.9999	0.0001	100	100	100
Colbún Desarrollo SpA	Chile	US\$	76.442.095-0	100	-	100	100	100
Inversiones SUD SpA	Chile	US\$	76.455.649-6	100	-	100	100	100
Inversiones Andinas SpA	Chile	US\$	76.455.646-1	100	-	100	100	100
Colbún Perú S.A.	Peru	US\$	0-E	99.9996	0.0004	100	100	100
Inversiones de Las Canteras S.A.	Peru	US\$	0-E	-	51	51	51	51
Fenix Power Perú S.A.	Peru	US\$	0-E	-	51	51	51	51

#### Differences in consolidation determination

During 2018, the Company has not had any changes in the determination of entities consolidated.

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

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

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

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

Any contingent consideration transferable by the acquiree is recognized at fair value at the acquisition date. Contingent considerations which are classified as financial assets or financial liabilities in accordance with 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 equity.



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Relationship	Company	Country	Currency	Tax ID No.	Ownership % as of		
					03-31-2018	03-31-2017	12-31-2017
					Direct	Direct	Direct
Associate	Electrogas S.A.	Chile	US\$	96.806.130-5	42.5	42.5	42.5
Joint venture	Centrales Hidroeléctricas de Aysén S.A., en Liquidación	Chile	Ch\$	76.652.400-1	49.0	49.0	49.0
Joint venture	Transmisora Eléctrica de Quillota Ltda.	Chile	Ch\$	77.017.930-0	50.0	50.0	50.0

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

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

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

Profits and losses in foreign currency that result from the settlement of these transactions and from conversion at the closing exchange rates for monetary assets and liabilities denominated in currencies other than the functional currency, are recognized in the statement of 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 the functional currency of the financial statements which are part of the consolidation perimeter is conducted at closing exchange rates. Differences in measurement are recognized as finance income and finance costs under foreign currency translation differences.

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

Exchange rate	03-31-2018	03-31-2017	12-31-2017
Chilean peso	603.39	663.97	614.75
Euro	0.8133	0.9360	0.8317
Peruvian sol	3.2290	3.2490	3.2450
Inflation-adjusted units	0.0224	0.0251	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, separate from the acquisition price of assets, the following concepts as permitted by IFRS:

- Finance cost of loans intended to finance assets under construction is capitalized during the construction period.
- Personnel expenses directly related to assets under construction.
- Costs of extensions, modernization or improvements representing an increase in the productivity, capacity or efficiency or lengthening of the useful lives of assets, are capitalized as a higher cost of the related assets.
- Substitutions or renovation of assets that increase their useful lives, or their economic capacity, are recorded as the higher value of the respective assets, with the consequent accounting derecognition of the substituted or renovated assets.
- Dismantling, removal and restoration costs of property, plant and equipment are recognized based on the legal obligation of each project (note 3.n.2).

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

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

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

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

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

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

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

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

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## **h. Financial instruments**

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

- a) 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 at recovering 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 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.

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## **h.2. Financial liabilities**

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

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

**h.2.3 Financial liabilities** - Financial liabilities are classified as financial 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 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 interim 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, with respect to the effective portion of the hedges, in equity reserve under "Cash flow hedges." Retained earnings or an accumulated deficit in such caption are transferred to the statement of comprehensive income to the extent that the underlying portion has an impact on the statement of comprehensive income for the hedged risk, netting such effect in the same heading in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of comprehensive income.

A hedge is considered highly effective when changes in fair value or in cash flows of the underlying asset directly attributable to the hedged risk are offset by the changes in the fair value or cash flows of the hedged instrument with an effectiveness within a range between 80% and 125%. For the period covered by these interim 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.

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

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

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

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

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

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

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

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

**n.2 Dismantling** - Future disbursements by the Company related to the closure of its facilities are included at the asset amount at fair value, recognizing the related provision for dismantling or remediation at the commencement of the plant's operations. The Company assesses on an annual basis its estimate on future disbursements indicated above, increasing or decreasing the asset value based on the results of such estimate (see Note 24 c). During 2018, the Company has determined its best estimate regarding dismantling commitments, recognizing this provision in the interim consolidated financial statements.

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

**p. Revenue 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.

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

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 – Clients with connection capacity exceeding 5,000 KW in Chile and 2,500 KW in Peru are classified as unregulated customers. Clients with connection capacity between 500 KW and 5,000 KW in Chile and between 200 KW and 2,500 KW in Peru can choose either a regulated or an unregulated regime: 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: Revenues from the sale of electric power are 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.) are recorded on a net basis, and therefore excluded from revenue in the consolidated statement of comprehensive income.



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**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 and gains from hedge instruments that are recognized in comprehensive income. Interest income is recognized as it accrues in profit or loss at the amortized cost using the effective interest method.

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

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

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

**r. Environment** - In the event of environmental liabilities, these are recognized on based on the current interpretation of environmental laws and regulations, when is probable that a current obligation 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 the lower. Subsequently, the lease minimum payments are divided into finance costs and debt reduction. A finance charge is recognized as an expense and distributed between the years comprising the lease term, thus obtaining a constant interest rate at each year on the balance of outstanding debt. The asset is depreciated on the same terms than the remaining similar depreciable assets if there is a reasonable certainty that the lessee will acquire the ownership of the asset at the end of the lease. If such certainty does not exist, the asset is depreciated on the shortest term between the useful life of the asset and the lease term.

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

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

All transactions are performed under the market terms and conditions.

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**v. Non-current assets classified as held for sale and discontinued operations** - Assets or non-current asset groups classified as held-for-sale are measured at the lower of their carrying amount or fair value less costs to sell. The Company classifies these assets under this caption when they met the requirements established in IFRS 5.

Non-current assets and components in asset groups held for disposal classified as held for sale or held for distribution to the owners are recognized in the consolidated statement of financial position as follows: assets in a single line “Non-current assets or asset groups for disposal classified as held-for-sale or held for distribution to owners” and the related liabilities in a single line “Liabilities included in asset groups for disposal classified as held-for-sale or held for distribution to the owners.”

Profit or loss from discontinued operations after tax are recorded in a single line in the statement of comprehensive income “Profit (loss) from discontinued operations” as well as profit or loss recognized through the measurement at fair value less costs to sell or for the disposal of the assets or asset groups for disposal comprising the discontinued operation.

**w. 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 government aids to which no fair value can be allocated. However, if these exist, the Company discloses the information of such aid.

**x. 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.

**y. 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.

### 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 application date
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021

#### IFRS 16 “Leases”

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

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

The Company's Management is assessing the implementation of IFRS 16, which will be applied in its financial statements for the period beginning on January 1, 2019. Currently, it is assessing the impact of this new pronouncement and there is no certainty that the adoption of this standard will significantly impact the Company's consolidated statements of financial position during the initial application period.

#### IFRS 17, “Insurance Contracts”

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

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

#### New interpretations

New interpretations		Mandatory application date
IFRIC 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.

### Amendments and/or modifications

Amendments to IFRS		Mandatory application date
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	January 1, 2019
	Annual Improvements Cycle to IFRS 2015-2017. Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	January 1, 2019

#### IAS 28: “Long-term Interests in Associates and Joint Ventures”

This amendments includes the following:

- Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

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

#### Amendment to IFRS 9, “Financial Instruments: Prepayment features with negative compensation”

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

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

#### 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.

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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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2019. 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.

### **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)

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.

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## 4. Risk management

### 4.1 Risk Management Policy

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

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

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

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

### 4.2 Risk Factors

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

#### 4.2.1 Electric business risks

##### a. Hydrological risk

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

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 situations of low water supply in its hydraulic plants, Colbún relies on its thermal plants or purchases energy in the spot market at marginal cost. The aforementioned generates a risk due to possible fluctuations in the international price of fuel. Part of this risk is mitigated through contracts which sale prices are indexed 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 risk related to fuel price fluctuations is partly mitigated.

### **c. Fuel supply risk**

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

With respect to natural gas supply, in Chile, the Company has medium-term contracts with ERSA and Metrogas. For the long term, Colbún recently signed a new contract with ERSA for the option of supply of liquefied natural gas and reserved regasification capacity - dated May 24, and supplemented on July 26- effective from 2018 through 2030, which will allow Colbún to access natural gas for the Nehuenco Complex. In Peru, Fenix has long-term agreements with the ECL88 Consortium (Pluspetrol, Pluspetrol Camisea, Hunt, SK, Sonatrach, Tecpetrol, and Repsol), as well as gas-transport agreements with TGP.

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

### **d. Equipment failure and maintenance risk**

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

### **e. Project construction risk**

The development of new projects may be affected by factors such as: delays in obtaining permits, 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.



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## **f. Regulatory risks**

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

In Chile, the announcements made by the new Government consider several regulatory changes, which, based on how they will be implemented, may expose the Company to risks. Particularly relevant are changes currently being discussed in Congress with respect to (i) amendments to the Water Code; (ii) the Act related to strengthening Chile's regionalization; (iii) the bill proposing the creation of the Ministry of Indigenous Peoples; (iv) the bill proposing the creation of a National Council and the Indigenous Peoples Councils; and (v) the Biodiversity and Protected Areas Act. Other significant issues for the Company relate to initiatives in the industry such as (i) the definition of Regulations required for the proper application of the already-enacted, especially the regulations related to complementary services and System Coordination and Operation, which were removed from the scope of the Comptroller and a new discussion of such matters is expected to occur, (ii) the creation of the guidelines for an energy route 2018-2022, in line with the long-term energy policy for Chile (2050) driven by the previous administration, (iii) the first annual Transmission Expansion Plan for 2017, and (iv) Worktables for the decarbonization of the energy matrix in Chile, among others. In addition, it is important to mention the reforms processed during the first quarter. With respect to water-related matters, a new regulation for inspection and sanctions was enacted, the objective of which is to strengthen the inspection powers of the Chilean Water Directorate (DGA) and increases fines related to non-compliance with such regulation.

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

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

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

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

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

With respect to long-term prices, the bidding processes 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 are maintained in the future, it is difficult to determine the exact scope they will have on long-term power prices.

In addition, and because of the difference in power prices between regulated and unregulated customers, it is possible that certain regulated customers may adopt the unregulated customer regime. The above may occur given the option included in power laws, which allow customers with power connections between 500 kW and 5,000 kW to be categorized as regulated or unregulated customers. Colbún has one of the most efficient power generation plants in Chile, and therefore it has the capacity of offering competitive conditions.

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

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

##### a. Currency risk

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

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

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

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

##### b. Interest rate risk

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

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

Interest rate	03-31-2018	03-31-2017	12-31-2017
Fixed	100%	97%	100%
Variable	0%	3%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

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### **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 investments 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 March 31, 2018, the Company invests its cash surpluses in mutual fund (of bank subsidiaries) and in time deposits in local and foreign banks.

The former are short-term mutual fund deposits, with maturities of less than 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 different fund requirements 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 contracting credit lines to ensure sufficient funds will be available to support expected needs for a reasonable period.

As of March 31, 2018, Colbún has cash surpluses of approximately US\$881 million, invested in term deposits for an average of 93 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, (ii) a line of commercial paper registered with the local market for UF 2.5 million and (iii) uncommitted credit revolving facilities for approximately US\$150 million.

Within the next twelve months, the Company will have to disburse approximately US\$88 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 March 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: BBB by Fitch Ratings and BBB by S&P, both with stable expectations.

In addition, Fenix has the following international risk ratings: Baa3 by Moody's, BBB- by Standard & Poor's (S&P) and BBB- by Fitch Ratings, all of them with stable expectations.

Consequently, the Company's liquidity risk is currently considered to be low. Information on contractual maturities of the main financial liabilities is disclosed in note 22.c.1 of the financial statements.

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### 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 March 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 worthiness, and has established the maximum exposure policies for each counterparty, which limit the specific concentration with such institutions. For banks, the local institutions have risk ratings equal to or of more than BBB+ and foreign entities have investment grade international risk ratings. At the closing date, the financial institution which accounts for the highest share of cash surpluses has 17%. For existing derivatives, the Company's foreign counterparties have risk rating equivalent of BBB+ or higher and domestic counterparties have local ratings of BBB+ or higher. Note that, for derivatives, no counterparty has a concentration of more than 20% 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 interim 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 interim 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 March 31, 2018, are as follows:

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

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

Classes of property, plant and equipment	Useful life (years)	Average remaining useful life
Buildings	10 - 100	65
Machinery	4 - 20	9
Transport equipment	5 - 15	7
Office equipment	5 - 30	26
IT equipment	3 - 10	4
Power-generating assets	2 - 100	17
Finance leases	20	17
Other property, plant and equipment	10 - 50	28

Additional detail per class of plants is presented below.

Class of plant	Useful life (years)	Average remaining useful life
<b>Power-generating facilities</b>		
Hydroelectric power plants		
Civil works	10 - 100	72
Electromechanical equipment	2 - 100	21
Thermal power plants		
Civil works	10 - 60	24
Electromechanical equipment	2 - 60	17

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

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

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

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

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

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**(iii) Intangible assets with indefinite useful lives:**

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

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

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

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

- a) Assets and liabilities comprising such unit have not significantly changed since the latest recoverable amount calculation.
- b) The latest recoverable amount calculation resulted in an amount that significantly exceeded the unit's carrying amount; and
- c) Based on an analysis performed on the events and circumstances that had changed since the latest recoverable amount was calculated, it is unlikely that the current recoverable amount determination will be less than the unit's current carrying amount.

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

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

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

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

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

As of March 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. Non-current assets classified as held for sale and discontinued operations

On November 17, 2017, Centrales Hidroeléctricas de Aysén S.A., hereinafter "Hidroaysen", in which Colbún S.A. has a 49% stake, informed the end of activities and the cancellation of the "Hidroaysen hydroelectric project" as it not economically feasible, which resulted in the dissolution of the Company and liquidation of assets, the cancellation of legal actions and the waiver of water rights for the Project.

At the Extraordinary Shareholders' Meeting held on December 7, 2017, the shareholders of Hidroaysen agreed the early dissolution of such company and established the process for the liquidation of the Company's assets. The liquidation process contemplates the distribution of assets to the shareholders and it is foreseen to end during the first half of 2018.

Accordingly and as established in IAS 12, the differences existing between the financial and tax bases must be considered as temporary differences, resulting in the recognition of deferred tax assets amounting to ThUS\$39,252.

As of March 31, 2018, the investment in Hidroaysen is reclassified as a non-current asset held for distribution to the owners and measured at the lower of its carrying amount or fair value, less distribution costs. (See note 3.v).

As of March 31, 2018, the balance of non-current assets classified as held for distribution to the owners is as follows:

Detail of non-current assets classified as held for distribution to the owners	Ownership %	03-31-2018 ThUS\$
Investment in Centrales Hidroeléctricas de Aysén S.A.	49%	9,429

Additional financial information on Hidroaysen:

Relationship	Company	03-31-2018							
		Current assets ThUS\$	Non-current assets ThUS\$	Current liabilities ThUS\$	Non-current liabilities ThUS\$	Equity ThUS\$	Revenue ThUS\$	Cost of ThUS\$	Profit (loss) ThUS\$
Joint venture	Centrales Hidroeléctricas de Aysén S.A., en Liquidación	265	19,152	176	-	19,242	-	(271)	(271)

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## 7. Segment reporting

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

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

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

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

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

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

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



The following caption presents information by geographic location:

Segment operating results for the period ended 03-31-2018	Chile	Peru	Total operating segments	Elimination of amounts	Consolidated totals
<b>Revenue</b>					
Revenue	353,945	52,673	406,618	-	406,618
<b>Total revenue from third parties and transactions with other operating segments within the same entity</b>	<b>353,945</b>	<b>52,673</b>	<b>406,618</b>	<b>-</b>	<b>406,618</b>
Raw materials and consumables	(173,839)	(40,773)	(214,612)	-	(214,612)
Employee benefit expenses	(19,392)	(1,441)	(20,833)	-	(20,833)
Interest expenses	(16,648)	(4,483)	(21,131)	-	(21,131)
Interest (cost) income	4,876	(20)	4,856	-	4,856
Depreciation and amortization expenses	(50,468)	(8,151)	(58,619)	-	(58,619)
Share of profit (loss) of equity-accounted associates and joint ventures	4,272	-	4,272	378	4,650
Income tax expense from continuing operations	(27,164)	3,524	(23,640)	-	(23,640)
Profit (loss) before tax	90,436	(2,767)	87,669	378	88,047
<b>Profit (loss) before income taxes</b>	<b>63,272</b>	<b>757</b>	<b>64,029</b>	<b>378</b>	<b>64,407</b>
<b>Net profit for the period</b>	<b>63,272</b>	<b>757</b>	<b>64,029</b>	<b>378</b>	<b>64,407</b>
Assets	6,382,834	841,341	7,224,175	(238,061)	6,986,114
Equity-accounted investees	265,836	-	265,836	(238,061)	27,775
Incorporation of non-current assets other than financial instruments, deferred tax assets, income tax related to defined benefit plans and rights arising from insurance contracts	4,996,458	696,059	5,692,517	-	5,692,517
Liabilities	2,586,964	382,756	2,969,720	-	2,969,720
<i>Equity</i>					4,016,394
<b>Equity and liabilities</b>					<b>6,986,114</b>
Impairment losses recognized in other comprehensive income	(64)	-	(64)	-	(64)
Cash flows from operating activities	121,792	8,986	130,778	-	130,778
Cash flows from investing activities	74,399	(2,127)	72,272	-	72,272
Cash flows from financing activities	(7,090)	(12,631)	(19,721)	-	(19,721)

Continued

Segment operating results for the period ended 03-31-2017	Chile	Peru	Total operating segments	Elimination of amounts	Consolidated totals
<b>Revenue</b>					
Revenue	334,408	47,636	382,044	-	382,044
<b>Total revenue from third parties and transactions with other operating segments within the same entity</b>	<b>334,408</b>	<b>47,636</b>	<b>382,044</b>	<b>-</b>	<b>382,044</b>
Raw materials and consumables	(167,264)	(34,354)	(201,618)	-	(201,618)
Employee benefit expenses	(15,694)	(1,351)	(17,045)	-	(17,045)
Interest expenses	(17,078)	(3,153)	(20,231)	-	(20,231)
Interest (cost) income	2,404	120	2,524	-	2,524
Depreciation and amortization expenses	(51,469)	(8,104)	(59,573)	-	(59,573)
Share of profit (loss) of equity-accounted associates and joint ventures	4,583	-	4,583	(3,843)	740
Income tax expense from continuing operations	(19,684)	5,989	(13,695)	-	(13,695)
Profit (loss) before tax	76,664	1,396	78,060	(3,843)	74,217
<b>Profit (loss) before income taxes</b>	<b>76,664</b>	<b>1,396</b>	<b>64,365</b>	<b>(3,843)</b>	<b>60,522</b>
<b>Net profit for the period</b>	<b>56,980</b>	<b>7,385</b>	<b>64,365</b>	<b>(3,843)</b>	<b>60,522</b>
Assets	6,196,494	840,991	7,037,485	(226,068)	6,811,417
Equity-accounted investees	262,652	-	262,652	(226,068)	36,584
Incorporation of non-current assets other than financial instruments, deferred tax assets, income tax related to defined benefit plans and rights arising from insurance contracts	5,715,852	-	5,715,852	-	5,715,852
Liabilities	2,562,358	397,921	2,960,279	-	2,960,279
<i>Equity</i>					3,851,138
<b>Equity and liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,811,417</b>
Impairment losses recognized in other comprehensive income	-	-	-	-	-
Cash flows from operating activities	87,033	25,215	112,248	-	112,248
Cash flows from investing activities	(67,665)	(3,565)	(71,230)	-	(71,230)
Cash flows from financing activities	(71,288)	(4,703)	(75,991)	-	(75,991)

Segment operating results for the period ended 12-31-2017	Chile	Peru	Total operating segments	Elimination of amounts	Consolidated totals
<b>Revenue</b>					
Revenue	1,355,575	192,837	1,548,412	-	1,548,412
<b>Total revenue from third parties and transactions with other operating segments within the same entity</b>	<b>1,355,575</b>	<b>192,837</b>	<b>1,548,412</b>	<b>-</b>	<b>1,548,412</b>
Raw materials and consumables	(614,154)	(141,526)	(755,680)	-	(755,680)
Employee benefit expenses	(70,937)	(5,848)	(76,785)	-	(76,785)
Interest expenses	(70,184)	(14,770)	(84,954)	-	(84,954)
Interest (cost) income	12,093	633	12,726	-	12,726
Depreciation and amortization expenses	(191,256)	(32,232)	(223,488)	-	(223,488)
Share of profit (loss) of equity-accounted associates and joint ventures	9,181	-	9,181	(6,277)	2,904
Income tax expense from continuing operations	(37,913)	3,833	(34,080)	-	(34,080)
Profit (loss) before tax	319,465	9,494	328,959	(6,277)	322,682
<b>Profit (loss) before income taxes</b>	<b>281,552</b>	<b>13,327</b>	<b>294,879</b>	<b>(6,277)</b>	<b>288,602</b>
<b>Net profit for the period</b>	<b>281,552</b>	<b>13,327</b>	<b>294,879</b>	<b>(6,277)</b>	<b>288,602</b>
Assets	6,313,953	847,422	7,161,375	(238,833)	6,922,542
Equity-accounted investees	277,131	-	277,131	(238,833)	38,298
Incorporation of non-current assets other than financial instruments, deferred tax assets, income tax related to defined benefit plans and rights arising from insurance contracts	5,011,080	704,772	5,715,852	-	5,715,852
Liabilities	2,583,949	387,886	2,971,835	-	2,971,835
<i>Equity</i>					3,950,707
<b>Equity and liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,922,542</b>
Impairment losses recognized in other comprehensive income	(76,128)	-	(76,128)	-	(76,128)
Cash flows from operating activities	523,445	77,494	600,939	-	600,939
Cash flows from investing activities	(587,076)	(9,741)	(596,817)	-	(596,817)
Cash flows from financing activities	(307,822)	(30,586)	(338,408)	-	(338,408)

## Information on products and services

Sales in the main geographical markets	January - March	
	2018 ThUS\$	2017 ThUS\$
<b>Chile</b>		
Energy sales	272,684	248,814
Power sales	41,271	40,280
Other income	39,990	45,313
<b>Subtotal</b>	<b>353,945</b>	<b>334,407</b>
<b>Peru</b>		
Energy sales	28,773	28,046
Power sales	9,553	7,834
Other income	14,347	11,757
<b>Subtotal</b>	<b>52,673</b>	<b>47,637</b>
<b>Total sales</b>	<b>406,618</b>	<b>382,044</b>

## Information on products and services

Main customers	January - March			
	2018		2017	
	ThUS\$	%	ThUS\$	%
<b>Chile</b>				
Corporación Nacional del Cobre Chile	101,700	25%	83,121	22%
CGE Distribución S.A.	92,250	23%	92,373	24%
Enel Distribución Chile S.A.	46,691	11%	52,236	14%
Anglo American S.A.	26,800	7%	21,933	6%
Sociedad Austral del Sur S.A.	19,409	5%	26,018	7%
Other	67,095	16%	58,726	15%
<b>Subtotal</b>	<b>353,945</b>	<b>87%</b>	<b>334,407</b>	<b>88%</b>
<b>Peru</b>				
Luz del Sur	27,576	7%	27,757	7%
Empresa de Distribución Eléctrica de Lima Norte S.A.	11,115	3%	7,839	2%
Electronoroeste S.A.	2,508	1%	2,187	1%
Compañía Eléctrica El Platanal S.A.	2,353	1%	4,690	1%
Other	9,121	1%	5,164	1%
<b>Subtotal</b>	<b>52,673</b>	<b>13%</b>	<b>47,637</b>	<b>12%</b>
<b>Total sales</b>	<b>406,618</b>	<b>100%</b>	<b>382,044</b>	<b>100%</b>

## 8. Cash and cash equivalents

### a. Detail

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

Cash and cash equivalents	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Cash on hand	62	76
Cash in banks	33,989	20,354
Time deposits	287,532	90,965
Other cash equivalents	132,570	157,801
<b>Total</b>	<b>454,153</b>	<b>269,196</b>

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 March 31, 2018 and December 31, 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 9.

#### b. Detail by currency

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

Currency	03-31-2018		12-31-2017	
	Currency ThUS\$	Currency with derivative <sup>(1)</sup> ThUS\$	Currency ThUS\$	Currency with derivative <sup>(1)</sup> ThUS\$
EUR	839	839	1,121	1,121
Ch\$	294,494	146,494	169,132	149,068
PEN	19,030	19,030	13,957	13,957
US\$	139,790	287,790	84,986	105,050
<b>Total</b>	<b>454,153</b>	<b>454,153</b>	<b>269,196</b>	<b>269,196</b>

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

#### 9. Other financial assets

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

	Current		Non-current	
	03-31-2018 ThUS\$	31-12-2017 ThUS\$	03-31-2018 ThUS\$	31-12-2017 ThUS\$
Time deposits (1)	426,587	541,019	-	-
Hedge derivative instruments (2) (see Note 14.1)	2,158	950	33,361	20,829
Investment for share offering	-	-	97	93
Investment in CDEC	-	-	248	245
<b>Total</b>	<b>428,745</b>	<b>541,969</b>	<b>33,706</b>	<b>21,167</b>

<sup>(1)</sup> As of March 31, 2018 and December 31, 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 90 days. Cash flows related to these investments are presented in the statements of cash flows as cash flows from investing activities in other cash receipts (payments).

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

## 10. Trade and other receivables

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

Caption	Current	
	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Trade receivables by contract	198,209	200,257
Other receivables <sup>(1)</sup>	20,170	24,807
<b>Total</b>	<b>218,379</b>	<b>225,064</b>

<sup>(1)</sup> As of March 31, 2018, the current balance includes recoverable taxes of ThUS\$16,121 and other minor taxes of ThUS\$4,049. Whereas, as of December 31, 2017, the current balance comprises recoverable taxes (General Sales Tax (GST)) of ThUS\$16,803, trust guarantee of ThUS\$8,612, collateral with JP Morgan of ThUS\$4,160, and other minor items of ThUS\$3,844. The 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	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Opening balance as of 1-1-2018	277	11,187
Impairment losses	63	-
Reversal of impairment losses	(179)	(10,910)
<b>Closing balance as of 03-31-2018</b>	<b>161</b>	<b>277</b>

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

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

a) Aging of trade receivables portfolio.

Invoiced	Balances as of 03-31-2018					
	Current ThUS\$	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	Over 91 days ThUS\$	Total ThUS\$
Trade receivables, regulated	11,297	2,018	41	571	106	14,033
Trade receivables, unregulated	7,376	597	173	126	254	8,526
Other receivables	1,557	(207)	(1)	-	(23)	1,326
Allowance for impairment	-	(37)	(26)	-	(98)	(161)
<b>Subtotal</b>	<b>20,230</b>	<b>2,371</b>	<b>187</b>	<b>697</b>	<b>239</b>	<b>23,724</b>

Invoices to be issued	Balances as of 03-31-2018					
	Current ThUS\$	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	Over 91 days ThUS\$	Total ThUS\$
Trade receivables, regulated	55,890	-	-	-	-	55,890
Trade receivables, unregulated	98,055	-	-	-	-	98,055
Other receivables	20,540	-	-	-	-	20,540
<b>Subtotal</b>	<b>174,485</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>174,485</b>
<b>Total trade receivables</b>	<b>194,715</b>	<b>2,371</b>	<b>187</b>	<b>697</b>	<b>239</b>	<b>198,209</b>
<b>No. of customers (unaudited)</b>	<b>339</b>	<b>138</b>	<b>90</b>	<b>85</b>	<b>194</b>	

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)
<b>Subtotal</b>	<b>13,510</b>	<b>5,372</b>	<b>102</b>	<b>25</b>	<b>117</b>	<b>19,126</b>

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
<b>Subtotal</b>	<b>181,131</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>181,131</b>
<b>Total trade receivables</b>	<b>194,641</b>	<b>5,372</b>	<b>102</b>	<b>25</b>	<b>117</b>	<b>200,257</b>
<b>No. of customers (unaudited)</b>	<b>286</b>	<b>198</b>	<b>85</b>	<b>85</b>	<b>219</b>	

b) Customers in legal collection

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

## 11. Financial instruments

### a. Financial instruments by category

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

#### a.1 Assets

March 31, 2018	Amortized cost	Fair value	Total
	ThUS\$	ThUS\$	ThUS\$
Cash on hand and cash balances (see Note 8)	-	34,051	34,051
Time deposits and other cash equivalents (see Note 8)	287,532	132,570	420,102
Trade and other receivables <sup>(1)</sup> (see Note 10)	202,258	-	202,258
Trade receivables due from related parties (see Note 12.b.1)	6,027	-	6,027
Derivative financial instruments (see Note 14.1)	-	35,519	35,519
Other financial assets (see Note 9)	426,835	-	426,835
<b>Total</b>	<b>922,652</b>	<b>202,140</b>	<b>1,124,792</b>

  

December 31, 2017	Amortized cost	Fair value	Total
	ThUS\$	ThUS\$	ThUS\$
Cash on hand and cash balances (see Note 8)	-	20,430	20,430
Time deposits and other cash equivalents (see Note 8)	90,965	157,801	248,766
Trade and other receivables <sup>(1)</sup> (see Note 10)	208,260	-	208,260
Trade receivables due from related parties (see Note 12.b.1)	240	-	240
Derivative financial instruments (see Note 14.1)	-	21,779	21,779
Other financial assets (see Note 9)	541,264	-	541,264
<b>Total</b>	<b>840,729</b>	<b>200,010</b>	<b>1,040,739</b>

<sup>(1)</sup> As of March 31, 2018, it does not consider recoverable taxes for ThUS\$16,121. As of December 31, 2017, the balance related to recoverable tax was ThUS\$16,804, current.

#### a.2 Liabilities

March 31, 2018	Amortized cost	Fair value	Total
	ThUS\$	ThUS\$	ThUS\$
Interest-bearing borrowings (see Note 22.a)	1,653,478	-	1,653,478
Lease obligations (see Note 22.a)	14,969	-	14,969
Trade and other payables (see Note 23)	199,704	-	199,704
Payables due to related parties (see Note 12.b.2)	11,843	-	11,843
<b>Total</b>	<b>1,879,994</b>	<b>-</b>	<b>1,879,994</b>

  

December 31, 2017	Amortized cost	Fair value	Total
	ThUS\$	ThUS\$	ThUS\$
Interest-bearing borrowings (see Note 22.a)	1,643,985	-	1,643,985
Lease obligations (see Note 22.a)	15,071	-	15,071
Derivative financial instruments (see Note 14.1)	-	396	396
Trade and other payables (see Note 23)	207,808	-	207,808
Payables due to related parties (see Note 12.b.2)	13,564	-	13,564
<b>Total</b>	<b>1,880,428</b>	<b>396</b>	<b>1,880,824</b>



## b. Credit quality of financial assets

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

Credit quality of financial assets	03-31-2018 ThUS\$	12-31-2017 ThUS\$
<b>Customers with local risk rating</b>		
AAA	56,066	56,277
AA+	23,124	27,462
AA	14,725	15,269
AA-	33,911	39,802
A+	293	232
A	1,880	556
BBB	105	-
<b>Total</b>	<b>130,104</b>	<b>139,598</b>
<b>Customers with no local risk rating</b>		
<b>Total</b>	<b>68,105</b>	<b>60,659</b>
<b>Cash on banks and bank short-term deposits, local market</b>		
AAA	54,184	507,492
AA+	-	-
AA	2,077	75,602
AA-	-	11,049
A+ or lower	535,299	21,942
<b>Total</b>	<b>591,560</b>	<b>616,085</b>
<b>Cash on banks and bank short-term deposits, international market (*)</b>		
BBB- or higher	156,610	36,329
<b>Total</b>	<b>156,610</b>	<b>36,329</b>
<b>Counterparty derivative financial assets, international market (*)</b>		
A or higher	35,519	21,779
<b>Total</b>	<b>35,519</b>	<b>21,779</b>

(\*) Foreign risk classification

## 12. Related party disclosures

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

### a. Controlling interests

As of March 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. (**)	6.67
AFP Provida S.A. (**)	4.72
AFP Cuprum S.A. (**)	4.07
Banco Itaú por cuenta de inversionistas	3.71
Banco de Chile por cuenta de terceros	3.46
AFP Capital S.A. (**)	3.42
Banco Santander - JP Morgan	2.54
Other shareholders	12.66
<b>Total</b>	<b>100.00</b>

(\*) 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	
					03-31-2018 ThUS\$	12-31-2017 ThUS\$
96.806.130-5	Electrogas S.A.	Chile	Associate	US\$	5,931	-
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common group	Ch\$	-	164
65.485.050-K	Fundación Colbún	Chile	Special purpose entity	Ch\$	96	76
<b>Total</b>					<b>6,027</b>	<b>240</b>

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

Tax ID No.	Company	Country	Relationship	Currency	Current	
					03-31-2018 ThUS\$	12-31-2017 ThUS\$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Ch\$	217	212
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Director and controlling shareholder	Ch\$	203	1,965
96.806.980-2	Entel PCS Comunicaciones S.A.	Chile	Common director	Ch\$	44	36
90.412.000-6	Minera Valparaíso S.A.	Chile	Controlling shareholder	US\$	8,116	8,116
79.621.850-9	Forestal Cominco S.A.	Chile	Controlling shareholder	US\$	3,231	3,230
96.925.430-1	Servicios Corporativos Sercor S.A.	Chile	Common director	US\$	32	5
<b>Total</b>					<b>11,843</b>	<b>13,564</b>

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

### b. 3 Disclosures of transactions with related parties

Tax ID No.	Company	Country	Relationship	Currency	Transaction	January - March			
						2018		2017	
						Amount ThUS\$	Effect on profit or loss (debit) credit ThUS\$	Amount ThUS\$	Effect on profit or loss (debit) credit ThUS\$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Ch\$	Toll for using facilities	846	(711)	598	(502)
				UF	Revenue for services rendered	38	32	35	29
76.652.400-1	Centrales Hidroeléctricas de Aysén S.A., en Liquidación	Chile	Joint venture	Ch\$	Capital contribution <sup>(1)</sup>	-	-	2,763	-
96.806.130-5	Electrogas S.A.	Chile	Associate	US\$	Gas transport service	2,989	(2,512)	2,523	(2,120)
				US\$	Diesel transport service	111	(93)	283	(238)
				US\$	Dividend declared <sup>(2)</sup>	5,931	-	5,554	-
97.080.000-K	Banco Bice	Chile	Common director	Ch\$	Expenses for services received	19	(16)	18	(15)
96.731.890-6	Cartulinas CMPC S.A.	Chile	Parent common director	Ch\$	Easements	275	231	268	225
				Ch\$	Easements	1,381	1,161	-	-
79.621.850-9	Forestal Cominco S.A.	Chile	Controlling shareholder	US\$	Dividends <sup>(3)</sup>	-	-	6,407	-
90.412.000-6	Minera Valparaíso S.A.	Chile	Controlling shareholder	US\$	Dividends <sup>(3)</sup>	-	-	16,096	-
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Director and controlling shareholder	Ch\$	Diesel supply service	2,887	(2,426)	6,115	(5,139)
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	Common Group	Ch\$	Telephone services	97	(82)	111	(93)
96.697.410-9	Entel Telefonía Local S.A.	Chile	Common director	Ch\$	Telephone services	17	(14)	24	(20)
96.925.430-1	Sercor S.A.	Chile	Common director	Ch\$	Stock administration service	38	(32)	9	(8)

<sup>(1)</sup> 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.

<sup>(2)</sup> Dividends declared 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 charge to profit for 2016, of MUS\$ 13.1 from which ThUS\$5,554 (42.5%) belongs to Colbún.

<sup>(3)</sup> Dividends declared and paid to Minera Valparaíso S.A. and Forestal Cominco S.A.

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

### c. Key management personnel and senior management

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

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

### 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 March 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 - March					
		2018			2017		
		Board of Colbún ThUS\$	Variable remuneration ThUS\$	Directors' Committee ThUS\$	Board of Colbún ThUS\$	Variable remuneration ThUS\$	Directors' Committee ThUS\$
Juan Eduardo Correa García	Chairman	40	-	-	18	-	6
Vivianne Blanlot Soza	Deputy chairman	20	-	-	18	-	-
Bernardo Larraín Matte	Director	20	-	-	36	-	-
Luz Granier Bulnes	Director	20	-	7	18	-	6
María Ignacia Benítez Pereira	Director	20	-	7	18	-	6
Arturo Mackenna Íñiguez	Director	20	-	-	18	-	-
Jorge Matte Capdevila	Director	20	-	-	18	-	-
Francisco Matte Izquierdo	Director	20	-	7	18	-	-
Andrés Lehedé Bromley	Director	20	-	-	18	-	-
		<b>200</b>	<b>-</b>	<b>21</b>	<b>180</b>	<b>-</b>	<b>18</b>

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

#### e.2 Board Counseling Expenses

For the years ended March 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
Juan Pablo Schaeffer Fabres	Sustainable Development Manager
Rodrigo Pérez Stjepović	Legal Manager
Paula Martínez Osorio	Organization and Personnel Manager
Sebastián Fernández Cox	Development Manager
Heraldo Alvarez Arenas	Internal Audit Manager

Key management personnel accrued compensation:

Concept	January - March	
	2018 ThUS\$	2017 ThUS\$
Short-term employee benefits	1,219	1,082
Other long-term benefits	248	216
Termination benefits	73	42
<b>Total</b>	<b>1,540</b>	<b>1,340</b>

### e.4 Receivables and payables and other transactions

As of March 31, 2018 December 31, 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 March 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

As of March 31, 2018 and 2017, no indemnities were paid.

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

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

### e.10 Consideration plans associated with shares' quote

The Company has no such operations.

### 13. Inventories

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

Inventory	03-31-2018	12-31-2017
	ThUS\$	ThUS\$
Spare parts for maintenance	39,994	39,684
Coal	20,968	14,659
Inventory in transit <sup>(1)</sup>	941	7,226
Oil	3,721	4,495
Gas Line Pack	1,026	274
Allowance for obsolescence <sup>(2)</sup>	(3,427)	(3,427)
<b>Total</b>	<b>63,223</b>	<b>62,911</b>

<sup>(1)</sup> Relates to coal stock for use at the Santa María plant.

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

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

#### Inventories costs recognized as expense

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

Inventory costs	January - March	
	2018 ThUS\$	2017 ThUS\$
Warehouse consumption	1,703	1,771
Oil (see Note 28)	3,009	6,970
Gas Line Pack (see Note 28)	100,800	94,484
Coal (see Note 28)	22,118	18,268
<b>Total</b>	<b>127,630</b>	<b>121,493</b>

### 14. Derivative instruments

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

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

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

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

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

## 14.1 Hedging instruments

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

Hedging assets		Current		Non-current	
		03-31-2018 ThUS\$	12-31-2017 ThUS\$	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Currency hedging instrument	Cash flow hedges	2,569	883	33,361	20,829
Interest rate hedge	Cash flow hedges	(478)	-	-	-
Fuel price hedge	Cash flow hedges	67	67	-	-
<b>Total (see note 9)</b>		<b>2,158</b>	<b>950</b>	<b>33,361</b>	<b>20,829</b>

  

Hedging liabilities		Current	
		03-31-2018 ThUS\$	12-31-2017 ThUS\$
Currency hedging instrument	Cash flow hedges	-	396
<b>Total (see note 22.a)</b>		<b>-</b>	<b>396</b>

  

Hedging instruments, net		03-31-2018 ThUS\$	12-31-2017 ThUS\$
		<b>35,519</b>	<b>21,383</b>

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

Hedging instrument	Fair value		Underlying asset hedged	Hedged risk	Type of hedge
	03-31-2018 ThUS\$	12-31-2017 ThUS\$			
Currency forward	952	(396)	Financial investments	Exchange rate	Cash flow
Cross Currency Swaps	34,500	21,712	Obligations with the public (bonds)	Exchange rate and Interest rate	Cash flow
Oil options	67	67	Purchases of oil and gas	Oil price	Cash flow
<b>Total</b>	<b>35,519</b>	<b>21,383</b>			

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

## 14.2 Fair value hierarchy

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

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

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

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

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

## 15. Investments in subsidiaries

The interim consolidated financial statements include the financial statements of the Parent and subsidiaries. Information on subsidiaries as of March 31, 2018 and December 31, 2017, is detailed below.

Subsidiary	03-31-2018						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Revenue	Net profit (loss)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Empresa Eléctrica Industrial S.A.	2,141	18,016	1,820	12,799	5,538	1,426	(7)
Sociedad Hidroeléctrica Melocotón Ltda.	16	10,037	75	147	9,831	876	686
Río Tranquilo S.A.	3,835	47,214	1,114	17,994	31,941	5,518	3,695
Termoeléctrica Nehuenco S.A.	223	3,826	1,028	18,961	(15,940)	2,252	457
Termoeléctrica Antihue S.A.	255	31,720	3,401	15,117	13,457	1,200	(251)
Colbún Transmisión S.A.	4,829	129,543	9,951	33,222	91,199	7,477	4,185
Colbún Desarrollo S.P.A.	10	150	-	-	160	-	-
Inversiones SUD S.P.A.	100	-	121	26	(47)	-	(96)
Inversiones Andinas S.P.A.	10	-	-	-	10	-	-
Colbún Perú S.A.	8,548	229,525	12	-	238,061	-	(772)
Inversiones de Las Canteras S.A.	197	450,665	18	795	450,049	-	(1,532)
Fenix Power Perú S.A.	97,451	732,461	34,015	347,926	447,971	52,673	(1,470)

  

Subsidiary	12-31-2017						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Revenue	Net profit (loss)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Empresa Eléctrica Industrial S.A.	1,602	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 Antihue S.A.	253	32,976	3,217	16,304	13,708	4,400	(5,305)
Colbún Transmisión S.A.	4,429	121,628	16,011	23,033	87,013	29,546	15,555
Colbún Desarrollo S.P.A.	10	150	-	-	160	-	-
Inversiones SUD S.P.A.	5,749	2,173	1,187	6,686	49	-	39
Inversiones Andinas S.P.A.	10	-	-	-	10	-	-
Colbún 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

See note 3.1.b.



## 16. Equity-accounted investees

### a. Equity-accounted investees

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

Relationship	Company	No. of shares	Ownership percentage 03-31-2018 %	Balance as of 01.01.2018 ThUS\$	Additions ThUS\$	Accrued profit or loss ThUS\$	Dividends ThUS\$	Reserve in equity		Total 03-31-2018 ThUS\$	Transfer to assets held for distribution to the owners ThUS\$	Total 03-31-2018 ThUS\$
								Foreign currency translation difference ThUS\$	Reserve in hedge derivatives ThUS\$			
Associate	Electrogas S.A.	175,076	42.50%	17,220	-	1,680	(5,931)	-	(48)	12,921	-	12,921
Joint venture	Centrales Hidroeléctricas de Aysén S.A., en Liquidación (*)	8,731,996	49.00%	6,733	-	2,730	-	(34)	-	9,429	(9,429)	-
Joint venture	Transmisora Eléctrica de Quillota Ltda.	-	50.00%	14,345	-	240	-	269	-	14,854	-	14,854
<b>Total</b>				<b>38,298</b>	<b>-</b>	<b>4,650</b>	<b>(5,931)</b>	<b>235</b>	<b>(48)</b>	<b>37,204</b>	<b>(9,429)</b>	<b>27,775</b>

Relationship	Company	No. of shares	Ownership percentage 12-31-2017 %	Balance as of 01.01.2017 ThUS\$	Aportes ThUS\$	Accrued profit or loss ThUS\$	Dividends ThUS\$	Reserve in equity		Total 12-31-2017 ThUS\$	Transfer to assets held for distribution to the owners ThUS\$	Total 12-31-2017 ThUS\$
								Foreign currency translation difference ThUS\$	Reserve in hedge derivatives ThUS\$			
Associate	Electrogas S.A.	175,076	42.50%	17,049	-	8,187	(8,104)	-	88	17,220	-	17,220
Joint venture	Centrales Hidroeléctricas de Aysén S.A.	8,731,996	49.00%	9,245	2,923	(6,202)	-	767	-	6,733	-	6,733
Joint venture	Transmisora Eléctrica de Quillota Ltda.	-	50.00%	12,282	-	919	-	1,144	-	14,345	-	14,345
<b>Total</b>				<b>38,576</b>	<b>2,923</b>	<b>2,904</b>	<b>(8,104)</b>	<b>1,911</b>	<b>88</b>	<b>38,298</b>	<b>-</b>	<b>38,298</b>

(\*) See Note 6

## 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 March 31, 2018 and December 31, 2017, is as follows:

Relationship	Company	03-31-2018							
		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.	11,389	54,786	19,881	15,895	30,399	7,713	(2,115)	3,955
Joint venture	Centrales Hidroeléctricas de Aysén S.A., en Liquidación <sup>(*)</sup>	-	-	-	-	-	-	-	-
Joint venture	Transmisora Eléctrica de Quillota Ltda.	13,030	19,948	382	2,885	29,710	1,180	(328)	480

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

<sup>(\*)</sup> See Note 6

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Additional information

**i) Electrogas S.A.:**

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

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

**ii) Centrales Hidroeléctricas de Aysén S.A. (HidroAysén), under liquidation**

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.

Currently, the Company is going through a dissolution and liquidation of assets process.

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

**iii) Transmisora Eléctrica de Quillota Ltda.:**

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

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

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

17. Intangible assets other than goodwill

a. Detail by classes of intangible assets

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

<b>Intangible assets, net</b>		<b>03-31-2018</b>	<b>12-31-2017</b>
		ThUS\$	ThUS\$
<b>Rights not internally generated</b>	Emission rights for particulate matter	9,582	9,582
	Concessions	87	87
	Water rights	17,439	17,440
	Easements	58,101	58,145
	Intangible assets related to customers	42,568	43,362
<b>Licenses</b>	Software	3,475	3,451
<b>Total</b>		<b>131,252</b>	<b>132,067</b>
<b>Intangible assets, gross</b>		<b>03-31-2018</b>	<b>12-31-2017</b>
		ThUS\$	ThUS\$
<b>Rights not internally generated</b>	Emission rights for particulate matter	9,582	9,582
	Concessions	113	113
	Water rights	17,455	17,455
	Easements	59,474	59,474
	Intangible assets related to customers	46,815	46,815
<b>Licenses</b>	Software	13,436	12,799
<b>Total</b>		<b>146,875</b>	<b>146,238</b>
<b>Accumulated amortization</b>		<b>03-31-2018</b>	<b>12-31-2017</b>
		ThUS\$	ThUS\$
<b>Rights not internally generated</b>	Concessions	(26)	(26)
	Water rights	(16)	(15)
	Easements	(1,373)	(1,329)
	Intangible assets related to customers	(4,247)	(3,453)
<b>Licenses</b>	Software	(9,961)	(9,348)
<b>Total</b>		<b>(15,623)</b>	<b>(14,171)</b>

## b. Movements in intangible assets

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

Movements as of 2018	Rights not internally generated					Licenses	Intangible assets, net ThUS\$
	Emission rights for particulate matter ThUS\$	Concessions ThUS\$	Water rights ThUS\$	Easementss ThUS\$	Intangible assets related to customers ThUS\$	Software ThUS\$	
Balance as of 01-01-2018	9,582	87	17,440	58,145	43,362	3,451	132,067
Additions	-	-	-	-	-	-	-
Increase (decrease) resulting from other movements	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Transport from assets under construction	-	-	-	-	-	637	637
Accumulated amortization, transfers	-	-	-	-	-	-	-
Amortization expenses (see Note 31)	-	-	(1)	(44)	(794)	(613)	(1,452)
<b>Balance as of 03-31-2018</b>	<b>9,582</b>	<b>87</b>	<b>17,439</b>	<b>58,101</b>	<b>42,568</b>	<b>3,475</b>	<b>131,252</b>

  

Movements as of 2017	Rights not internally generated					Licenses	Intangible assets, net ThUS\$
	Emission rights for particulate matter ThUS\$	Concessions ThUS\$	Water rights ThUS\$	Easementss ThUS\$	Intangible assets related to customers ThUS\$	Software 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	-	(9)	(3)	(174)	(3,177)	(1,866)	(5,229)
<b>Saldo final al 31.12.2017</b>	<b>9,582</b>	<b>87</b>	<b>17,440</b>	<b>58,145</b>	<b>43,362</b>	<b>3,451</b>	<b>132,067</b>

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

## 18. Property, plant and equipment, net

### a. Detail of property, plant and equipment

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

Property, plant and equipment, net	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Land	298,152	297,742
Building, construction and facilities	115,064	225,930
Machinery	607	574
Transport equipment	721	755
Office equipment	3,324	3,410
IT equipment	1,265	1,472
Power-generating assets	4,221,729	4,068,854
Assets under construction	465,884	530,185
Finance leases	11,113	11,307
Other property, plant and equipment	381,090	376,249
<b>Total</b>	<b>5,498,949</b>	<b>5,516,478</b>
Property, plant and equipment, gross	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Land	298,152	297,742
Building, construction and facilities	134,085	284,277
Machinery	939	882
Transport equipment	1,730	1,730
Office equipment	9,013	9,013
IT equipment	8,225	8,266
Power-generating assets	5,720,625	5,475,436
Assets under construction	531,130	595,431
Finance leases	15,154	15,154
Other property, plant and equipment	473,072	464,558
<b>Total</b>	<b>7,192,125</b>	<b>7,152,489</b>
Accumulated depreciation and impairment of property, plant and equipment	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Building, construction and facilities	(19,021)	(58,347)
Machinery	(332)	(308)
Transport equipment	(1,009)	(975)
Office equipment	(5,689)	(5,603)
IT equipment	(6,960)	(6,794)
Power-generating assets	(1,498,896)	(1,406,582)
Assets under construction	(65,246)	(65,246)
Finance leases	(4,041)	(3,847)
Other property, plant and equipment	(91,982)	(88,309)
<b>Total</b>	<b>(1,693,176)</b>	<b>(1,636,011)</b>

## b. Movements in property, plant and equipment

As of March 31, 2018 and December 31, 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	-	-	-	-	-	-	-	34,197	-	-	34,197
Increase (decrease) resulting from other movements	410	-	-	-	-	-	-	-	-	5,707	6,117
Disposals	-	-	-	-	-	(41)	-	-	-	-	(41)
Accumulated depreciation, disposals	-	-	-	-	-	2	-	-	-	-	2
Transport from assets under construction	-	-	57	-	-	-	94,997	(98,498)	-	2,807	(637)
Transport between assets	-	(150,192)	-	-	-	-	150,192	-	-	-	-
Accumulated depreciation, transport between assets	-	40,428	-	-	-	-	(40,428)	-	-	-	-
Depreciation expenses (see Note 31)	-	(1,102)	(24)	(34)	(86)	(168)	(51,886)	-	(194)	(3,673)	(57,167)
Total movements	410	(110,866)	33	(34)	(86)	(207)	152,875	(64,301)	(194)	4,841	(17,529)
<b>Balance as of 03-31-2018</b>	<b>298,152</b>	<b>115,064</b>	<b>607</b>	<b>721</b>	<b>3,324</b>	<b>1,265</b>	<b>4,221,729</b>	<b>465,884</b>	<b>11,113</b>	<b>381,090</b>	<b>5,498,949</b>

  

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	-	(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)
<b>Balance as of 12-31-2017</b>	<b>297,742</b>	<b>225,930</b>	<b>574</b>	<b>755</b>	<b>3,410</b>	<b>1,472</b>	<b>4,068,854</b>	<b>530,185</b>	<b>11,307</b>	<b>376,249</b>	<b>5,516,478</b>

### c. Other disclosures

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

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

ii) As of March 31, 2018 and 2017, the Company had commitments associated with the acquisition of property, plant and equipment for construction agreements for ThUS\$55,198 and ThUS\$68,510, respectively. The companies in which it operates are: Abb S.A., Siemens S.A., Abengoa Chile S.A., Andritz Hydro S.R.L., Toshiba America do Sul Ltda., Consorcio Isotron Sacyr S.A., Ingeniería Agrosonda Ltda., Pine SpA, Orion Power S.A., Integracion de Tecnologías Itq Limitada, Soc., Com. e Ingeniería y Gestión Ind., Ingher Ltda., Rhona S.A., among others.

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

Concept	January - March	
	2018 ThUS\$	2017 ThUS\$
<b>Borrowing costs</b>		
Capitalized borrowing costs (see Note 32)	-	126
Borrowing costs recognized as expenses	2,134	1,633
Total borrowing costs incurred	<b>2,134</b>	<b>1,759</b>
<b>Interest costs</b>		
Capitalized interest costs (see Note 32)	-	1,519
Interest expenses	18,837	18,534
Total interest costs incurred	<b>18,837</b>	<b>20,053</b>
Capitalization rate of borrowing costs subject to capitalization	5.31%	4.74%



#### iv) Operating leases

As of March 31, 2018 and December 31, 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-substation Maitenes) entered into between the Company and Anglo American Sur. Such contracts have a term of 21 years.
3. Energy supply and electric power contract entered into between Colbún and Corporación Nacional del Cobre de Chile. Such contract has a term of 30 years.

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

March 31, 2018	0-1 year ThUS\$	1-5 years ThUS\$	Over 5 years ThUS\$	Total ThUS\$
Minimum lease payments under operating non-cancellable leases	118,229	472,904	2,441,103	3,032,236
<b>Total</b>	<b>118,229</b>	<b>472,904</b>	<b>2,441,103</b>	<b>3,032,236</b>

  

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
<b>Total</b>	<b>118,313</b>	<b>473,242</b>	<b>2,473,271</b>	<b>3,064,826</b>

#### v) Finance lease

As of March 31, 2018, the caption property, plant and equipment includes ThUS\$11,113, 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 March 31, 2018 and December 31, 2017, the present value of future payments derived from such contracts is as follows:

March 31, 2018	0-1 year ThUS\$	1-5 years ThUS\$	Over 5 years ThUS\$	Total ThUS\$
Gross	2,415	9,056	31,647	<b>43,118</b>
Interests	1,974	6,830	19,345	<b>28,149</b>
Current value (see Note 22.a)	441	2,226	12,302	<b>14,969</b>

  

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

vi) Additional information required for XBRL taxonomy

1. Disbursements recognized during the construction

Disbursements recognized during the construction, gross	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Assets under construction	35,164	119,574
<b>Total</b>	<b>35,164</b>	<b>119,574</b>

2. Assets fully depreciated still in use

Assets fully depreciated still in use, gross	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Buildings	32	32
Machinery	36	36
Transport equipment	474	474
Office equipment	3,962	3,942
IT equipment	5,648	5,642
Power-generating assets	9,704	9,688
Other property, plant and equipment	1,430	1,430
<b>Total</b>	<b>21,286</b>	<b>21,244</b>

Assets fully depreciated still in use, accumulated depreciation and impairment	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Buildings	(32)	(32)
Machinery	(36)	(36)
Transport equipment	(472)	(472)
Office equipment	(3,962)	(3,942)
IT equipment	(5,648)	(5,642)
Power-generating assets	(9,704)	(9,688)
Other property, plant and equipment	(1,430)	(1,430)
<b>Total</b>	<b>(21,284)</b>	<b>(21,242)</b>

**vii) Detail of other property, plant and equipment**

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

<b>Other property, plant and equipment, net</b>	<b>03-31-2018</b> ThUS\$	<b>12-31-2017</b> ThUS\$
Substations	150,023	149,746
Transmission lines	126,601	127,635
Spare parts classified as property, plant and equipment	96,361	90,655
Other property, plant and equipment	8,105	8,213
<b>Balance of other property, plant and equipment, net</b>	<b>381,090</b>	<b>376,249</b>

<b>Other property, plant and equipment, gross</b>	<b>03-31-2018</b> ThUS\$	<b>12-31-2017</b> ThUS\$
Substations	209,855	207,047
Transmission lines	155,732	155,732
Spare parts classified as property, plant and equipment	96,361	90,655
Other property, plant and equipment	11,124	11,124
<b>Total other property, plant and equipment, gross</b>	<b>473,072</b>	<b>464,558</b>

<b>Accumulated depreciation and impairment of property, plant and equipment</b>	<b>03-31-2018</b> ThUS\$	<b>12-31-2017</b> ThUS\$
Substations	(59,832)	(57,301)
Transmission lines	(29,131)	(28,097)
Other property, plant and equipment	(3,019)	(2,911)
<b>Total depreciation and impairment</b>	<b>(91,982)</b>	<b>(88,309)</b>

viii) Detail of power-generating assets

Power-generating assets, net		03-31-2018 ThUS\$	12-31-2017 ThUS\$
Power-generating civil works	Hydropower	1,632,292	1,672,750
	Coal-fired thermal power	290,521	220,808
	Oil and gas-fired thermal power	44,465	44,124
Power-generating equipment and machinery	Hydropower	639,591	558,498
	Coal-fired thermal power	487,858	491,163
	Oil and gas-fired thermal power	1,127,002	1,081,511
<b>Balance of power-generating assets, net</b>		<b>4,221,729</b>	<b>4,068,854</b>

Power-generating assets, gross		03-31-2018 ThUS\$	12-31-2017 ThUS\$
Power-generating civil works	Hydropower	2,156,813	2,206,842
	Coal-fired thermal power	355,883	260,852
	Oil and gas-fired thermal power	54,507	54,501
Power-generating equipment and machinery	Hydropower	888,200	759,889
	Coal-fired thermal power	615,883	612,995
	Oil and gas-fired thermal power	1,649,339	1,580,357
<b>Total power-generating assets, gross</b>		<b>5,720,625</b>	<b>5,475,436</b>

Accumulated depreciation and impairment of power-generating assets		03-31-2018 ThUS\$	12-31-2017 ThUS\$
Power-generating civil works	Hydropower	(524,521)	(534,092)
	Coal-fired thermal power	(65,362)	(40,044)
	Oil and gas-fired thermal power	(10,042)	(10,377)
Power-generating equipment and machinery	Hydropower	(248,609)	(201,391)
	Coal-fired thermal power	(128,025)	(121,832)
	Oil and gas-fired thermal power	(522,337)	(498,846)
<b>Total depreciation and impairment</b>		<b>(1,498,896)</b>	<b>(1,406,582)</b>

## 19. Current income tax assets recoverable

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

### a. Current tax assets

	Current	
	03-31-2018	12-31-2017
	ThUS\$	ThUS\$
Recoverable taxes from previous years	12,899	11,284
Recoverable taxes for the year (see Note 21.a.1)	6,794	7,106
<b>Total</b>	<b>19,693</b>	<b>18,390</b>

### b. Current tax liabilities

	Current	
	03-31-2018	12-31-2017
	ThUS\$	ThUS\$
Recoverable taxes for the year (see Note 21.a.1)	1,819	19,785
Recoverable taxes from previous years	19,785	-
<b>Total</b>	<b>21,604</b>	<b>19,785</b>

## 20. Other non-financial assets

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

	Current		Non-current	
	03-31-2018	12-31-2017	03-31-2018	12-31-2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Insurance premium for facilities and civil responsibility	11,301	15,542	-	-
Prepayments	9,380	13,741	19,668	19,875
Patent for non-use of water rights <sup>(1)</sup>	-	-	13,522	7,774
Other miscellaneous assets	138	109	1,351	1,360
<b>Total</b>	<b>20,819</b>	<b>29,392</b>	<b>34,541</b>	<b>29,009</b>

<sup>(1)</sup> Credit under Article No.129 bis 20 of the Chilean Water Code, Decree Law No.1.122. As of March 31, 2018, the Company recognized no impairment charges, 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.

## 21. Income taxes

### a. Income tax benefit (expense)

Income tax benefit (expense)	January - March	
	2018 ThUS\$	2017 ThUS\$
<b>Current income tax (expense) benefit</b>		
Current income taxes	(21,674)	(22,184)
Adjustments to prior-year current income tax expense	(536)	1,558
<b>Total income tax expense, net</b>	<b>(22,210)</b>	<b>(20,626)</b>
<b>Deferred income tax (expense) benefit</b>		
Deferred income tax benefit arising from temporary differences	(1,430)	6,931
<b>Total deferred income tax benefit, net</b>	<b>(1,430)</b>	<b>6,931</b>
<b>Income tax benefit (expense)</b>	<b>(23,640)</b>	<b>(13,695)</b>

As of March 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 - March	
	2018 ThUS\$	2017 ThUS\$
Domestic current income tax (expense) benefit	(22,210)	(20,163)
Foreign current income tax (expense) benefit	-	(463)
<b>Total current income tax expense, net</b>	<b>(22,210)</b>	<b>(20,626)</b>
Domestic deferred income tax benefit (expense)	(2,677)	479
Foreign deferred income tax benefit	1,247	6,452
<b>Total deferred income tax benefit</b>	<b>(1,430)</b>	<b>6,931</b>
<b>Income tax expense charged to profit or loss</b>	<b>(23,640)</b>	<b>(13,695)</b>

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

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

Current tax reconciliation		03-31-2018					
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.	(17,902)	(1,566)	17,484	232	(19)	-	(1,771)
Colbún Transmisión S.A.	(1,812)	-	1,795	-	-	-	(17)
Río Tranquilo S.A.	(1,377)	-	1,531	-	-	154	-
Soc. Hidroeléctrica Melocotón Ltda.	(251)	-	221	-	-	-	(30)
Termoeléctrica Antilhue S.A.	(229)	-	230	-	-	1	-
Empresa Eléctrica Industrial S.A.	(83)	-	196	-	-	113	-
Colbún Perú S.A.	(1)	-	-	-	-	-	(1)
Inversiones SUD SpA	-	-	73	-	-	73	-
Fenix Power S.A.	-	-	3,461	2,992	-	6,453	-
<b>Total</b>	<b>(21,655)</b>	<b>(1,566)</b>	<b>24,991</b>	<b>3,224</b>	<b>(19)</b>	<b>6,794</b>	<b>(1,819)</b>

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	-
<b>Total</b>	<b>(87,105)</b>	<b>(30)</b>	<b>71,184</b>	<b>3,480</b>	<b>(208)</b>	<b>7,106</b>	<b>(19,785)</b>

As of March 31, 2018, 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\$1,819.

In the case of the foreign subsidiary Fenix Power Perú S.A., as of March 31, 2018, it recognizes accumulated tax losses of ThUS\$150.6. Additionally, at the reporting date, the accumulated tax losses of the domestic subsidiary Termoeléctrica Nehuenco S.A. amount to ThUS\$ 11,817. 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 it 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 March 31, 2018 and 2017, the total tax expense can be reconciled to the accounting profit as follows:

Income tax benefit (expense)	2018		2017	
	Amount ThUS\$	Rate %	Amount ThUS\$	Rate %
Profit before income taxes	88,047		74,217	
<b>Tax expense using the legal rate <sup>(1)</sup></b>	<b>(23,773)</b>	<b>27.0%</b>	<b>(18,925)</b>	<b>25.5%</b>
Differences between US dollars and tax financial accounting in local currency through deferred taxes <sup>(2)</sup>	600	-0.7%	4,862	-6.6%
Tax effect of exchange rate differences in other jurisdictions	-	0.0%	(100)	0.1%
Other differences	(467)	0.5%	468	-0.6%
<b>Actual Income tax expense</b>	<b>(23,640)</b>	<b>26.8%</b>	<b>(13,695)</b>	<b>18.5%</b>

<sup>(1)</sup> As of March 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 income tax expense was calculated using the legal tax rate of 25.5% (Law No. 20.780) for the Chilean operations and the legal tax rate of 29.5% for the Peruvian operations.

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



## b. Deferred taxes

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

Deferred tax assets	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Deferred taxes related to tax losses	47,546	47,332
Deferred taxes related to unearned revenue	3,409	3,539
Deferred taxes related to inventory	1,797	1,753
Deferred taxes related to provisions	19,812	20,418
Deferred taxes related to unrealized gain or loss	292	292
Deferred taxes related to contingencies	46	46
Deferred taxes related to obligations for post-employment benefits	8,342	7,641
Deferred taxes related to investments in associates <sup>(1)</sup>	39,252	39,980
<b>Total deferred tax assets</b>	<b>120,496</b>	<b>121,001</b>
Deferred tax liabilities	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Deferred taxes related to depreciations	(967,940)	(967,128)
Deferred taxes related to intangible assets	(14,569)	(14,599)
Deferred taxes related to financial expenses	(17,607)	(17,972)
Deferred taxes related to hedging instruments	(2,018)	(987)
<b>Total deferred tax liabilities</b>	<b>(1,002,134)</b>	<b>(1,000,686)</b>
<b>Total deferred tax assets and liabilities, net</b>	<b>(881,638)</b>	<b>(879,685)</b>
Changes in deferred taxes	03-31-2018 ThUS\$	31.12.2017 ThUS\$
<b>Deferred taxes as of January 1</b>	<b>(879,685)</b>	<b>(950,844)</b>
Property, plant and equipment	(812)	39,657
Contingencies	-	(659)
Obligations for post-employment benefits	701	2,682
Tax losses	214	4,295
Intangible assets	30	(10,175)
Investments in associates	(728)	39,980
Unrealized gain or loss	-	(291)
Unearned revenue	(130)	255
Hedging instruments	(1,031)	(703)
Finance costs	365	(12,411)
Inventories	44	(1,080)
Provisions	(606)	13,548
Tax expense	-	(3,939)
<b>Closing balance</b>	<b>(881,638)</b>	<b>(879,685)</b>

<sup>(1)</sup> See note 6

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	
	03-31-2018 ThUS\$	12-31-2017 ThUS\$	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Fenix Power Perú S.A.	35,597	34,369	-	-
Termoeléctrica Nehuenco S.A.	3,826	3,992	-	-
Colbún Perú S.A.	-	-	-	-
Soc. Hidroeléctrica Melocotón Ltda.	-	-	(147)	(144)
Empresa Eléctrica Industrial S.A.	-	-	(459)	(405)
Inversiones de Las Canteras S.A.	-	-	(795)	(815)
Termoeléctrica Antihue S.A.	-	-	(6,051)	(6,316)
Río Tranquilo S.A.	-	-	(10,631)	(10,642)
Colbún Transmisión S.A.	-	-	(22,773)	(23,033)
Colbún S.A.	-	-	(880,205)	(876,691)
<b>Subtotal</b>	<b>39,423</b>	<b>38,361</b>	<b>(921,061)</b>	<b>(918,046)</b>
			<b>Net deferred taxes</b>	<b>(881,638)</b>
				<b>(879,685)</b>

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

	January - March	
	2018 ThUS\$	2017 ThUS\$
Related to cash flow hedges	(2,117)	(565)
Related to defined benefit plans	26	322
<b>Income tax related to components of other comprehensive income</b>	<b>(2,091)</b>	<b>(243)</b>
Related to share of other comprehensive profit or loss on associates and joint ventures using the equity method	18	10
<b>Income tax related to components of other comprehensive income</b>	<b>(2,073)</b>	<b>(233)</b>

## 22. Other financial liabilities

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

### a. Obligations with financial institutions

Other financial liabilities	Current		Non-current	
	03-31-2018 ThUS\$	12-31-2017 ThUS\$	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Lease obligations	441	428	14,528	14,643
Obligations with the public (Bonds, commercial papers) <sup>(1)</sup>	62,686	56,592	1,590,792	1,587,393
Hedge derivatives <sup>(2)</sup>	-	396	-	-
<b>Total</b>	<b>63,127</b>	<b>57,416</b>	<b>1,605,320</b>	<b>1,602,036</b>

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

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

### b. Financial debt by currency

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

Financial debt by currency	03-31-2018 ThUS\$	12-31-2017 ThUS\$
US dollar	1,565,881	1,560,803
Inflation-adjusted units	102,566	98,649
<b>Total</b>	<b>1,668,447</b>	<b>1,659,452</b>

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

#### c.1 Bank borrowings

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

#### c.2 Obligations with the public (bonds)

As of March 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	5/1/2028	6/10/2029	10/10/2027	7/10/2024	9/20/2027	
Currency or inflation-adjusted unit	UF	UF	UF	US\$	US\$	US\$	
Amortization frequency	Biannual	Biannual	Biannual	Bullet	Bullet	Biannual	
Interest type	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Base	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Effective rate	8.10%	4.46%	5.02%	4.88%	4.79%	4.55%	
Nominal rate	7.00%	3.40%	4.50%	3.95%	4.50%	4.32%	
<b>Nominal amounts</b>	<b>ThUS\$</b>						<b>Total ThUS\$</b>
Up to 90 days	5,146	11,555	1,823	9,272	-	407	<b>28,203</b>
90 days to 1 year	4,136	8,937	6,093	-	5,000	11,000	<b>35,166</b>
<b>1-3 years</b>	<b>17,602</b>	<b>35,746</b>	<b>24,372</b>	-	-	<b>36,000</b>	<b>113,720</b>
1-2 years	8,584	17,873	12,186	-	-	15,000	53,643
2-3 years	9,018	17,873	12,186	-	-	21,000	60,077
<b>Over 3 years up to 5 years</b>	<b>9,475</b>	<b>35,746</b>	<b>24,372</b>	-	-	<b>53,000</b>	<b>122,593</b>
Over 3 years up to 4 years	9,475	17,873	12,186	-	-	25,500	65,034
Over 4 years up to 5 years	-	17,873	12,186	-	-	27,500	57,559
<b>Over 5 years</b>	-	<b>98,302</b>	<b>79,210</b>	<b>500,000</b>	<b>500,000</b>	<b>240,000</b>	<b>1,417,512</b>
<b>Subtotal nominal amounts</b>	<b>36,359</b>	<b>190,286</b>	<b>135,870</b>	<b>509,272</b>	<b>505,000</b>	<b>340,407</b>	<b>1,717,194</b>
<b>Carrying amounts</b>	<b>ThUS\$</b>						<b>Total ThUS\$</b>
Up to 90 days	5,090	11,327	1,823	9,272	-	407	<b>27,919</b>
90 days to 1 year	4,078	8,708	5,981	-	5,000	11,000	<b>34,767</b>
<b>Current obligations with the public</b>	<b>9,168</b>	<b>20,035</b>	<b>7,804</b>	<b>9,272</b>	<b>5,000</b>	<b>11,407</b>	<b>62,686</b>
<b>1-3 years</b>	<b>17,355</b>	<b>34,834</b>	<b>23,924</b>	-	-	<b>34,739</b>	<b>110,852</b>
1-2 years	8,463	17,417	11,962	-	-	14,363	52,205
2-3 years	8,892	17,417	11,962	-	-	20,376	58,647
<b>Over 3 years up to 5 years</b>	<b>9,341</b>	<b>34,834</b>	<b>23,924</b>	-	-	<b>51,853</b>	<b>119,952</b>
Over 3 years up to 4 years	9,341	17,417	11,962	-	-	24,905	63,625
Over 4 years up to 5 years	-	17,417	11,962	-	-	26,948	56,327
<b>Over 5 years</b>	-	<b>95,793</b>	<b>77,751</b>	<b>456,079</b>	<b>493,006</b>	<b>237,359</b>	<b>1,359,988</b>
<b>Non-current obligations with the public</b>	<b>26,696</b>	<b>165,461</b>	<b>125,599</b>	<b>456,079</b>	<b>493,006</b>	<b>323,951</b>	<b>1,590,792</b>
<b>Total obligations with the public</b>	<b>35,864</b>	<b>185,496</b>	<b>133,403</b>	<b>465,351</b>	<b>498,006</b>	<b>335,358</b>	<b>1,653,478</b>

## Obligations with the public (bonds)

As of December 31, 2017							
Debtor's ID number	96.505.760-9	96.505.760-9	96.505.760-9	96.505.760-9	96.505.760-9	0-E	
Debtor's name	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Fenix Power Perú S.A.	
Debtor's country	Chile	Chile	Chile	Chile	Chile	Perú	
Creditor's ID number	234	499	538	-	-	-	
Series	Serie C	Serie F	Serie I	144A/RegS	144A/RegS	144A/RegS	
Maturity date	10/15/2021	5/1/2028	6/10/2029	10/10/2027	7/10/2024	9/20/2027	
Currency or inflation-adjusted unit	UF	UF	UF	US\$	US\$	US\$	
Amortization frequency	Biannual	Biannual	Biannual	Bullet	Bullet	Biannual	
Interest type	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Base	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Effective rate	8.10%	4.46%	5.02%	5.15%	4.97%	4.55%	
Nominal rate	7.00%	3.40%	4.50%	3.95%	4.50%	4.32%	
<b>Nominal amounts</b>	<b>ThUS\$</b>						<b>Total ThUS\$</b>
Up to 90 days	-	-	-	-	10,625	4,158	<b>14,783</b>
90 days to 1 year	8,464	18,448	6,268	4,334	-	5,000	<b>42,514</b>
<b>1-3 years</b>	<b>17,172</b>	<b>34,874</b>	<b>23,778</b>	-	-	<b>30,000</b>	<b>105,824</b>
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
<b>Over 3 years up to 5 years</b>	<b>9,244</b>	<b>34,874</b>	<b>23,778</b>	-	-	<b>51,000</b>	<b>118,896</b>
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
<b>Over 5 years</b>	-	<b>95,902</b>	<b>77,275</b>	<b>500,000</b>	<b>500,000</b>	<b>254,000</b>	<b>1,427,177</b>
<b>Subtotal nominal amounts</b>	<b>34,880</b>	<b>184,098</b>	<b>131,099</b>	<b>504,334</b>	<b>510,625</b>	<b>344,158</b>	<b>1,709,194</b>
<b>Valores contables</b>	<b>ThUS\$</b>						<b>Total ThUS\$</b>
Up to 90 days	-	-	-	-	10,625	4,158	<b>14,783</b>
90 days to 1 year	8,341	17,980	6,154	4,334	-	5,000	<b>41,809</b>
<b>Current obligations with the public</b>	<b>8,341</b>	<b>17,980</b>	<b>6,154</b>	<b>4,334</b>	<b>10,625</b>	<b>9,158</b>	<b>56,592</b>
<b>1-3 years</b>	<b>16,909</b>	<b>33,934</b>	<b>23,322</b>	-	-	<b>24,705</b>	<b>98,870</b>
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
<b>Over 3 years up to 5 years</b>	<b>9,103</b>	<b>33,934</b>	<b>23,322</b>	-	-	<b>45,281</b>	<b>111,640</b>
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
<b>Over 5 years</b>	-	<b>93,320</b>	<b>75,792</b>	<b>455,258</b>	<b>492,704</b>	<b>259,809</b>	<b>1,376,883</b>
<b>Non-current obligations with the public</b>	<b>26,012</b>	<b>161,188</b>	<b>122,436</b>	<b>455,258</b>	<b>492,704</b>	<b>329,795</b>	<b>1,587,393</b>
<b>Total obligations with the public</b>	<b>34,353</b>	<b>179,168</b>	<b>128,590</b>	<b>459,592</b>	<b>503,329</b>	<b>338,953</b>	<b>1,643,985</b>

### c.3 Lease obligations

As of March 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	Consortio Transmantaro S.A.
Creditor's country	Peru
Currency or inflation-adjusted unit	US\$
Amortization type	Quarterly
Interest type	Fixed
Base	-
Effective rate	12.00%
Nominal rate	12.00%

  

Nominal amounts	ThUS\$	Total
Up to 90 days	-	-
90 days to 1 year	442	442
<b>1-3 years</b>	<b>911</b>	<b>911</b>
1-2 years	368	368
2-3 years	543	543
<b>Over 3 years up to 5 years</b>	<b>1,316</b>	<b>1,316</b>
Over 3 years up to 4 years	619	619
Over 4 years up to 5 years	697	697
<b>Over 5 years</b>	<b>12,300</b>	<b>12,300</b>
<b>Subtotal nominal amounts</b>	<b>14,969</b>	<b>14,969</b>

  

Carrying amounts	ThUS\$	Total
Up to 90 days	-	-
90 days to 1 year	441	441
<b>Liabilities under lease agreements, current</b>	<b>441</b>	<b>441</b>
<b>1-3 years</b>	<b>910</b>	<b>910</b>
1-2 years	368	368
2-3 years	542	542
<b>Over 3 years up to 5 years</b>	<b>1,316</b>	<b>1,316</b>
Over 3 years up to 4 years	619	619
Over 4 years up to 5 years	697	697
<b>Over 5 years</b>	<b>12,302</b>	<b>12,302</b>
<b>Liabilities under lease agreements, non-current</b>	<b>14,528</b>	<b>14,528</b>
<b>Total liabilities under lease agreements</b>	<b>14,969</b>	<b>14,969</b>

## Lease obligations

As of December 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	Consortio Transmantaro S.A.
Creditor's country	Peru
Currency or inflation-adjusted unit	US\$
Amortization type	Quarterly
Interest type	Fixed
Base	-
Effective rate	12.00%
Nominal rate	12.00%

  

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

  

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

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

Liabilities	Currency	Interests as of 03-31-2018		Principal	Maturity date	Maturity					Total interest	Total debt
		Accrued	Forecasted			Up to 3 months	3-12 months	1 to 3 years	3 to 5 years	Over 5 years		
Bond 144A/RegS 2017 (Fenix Power Perú)	US\$	408	103,168	340,000	9/20/2027	-	14,570	27,435	23,646	37,925	103,576	443,576
Finance lease (Fenix Power Perú)	US\$	-	17,602	15,976	3/28/2033	454	1,345	3,447	3,198	9,158	17,602	33,578
Series C Bond	UFR	25	101	789	4/15/2021	27	24	64	11	-	126	915
Series F Bond	UFR	59	720	4,200	5/1/2028	71	67	236	182	223	779	4,979
Series I Bond	UFR	41	794	3,000	6/10/2029	67	67	237	188	276	835	3,835
Bond 144A/RegS 2014	US\$	5,000	141,250	500,000	7/10/2024	-	22,500	45,000	45,000	33,750	146,250	646,250
Bond 144A/RegS 2017	US\$	9,272	188,228	500,000	10/11/2027	9,875	9,875	39,500	39,500	98,750	197,500	697,500

Liabilities	Currency	Interests as of 12-31-2017		Principal	Maturity date	Maturity					Total interest	Total debt
		Accrued	Forecasted			Up to 3 months	3-12 months	1 to 3 years	3 to 5 years	Over 5 years		
Bono 144A/RegS 2017 (Fenix Power 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



#### d. Committed and uncommitted revolving credit facilities

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

Other revolving credit facilities:

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

Additionally, the Company has two lines of bonds registered at 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 tem with a local bank.

#### 23. Trade and other payables

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

	Current		Non-current	
	03-31-2018 ThUS\$	12-31-2017 ThUS\$	03-31-2018 ThUS\$	012-31-2017 ThUS\$
Trade payables	174,369	176,122	-	-
Dividends payable	11,985	11,986	-	-
Other payables	648	6,776	12,702	12,924
<b>Total</b>	<b>187,002</b>	<b>194,884</b>	<b>12,702</b>	<b>12,924</b>

As of March 31, 2018, this caption comprises the following:

Main creditors	%
Enap Refinerías S.A.	11
Empresa Chilena de Gas Natural S.A.	9
CGE S.A.	8
Mapfre Cía. Seguros Grles. de Chile S.A.	6
C.E.N.	6
CMC - Coal Marketing DAC	5
Other	55
	<b>100</b>

Aging of the portfolio of trade and other payables:

Concept	Balances as of 03-31-2018	
	Current ThUS\$	Total ThUS\$
Goods	81,854	81,854
Services	89,240	89,240
Other	3,275	3,275
<b>Subtotal</b>	<b>174,369</b>	<b>174,369</b>

  

Concept	Balances as of 12-31-2017	
	Current ThUS\$	Total ThUS\$
Goods	56,732	56,732
Services	107,611	107,611
Other	11,779	11,779
<b>Subtotal</b>	<b>176,122</b>	<b>176,122</b>

As of March 31, 2018, the amounts payable for invoices receivable for goods and services amount to ThUS\$128,683; as of December 31, 2017, amounted to ThUS\$113,379.

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.

## 24. Other provisions

### a. Description of provisions

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

Provisions	Current		Non-current	
	03-31-2018 ThUS\$	12-31-2017 ThUS\$	03-31-2018 ThUS\$	12-31-2017 ThUS\$
From legal proceedings	5,274	4,461	-	-
Out of service, restoration and reinstallation expenses	-	-	33,711	33,389
Related to the environment	32,624	25,287	-	-
<b>Total</b>	<b>37,898</b>	<b>29,748</b>	<b>33,711</b>	<b>33,389</b>

## b. Movements in provisions during the period

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

Movements in provisions	For legal proceedings <sup>(1)</sup>	Out of service, restoration and reinstallation expenses	Related to the environment <sup>(2)</sup>	Other miscellaneous provisions <sup>(3)</sup>	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Balance as of 01-01-2018	4,461	33,389	25,287	-	63,137
Increase in existing provisions, other provisions	813	322	7,337	-	8,472
Provision used, other provisions	-	-	-	-	-
<b>Balance as of 03-31-2018</b>	<b>5,274</b>	<b>33,711</b>	<b>32,624</b>	<b>-</b>	<b>71,609</b>

Movements in provisions	Legal proceedings <sup>(1)</sup>	Out of service, restoration and reinstallation expenses	Related to the environment <sup>(2)</sup>	Other miscellaneous provisions <sup>(3)</sup>	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	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 current provisions, other provisions	2,232	-	-	-	2,232
Provision used, other provisions	(2,931)	-	-	(2,233)	(5,164)
<b>Balance as of 12-31-2017</b>	<b>4,461</b>	<b>33,389</b>	<b>25,287</b>	<b>-</b>	<b>63,137</b>

<sup>(1)</sup> Provisions for differences and/or tax and administrative contingencies. (See note 36.c).

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

<sup>(3)</sup> 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 March 31, 2018 and December 31, 2017, the Company recognized provisions for litigation in accordance with IAS 37 (see note 36, letter c).

## 25. 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 March 31, 2018 and December 31, 2017, this caption comprises the following

Employee benefits	Current		Non-current	
	03-31-2018	12-31-2017	03-31-2018	12-31-2017
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Accrued vacations, current	4,005	4,272	-	-
Performance incentive, current	3,349	13,053	-	-
Termination of contract for project completed	-	-	787	426
Other benefits	-	-	3,466	4,669
Provision for IPAS reserve	-	-	34,785	33,334
<b>Total</b>	<b>7,354</b>	<b>17,325</b>	<b>39,038</b>	<b>38,429</b>

### b. Movements in provisions during the period

As of March 31, 2018 and December 31, 2017, movements in current provisions are as follows:

Movements in provisions	Accrued vacations, current	Performance incentive, current	Total
	ThUS\$	ThUS\$	ThUS\$
Balance as of 01-01-2018	4,272	13,053	17,325
Increase in current provisions, other provisions	(119)	3,391	3,272
Provision used, other provisions	(148)	(13,095)	(13,243)
<b>Balance as of 03-31-2018</b>	<b>4,005</b>	<b>3,349</b>	<b>7,354</b>

Movements in provisions	Accrued vacations, current	Performance incentive, current	Total
	ThUS\$	ThUS\$	ThUS\$
Balance as of 01-01-2017	3,783	11,213	14,996
New provisions, other provisions	-	-	-
Increase in current provisions, other provisions	489	1,840	2,329
Provision used, other provisions	-	-	-
<b>Balance as of 12-31-2017</b>	<b>4,272</b>	<b>13,053</b>	<b>17,325</b>

### c. Provision for employee benefits, non-current

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

The basis for the actuarial calculation of the obligations with employees is permanently assessed by the Company. As of March 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 March 31, 2018 and December 31, 2017, this caption comprises the following:

<b>Provision for employee benefits</b>	<b>03-31-2018</b>	<b>12-31-2017</b>
	ThUS\$	ThUS\$
Severance indemnity payments	34,785	33,334
<b>Total</b>	<b>34,785</b>	<b>33,334</b>
<b>Present value of the obligation for defined benefit plans</b>	<b>03-31-2018</b>	<b>12-31-2017</b>
	ThUS\$	ThUS\$
Opening balance	33,334	26,441
Cost of current service	1,016	2,387
Interest cost	179	517
Foreign currency translation differences	628	2,354
Actuarial profit (loss)	97	3,128
Payments	(469)	(1,493)
<b>Closing balance</b>	<b>34,785</b>	<b>33,334</b>

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

<b>Actuarial basis used</b>	<b>03-31-2018</b>	<b>12-31-2017</b>
Discount rate	2.15%	2.17%
Expected rate of salary increases	1.62%	1.62%
Turnover rate	Voluntary	2.20%
	Dismissal	3.20%
Retirement date	Men	65
	Women	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 March 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	
	03-31-2018 %	12-31-2017 %	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Period rate	2.15	2.17	35,254	33,779
Rate decrease by 50 b.p.	1.65	1.67	37,688	36,256
Rate increased by 50 b.p.	2.65	2.67	32,934	31,542

## 26. Other non-financial liabilities

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

	Current		Non-current	
	03-31-2018 ThUS\$	12-31-2017 ThUS\$	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Withholdings	16,432	21,180	-	-
Deferred income <sup>(1)</sup>	217	899	12,411	12,210
<b>Total</b>	<b>16,649</b>	<b>22,079</b>	<b>12,411</b>	<b>12,210</b>

<sup>(1)</sup> Corresponds to prepayments received related to the operations and maintenance services. Revenue is recognized when the service is rendered. Non-current balance includes ThUS\$5,785 corresponding to the recognition of the lease agreement entered into between the Company and Anglo American (expiration of the contract in 2030).

## 27. 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 March 31, 2018 and December 31, 2017, this caption comprises the following:

Series	No. of shares subscribed	No. of shares fully paid	No. of shares with voting rights
Single	17,536,167,720	17,536,167,720	17,536,167,720
<b>Capital (Amount US\$)</b>			
Series	Subscribed capital ThUS\$	Paid-in capital ThUS\$	
Single	1,282,793	1,282,793	

### a.1 Reconciliation of shares

The reconciliation of the number of outstanding shares as of March 31, 2018 and December 31, 2017, is detailed as follows:

Shares	03-31-2018	12-31-2017
No. of outstanding shares as of January 1	17,536,167,720	17,536,167,720
<b>Changes in outstanding shares</b>		
Increase (decrease) in outstanding shares	-	-
No. of outstanding shares as of December 31	17,536,167,720	17,536,167,720

### a.2 No. of shareholders

As of March 31, 2018, the number of shareholders is 2,962.

### b. Share capital

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

### c. Share premium

As of March 31, 2018 and December 31, 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, 2017, established that the Company will distribute at least 30% of net profit. In accordance with IFRS, there is a legal and assumed obligation requiring the accounting for of a liability at each reporting date for the concept of the minimum legal dividend.

At the Board of Directors' Meeting held on 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.

## e. Detail of Other reserves

This caption comprises the following:

Other reserves	03-31-2018 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	(230,797)	(230,797)
Revaluation of property, plant and equipment	439,979	445,137
Revaluation of deferred taxes	(118,794)	(120,187)
Merger reserve	227,296	232,153
Affiliate translation effects	(47,803)	(48,038)
Subsidiaries' reserve	(13,952)	(13,942)
Hedging reserve	11,413	5,273
Affiliate hedging effects	32	156
<b>Total</b>	<b>784,991</b>	<b>787,372</b>

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

Distributable retained earnings	03-31-2018 ThUS\$	12-31-2017 ThUS\$
Opening balance	1,601,772	1,424,924
Profit or loss for the year	65,158	270,985
Effect of actuarial profit (loss)	(61)	(1,912)
Provisional dividends	-	(121,473)
Realized retained earnings	8,622	29,248
<b>Total distributable retained earnings</b>	<b>1,675,491</b>	<b>1,601,772</b>

#### g. Capital management

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

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

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

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

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

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

As of March 31, 2018 and December 31, 2017 and 2016, the indebtedness level is as follows:

	03-31-2018 ThUS\$	12-31-2017 ThUS\$
<b>Total liabilities</b>	<b>2,969,720</b>	<b>2,971,835</b>
Total current liabilities	345,477	354,801
Total non-current liabilities	2,624,243	2,617,034
<b>Total equity</b>	<b>4,016,394</b>	<b>3,950,707</b>
Equity attributable to the Parent	3,795,870	3,724,532
Non-controlling interests	220,524	226,175
<b>Indebtedness ratio</b>	<b>0.74</b>	<b>0.75</b>

The Company should report the compliance of commitments entered into with financial institutions on a quarterly basis. As of March 31, 2018, the Company complies with all the financial indicators required in such contracts (See note 37).

#### 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.

	03-31-2018	03-31-2017	12-31-2017
Profit (loss) attributable to equity holders of the Parent (ThUS\$)	65,158	56,903	270,985
Profit (loss) available for common shareholders, basic (ThUS\$)	65,158	56,903	270,985
Weighted average number of shares, basic (No. of shares)	17,536,167,720	17,536,167,720	17,536,167,720
<b>Basic earnings per share (US dollars per shares)</b>	<b>0.00372</b>	<b>0.00324</b>	<b>0.01545</b>

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

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

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

The calculation of net distributable profit is detailed as follows:

Calculation of net profit for distribution (cash flows)	03-31-2018	03-31-2017	12-31-2017
	ThUS\$	ThUS\$	ThUS\$
<b>Owners of the Parent</b>	<b>65,158</b>	<b>56,903</b>	<b>270,985</b>
Cash flow for the year charged to prior years	-	-	-
Effect on unrealized finance income that generated no cash flows	-	-	-
<b>Net cash flow for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net distributable profit</b>	<b>65,158</b>	<b>56,903</b>	<b>270,985</b>
<b>Mandatory minimum dividend</b>	<b>-</b>	<b>-</b>	<b>81,296</b>

## 28. Revenue

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

	January - March	
	2018 ThUS\$	2017 ThUS\$
Supplier customer sales	186,937	204,488
Industrial customer sales	149,686	93,852
Toll charges	29,289	50,734
Sales to other power generation companies	33,455	26,634
Other income	7,251	6,336
<b>Total</b>	<b>406,618</b>	<b>382,044</b>

## 29. Raw materials and consumables

For the periods ended March 31, 2018 and 2017, this caption comprises the following:

	January - March	
	2018 ThUS\$	2017 ThUS\$
Oil consumption (see Note 13)	(3,009)	(6,970)
Gas consumption (see Note 13)	(100,800)	(94,484)
Coal consumption (see Note 13)	(22,118)	(18,268)
Purchase of energy and capacity	(14,032)	(10,309)
Toll charges	(49,971)	(49,663)
Work and third-party supply	(24,682)	(21,924)
<b>Total</b>	<b>(214,612)</b>	<b>(201,618)</b>

### 30. Employee benefit expenses

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

	January - March	
	2018 ThUS\$	2017 ThUS\$
Salaries and wages	(16,668)	(13,759)
Short-term employee benefits	(1,552)	(1,385)
Severance indemnity payments	(773)	(275)
Other personnel expenses	(1,840)	(1,626)
<b>Total</b>	<b>(20,833)</b>	<b>(17,045)</b>

### 31. Depreciation and amortization expenses

For the periods ended March 31, 2018 and 2017, this caption comprises the following:

	January - March	
	2018 ThUS\$	2017 ThUS\$
Depreciations (see Note 18.b)	(57,167)	(58,254)
Amortization of intangible assets (see Note 17.b)	(1,452)	(1,319)
<b>Total</b>	<b>(58,619)</b>	<b>(59,573)</b>

### 32. Total finance income and finance costs

For the periods ended March 31, 2018 and 2017, this caption comprises the following:

Income (loss) from investments	January - March	
	2017 ThUS\$	2016 ThUS\$
Income on cash and other cash equivalents	4,856	2,524
<b>Total finance income</b>	<b>4,856</b>	<b>2,524</b>
Finance costs	January - March	
	2017 ThUS\$	2016 ThUS\$
Expenses on bonds	(18,677)	(16,687)
Expense incurred for financial provisions	(2,134)	(1,766)
Expense/income for measurement of net financial derivatives	(255)	(742)
Bank borrowings	-	(2,624)
Other expenses (bank expense)	(65)	(57)
Capitalized finance costs (see Note 18.c.iii)	-	1,645
<b>Total finance cost</b>	<b>(21,131)</b>	<b>(20,231)</b>
<b>Total finance income and finance costs</b>	<b>(16,275)</b>	<b>(17,707)</b>

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

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

#### Foreign currency exchange differences

Foreign currency translation differences	Currency	January - March	
		2018 ThUS\$	2017 ThUS\$
Cash and cash equivalents	Ch\$	(2,457)	959
Cash and cash equivalents	PEN	(21)	131
Trade and other receivables	Ch\$	(1,149)	(246)
Trade and other receivables	PEN	(3)	(125)
Current income taxes recoverable	Ch\$	92	(331)
Current income taxes recoverable	PEN	110	913
Other non-financial non-current assets	Ch\$	(92)	105
Other non-financial non-current assets	PEN	(267)	862
<b>Foreign currency translation difference - assets</b>		<b>(3,787)</b>	<b>2,268</b>
Other financial current liabilities	UF	1,093	(1,189)
Other financial current liabilities	PEN	(2)	(60)
Trade and other payables	Ch\$	301	113
Trade and other payables	PEN	(8)	(8)
Other non-financial liabilities	Ch\$	9	21
Provisions for employee benefits	Ch\$	1,281	(587)
<b>Foreign currency translation difference - liabilities</b>		<b>2,674</b>	<b>(1,710)</b>
<b>Total foreign currency translation difference</b>		<b>(1,113)</b>	<b>558</b>

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

For the periods ended March 31, 2018 and 2017, this caption comprises the following:

Net interest in affiliates' income	January - March	
	2018 ThUS\$	2017 ThUS\$
Electrogas S.A.	1,680	1,839
Centrales Hidroeléctricas de Aysén S.A. , en Liquidación <sup>(*)</sup>	2,730	(1,321)
Transmisora Eléctrica de Quillota Ltda.	240	222
<b>Total</b>	<b>4,650</b>	<b>740</b>

<sup>(\*)</sup> See Note 6

### 35. Other gains (losses)

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

Other income derived from other than operating activities	January - March	
	2018 ThUS\$	2017 ThUS\$
Other income	838	702
<b>Total other income</b>	<b>838</b>	<b>702</b>
Other expenses derived from other than operating activities	January - March	
	2018 ThUS\$	2017 ThUS\$
Loss from derivative contracts	(103)	(1,048)
Loss from derivative contracts	(114)	(85)
Disposal of property, plant and equipment	(1)	-
Write-offs and fines	(3)	(2)
Allowance for doubtful accounts	(63)	-
Thermal power plant emissions <sup>(1)</sup>	(3,301)	(2,799)
Other	(1,427)	(1,371)
<b>Total other expenses</b>	<b>(5,012)</b>	<b>(5,305)</b>
<b>Total other gains (losses)</b>	<b>(4,174)</b>	<b>(4,603)</b>

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

### 36. 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	03-31-2018	2018	2019	2022	2099
						ThUS\$				
Astillero y Maestranza de La Armada	Colbún S.A.	Creditor	Performance bond	Ch\$	80,000,000	133	-	133	-	-
Citibank NA	Fenix Power Perú S.A.	Creditor	Performance bond	US\$	12,400,000	12,400	12,400	-	-	-
Dirección de Compras y Contratación Pública	Colbún S.A.	Creditor	Performance bond	Ch\$	10,000,000	17	17	-	-	-
GTD Teleductos S.A.	Colbún S.A.	Creditor	Performance bond	Ch\$	5,000,000	8	8	-	-	-
Consortio Transmantaro	Fenix Power Perú S.A.	Creditor	Performance bond	US\$	3,000,000	3,000	3,000	-	-	-
Fisco de Chile Servicio Nacional de Aduanas	Colbún S.A.	Creditor	Performance bond	US\$	1,655,000	1,655	1,655	-	-	-
Bio Bío Cementos S.A.	Colbún S.A.	Creditor	Performance bond	US\$	653,005	653	653	-	-	-
Ministerio de Obras Públicas	Colbún S.A.	Creditor	Performance bond	UF	530,899	23,727	23,727	-	-	-
Empresas CMPC S.A.	Colbún S.A.	Creditor	Performance bond	UF	378,000	16,894	16,894	-	-	-
Cementos Bio Bío del Sur S.A.	Colbún S.A.	Creditor	Performance bond	US\$	263,394	263	263	-	-	-
Cía. Minera Doña Inés de Collahuasi S.C.M.	Colbún S.A.	Creditor	Performance bond	UF	96,000	4,290	4,290	-	-	-
Cía. Minera Zaldívar SpA	Colbún S.A.	Creditor	Performance bond	UF	70,000	3,128	3,128	-	-	-
Inacal S.A.	Colbún S.A.	Creditor	Performance bond	US\$	69,643	70	70	-	-	-
Ministerio de Bienes Nacionales	Colbún S.A.	Creditor	Performance bond	UF	56,672	2,533	402	-	2,131	-
Arenex S.A.	Colbún S.A.	Creditor	Performance bond	US\$	23,121	23	23	-	-	-
Minera El Way S.A.	Colbún S.A.	Creditor	Performance bond	US\$	12,563	13	13	-	-	-
Asociación Chilena de Seguridad	Colbún S.A.	Creditor	Performance bond	UF	500	22	22	-	-	-
Soc. Concesionaria Túnel El Melón S.A.	Colbún S.A.	Creditor	Performance bond	UF	150	7	7	-	-	-
Enel Distribución Chile S.A. <sup>(1)</sup>	Colbún S.A.	Creditor	Performance bond	UF	100	4	-	-	-	4
<b>Total</b>						<b>68,840</b>				

<sup>(1)</sup> Guarantee with finite maturity date.

**b. Third-party guarantees**

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

Depositor	Relationship	Total ThUS\$
Abengoa Chile S.A.	Suppliers	2,113
TSGF SpA	Suppliers	1,157
Soc. Com. e Ingeniería y Gestión Ind. Ingher Ltda.	Suppliers	732
ABB S.A.	Suppliers	145
Reiva S/A Automaco e Controle	Suppliers	136
Siemens S.A.	Suppliers	38
ABB Ltda.	Suppliers	34
Autotrol Chile S.A.	Suppliers	26
Reliable Energy Ingeniería Ltda.	Suppliers	17
Techvalue SpA	Suppliers	8
<b>Total</b>		<b>4,406</b>

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

Depositor	Relationship	Total ThUS\$
Andritz Hydro S.R.L.	Suppliers	147
Andritz Chile Ltda.	Suppliers	114
<b>Total</b>		<b>261</b>



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

Depositor	Relationship	Total ThUS\$
Flesan S.A.	Suppliers	206
Konecranes Chile SpA	Suppliers	204
Dimetales SpA	Suppliers	176
Efepe S.A.	Suppliers	111
Constructora Pesa Ltda.	Suppliers	67
Serv. Integrales de Mantenimientos Técnicos S.A.	Suppliers	67
Serv. de Mantenimiento Infrared Ltda.	Suppliers	54
Sodexo Chile S.A.	Suppliers	50
DPL Grout Maquinarias Ltda.	Suppliers	43
Maestranza Jaar Servicios Ltda.	Suppliers	36
Serv. Empresariales Mol Ltda.	Suppliers	26
Mrisk S.A.	Suppliers	22
Rafael Mauna Silva Contrucciones y Servicios	Suppliers	21
Asesoría Forestal Integral Ltda.	Suppliers	18
Imahe S.A.	Suppliers	15
Ecopreneur Chile S.A.	Suppliers	12
Sistema Integral de Telecomunicaciones Ltda.	Suppliers	11
Constructora Gómez Salazar Ltda.	Suppliers	11
Polyrev SpA	Suppliers	9
Soc. Comercial Camin Ltda.	Suppliers	8
Ingeteco S.A.	Suppliers	7
María Angélica Alvarez González	Suppliers	6
Rhona S.A.	Suppliers	5
Corrosión Integral y Tecnología Ltda.	Suppliers	5
Eulen Seguridad S.A.	Suppliers	4
Comercializadora de Artículos de Protección y Seguridad	Suppliers	4
Soc. Trans-Redes Serv. Eléctricos Integrales Ltda.	Suppliers	3
Telener Ltda.	Suppliers	3
Soc. Constructora Correa Lorenz Ltda.	Suppliers	3
Marcia Eugenia Paredes Vargas	Suppliers	2
Safe Energy SpA	Suppliers	2
Serv. de Respaldo de Energía Teknica Ltda.	Suppliers	2
Efd SpA	Suppliers	1
	<b>Total</b>	<b>1,214</b>

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

Depositor	Relationship	Total ThUS\$
Echeverría Izquierdo Montajes Industriales S.A.	Suppliers	92
Constructora Puerto Ltda.	Suppliers	51
Serv. Emca SpA	Suppliers	47
Marcelo Javier Urrea Caro	Suppliers	31
Emp. Serv. Ingeniería e Información Ambiental	Suppliers	29
Securitas S.A.	Suppliers	13
Soc. Com. Conyser Ltda.	Suppliers	10
Andritz Chile Ltda.	Suppliers	10
Cofama S.A.	Suppliers	9
Sodexo Chile S.A.	Suppliers	2
Soc. Com. Camin Ltda.	Suppliers	2
Serv. Integrales de Alimentación DMO Foods Ltda.	Suppliers	2
Compass Catering S.A.	Suppliers	2
<b>Total</b>		<b>300</b>

**Fenix Power Perú S.A.**

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

Depositor	Relationship	Total ThUS\$
Toshiba América Do Sul Ltda.	Suppliers	180
Messer Gases	Suppliers	12
<b>Total</b>		<b>192</b>

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

Depositor	Relationship	Total ThUS\$
Empresa Regional de Serv. Público del oriente S.A.	Suppliers	1,966
J&V Resguardo S.A.C.	Suppliers	36
T-Copia S.A.C.	Suppliers	14
<b>Total</b>		<b>2,016</b>

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### 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 March 31, 2018, the detail of litigation in accordance with IAS 27 is as follows:

#### Chile

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

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

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

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

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

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 (SEI) 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 appeals are at a preliminary admissibility stage, and being reviewed by the Supreme 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.

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 were included corresponding to the tax years from 2009 and 2012, among other concepts. The total amount updated as of March 31, 2018 is ThUS\$3,219 (ThCh\$1,942,270), (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.

The Company believes those provisions recorded in the Interim Consolidated Financial Statements properly hedge the Company against the risks associated with the litigation and accordingly, such cases are not expected to result in liabilities additional to those recorded.

### 37. Commitments

Commitments entered into with financial institutions

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

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

Covenants	Condition	03-31-2018	Term
<b>Local market bonds</b>			
EBITDA/Net finance costs	> 3.0	9.90	jun-2029
Indebtedness ratio	< 1.2	0.74	jun-2029
Minimum equity	> ThUS\$1,348,000	ThUS\$3,795,870	jun-2029

#### Calculation methodologies

Concept	Accounts	Amounts as of 03-31-2018	
Equity	Total equity	ThUS\$	4,016,394
Net equity	Total equity - Non-controlling interests	ThUS\$	3,795,870
Minimum equity	Total equity - Non-controlling interests	ThUS\$	3,795,870
Total liabilities	Total current liabilities + Total non-current liabilities	ThUS\$	2,969,720
Indebtedness ratio	Total liabilities / Equity		0.74
Ebitda <sup>(*)</sup>	Revenue - Raw materials and consumables - Employee benefit expenses - other expenses by nature	ThUS\$	700,906
Net finance costs <sup>(*)</sup>	Finance costs - Finance income	ThUS\$	70,796

<sup>(\*)</sup> Rolling year

### **38. 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 25 power generation plants in operation, including the Fenix plant (Chilca, Peru) and the transmission assets such as electric substations and transmission lines.

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

**Accrued expense as of 03-31-2018**

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 were or will be made
Colbún S.A.	Zona Bio-Bio	Environmental Management of Power Plant	Expense	Cost	196	Mar-18
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Expense	Cost	158	Mar-18
Colbún S.A.	Antilhue	Environmental Management of Power Plant	Expense	Cost	117	Mar-18
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	81	Mar-18
Colbún S.A.	Colbún	Environmental Management of Power Plant	Expense	Cost	79	Mar-18
Colbún S.A.	Sta María 1	Environmental Management of Power Plant	Expense	Cost	77	Mar-18
Colbún S.A.	Los Quilos	Environmental Management of Power Plant	Expense	Cost	44	Mar-18
Colbún S.A.	Rucúe	Environmental Management of Power Plant	Expense	Cost	44	Mar-18
Colbún S.A.	Candelaria	Environmental Management of Power Plant	Expense	Cost	41	Mar-18
Colbún S.A.	Zona Maule	Environmental Management of Power Plant	Expense	Cost	37	Mar-18
Colbún S.A.	Los Pinos	Environmental Management of Power Plant	Expense	Cost	30	Mar-18
Colbún S.A.	Nehuenco	Environmental Management of Power Plant	Expense	Cost	25	Mar-18
Colbún S.A.	Quilleco	Environmental Management of Power Plant	Expense	Cost	19	Mar-18
Colbún S.A.	Canutillar	Environmental Management of Power Plant	Expense	Cost	17	Mar-18
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Plant	Expense	Cost	2	Mar-18
Río Tranquilo S.A.	Hornitos	Environmental Management of Power Plant	Expense	Cost	34	Mar-18
<b>Total</b>					<b>1,001</b>	

**Future expense as of 03-31-2018**

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 were or will be made
Colbún S.A.	Nehuenco	Environmental Management of Power Plant	Expense	Cost	437	Mar-18
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	217	Dec-18
Colbún S.A.	Zona Bio-Bio	Environmental Management of Power Plant	Expense	Cost	197	Mar-18
Colbún S.A.	Los Quilos	Environmental Management of Power Plant	Expense	Cost	176	Apr-18
Colbún S.A.	Antilhue	Environmental Management of Power Plant	Expense	Cost	173	Apr-18
Colbún S.A.	Sta María 1	Environmental Management of Power Plant	Expense	Cost	141	Apr-18
Colbún S.A.	Los Pinos	Environmental Management of Power Plant	Expense	Cost	121	Dec-18
Colbún S.A.	Colbún	Environmental Management of Power Plant	Expense	Cost	82	Dec-18
Colbún S.A.	Zona Maule	Environmental Management of Power Plant	Expense	Cost	77	Apr-18
Colbún S.A.	Candelaria	Environmental Management of Power Plant	Expense	Cost	69	Dec-18
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Expense	Cost	44	Dec-18
Colbún S.A.	Quilleco	Environmental Management of Power Plant	Expense	Cost	43	Dec-18
Colbún S.A.	Rucúe	Environmental Management of Power Plant	Expense	Cost	32	Dec-18
Colbún S.A.	Canutillar	Environmental Management of Power Plant	Expense	Cost	28	Dec-18
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Plant	Expense	Cost	1	Mar-18
Río Tranquilo S.A.	Hornitos	Environmental Management of Power Plant	Expense	Cost	75	Mar-18
<b>Total</b>					<b>1,913</b>	

**Accrued expense as of 03-31-2017**

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement were or will be made
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	248	Mar-17
Colbún S.A.	CH Guaiquivilo-Melado	Environmental Management of Projects	Asset	Assets under construction	239	Feb-17
Colbún S.A.	Quilleco	Environmental Management of Power Plant	Expense	Cost	126	Mar-17
Colbún S.A.	Candelaria	Environmental Management of Power Plant	Expense	Cost	97	Mar-17
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Expense	Cost	71	Mar-17
Colbún S.A.	Santa María 1	Environmental Management of Power Plant	Expense	Cost	59	Mar-17
Colbún S.A.	Los Pinos	Environmental Management of Power Plant	Expense	Cost	53	Mar-17
Colbún S.A.	Los Quilos	Environmental Management of Power Plant	Expense	Cost	48	Mar-17
Colbún S.A.	Antilhue	Environmental Management of Power Plant	Expense	Cost	39	Mar-17
Colbún S.A.	CH La Mina	Environmental Management of Projects	Asset	Assets under construction	38	Mar-17
Colbún S.A.	Rucúe	Environmental Management of Power Plant	Expense	Cost	35	Mar-17
Colbún S.A.	Canutillar	Environmental Management of Power Plant	Expense	Cost	23	Mar-17
Colbún S.A.	Colbún	Environmental Management of Power Plant	Expense	Cost	6	Mar-17
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Plant	Expense	Cost	22	Mar-17
Termoeléctrica Nehuenco S.A.	Nehuenco	Environmental Management of Power Plant	Expense	Cost	139	Mar-17
Río Tranquilo S.A.	Hornitos	Environmental Management of Power Plant	Expense	Cost	22	Mar-17
<b>Total</b>					<b>1,265</b>	

**Future expense as of 03-31-2017**

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement were or will be made
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	566	Dec-17
Colbún S.A.	Santa María 1	Environmental Management of Power Plant	Expense	Cost	285	Apr-17
Colbún S.A.	Candelaria	Environmental Management of Power Plant	Expense	Cost	178	Dec-17
Colbún S.A.	Antilhue	Environmental Management of Power Plant	Expense	Cost	167	Dec-17
Colbún S.A.	Quilleco	Environmental Management of Power Plant	Expense	Cost	161	Dec-17
Colbún S.A.	Los Pinos	Environmental Management of Power Plant	Expense	Cost	103	Dec-17
Colbún S.A.	Los Quilos	Environmental Management of Power Plant	Expense	Cost	42	Apr-17
Colbún S.A.	CH Guaiquivilo-Melado	Environmental Management of Power Plant	Asset	Assets under construction	36	Dec-17
Colbún S.A.	Rucúe	Environmental Management of Power Plant	Expense	Cost	32	Dec-17
Colbún S.A.	Colbún	Environmental Management of Power Plant	Expense	Cost	25	Dec-17
Colbún S.A.	Canutillar	Environmental Management of Power Plant	Expense	Cost	25	Dec-17
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Expense	Cost	20	Apr-17
Colbún S.A.	CH La Mina	Environmental Management of Projects	Asset	Assets under construction	11	Mar-17
Empresa Eléctrica Industrial S.A.	Carena	Environmental Management of Power Plant	Expense	Cost	13	Apr-17
Termoeléctrica Nehuenco S.A.	Nehuenco	Environmental Management of Power Plant	Expense	Cost	98	Apr-17
Río Tranquilo S.A.	Hornitos	Environmental Management of Power Plant	Expense	Cost	124	Mar-17
<b>Total</b>					<b>1,886</b>	

## Disbursements in Peru

### Accrued expense as of 03-31-2018

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 were or will be made
Fenix Power Perú S.A.	Monitoring and Environmental Management	Monitoring and Environmental Management	Expense	Cost	144	Mar-18
<b>Total</b>					<b>144</b>	

### Future expense as of 03-31-2018

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 were or will be made
Fenix Power Perú S.A.	Monitoring and Environmental Management	Monitoring and Environmental Management	Expense	Cost	415	Dec-18
<b>Total</b>					<b>415</b>	

### Accrued expense as of 03-31-2017

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement were or will be made
Fenix Power Perú S.A.	Monitoring and Environmental Management	Monitoring and Environmental Management	Expense	Cost	160	Mar-17
<b>Total</b>					<b>160</b>	

### Future expense as of 03-31-2017

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement were or will be made
Fenix Power Perú S.A.	Monitoring and Environmental Management	Monitoring and Environmental Management	Expense	Cost	425	Dec-17
<b>Total</b>					<b>425</b>	



### **39. Subsequent events**

a. On April 27, 2018, the Company held the Thirty-Second Ordinary Shareholders' Meeting. At such meeting the shareholders agreed, among others, the following:

- 1.- Appointing KPMG Auditores Consultores Limitada as the external audit firm for 2018.
- 2.- Distributing a dividend declared No. 50 with a debit to profit for the year ended December 31, 2017 of US\$212,764,817.08, equivalent to US\$0.01214 per share, which will be paid starting from May 8, 2018 in Chilean pesos, the domestic currency, at the "U.S. dollar observed rate" exchange rate published in the Official Gazette on May 2, 2017, in accordance with the Company's regular procedures for the payment of dividends.

b. At the Board of Directors' Meeting held on May 2, 2018, the Company's directors approved the interim consolidated financial statements as of March 31, 2018, prepared in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

#### 40. Foreign currency

This caption comprises the following:

Assets	Foreign currency	Currency	03-31-2018 ThUS\$	12-31-2017 ThUS\$
<b>Total current assets</b>				
Cash and cash equivalents	Ch\$	US\$	146,494	149,068
Cash and cash equivalents	Euro	US\$	839	1,121
Cash and cash equivalents	PEN	US\$	19,030	13,957
Other non-financial assets, current	Ch\$	US\$	3,438	2,206
Trade and other receivables, current	Ch\$	US\$	118,353	127,587
Trade and other receivables, current	PEN	US\$	46,254	43,809
Trade receivables due from related parties, current	Ch\$	US\$	95	240
Current income taxes recoverable	Ch\$	US\$	129	129
Current income taxes recoverable	PEN	US\$	6,453	6,065
<b>Total current assets</b>			<b>341,085</b>	<b>344,182</b>
<b>Non-current assets</b>				
Other financial assets, non-current	Ch\$	US\$	249	245
Other non-financial assets, non-current	Ch\$	US\$	14,473	8,734
<b>Total assets, non-current</b>			<b>14,722</b>	<b>8,979</b>
<b>Total assets</b>			<b>355,807</b>	<b>353,161</b>
Liabilities	Foreign currency	Currency	03-31-2018 ThUS\$	12-31-2017 ThUS\$
<b>Total current liabilities</b>				
Other financial current liabilities	UF	US\$	13,070	11,418
Trade and other payables	Ch\$	US\$	144,079	147,805
Trade and other payables	PEN	US\$	5,471	4,408
Payables due to related parties, current	Ch\$	US\$	464	2,213
Other provisions, current	Ch\$	US\$	4,764	3,928
Provisions for employee benefits	Ch\$	US\$	7,354	16,075
Provisions for employee benefits	PEN	US\$	-	1,250
Other non-financial current liabilities	Ch\$	US\$	16,649	21,430
Other non-financial current liabilities	PEN	US\$	-	906
<b>Total current liabilities</b>			<b>191,851</b>	<b>209,433</b>
<b>Non-current liabilities</b>				
Other financial non-current liabilities	UF	US\$	81,383	79,005
Provisions for employee benefits, non-current	Ch\$	US\$	39,038	38,429
Other non-current non-financial liabilities	Ch\$	US\$	9,702	9,924
<b>Total liabilities, non-current</b>			<b>130,123</b>	<b>127,358</b>
<b>Total liabilities</b>			<b>321,974</b>	<b>336,791</b>

The detail of assets and liabilities in foreign currency does not include the investments accounted for using the equity method; accordingly, the differences arising from the exchange rate difference are recognized in equity as translation adjustment (see note 27, letter e).

Maturity profile of other financial liabilities in foreign currency

As of 03-31-2018	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\$	6,002	7,069	29,317	21,303	38,875	102,566
<b>Total</b>			<b>6,002</b>	<b>7,069</b>	<b>29,317</b>	<b>21,303</b>	<b>38,875</b>	<b>102,566</b>

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
<b>Total</b>			<b>-</b>	<b>11,418</b>	<b>28,570</b>	<b>20,764</b>	<b>37,897</b>	<b>98,649</b>

**41. Headcount (unaudited)**

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

	No. of employees					
	03-31-2018			12-31-2017		
	Chile	Peru	Total	Chile	Peru	Total
Managers and main executives	74	7	81	71	6	77
Professionals and technical staff	643	65	708	646	61	707
Other	272	23	295	275	25	300
<b>Total</b>	<b>989</b>	<b>95</b>	<b>1,084</b>	<b>992</b>	<b>92</b>	<b>1,084</b>
<b>Average for the year</b>	<b>987</b>	<b>95</b>	<b>1,082</b>	<b>994</b>	<b>94</b>	<b>1,088</b>

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**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 March 31, 2018 and December 31, 2017, this caption comprises the following:

	January - March	
	2018 ThUS\$	2017 ThUS\$
Audit services	68	107
Tax services	-	25
Other services	74	4
<b>Auditors' fees</b>	<b>142</b>	<b>136</b>

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