



**Interim Consolidated Financial Statements**  
For the period ended March 31, 2019

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

---

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, 2019 (unaudited) and December 31, 2018**  
**(In thousands of U.S. dollars)**

ASSETS	Note No.	March 31, 2019 ThUS\$	December 31, 2018 ThUS\$
<b>Current assets</b>			
Cash and cash equivalents	7	467,492	219,191
Other financial assets, current	8	350,585	569,251
Other non-financial assets, current	19	15,416	19,796
Trade and other receivables, current	9	266,614	241,679
Trade receivables due from related parties, current	11.b	8,959	1,117
Inventories, current	12	49,436	44,249
Current tax assets	18.a	57,255	55,980
<b>Total current assets</b>		<b>1,215,757</b>	<b>1,151,263</b>
<b>Non-current assets</b>			
Other financial assets, non-current	8	12,970	8,797
Other non-financial assets, non-current	19	39,578	26,930
Equity-accounted investees	15.a	27,309	30,202
Intangible assets other than goodwill	16	126,872	127,940
Property, plant and equipment	17	5,389,352	5,397,156
Deferred tax assets	20.b	38,635	36,061
<b>Non-current assets</b>		<b>5,634,716</b>	<b>5,627,086</b>
<b>ASSETS</b>		<b>6,850,473</b>	<b>6,778,349</b>

*See the accompanying notes to the Interim Consolidated Financial Statements*

**Colbún S.A. and Subsidiaries**  
**Interim Consolidated Classified Statements of Financial Position (continued)**  
**as of March 31, 2019 (unaudited) and December 31, 2018**  
**(In thousands of U.S. dollars)**

LIABILITIES AND EQUITY	Note No.	March 31, 2019 ThUS\$	December 31, 2018 ThUS\$
<b>Current liabilities</b>			
Other financial liabilities, current	21.a	72,246	68,503
Trade and other payables	22	166,359	182,883
Payables due to related parties, current	11.b	18,941	17,971
Other current provisions	23	38,563	31,504
Current tax liabilities	18.b	1,569	74
Provision for employee benefits	24	12,034	20,462
Other non-financial liabilities, current	25	15,024	23,968
<b>Total current liabilities</b>		<b>324,736</b>	<b>345,365</b>
<b>Non-current liabilities</b>			
Other financial liabilities, non-current	21.a	1,539,760	1,534,760
Trade and other payables, non-current	22	22,633	3,739
Other provisions, non-current	23	35,283	34,948
Deferred income tax liabilities	20.b	956,358	958,800
Provisions for employee benefits, non-current	24	34,013	30,786
Other non-financial liabilities, non-current	25	13,214	13,013
<b>Total non-current liabilities</b>		<b>2,601,261</b>	<b>2,576,046</b>
<b>TOTAL LIABILITIES</b>		<b>2,925,997</b>	<b>2,921,411</b>
<b>Equity</b>			
Share capital	26.a	1,282,793	1,282,793
Retained earnings	26.f	1,621,269	1,550,677
Share premium	26.c	52,595	52,595
Other reserves	26.e	765,385	770,449
<b>Equity attributable to the shareholders of the Parent</b>		<b>3,722,042</b>	<b>3,656,514</b>
Non-controlling interests	-	202,434	200,424
<b>Equity</b>		<b>3,924,476</b>	<b>3,856,938</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,850,473</b>	<b>6,778,349</b>

See the accompanying notes to the Interim Consolidated Financial Statements

**Colbún S.A. and Subsidiaries**  
**Interim Consolidated Statements of Comprehensive Income, by Nature**  
**For the periods ended March 31, 2019 and 2018 (unaudited)**  
**(In thousands of U.S. dollars)**

STATEMENTS OF COMPREHENSIVE INCOME BY NATURE	Note No.	January - March	
		2019 ThUS\$	2018 ThUS\$
Revenue	6, 27	393,779	406,618
Raw materials and consumables	28	(208,407)	(214,612)
Employee benefit expenses	29	(18,146)	(20,833)
Depreciation and amortization expense	30	(60,019)	(58,619)
Other expenses, by nature	-	(5,570)	(7,595)
Other losses	34	(4,514)	(4,174)
<b>Income from operations</b>	-	<b>97,123</b>	<b>100,785</b>
Finance income	31	6,384	4,856
Finance costs	31	(20,671)	(21,131)
Share of profit of equity-accounted associates and joint ventures	15, 33	2,344	4,650
Foreign currency translation differences	32	1,262	(1,113)
<b>Profit before income taxes</b>	-	<b>86,442</b>	<b>88,047</b>
Tax expense (benefit) from continuing operations	20.a	(20,028)	(23,640)
<b>Profit from continuing operations</b>		<b>66,414</b>	<b>64,407</b>
<b>NET PROFIT</b>		<b>66,414</b>	<b>64,407</b>
<b>Net profit attributable to</b>			
Shareholders of the Parent	26.h	64,403	65,158
Non-controlling interests	-	2,011	(751)
<b>PROFIT</b>		<b>66,414</b>	<b>64,407</b>
<b>Earnings per share</b>			
Basic earnings per share - Continuing operations <b>US\$/share</b>	26.h	0.00367	0.00372
<b>Basic earnings per share</b>		<b>0.00367</b>	<b>0.00372</b>
Diluted earnings per share - Continuing operations <b>US\$/share</b>	26.h	0.00367	0.00372
<b>Diluted earnings per share</b>		<b>0.00367</b>	<b>0.00372</b>

See the accompanying notes to the Interim Consolidated Financial Statements

**Colbún S.A. and Subsidiaries**  
**Interim Consolidated Statements of Other Comprehensive Income**  
**For the periods ended March 31, 2019 and 2018 (unaudited)**  
**(In thousands of U.S. dollars)**

STATEMENTS OF OTHER COMPREHENSIVE INCOME	Note No.	January - March	
		2019 ThUS\$	2018 ThUS\$
<b>Net profit for the period</b>		<b>66,414</b>	<b>64,407</b>
<b>Components of other comprehensive income that will not be reclassified to profit or loss for the period, before taxes</b>			
Profit (loss) for new measurements of defined benefit plans	-	(1,756)	(97)
<b>Total other comprehensive (loss) income that will not be reclassified to profit or loss for the period, before taxes</b>	<b>-</b>	<b>(1,756)</b>	<b>(97)</b>
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss for the period, before taxes</b>			
Gain (loss) for foreign currency translation differences	15.a	320	235
Gain (loss) from cash flow hedges	-	2,965	8,180
Share of other comprehensive income on associates and joint ventures using the equity method	-	(27)	(66)
<b>Total other comprehensive income (loss) that will be reclassified to profit for the year, before taxes</b>		<b>3,258</b>	<b>8,349</b>
<b>Other components of other comprehensive income (loss), before taxes</b>		<b>1,502</b>	<b>8,252</b>
<b>Income tax related to components of other comprehensive income that will not be reclassified to profit or loss for the year</b>			
Income tax related to new measurements of defined benefit plans	20.c	474	26
<b>Income tax related to components of other comprehensive income that will be reclassified to profit or loss for the year</b>			
Income tax related to share of other comprehensive income (loss) on associates and joint ventures using the equity method	20.c	7	18
Income tax related to cash flow hedges	20.c	(858)	(2,117)
<b>Income tax related to components of other comprehensive income</b>		<b>(377)</b>	<b>(2,073)</b>
<b>Total other comprehensive income</b>		<b>1,125</b>	<b>6,179</b>
<b>Total comprehensive income</b>		<b>67,539</b>	<b>70,586</b>
<b>Comprehensive income attributable to</b>			
Shareholders of the Parent		65,528	71,337
Non-controlling interests		2,011	(751)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>67,539</b>	<b>70,586</b>

See the accompanying notes to the Interim Consolidated Financial Statements

**Colbún S.A. and Subsidiaries**  
**Interim Consolidated Statements of Cash Flows - Direct Method**  
**For the periods ended March 31, 2019 and 2018 (unaudited)**  
**(In thousands of U.S. dollars)**

STATEMENTS OF CASH FLOWS - DIRECT METHOD	Note No.	March 31, 2019 ThUS\$	March 31, 2018 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	-	436,489	486,643
Cash payments for premiums and services, annuities and other benefits of subscribed policies	-	102	350
Other cash receipts from operating activities	-	2,116	2,375
<b>Classes of cash payments from operating activities</b>			
Cash payments to suppliers for goods and services	-	(253,003)	(254,361)
Cash payments to and on behalf employees	-	(24,427)	(27,829)
Cash payments for premiums and services, annuities and other benefits of subscribed policies	-	(15,336)	(10,222)
Other cash payments for operating activities	-	(43,421)	(43,042)
<b>Net cash generated from operating activities</b>	-	<b>102,520</b>	<b>153,914</b>
Interest received	-	6,675	4,161
Income taxes paid	-	(25,075)	(21,157)
Other cash payments	-	(5,828)	(6,140)
<b>Net cash generated from operating activities</b>		<b>78,292</b>	<b>130,778</b>
<b>Cash flows from (used in) investing activities</b>			
Acquisition of property, plant and equipment	-	(18,929)	(35,635)
Other cash (payments) receipts	-	221,967	107,907
<b>Net cash generated from investing activities</b>		<b>203,038</b>	<b>72,272</b>
<b>Cash flows from (used in) financing activities</b>			
<b>Proceeds from borrowings</b>	-	-	-
Payment of lease liabilities	-	(1,014)	-
Repayment of borrowings	-	(6,000)	(107)
Dividends paid	-	(7,473)	(4,655)
Interest paid	-	(18,481)	(19,119)
Other cash inflows (outflows)	-	(3,137)	4,160
<b>Net cash used in financing activities</b>	7.c	<b>(36,105)</b>	<b>(19,721)</b>
<b>Net decrease in cash and cash equivalents before the effect of movements in exchange rates on cash held</b>		<b>245,225</b>	<b>183,329</b>
<b>Effects of movements in exchange rates on cash and cash equivalents</b>			
Effects of movements in exchange rates on cash and cash equivalents		3,076	1,628
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>248,301</b>	<b>184,957</b>
Cash and cash equivalents as of January 1		219,191	269,196
<b>Cash and cash equivalents as of March 31</b>	7	<b>467,492</b>	<b>454,153</b>

See the accompanying notes to the Interim Consolidated Financial Statements

**Colbún S.A. and Subsidiaries**  
**Statements of Changes in Equity**  
**For the periods ended March 31, 2019 and 2018 (unaudited)**  
**(In thousands of U.S. dollars)**

Statements of Changes in Equity	Note	Equity attributable to the owners of the Parent										Non-controlling interest	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 miscellaneous reserves	Other reserves					
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Previously stated equity		1,282,793	52,595	(256,137)	10,316	-	1,016,270	770,449	1,550,677	3,656,514	200,424	3,856,938	
Increase (decrease) in equity due to correction of errors		-	-	-	-	-	-	-	-	-	-	-	
Restated equity		1,282,793	52,595	(256,137)	10,316	-	1,016,270	770,449	1,550,677	3,656,514	200,424	3,856,938	
<b>Changes in equity</b>													
<b>Comprehensive income</b>													
Profit (loss)									64,403	64,403	2,011	66,414	
Other comprehensive income				320	2,087	(1,282)		1,125	-	1,125	-	1,125	
Dividends									-	-	-	-	
Increase (decrease) from other changes		-	-	-	-	1,282	(7,471)	(6,189)	6,189	-	(1)	(1)	
Increase (decrease) in equity		-	-	320	2,087	-	(7,471)	(5,064)	70,592	65,528	2,010	67,538	
<b>Equity as of March 31, 2019</b>	<b>26</b>	<b>1,282,793</b>	<b>52,595</b>	<b>(255,817)</b>	<b>12,403</b>	<b>-</b>	<b>1,008,799</b>	<b>765,385</b>	<b>1,621,269</b>	<b>3,722,042</b>	<b>202,434</b>	<b>3,924,476</b>	

Statements of Changes in Equity	Note	Equity attributable to the owners of the Parent										Non-controlling interest	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 miscellaneous reserves	Other reserves					
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Previously stated equity		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	
Increase (decrease) in equity due to correction of errors		-	-	-	-	-	-	-	-	-	-	-	
Restated equity		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 (loss)									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	
Increase (decrease) in equity		-	-	235	6,015	-	(8,631)	(2,381)	73,719	71,338	(5,651)	65,687	
<b>Equity as of March 31, 2018</b>	<b>26</b>	<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>	

See the accompanying notes to the Interim Consolidated Financial Statements

---

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

<b>Contents</b>	<b>page</b>
1. General information	10
2. Business Description	11
3. Significant accounting policies	14
3.1 Accounting policies	14
3.2 New accounting pronouncements	27
3.3 Responsibility for the information and estimates made	33
4. Risk management	34
4.1 Risk management policy	34
4.2 Risk factors	34
4.3 Risk measurement	39
5. Critical accounting policies	40
a. Calculation of depreciation and amortization, and estimation of the related useful lives	40
b. Impairment of non-financial assets (tangible and intangible assets other than goodwill, excluding goodwill)	41
c. Fair value of derivatives and other financial instruments	42
6. Segment reporting	43
7. Cash and cash equivalents	48
a. Detail	48
b. Detail by currency	48
c. Reconciliation of liabilities arising from financing activities	49
8. Other financial assets	49
9. Trade and other receivables	49
10. Financial instruments	51
a. Financial instruments by category	51
b. Credit quality of financial assets	52
11. Related party disclosures	52
a. Controlling interests	53
b. Balances and transactions with related parties	53
c. Key management personnel and senior management	55
d. Board of Directors' Committee	55
e. Compensation and other benefits	55
12. Inventories	57
13. Derivative instruments	57
13.1 Hedging instruments	58
13.2 Fair value hierarchy	58
14. Investments in subsidiaries	59



15.	Equity-accounted investees	60
	a. Equity-accounted investees	60
	b. Financial information about investments in associates and joint ventures	61
16.	Intangible assets other than goodwill	63
	a. Detail by classes of intangible assets	63
	b. Movements in intangible assets	64
17.	Property, plant and equipment	65
	a. Detail of property, plant and equipment	65
	b. Movements in property, plant and equipment	66
	c. Other disclosures	67
18.	Current income tax assets recoverable	72
19.	Other non-financial assets	72
20.	Income taxes	73
	a. Income tax benefit (expense)	73
	b. Deferred taxes	76
	c. Income tax in other comprehensive income	77
21.	Other financial liabilities	78
	a. Obligations with financial institutions	78
	b. Financial debt by currency	78
	c. Maturity and currency of the obligations with financial institutions	79
	d. Committed and uncommitted revolving credit facilities	84
22.	Trade and other payables	84
23.	Other provisions	85
	a. Description of provisions	85
	b. Movements in provisions during the period	86
	c. Dismantling	86
	d. Restructuring	86
	e. Litigation	86
24.	Provisions for employee benefits	87
	a. Employee benefits	87
	b. Movements in provisions during the period	87
	c. Provision for employee benefits, non-current	87
25.	Other non-financial liabilities	89
26.	Disclosures on equity	89
	a. Subscribed, fully-paid capital and number of shares	89
	b. Share capital	90
	c. Share premium	90
	d. Dividends	90
	e. Detail of Other reserves	91
	f. Retained earnings (accumulated losses)	92

---

g. Capital management	92
h. Earnings per share and net distributable profit	93
27. Revenue	94
28. Raw materials and consumables	94
29. Employee benefit expenses	95
30. Depreciation and amortization expenses	95
31. Total finance income and finance costs	95
32. Foreign currency translation and income (expense) from inflation-adjusted units	96
33. Income (expense) from investments accounted for using the equity method	96
34. Other gains (losses)	97
35. Guarantees with third parties and contingent assets and liabilities	98
a. Guarantees with third parties	98
b. Third-party guarantees	99
c. Detail of litigation and others	102
36. Commitments	104
37. Environment	105
38. Events occurred after the date of the financial position	109
39. Foreign currency	110
40. Headcount (unaudited)	111
41. Exhibit 1 Additional information required for XBRL taxonomy	112

---

**COLBÚN S.A. AND SUBSIDIARIES**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands of U.S. dollars)

**1. General information**

Colbún S.A. was incorporated via public deed on April 30, 1986, witnessed by the Public Notary 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 in the Securities Registry under number 0295 on September 1, 1986, and subject to the inspection by the Financial Market Commission. The Company's shares are traded on the Santiago Stock Exchange and Santiago Electronic Stock Exchange.

As of March 31, 2019, Colbún is a power generation company and the Parent of the Group (hereinafter, the Company, the Entity or Colbún), which is composed of nine entities: Colbún S.A. and eight 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 energy, as explained in Note 2.

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

As of March 31, 2019, 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. Business Description

### Company's line of business

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

### Description of business in Chile

#### Main assets

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

Hydroelectric power plants have an installed capacity of 1,634 MW distributed among 17 plants: Colbún, Machicura, San Ignacio, Chiburgo, San Clemente and La Mina, located in the Maule Region; Rucúe, Quilleco and Angostura, located in the Biobío Region; Carena, in the Metropolitan Region; Los Quilos, Blanco, Juncal, Juncalito, Chacabuquito and Hornitos, in the Valparaíso Region; and Canutillar, in Los Lagos Region. Colbún, Machicura, Canutillar and Angostura power plants have their own reservoirs, whereas the remaining hydroelectric power plants are run-of-the-river.

Thermal power plants have an installed capacity of 1,685 MW and are distributed in the Nehuenco Complex, located in the Valparaíso Region; Candelaria power plant in the O'Higgins Region; Antihue power plant in Los Ríos Region; and Los Pinos and Santa María power plants, located in the Biobío Region.

In addition, during 2018, the photovoltaic plant "Ovejería" (9MW) located in Tiltill in the Metropolitan Region of Chile was commissioned.

### Commercial policy

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

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

---

## Main customers

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

The main regulated customers supplied during 2019 are: CGE Distribución S.A., Enel Distribución Chile S.A., Sociedad Austral de Electricidad S.A., Empresa Eléctrica de la Frontera S.A., Cooperativa de Consumo de Energía Eléctrica Chillán Ltda., Compañía Eléctrica de Osorno S.A., Cooperativa Eléctrica de Curicó Ltda., Compañía Distribuidora de Energía Eléctrica Codiner Ltda., Cooperativa Eléctrica Los Ángeles Ltda., Cooperativa de Abastecimiento de Energía Eléctrica Curicó Ltda. and Cooperativa Eléctrica Paillaco Ltda.

The main unregulated customers supplied during 2019 are: Codelco for its divisions Salvador, Andina, Ventanas and El Teniente, Anglo American Sur S.A. for its work sites Los Bronces/Las Tórtolas, Cartulinas CMPC.S.A., Forsac S.A., CMPC Pulp S.A., CMPC Maderas S.A., Forestal Mininco S.A., Walmart Chile S.A., Bio-Bío Cementos S.A., Essbio S.A., Nuevosur S.A., Sociedad Contractual Minera Franke, Viña Concha y Toro S.A., Viña Cono Sur S.A., Compañía Pesquera Camanchaca S.A., Salmones Camanchaca S.A., Camanchaca Pesca Sur S.A., Camanchaca Cultivos Sur S.A. and ASMAR Astilleros.

## The Power Market

The Chilean power sector has a regulatory framework with almost three decades of operations. Such framework allowed developing a highly dynamic industry with significant private equity interest. This sector has been able to comply with the increasing power demand, which has grown at an annual average rate of approximately 3.1% during the last 10 years, slightly lower compared to the GDP during the same period.

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

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

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

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

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

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

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

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

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

## **Description of business in Peru**

### **Main assets**

Combined cycle gas-fired thermoelectric power plant of 565 MW located in Las Salinas, Chilca district, at 64 kilometers south Lima, owned by the 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 began its commercial operation in December 2014 and is composed of two General Electric dual (gas or diesel) turbines generating 60% of its power, and a General Electric steam turbine generating the remaining 40%. This plant is considered a strategic asset in the Peruvian power market since it is one of the most efficient in the country and the third largest at domestic level.

### **Main customers**

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

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

Unregulated customers: Pamolsa, Algeciras (formerly - Centenario), Austral, Minera Luren and Garment.

### **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 2019, the Peruvian power market has an installed capacity, at a domestic level, of approximately 15.1 GW, of which 13.0 GW corresponds to the capacity installed by the National Interconnected Power System (SEIN), out of this amount nearly 57% relates to thermal power, 38% to hydro power, and the remaining 5% to renewable energies. Accordingly, natural gas is critical at the domestic thermal power generation level, because of its significant reserves and exploration wells, being Camisea the main deposit with approximately 15.6 trillion cubic feet.

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

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

In terms of energy consumption, the annual energy demand for the first quarter of 2019 was approximately 13.2 TWh, concentrated in the mining and residential sectors. In 2018, the system demand was 50.8 TWh.

### 3. Significant accounting policies

#### 3.1 Accounting policies

These Interim Consolidated Financial Statements of Colbún S.A. and subsidiaries as of March 31, 2019, 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 assuming that the company will continue as a going concern and approved by the Board of Directors for issue at their Meeting held on April 30, 2019.

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. and subsidiary comprise the following:

- Statements of Financial Position as of March 31, 2019 and December 31, 2018.
- Statements of Comprehensive Income for the three-month periods ended March 31, 2019 and 2018.
- Statements of Cash Flows for the three-month periods ended March 31, 2019 and 2018.
- Statements of Changes in Equity for the three-month periods ended March 31, 2019 and 2018.
- Notes to the Financial Statements.

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

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

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

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

**b. Basis of consolidation** - The 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 interests in those entities and has the ability to affect those returns through its power over the entities. In general, the Company's power over its subsidiary arises from holding the majority of the voting rights provided by the subsidiary's equity instruments.

The detail of subsidiaries is as follows:

Consolidated company	Country	Currency	Tax ID No.	Ownership % as of				
				03.31.2019			03.31.2018	12.31.2018
				Direct	Indirect	Total	Total	Total
Empresa Eléctrica Industrial S.A. <sup>(1)</sup>	Chile	US\$	96.854.000-9	-	-	-	1	1
Sociedad Hidroeléctrica Melocotón Ltda. <sup>(1)</sup>	Chile	US\$	86.856.100-9	-	-	-	1	1
Río Tranquilo S.A. <sup>(1)</sup>	Chile	US\$	76.293.900-2	-	-	-	1	1
Termoeléctrica Nehuenco S.A.	Chile	US\$	76.528.870-3	1	-	1	1	1
Termoeléctrica Antihue S.A.	Chile	US\$	76.009.904-K	1	-	1	1	1
Colbún Transmisión S.A.	Chile	US\$	76.218.856-2	0.96	0.04	1	1	1
Colbún Desarrollo SpA	Chile	US\$	76.442.095-0	1	-	1	1	1
Inversiones SUD SpA <sup>(2)</sup>	Chile	US\$	76.455.649-6	-	-	-	1	1
Inversiones Andinas SpA <sup>(2)</sup>	Chile	US\$	76.455.646-1	-	-	-	1	1
Santa Sofía SpA	Chile	US\$	76.487.616-4	1	-	1	-	-
Colbún Perú S.A.	Peru	US\$	0-E	1	-	1	1	1
Inversiones de Las Canteras S.A.	Peru	US\$	0-E	-	0.51	1	0.51	0.51
Fenix Power Perú S.A.	Peru	US\$	0-E	-	0.51	1	0.51	0.51

### Differences in the consolidation perimeter

During 2019, changes in the consolidation perimeter were as follows:

<sup>(1)</sup> On January 3, 2019, the Chilean Financial Market Commission (CMF for its Spanish acronym) was notified of a corporate reorganization process that Colbún S.A. carried out in relation to certain of its subsidiaries, in compliance with the provisions of number 1 of article 4 of Decree Law No. 3,538 per its current text contained in Law No. 21,000.

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

With the dissolution of EEI and its merger into Colbún S.A. had, Colbún S.A. became the sole partner of its subsidiary Sociedad Hidroeléctrica Melocotón Limitada, which consequently was also dissolved. In addition, the dissolution of EEI implied that Colbún S.A. became the sole shareholder of the subsidiary Río Tranquilo S.A., which was dissolved once an uninterrupted period of more than 10 days has elapsed.

<sup>(2)</sup> On December 10, 2018, one share of Inversiones Sud Spa was sold to Colbún Desarrollo SpA.

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

In 2018, changes in the consolidation perimeter were as follows:



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

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

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

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

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

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

Any contingent consideration transferable by the acquiree is recognized at fair value at the acquisition date. Contingent considerations which are classified as financial assets or financial liabilities in accordance with IFRS 9 Financial Instruments are measured at fair value, accounting for changes in fair value as gain or loss or through comprehensive income. In the events contingent considerations are not within the scope of IFRS 9, these are measured in accordance with the related IFRS. If the contingent consideration classified as equity, this is not revalued and any subsequent settlement is recorded in net equity.

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

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

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

---

**b.2 Non-controlling interest** - The value of non-controlling interest in subsidiaries' equity and comprehensive income is presented under captions "Total Equity: Non-controlling interest" of the 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** – relates to interests in entities where Colbún has joint control with other company or significant influence.

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

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

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

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

Relationship	Company	Country	Currency	Tax ID No.	Ownership % as of		
					03.31.2019	03.31.2018	12.31.2018
					Direct	Direct	Direct
Associate	Electrogas S.A.	Chile	US\$	96.806.130-5	0.425	0.425	0.425
Joint venture	Centrales Hidroeléctricas de Aysén S.A. <sup>(1)</sup>	Chile	Ch\$	76.652.400-1	-	0.490	-
Joint venture	Aysén Transmisión S.A., under liquidation <sup>(2)</sup>	Chile	Ch\$	76.041.891-9	-	-	0.490
Joint venture	Aysén Energía S.A., under liquidation <sup>(2)</sup>	Chile	Ch\$	76.091.595-5	-	-	0.490
Joint venture	Transmisora Eléctrica de Quillota Ltda.	Chile	Ch\$	77.017.930-0	0.500	0.500	0.500

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

Accordingly, the dissolution of this Company has been recognized in the taxable income, in accordance with the established in the Art. 38 Bis of the Income Tax Law and Ex. Resolution No. 74 of 2016 issued by the Internal Revenue Service (SII for its Spanish acronym).

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

On March 6, 2019, the inspection of these companies closure process was formally completed, issuing the closure certificate.

On March 19, 2019, the minute approving the dissolution of both companies was drafted as public deed.

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

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

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

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

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

Exchange rate	03.31.2019	03.31.2018	12.31.2018
Chilean peso	678.53	603.39	694.77
Euro	0.8913	0.8133	0.8742
Peruvian sol	3.3210	3.2290	3.3790
Inflation-adjusted units	0.0246	0.0224	0.0252

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

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

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

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

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

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

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

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

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

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

## **h. Financial instruments**

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

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

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

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

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

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

**h.1.4 Derecognition of financial assets** - The Company derecognizes financial assets only when the rights to receive cash flows have been canceled, voided, expired or have been transferred.

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

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

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

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

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

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

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

**h.2.2 Equity instruments** - Correspond to any agreement representing a residual interest in the net assets of an entity after all its liabilities are 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 and 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, regarding to the effective portion of the hedges, in equity reserve under "Cash flow hedges." Retained earnings or accumulated deficit in such caption are transferred to the statement of comprehensive income to the extent that the underlying portion has an impact on the statement of comprehensive income for the hedged risk, netting such effect in the same heading in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of comprehensive income.

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

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

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

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

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

**n. Provisions** - 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 interim consolidated financial statements.

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

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



---

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

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

Revenue is classified in the following categories:

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

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

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

- Regulated customers - distribution companies: Revenue from the sale of electric power is recorded based on physical delivery of energy and capacity in conformity with long-term agreements at a bid price.
- Unregulated customers - Customers having connection capacity exceeding 5,000 KW in Chile and between 200 km and 2,500 KW in Peru: Revenue from the sale of electric power for these customers is recorded based on the physical delivery of energy and capacity, at fees established in the related contracts.
- Spot market customers: Revenue from the sale of electric power is recorded based on the physical delivery of energy and capacity to other power-generation companies at the marginal cost of energy and capacity. The spot market is legally organized through Delivery Centers (CEN in Chile and COES in Peru) where energy and capacity surplus and deficit is traded. Energy and capacity surplus are recognized as revenue, and deficit is recorded as costs in the interim consolidated statement of comprehensive income.

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

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

---

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

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

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

**p.6 Finance income** - Finance income is composed of interest income in funds invested, gains from the sale of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss from hedge instruments that are recognized in comprehensive income. Interest income is recognized as it accrues in profit or loss at the amortized cost using the effective interest method.

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

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

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

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

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

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

**t. Leases** – The implementation of IFRS 16 implies that, for lessees, most of the leases are recognized in the balance sheet, which significantly changes the companies' financial statements and related ratios. Colbún maintains lease agreements for its offices, parking lots, warehouses, pickup trucks and printers.

---

**t.1 Lessee** - From the lessee's standpoint, in the commencement date of a lease, the Company recognizes an asset representing the right to use the underlying asset during the lease term (right-of-use asset) and a liability representing its obligation to make lease payments (lease liability), except leases which term is less than 12 months (with no renewal), and leases where the underlying asset amounts to less than US\$5,000. The lessee shall recognize interest expense on the lease liability separately from the amortization expense for the right-of-use asset.

**t.1.1 Initial recognition** - At the commencement date, a lessee shall measure the right-of-use asset at cost; whereas a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

**t.1.2 Classification** – All leases are classified as finance lease, as the lessee records a right-of-use asset and a lease liability at the commencement date.

**t.1.3 Remeasurement** - In addition, lessees will be required to remeasure the lease liability if certain events occur (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or a rate used to determine those payments). A lessee shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

**t.1.4 Depreciation charge** - A lessee shall apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

**t.1.5 Impairment** – A lessee shall apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

**t.2 Lessor** - Lessor accounting in accordance with IFRS 16 is substantially similar to the accounting under IAS 17. Lessors will continue to classify leases as finance or operating leases at the commencement date, based on the substance of the transaction. Leases in which substantially all the risks and rewards inherent to the ownership of the underlying asset are transferred are classified as finance leases. The remaining leases are classified as operating leases.

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

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

All transactions are performed under market terms and conditions.

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

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

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

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

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

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

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

### 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. Those that may be relevant for the Group are indicated below.

#### New standards

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

#### IFRS 16 "Leases"

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

This standard is effective beginning on January 1, 2019.

#### 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.

To date, the Company is currently assessing the impacts this standard may have.

## New interpretations

New interpretations		Mandatory for
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

### IFRIC 23: “Uncertainty over Income Tax Treatments”

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

Specifically, it considers:

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

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

## Amendments and/or modifications

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

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

This amendment includes the following:

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

---

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

At the reporting date, the Company is currently assessing the impact of such amendment.

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.

At the reporting date, the Company is currently assessing the impact of such amendment.

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.

At the reporting date, the Company is currently assessing the impact of such amendment.

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.

At the reporting date, the Company is currently assessing the impact of such amendment.

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

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

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

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

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

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

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

Because the costs from the retrospective application may exceed the benefits, the amendments are applied prospectively to the borrowing costs incurred in, or from, the date the entity adopts such amendments.

Depending on the entity's current policy, the recommended amendments may result in including other borrowings to the borrowings general pool.

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

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

At the reporting date, the Company is currently assessing the impact of such amendment.

#### Amendments to references in the Conceptual Framework for Financial Reporting

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

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

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

---

### **New ‘bundles of rights’ approach to assets**

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

### **New ‘practical ability’ approach for recognizing liabilities**

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

However, if there is uncertainty over existence and measurement or a low probability of outflows, then this may result in no or delayed recognition in some cases.

The challenge will be determining which future actions/costs a company has no ‘practical ability’ to avoid.

### **New control-based approach to derecognition**

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

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

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

At the reporting date, the Company is currently assessing the impact of such amendment.

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

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

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

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

- (a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- (b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- (c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;



---

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

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

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

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

At the reporting date, the Company is currently assessing the impact of such amendment.

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

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

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

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

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

At the reporting date, the Company is currently assessing the impact of such amendment.

**Changes in the significant accounting policies**

The Company implemented IFRS 16 Leases from January 1, 2019, and discloses the impacts on its Interim Consolidated Financial Statements as of and for the three-month period ended March 31, 2019. Comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

As a lessee, Colbún S.A. may elect not to use IFRS 16 practical expedient, which allows the Company not to reassess contracts that were previously identified as operating leases under IAS 17 and IFRIC 4: "As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, the entity is permitted: (a) to apply this Standard to contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease".

As it is not required to make any adjustments during the transition to IFRS 16 from a lessor's standpoint, the Company elected not to analyze contracts in which Colbún acts as a lessor.

For this transition, Colbún decided to apply the modified retrospective approach for the recognition of the right-of-use asset, as an amount equal to the liability. Such recognition was made from January 1, 2019, applying the standard at its mandatory date of application. The application of this standard amounts to ThUS\$9,442 (total consolidated).

Discount rates (incremental) used to calculate the amortization tables associated with the lease liability were determined by the Company's Management, as well as lease terms for leases in which a renewal option exists.

The application of other pronouncements has had no significant effects for Colbún. The remaining accounting criteria applied during 2019 have remained unchanged compared to the criteria used in the prior year.

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

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

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

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

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

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

---

## 4. Risk management

### 4.1 Risk management policy

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

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

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

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

### 4.2 Risk factors

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

#### 4.2.1 Electric business risks

##### a. Hydrological risk

To comply with its commitments in dry hydrologic conditions, Colbún must operate its combined thermal cycle plants mainly with natural gas purchases or with diesel, or by default operating its back-up thermal plants or even buying energy on the spot market. This situation raises Colbún's costs, increasing earnings variability depending on the hydrological conditions.

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

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

##### b. Fuel price risk

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

---

in case of water surplus, the Company may be in a selling position in the spot market, whose price would be, in part, determined by fuel price.

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

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

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

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

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

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

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

With respect to purchases of coal for Santa María thermal power plant, the Company conducts tender processes (the most recent conducted in November 2018), inviting significant international suppliers and awarding such supply to competitive, financially stable companies. This is performed in accordance with an early purchase policy and an inventory management policy to substantially mitigate the risk of fuel unavailability.

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

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

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

The development of new projects may be affected by factors such as: delays in obtaining permits, regulatory framework changes, litigations, increase in equipment and labor prices, opposition from local and international stakeholders, adverse geographical conditions, natural disasters, accidents and other unforeseen events.

The Company's exposure to this risks is managed through a commercial policy that considers the effects of possible delays in projects. Alternatively, the Company includes certain flexibility to term estimates and construction costs. In addition, the Company's exposure to this risks is partially mitigated through subscribing "All Construction Risk" insurance policies which cover both physical damages and profit losses due to a delay in service resulting from a casualty, both with standard deductibles for this type of insurance.

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

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

#### **f. Regulatory risks**

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

In Chile, the current Administration is conducting several regulatory changes, some of them being inherited from the previous Government and others have commenced during the current Administration. Such changes, based on how they will be implemented, might represent opportunities or risks for the Company.

Particularly relevant are changes currently being discussed in the Chilean National Congress with respect to (i) the Reform of the Water Code; (ii) the bill to modernize the Environmental Impact Assessment System; (iii) the bill proposing the creation of the Ministry of Indigenous Peoples; (iv) the bill proposing the creation of a National Council and the Indigenous Peoples Councils; and (v) The Biodiversity and Protected Areas Act.

Additionally, the Chilean Ministry of Energy have been discussing the preparation of three draft bills that would directly impact the power industry: "New Distribution Act", "Improved Transmission Act" and "Flexibility Act". The first draft bill is intended to update the regulations of the distribution sector to better address the existing and future technology and market developments; the second draft bill is intended to improve certain aspects addressed by the Transmission Act of 2016, such as Open-Access and Transmission Facilities Qualification, among others; and the third draft bill is intended to address system and market consequences arising from the incorporation of more variable renewable energy sources.

In addition, the Chilean National Energy Commission (CNE, for its Spanish acronym) and the Ministry of Energy have continued performing their standard-setting work, highlighting the Regulations for Supplementary Services. Such regulation establishes the definitions, methodologies, processes and other details related to supplementary services that will be applied from January 1, 2020. In addition, these institutions have continued performing Round Table Discussions and Public Inquiries on Regulations for Transmission Systems and Transmission Planning and Regulations for Qualification, Valuation, Pricing and Remuneration of Transmission Facilities, as well as Round Table Discussions on the development and update of several Standards and Technical Schedules.

During 2018, the development process of the Annual Transmission Expansion Plan for 2017 concluded. Such process recorded observations by the power sector and the most significant power customers, as it included a storage system and a HVDC line of approximately 3,000 km. The CNE decided to remove energy storage providers from the final expansion plan and made small adjustments to the HVDC line. Both projects were submitted to the Experts Panel, due to a request of reincorporating energy storage providers and removing the HVDC line.

The Panel dismissed both projects, the former due to lack of discussion and legislation with respect to how the system should be operated, and the latter because no detriment existed in delaying the project for one year and include certain amendments in the Expansion Plan for 2018 with a lower cost. During 2018, the Chilean National Electric Coordinator (CEN) made a proposal for the 2018 Annual Transmission Expansion Plan, which was subsequently validated by the CNE. In mid-November, the Preliminary Technical Report was published, and then reviewed by the stakeholders by the end of such month. Note that in this Expansion Plan no discrepancies existed in relation to the HVDC line and no energy storage system was included. The Final Technical Report was published in January 2019.

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

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

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

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

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

With respect to long-term prices, the bidding processes for the supply of regulated customers finished in August 2016 and October 2017 resulted in an important decrease in prices offered and granted, which reflects the greater competitive dynamics present in this market, and the impact of the introduction of new technologies -mainly solar and wind power- with a significant decrease in costs as a result of their widespread growth. Although the Company may expect that these factors triggering such competitive dynamics and price trends is maintained in the future, it is difficult to determine their precise impact on the long-term power prices.

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

In Peru, there is also a temporary imbalance between supply and demand, mainly generated from the increase in efficient offer supply (hydroelectric and natural gas plants), involving a decrease of energy prices in recent months.

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

#### **4.2.2 Financial risks**

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

---

**a. Exchange rate risk**

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

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

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

The accounting mismatch exposure is mitigated by applying a policy of maximum mismatch between assets and liabilities for structural items denominated in currencies other than U.S. dollar. Accordingly, Colbún maintains a relevant share of its cash surpluses in U.S. dollars and uses occasionally resorts to the use of derivatives, mainly currency swaps and forwards.

**b. Interest rate risk**

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

As of March 31, 2019, the Company's financial debt, including the effect of contracted interest rate derivatives, is 100% denominated in fixed rate.

**c. Credit risk**

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

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

As of March 31, 2019, the Company invests its cash surpluses in mutual funds (of bank subsidiaries) and in time deposits in local and foreign banks.

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

Information on customer's credit ratings is disclosed in Note 10.b to these financial statements.

---

#### **d. Liquidity risk**

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

As of March 31, 2019, Colbún has cash surpluses of approximately US\$816 million, invested in term deposits with an average of 80 days (including time deposits with maturities exceeding 90 days, where the latter are recorded as "Other financial assets, current" in the consolidated financial statements), and in short-term mutual fund deposits maturing in less than 90 days. To date, the Company has the following additional sources of liquidity available: (i) two lines of bonds registered with the local market for UF 7 million, and (ii) uncommitted credit revolving facilities for approximately US\$150 million.

Within the next twelve months, the Company will have to disburse approximately US\$121 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, 2019, Colbún has the following domestic risk ratings: AA- by Fitch Ratings and AA by Standard & Poor's (S&P), both with stable expectations. At international level, the Company's ratings are: Baa2 by Moody's, BBB by S&P and BBB by Fitch Ratings, all with stable outlooks.

As of March 31, 2019, Fenix has the following international risk ratings: Baa3 by Moody's, BBB- by Standard & Poor's (S&P), both with stable outlooks, and BB by Fitch Ratings, with a negative outlook. As of April 22, Fitch Ratings revised the Company's rating and granted it a risk rating BBB- with a stable outlook. As of April 26, Moody's revised the Company's rating and granted it a risk rating Ba1 with a stable outlook.

Considering the foregoing, it is assessed that the Company's liquidity risk is currently limited.

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

#### **4.3 Risk measurement**

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

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

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

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

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



The accounting mismatch exposure is mitigated through the application of a policy for maximum mismatch between assets and liabilities for structural items denominated in currencies other than the U.S. dollar. As of March 31, 2019, 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 Colbun operates solely with domestic and foreign bank counterparties with high credit rating, and has established the maximum exposure policies for each counterparty, which limit the specific concentration with such institutions. For banks, the local institutions have risk ratings equal to or of more than BBB+ and foreign entities have investment grade international risk ratings.

At the closing date, the financial institution which accounts for the highest share of cash surpluses has 20%. For existing derivatives, the Company's foreign counterparties have risk ratings equivalent of BBB+ or higher and domestic counterparties have local ratings of BBB+ or higher. Note that, for derivatives, no counterparty has a concentration of more than 39% 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, 2019, 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 (years)
Buildings	10 - 65	34
Machinery	4 - 20	10
Transport equipment	5 - 15	7
Office equipment	5 - 30	27
IT equipment	3 - 10	5
Power-generating assets	2 - 100	41
Finance leases	20	15
Right-of-use office equipment	3	3
Right-of-use facilities	2 - 8	5
Right-of-use vehicles	3	3
Other property, plant and equipment	10 - 50	29

Additional detail per class of plants is presented below.

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

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

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

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

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

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

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

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

**b. Impairment of non-financial assets (tangible and intangible assets other than goodwill, excluding 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, 2019, the Company considers there is no significant carrying amount impairment of tangible and intangible assets related to the CGU defined by the Company.

### **c. Fair value of derivatives and other financial instruments**

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

---

## 6. Segment reporting

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

Additionally, the Company owns transmission lines and substations through which it trades transport capacity and power transformation in the Chilean National Electric System (SEN).

Colbún's management control system analyzes generation business from a mix of electric power-generating hydraulic/thermal assets standpoint to render services to its customer's portfolio, and assesses the transmission business distinguishing three types of transmission lines operated by the Company: national, zonal and dedicated. Consequently, resource allocation and performance measures are analyzed separately per each business.

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

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

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

The electricity regulation for the power generation business for both systems in which Colbún is involved, contemplates a conceptual division of power and capacity, not for being two different physical elements, but for economically efficient pricing. This is the reason for distinguishing energy priced in monetary units for energy unit (KWh, MWh, etc.) and capacity priced in monetary units for capacity unit – time unit (KW-month).

The electricity regulation for the transmission business establishes a functional definition and differentiated remuneration between the transmission systems, both for the regulated segment (National System, Zonal and Development Hubs), and the Dedicated system segment, in which is possible to enter into contracts with unregulated customers and power generators.

As Colbún S.A. operates in two different businesses: generation, in which it is also involved in two electric systems, the National Electric System in Chile and the National Interconnected Electric System in Peru; and transmission, for the purpose of applying IFRS 8, information by segments has been organized in accordance with the generation segment, differentiated by geographical distribution by country, and the transmission segment.

The following caption presents information by operating segment:

Segment operating results for the year ended 03.31.2019	Chile (Generation)	Chile (Transmission)	Peru (Generation)	Reportable Segments	All other segments	Operating segments	Elimination of inter- segment revenue	Significant reconciliation items	Consolidated totals
<b>Revenue</b>									
Revenue	328,745	22,009	52,605	403,359	-	403,359	(9,580)	(9,580)	393,779
<b>Total revenue from third parties and transactions with other operating segments within the same entity</b>	<b>328,745</b>	<b>22,009</b>	<b>52,605</b>	<b>403,359</b>	-	<b>403,359</b>	<b>(9,580)</b>	<b>(9,580)</b>	<b>393,779</b>
Raw materials and consumables	(177,654)	(2,492)	(37,841)	(217,987)	-	(217,987)	9,580	9,580	(208,407)
Employee benefit expenses	(16,682)	-	(1,464)	(18,146)	-	(18,146)	-	-	(18,146)
Interest expenses	(16,070)	(2)	(4,599)	(20,671)	-	(20,671)	-	-	(20,671)
Interest income	6,243	-	141	6,384	-	6,384	-	-	6,384
Depreciation and amortization expenses	(47,817)	(3,616)	(8,586)	(60,019)	-	(60,019)	-	-	(60,019)
Share of profit (loss) of equity-accounted associates and joint ventures	16,382	-	-	16,382	-	16,382	(14,038)	(14,038)	2,344
Income tax expense from continuing operations	(17,886)	(4,433)	2,291	(20,028)	-	(20,028)	-	-	(20,028)
Other significant items other than cash	-	-	-	-	-	-	-	-	-
Profit (loss) before taxes	82,340	16,269	1,871	100,480	-	100,480	(14,038)	(14,038)	86,442
<b>Profit (loss) from continuing operations</b>	<b>64,454</b>	<b>11,836</b>	<b>4,162</b>	<b>80,452</b>	-	<b>80,452</b>	<b>(14,038)</b>	<b>(14,038)</b>	<b>66,414</b>
<b>Profit (loss)</b>	<b>64,454</b>	<b>11,836</b>	<b>4,162</b>	<b>80,452</b>	-	<b>80,452</b>	<b>(14,038)</b>	<b>(14,038)</b>	<b>66,414</b>
Assets	5,890,076	390,135	801,097	7,081,308	-	7,081,308	(230,835)	(230,835)	6,850,473
Equity-accounted investees	258,144	-	-	258,144	-	258,144	(230,835)	(230,835)	27,309
Incorporation of non-current assets other than financial instruments, deferred tax assets, assets related to defined benefit plans and rights arising from insurance contracts	4,868,875	370,667	343,569	5,583,111	-	5,583,111	-	-	5,583,111
Liabilities	2,423,194	113,089	389,714	2,925,997	-	2,925,997	-	-	2,925,997
<i>Equity</i>									3,924,476
<b>Equity and liabilities</b>									<b>6,850,473</b>
Impairment losses recognized in other comprehensive income	(239)	-	-	(239)	-	(239)	-	-	(239)
Cash flows from (used in) operating activities	59,448	15,470	3,374	78,292	-	78,292	-	-	78,292
Cash flows from (used in) investing activities	211,676	(8,162)	(476)	203,038	-	203,038	-	-	203,038
Cash flows from (used in) financing activities	(14,914)	(7,316)	(13,875)	(36,105)	-	(36,105)	-	-	(36,105)

Continued

Segment operating results for the year ended 03.31.2018	Chile (Generation) (1)	Chile (Transmission) (1)	Peru (Generation)	Reportable Segments	All other segments	Operating segments	Elimination of inter- segment revenue	Significant reconciliation items	Consolidated totals
<b>Revenue</b>									
Revenue	337,046	19,139	52,673	408,858	-	408,858	(2,240)	(2,240)	406,618
<b>Total revenue from third parties and transactions with other operating segments within the same entity</b>	<b>337,046</b>	<b>19,139</b>	<b>52,673</b>	<b>408,858</b>	<b>-</b>	<b>408,858</b>	<b>(2,240)</b>	<b>(2,240)</b>	<b>406,618</b>
Raw materials and consumables	(175,617)	(2,987)	(40,773)	(219,377)	-	(219,377)	4,765	4,765	(214,612)
Employee benefit expenses	(19,392)	-	(1,441)	(20,833)	-	(20,833)	-	-	(20,833)
Other expenses by nature	(4,533)	-	(537)	(5,070)	-	(5,070)	(2,525)	(2,525)	(7,595)
Interest expenses	(16,648)	-	(4,483)	(21,131)	-	(21,131)	-	-	(21,131)
Interest income	4,876	-	(20)	4,856	-	4,856	-	-	4,856
Depreciation and amortization expenses	(46,976)	(3,492)	(8,151)	(58,619)	-	(58,619)	-	-	(58,619)
Share of profit (loss) of equity-accounted associates and joint ventures	15,898	-	-	15,898	-	15,898	(11,248)	(11,248)	4,650
Income tax expense from continuing operations	(23,746)	(3,418)	3,524	(23,640)	-	(23,640)	-	-	(23,640)
Profit (loss) before taxes	89,402	12,660	(2,767)	99,295	-	99,295	(11,248)	(11,248)	88,047
<b>Profit (loss) from continuing operations</b>	<b>65,657</b>	<b>9,242</b>	<b>757</b>	<b>75,655</b>	<b>-</b>	<b>75,655</b>	<b>(11,248)</b>	<b>(11,248)</b>	<b>64,407</b>
<b>Profit (loss)</b>	<b>65,657</b>	<b>9,242</b>	<b>757</b>	<b>75,655</b>	<b>-</b>	<b>75,655</b>	<b>(11,248)</b>	<b>(11,248)</b>	<b>64,407</b>
Assets	6,047,605	335,229	841,341	7,224,175	-	7,224,175	(238,061)	(238,061)	6,986,114
Equity-accounted investees	265,836	-	-	265,836	-	265,836	(238,061)	(238,061)	27,775
Incorporation of non-current assets other than financial instruments, deferred tax assets, assets related to defined benefit plans and rights arising from insurance contracts	4,666,058	330,400	696,059	5,692,517	-	5,692,517	-	-	5,692,517
Liabilities	2,504,556	82,408	382,756	2,969,720	-	2,969,720	-	-	2,969,720
<i>Equity</i>									4,016,394
<b>Equity and liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,986,114</b>
Impairment losses recognized in other comprehensive income	(64)	-	-	(64)	-	(64)	-	-	(64)
Cash flows from (used in) operating activities	107,451	14,341	8,986	130,778	-	130,778	-	-	130,778
Cash flows from (used in) investing activities	80,263	(5,864)	(2,127)	72,272	-	72,272	-	-	72,272
Cash flows from (used in) financing activities	2,158	(8,978)	(12,631)	(19,451)	-	(19,451)	-	-	(19,451)

(1) In October 2018, a reorganization of the Company's transmission assets was carried out, consolidating in Colbún Transmisión S.A. all national, zonal and dedicated assets. Formerly, Colbún Transmisión S.A. only recorded national transmission assets. Accordingly, as of March 31, 2018, amounts recorded for the Generation and Transmission businesses in Chile are proforma, and pursuant to the requirements of IFRS 8, the comparative information has been restated.

Segment operating results for the year ended 12.31.2018	Chile (Generation) (1)	Chile (Transmission) (1)	Peru (Generation)	Reportable Segments	All other segments	Operating segments	Elimination of inter- segment revenue	Significant reconciliation items	Consolidated totals
<b>Revenue</b>									
Revenue	1,330,437	77,012	201,479	1,608,928	-	1,608,928	(37,581)	(37,581)	1,571,347
<b>Total revenue from third parties and transactions with other operating segments within the same entity</b>	<b>1,330,437</b>	<b>77,012</b>	<b>201,479</b>	<b>1,608,928</b>	<b>-</b>	<b>1,608,928</b>	<b>(37,581)</b>	<b>(37,581)</b>	<b>1,571,347</b>
Raw materials and consumables	(643,367)	(11,607)	(156,209)	(811,183)	-	(811,183)	37,581	37,581	(773,602)
Employee benefit expenses	(73,637)	-	(6,128)	(79,765)	-	(79,765)	-	-	(79,765)
Interest expenses	(66,991)	-	(16,878)	(83,869)	-	(83,869)	-	-	(83,869)
Interest income	19,183	-	1,184	20,367	-	20,367	-	-	20,367
Depreciation and amortization expenses	(189,356)	(14,060)	(33,539)	(236,955)	-	(236,955)	-	-	(236,955)
Share of profit (loss) of equity-accounted associates and joint ventures	4,601	-	-	4,601	-	4,601	6,787	6,787	11,388
Income tax expense from continuing operations	(82,958)	(13,863)	(1,597)	(98,418)	-	(98,418)	-	-	(98,418)
Profit (loss) before taxes	299,438	51,344	(28,726)	322,056	-	322,056	6,787	6,787	328,843
<b>Profit (loss) from continuing operations</b>	<b>216,480</b>	<b>37,481</b>	<b>(30,323)</b>	<b>223,638</b>	<b>-</b>	<b>223,638</b>	<b>6,787</b>	<b>6,787</b>	<b>230,425</b>
<b>Profit (loss)</b>	<b>216,480</b>	<b>37,481</b>	<b>(30,323)</b>	<b>223,638</b>	<b>-</b>	<b>223,638</b>	<b>6,787</b>	<b>6,787</b>	<b>230,425</b>
Assets	5,805,734	383,748	817,501	7,006,983	-	7,006,983	(228,634)	(228,634)	6,778,349
Equity-accounted investees	258,836	-	-	258,836	-	258,836	(228,634)	(228,634)	30,202
Incorporation of non-current assets other than financial instruments, deferred tax assets, assets related to defined benefit plans and rights arising from insurance contracts	4,575,674	330,571	675,983	5,582,228	-	5,582,228	-	-	5,582,228
Liabilities	2,414,428	118,539	388,444	2,921,411	-	2,921,411	-	-	2,921,411
<i>Equity</i>									3,856,938
<b>Equity and liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,778,349</b>
Impairment losses recognized in other comprehensive income	(28,394)	-	-	(28,394)	-	(28,394)	-	-	(28,394)
Cash flows from (used in) operating activities	425,464	57,497	33,369	516,330	-	516,330	-	-	516,330
Cash flows from (used in) investing activities	(107,446)	(33,541)	(5,444)	(146,431)	-	(146,431)	-	-	(146,431)
Cash flows from (used in) financing activities	(344,765)	(24,727)	(26,988)	(396,480)	-	(396,480)	-	-	(396,480)

(1) In October 2018, a reorganization of the Company's transmission assets was carried out, consolidating in Colbún Transmisión S.A. all national, zonal and dedicated assets. Formerly, Colbún Transmisión S.A. only recorded national transmission assets. Accordingly, as of December 31, 2018, amounts recorded for the Generation and Transmission businesses in Chile are proforma, and pursuant to the requirements of IFRS 8, the comparative information has been restated.

## Information on products and services

Sales in the main geographical markets	January - March	
	2019 ThUS\$	2018 ThUS\$
<b>Chile (Generation)</b>		
Energy sales	269,269	272,684
Power sales	37,005	41,271
Other income	22,471	23,093
<b>Subtotal</b>	<b>328,745</b>	<b>337,048</b>
<b>Chile (Transmission)</b>		
Sales from tolls	22,009	19,139
<b>Subtotal</b>	<b>22,009</b>	<b>19,139</b>
<b>Peru</b>		
Energy sales	30,878	28,773
Power sales	9,892	9,553
Other income	11,835	14,347
<b>Subtotal</b>	<b>52,605</b>	<b>52,673</b>
<b>Total reportable segments</b>	<b>403,359</b>	<b>408,860</b>
<b>Elimination of inter-segment revenue</b>	<b>(9,580)</b>	<b>(2,242)</b>
<b>Total sales</b>	<b>393,779</b>	<b>406,618</b>

## Information on sales to main customers

Main customers	January - March			
	2019		2018	
	ThUS\$	%	ThUS\$	%
<b>Chile (Generation)</b>				
Corporación Nacional del Cobre Chile	95,064	24%	93,616	23%
CGE Distribución S.A.	57,370	14%	92,171	23%
Enel Distribución Chile S.A.	35,909	9%	46,691	11%
Anglo American S.A.	27,723	7%	25,528	6%
Sociedad Austral del Sur S.A.	13,770	3%	19,409	5%
Colbún Transmisión S.A.	202	0%	-	0%
Other	98,707	24%	59,633	14%
<b>Subtotal</b>	<b>328,745</b>	<b>81%</b>	<b>337,048</b>	<b>82%</b>
<b>Chile (Transmission)</b>				
Colbún S.A.	9,378	2%	2,242	1%
Corporación Nacional del Cobre Chile	2,286	1%	8,084	2%
Anglo American S.A.	1,290	0%	1,272	0%
Enel Generación Chile S.A.	848	0%	1,744	0%
Chilquinta Energía S.A.	707	0%	145	0%
CGE Distribución S.A.	543	0%	79	0%
Other	6,957	3%	5,573	1%
<b>Subtotal</b>	<b>22,009</b>	<b>6%</b>	<b>19,139</b>	<b>4%</b>
<b>Peru</b>				
Luz del Sur S.A.A.	21,259	5%	27,576	7%
Enel Distribución Perú S.A.A.	6,972	2%	11,115	3%
Comité de Operación Económica del Sistema Interconectado Nacional	4,083	1%	2,575	1%
Eléctrica Santa Rosa S.A.C.	3,870	1%	71	0%
Termochilca S.A.	3,425	1%	48	0%
Other	12,996	3%	11,288	3%
<b>Subtotal</b>	<b>52,605</b>	<b>13%</b>	<b>52,673</b>	<b>14%</b>
<b>Total reportable segments</b>	<b>403,359</b>	<b>100%</b>	<b>408,860</b>	<b>100%</b>
<b>Elimination of inter-segment revenue</b>	<b>(9,580)</b>		<b>(2,242)</b>	
<b>Total sales</b>	<b>393,779</b>		<b>406,618</b>	



## 7. Cash and cash equivalents

### a. Detail

As of March 31, 2019 and December 31, 2018, the composition of this caption is the following:

Cash and cash equivalents	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Cash on hand	63	57
Cash in banks	46,030	68,933
Time deposits	325,538	49,492
Other cash equivalents	95,861	100,709
<b>Total</b>	<b>467,492</b>	<b>219,191</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, 2019 and December 31, 2018, in addition to these instruments, the Company has other term deposits with a maturity of more than three months from the acquisition date, which are presented in Note 8.

### b. Detail by currency

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

Currency	03.31.2019		12.31.2018	
	Currency ThUS\$	Currency with derivative <sup>(1)</sup> ThUS\$	Currency ThUS\$	Currency with derivative <sup>(1)</sup> ThUS\$
EUR	1,348	1,348	633	633
Ch\$	366,592	126,592	155,136	127,136
PEN	8,081	8,081	7,564	7,564
US\$	91,471	331,471	55,858	83,858
<b>Total</b>	<b>467,492</b>	<b>467,492</b>	<b>219,191</b>	<b>219,191</b>

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

### c. Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities	Balance as of 01.01.2019 ThUS\$	Cash flows ThUS\$	Changes that do not represent cash flows				Balance as of 03.31.2019 ThUS\$
			Dividends ThUS\$	Interests ThUS\$	Valuation ThUS\$	Other ThUS\$	
Finance lease liabilities <sup>(1)</sup>	14,644	(1,014)	-	729	-	9,041	23,400
Bonds payable <sup>(1)</sup>	1,586,657	(24,481)	-	17,226	6,916	1,569	1,587,887
Dividends payable	36,001	(7,473)	7,473	-	-	-	36,001
Capital decrease (subsidiary)	-	(3,137)	-	-	-	3,137	-
<b>Total</b>	<b>1,637,302</b>	<b>(36,105)</b>	<b>7,473</b>	<b>17,955</b>	<b>6,916</b>	<b>13,747</b>	<b>1,647,288</b>

Liabilities arising from financing activities	Balance as of 01.01.2018 ThUS\$	Cash flows ThUS\$	Changes that do not represent cash flows				Balance as of 03.31.2018 ThUS\$
			Dividends ThUS\$	Interests ThUS\$	Valuation ThUS\$	Other ThUS\$	
Finance lease liabilities <sup>(1)</sup>	15,071	(681)	-	577	-	2	14,969
Bonds payable <sup>(1)</sup>	1,643,985	(18,545)	-	17,876	8,749	1,413	1,653,478
Dividends payable	23,075	(4,655)	4,655	-	-	-	23,075
Other receivables	(4,160)	4,160	-	-	-	-	-
<b>Total</b>	<b>1,677,971</b>	<b>(19,721)</b>	<b>4,655</b>	<b>18,453</b>	<b>8,749</b>	<b>1,415</b>	<b>1,691,522</b>

<sup>(1)</sup>See Note 21.a

### 8. Other financial assets

As of March 31, 2019 and December 31, 2018, the composition of this caption is the following:

	Current		Non-current	
	03.31.2019 ThUS\$	12.31.2018 ThUS\$	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Time deposits <sup>(1)</sup>	348,234	568,897	-	-
Hedge derivative instruments <sup>(2)</sup> (see Note 13.1)	2,351	354	12,879	8,706
Investment for share offering	-	-	91	91
<b>Total</b>	<b>350,585</b>	<b>569,251</b>	<b>12,970</b>	<b>8,797</b>

<sup>(1)</sup> As of March 31, 2019 and December 31, 2018, 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 80 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.

### 9. Trade and other receivables

As of March 31, 2019 and December 31, 2018, the composition of this caption is the following:

Caption	Current	
	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Trade receivables by contract	244,946	217,680
Other receivables <sup>(1)</sup>	21,668	23,999
<b>Total</b>	<b>266,614</b>	<b>241,679</b>

<sup>(1)</sup> As of March 31, 2019, the current balance includes recoverable taxes (Remaining balance of value-added tax fiscal credit) of ThUS\$19,707 and other minor taxes of ThUS\$1,961. Whereas, as of December 31, 2018, the current balance comprises recoverable taxes (General Sales Tax (GST)) of ThUS\$21,902, and other minor items of ThUS\$2,097. 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	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Opening balance as of 01.01.2019	623	277
Increase (decrease) in the allowance	518	552
Impairment losses	-	(182)
Reversal of impairment losses	(414)	(24)
<b>Closing balance as of 03.31.2019</b>	<b>727</b>	<b>623</b>

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

As of March 31, 2019 and December 31, 2018, the analysis of trade receivables is as follows:

a) Aging of trade receivables portfolio.

Invoiced	Balances as of 03.31.2019					
	Current ThUS\$	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	Over 91 days ThUS\$	Total ThUS\$
Trade receivables, regulated	2,810	2,248	175	62	1,395	6,690
Trade receivables, unregulated	10,002	1,920	11	6	1,198	13,137
Other receivables	1,896	935	96	4	1,074	4,005
Allowance for impairment	(289)	(13)	-	(1)	(424)	(727)
<b>Subtotal</b>	<b>14,419</b>	<b>5,090</b>	<b>282</b>	<b>71</b>	<b>3,243</b>	<b>23,105</b>
Invoices to be issued	Balances as of 03.31.2019					
	Current ThUS\$	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	Over 91 days ThUS\$	Total ThUS\$
Trade receivables, regulated	110,070	-	-	-	-	110,070
Trade receivables, unregulated	88,033	-	-	-	-	88,033
Other receivables	23,738	-	-	-	-	23,738
<b>Subtotal</b>	<b>221,841</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>221,841</b>
<b>Total trade receivables</b>	<b>236,260</b>	<b>5,090</b>	<b>282</b>	<b>71</b>	<b>3,243</b>	<b>244,946</b>
<b>No. of customers (unaudited)</b>	<b>490</b>	<b>123</b>	<b>58</b>	<b>49</b>	<b>251</b>	

Invoiced	Balance as of 12.31.2018					
	Current ThUS\$	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	Over 91 days ThUS\$	Total ThUS\$
Trade receivables, regulated	931	2,560	698	27	1,363	5,579
Trade receivables, unregulated	5,376	1,322	336	361	435	7,830
Other receivables	853	195	372	84	684	2,188
Allowance for impairment	(209)	-	(11)	-	(403)	(623)
<b>Subtotal</b>	<b>6,951</b>	<b>4,077</b>	<b>1,395</b>	<b>472</b>	<b>2,079</b>	<b>14,974</b>

  

Invoices to be issued	Balance as of 12.31.2018					
	Current ThUS\$	1-30 days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	Over 91 days ThUS\$	Total ThUS\$
Trade receivables, regulated	97,211	-	-	-	-	97,211
Trade receivables, unregulated	92,650	-	-	-	-	92,650
Other receivables	12,845	-	-	-	-	12,845
<b>Subtotal</b>	<b>202,706</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>202,706</b>
<b>Total trade receivables</b>	<b>209,657</b>	<b>4,077</b>	<b>1,395</b>	<b>472</b>	<b>2,079</b>	<b>217,680</b>

  

<b>No. of customers (unaudited)</b>	<b>379</b>	<b>139</b>	<b>103</b>	<b>29</b>	<b>242</b>
-------------------------------------	------------	------------	------------	-----------	------------

#### b) Customers in legal collection

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

### 10. Financial instruments

#### a. Financial instruments by category

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

##### a.1 Assets

March 31, 2019	Amortized cost	Fair value	Total
	ThUS\$	ThUS\$	ThUS\$
Cash on hand and cash balances (see Note 7)	-	46,093	46,093
Time deposits and other cash equivalents (see Note 7)	325,538	95,861	421,399
Trade receivables <sup>(1)</sup> (see Note 9)	246,907	-	246,907
Trade receivables due from related parties (see Note 11.b.1)	8,959	-	8,959
Derivative financial instruments (see Note 13.1)	-	15,230	15,230
Other financial assets (see Note 8)	348,234	-	348,234
<b>Total</b>	<b>929,638</b>	<b>157,184</b>	<b>1,086,822</b>

  

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

<sup>(1)</sup> As of March 31, 2019, it does not include recoverable taxes of ThUS\$19,707. As of December 31, 2018, the balance related to current recoverable taxes amounted to ThUS\$21,902.

## a.2 Liabilities

March 31, 2019	Amortized cost	Fair value	Total
	ThUS\$	ThUS\$	ThUS\$
Interest-bearing borrowings (see Note 21.c.2)	1,587,887	-	1,587,887
Lease obligations (see Note 21.c.3)	23,400	-	23,400
Derivative financial instruments (see Note 13.1)	-	719	719
Trade and other payables (see Note 22)	188,992	-	188,992
Payables due to related parties (see Note 11.b.2)	18,941	-	18,941
<b>Total</b>	<b>1,819,220</b>	<b>719</b>	<b>1,819,939</b>

  

December 31, 2018	Amortized cost	Fair value	Total
	ThUS\$	ThUS\$	ThUS\$
Interest-bearing borrowings (see Note 21.c.2)	1,586,657	-	1,586,657
Lease obligations (see Note 21.c.3)	14,644	-	14,644
Derivative financial instruments (see Note 13.1)	-	1,962	1,962
Trade and other payables (see Note 22)	186,622	-	186,622
Payables due to related parties (see Note 11.b.2)	17,971	-	17,971
<b>Total</b>	<b>1,805,894</b>	<b>1,962</b>	<b>1,807,856</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	03.31.2019 ThUS\$	12.31.2018 ThUS\$
<b>Customers with local risk rating</b>		
AAA	72,518	73,443
AA+	31,404	30,064
AA	16,775	14,389
AA-	3,227	4,494
A+	39,478	35,107
A	2,413	2,373
<b>Total</b>	<b>165,815</b>	<b>159,870</b>
<b>Customers with no local risk rating</b>		
<b>Total</b>	<b>79,131</b>	<b>57,810</b>
<b>Cash on banks and bank short-term deposits, local market</b>		
AAA	151,065	136,947
A+ or lower	538,926	503,177
<b>Total</b>	<b>689,991</b>	<b>640,124</b>
<b>Cash on banks and bank short-term deposits, international market <sup>(1)</sup></b>		
BBB- or higher	29,874	47,255
<b>Total</b>	<b>29,874</b>	<b>47,255</b>
<b>Counterparty derivative financial assets, international market <sup>(1)</sup></b>		
AAA	15,230	9,060
<b>Total</b>	<b>15,230</b>	<b>9,060</b>

<sup>(1)</sup> Foreign risk classification

## 11. Related party disclosures

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

## a. Controlling interests

As of March 31, 2019, the distribution of ownership interest is as follows:

Shareholders	Ownership %
Minera Valparaíso S.A. <sup>(*)</sup>	35.17
Forestal Cominco S.A. <sup>(*)</sup>	14.00
Antarchile S.A.	9.58
AFP Habitat S.A. <sup>(**)</sup>	6.65
AFP Provida S.A. <sup>(**)</sup>	4.38
Banco de Chile on behalf of third-parties	4.34
Banco Itaú on behalf of investors	4.27
AFP Cuprum S.A. <sup>(**)</sup>	3.87
AFP Capital S.A. <sup>(**)</sup>	3.50
Banco Santander - JP Morgan	3.25
Other shareholders	10.99
<b>Total</b>	<b>100.00</b>

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

<sup>(\*\*)</sup> It relates to the consolidated interest for each Pension Fund Administrator.

## b. Balances and transactions with related parties

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

### b. 1. Trade receivables due from related parties

Tax ID No.	Company	Country	Relationship	Currency	Current	
					03.31.2019 ThUS\$	12.31.2018 ThUS\$
96.806.130-5	Electrogas S.A.	Chile	Associate	US\$	6,265	690
96.532.330-9	CMPC Celulosa S.A.	Chile	Common group	Ch\$	1,800	13
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Ch\$	36	11
96.731.890-6	Cartulinas CMPC S.A.	Chile	Common group	Ch\$	710	275
65.027.584-5	Fundación Colbún	Chile	Special purpose entity	Ch\$	148	128
<b>Total</b>					<b>8,959</b>	<b>1,117</b>

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

Tax ID No.	Company	Country	Relationship	Currency	Current	
					03.31.2019 ThUS\$	12.31.2018 ThUS\$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Joint venture	Ch\$	-	211
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Director and controlling shareholder	Ch\$	1,193	15
97.080.000-K	Banco Bice	Chile	Common director	Ch\$	5	3
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	Common group	Ch\$	33	32
90.412.000-6	Minera Valparaíso S.A.	Chile	Controlling shareholder	US\$	12,662	12,662
79.621.850-9	Forestal Cominco S.A.	Chile	Controlling shareholder	US\$	5,040	5,040
96.806.130-5	Electrogas S.A.	Chile	Associate	US\$	8	8
<b>Total</b>					<b>18,941</b>	<b>17,971</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			
						2019		2018	
						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	631	(530)	846	(711)
				UF	Revenue for services rendered	35	30	38	32
96.806.130-5	Electrogas S.A.	Chile	Associate	US\$	Gas transport service	2,398	(2,015)	2,989	(2,512)
				US\$	Diesel transport service	151	(127)	111	(93)
				US\$	Dividend declared <sup>(1)</sup>	5,576	-	5,931	-
97.080.000-K	Banco Bice	Chile	Common director	Ch\$	Expenses for services received	6	(5)	19	(16)
96.731.890-6	Cartulinas CMPC S.A.	Chile	Parent common director	Ch\$	Easements	196	165	275	231
				Ch\$	Sale of energy and capacity	1,845	1,550	1,381	1,161
96.532.330-9	CMPC Celulosa S.A.	Chile	Common group	Ch\$	Sale of energy and capacity and energy transport	6,425	5,399	4,218	3,545
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Director and controlling shareholder	Ch\$	Diesel supply service	7,054	(5,928)	2,887	(2,426)
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	Common group	Ch\$	Telephone services	83	(70)	97	(82)
96.697.410-9	Entel Telefonía Local S.A.	Chile	Common director	Ch\$	Telephone services	25	(21)	17	(14)
96.925.430-1	Sercor S.A.	Chile	Common director	Ch\$	Stock administration service	35	(29)	38	(32)
76.158.513-4	Puerto Central S.A.	Chile	Common director	Ch\$	Electrical supply	533	448	-	-

<sup>(1)</sup> Dividends declared and paid by Electrogas S.A.

- In March 2019, Electrogas S.A. recorded a provisional dividend with a debit to profit for 2018, of MUS\$ 13.1 of which Colbún is entitled to ThUS\$5,576 (42.5%).
- 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 entitled to receive ThUS\$5,931 (42.5%).

### 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 March 31, 2019 and December 31, 2018.

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, 2019 and December 31, 2018, 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			
		2019		2018	
		Board of Colbún ThUS\$	Directors' Committee ThUS\$	Board of Colbún ThUS\$	Directors' Committee ThUS\$
Juan Eduardo Correa García <sup>(1)</sup>	Chairman	37	-	40	-
Vivianne Blanlot Soza <sup>(1)</sup>	Deputy Chairwoman	19	-	20	-
Bernardo Larraín Matte <sup>(1)</sup>	Director	19	-	20	-
Luz Granier Bulnes <sup>(1)</sup>	Director	19	6	20	7
María Ignacia Benítez Pereira	Director	12	4	20	7
Francisco Matte Izquierdo <sup>(1)</sup>	Director	19	6	20	7
Jorge Matte Capdevila <sup>(1)</sup>	Director	19	-	20	-
Andrés Lehuedé Bromley <sup>(1)</sup>	Director	19	-	20	-
Hernán Rodríguez Wilson <sup>(1)</sup>	Director	19	-	-	-
Arturo Mackenna Íñiguez	Director	-	-	20	-
<b>Total</b>		<b>182</b>	<b>16</b>	<b>200</b>	<b>21</b>

<sup>(1)</sup> Current Directors as of March 31, 2019.

#### e.2 Board Counseling Expenses

For the periods ended March 31, 2019 and December 31, 2018, the Board of Directors incurred no advisory expenses.



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

Name	Position
Thomas Keller Lippold	General Manager
Juan Eduardo Vásquez Moya	Business and Energy Management Department Manager
Carlos Luna Cabrera	Power Generation Manager
Sebastián Moraga Zúñiga	Finance and Administration Manager
Eduardo Lauer Rodríguez	Engineering and Projects Manager
Rodrigo Pérez Stiepovic	Legal Manager
Paula Martínez Osorio	Organization and Personnel Manager
Sebastián Fernández Cox <sup>(1)</sup>	Development Manager
Heraldo Alvarez Arenas	Internal Audit Manager
Daniel Gordon Adam	Environmental Manager
Pedro Vial Lyon	Public Affairs Manager
Luis Le Fort Pizarro	Transmission Manager

<sup>(1)</sup> Current Company executives as of March 31, 2019.

Key management personnel accrued compensation:

Concept	January - March	
	2019 ThUS\$	2018 ThUS\$
Short-term employee benefits	1,223	1,219
Other long-term benefits	211	248
Termination benefits	471	73
<b>Total</b>	<b>1,905</b>	<b>1,540</b>

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

As of March 31, 2019 and December 31, 2018, 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, 2019 and 2018, the Company records no such operations.

### e.7 Incentive plans for Senior Executives and Managers

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

### e.8 Indemnities paid to Senior Executives and Managers

During the period ended March 31, 2019 and 2018, there were no payments for such concept.

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

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

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

The Company has no such operations.

#### 12. Inventories

As of March 31, 2019 and December 31, 2018, this caption comprises the following:

Inventory	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Spare parts for maintenance	25,479	25,562
Coal	24,360	18,620
Inventory in transit	46	163
Oil	4,120	4,506
Gas Line Pack	984	951
Allowance for obsolescence <sup>(1)</sup>	(5,553)	(5,553)
<b>Total</b>	<b>49,436</b>	<b>44,249</b>

<sup>(1)</sup> Relates to the impairment estimate on the spare part stock, which is applied in accordance with the Policy.

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

#### Inventory costs recognized as expense

As of March 31, 2019 and 2018, the use of inventory recognized as expenses is detailed as follows:

Inventory costs	January - March	
	2019 ThUS\$	2018 ThUS\$
Warehouse consumption	9,462	1,703
Oil (see Note 28)	9,145	3,009
Gas (see Note 28)	107,348	100,800
Coal (see Note 28)	25,952	22,118
<b>Total</b>	<b>151,907</b>	<b>127,630</b>

#### 13. Derivative instruments

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

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

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

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

As of March 31, 2019, the Company classified all its hedges as "Cash flow hedges."

### 13.1 Hedging instruments

As of March 31, 2019 and December 31, 2018, this caption includes the valuation of financial instruments for such periods, detailed as follows:

Hedging assets		Current		Non-current	
		03.31.2019 ThUS\$	12.31.2018 ThUS\$	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Currency hedging instrument	Cash flow hedges	680	-	12,879	8,706
Fuel price hedge	Cash flow hedges	1,671	354	-	-
<b>Total (see Note 8)</b>		<b>2,351</b>	<b>354</b>	<b>12,879</b>	<b>8,706</b>

  

Hedging liabilities		Current	
		03.31.2019 ThUS\$	12.31.2018 ThUS\$
Currency hedging instrument	Cash flow hedges	38	1,091
Interest rate hedging instrument	Cash flow hedges	681	871
<b>Total (see Note 21.a)</b>		<b>719</b>	<b>1,962</b>

  

<b>Hedging instruments, net</b>		<b>14,511</b>	<b>7,098</b>
---------------------------------	--	---------------	--------------

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

Hedging instrument	Fair value Hedging instruments		Underlying asset hedged	Hedged risk	Type of hedge
	03.31.2019 ThUS\$	12.31.2018 ThUS\$			
Currency forward	680	(1,092)	Financial investments	Exchange rate	Cash flow
Cross currency swaps	12,160	7,836	Bonds payable and promissory notes	Exchange rate and interest rate	Cash flow
Oil options	25	-	Purchases of oil and gas	Oil price	Cash flow
Coal options	1,646	354	Sales of energy	Coal price	Cash flow
<b>Total</b>	<b>14,511</b>	<b>7,098</b>			

As of March 31, 2019, the Company determined no gains or losses associated with ineffective cash flow hedges that should be recognized in profit or loss.

### 13.2 Fair value hierarchy

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

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

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

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

As of March 31, 2019, the calculation of fair value of all financial instruments subject to measurement, has been determined based on Level 2 of the aforementioned hierarchy.

#### 14. Investments in subsidiaries

The Interim Consolidated Financial Statements include the financial statements of the Parent and subsidiaries. Information on subsidiaries as of March 31, 2019 and December 31, 2018 is detailed below.

Subsidiary	03.31.2019						
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Revenue	Net profit (loss)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Termoeléctrica Nehuenco S.A.	104	2,527	282	-	2,349	-	(720)
Termoeléctrica Antilhue S.A.	362	28,078	3,878	6,051	18,511	1,200	(322)
Colbún Transmisión S.A.	19,468	370,667	3,766	109,323	277,046	22,009	11,837
Colbún Desarrollo SpA	11	149	-	-	160	-	-
Santa Sofía SpA	-	145	-	180	(35)	-	(8)
Colbún Perú S.A.	20,139	210,696	-	-	230,835	-	2,201
Inversiones de Las Canteras S.A.	54	413,800	1	723	413,130	-	4,103
Fenix Power Perú S.A.	66,734	734,363	46,145	343,569	411,383	52,605	4,162

  

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

<sup>(1)</sup> See Note 3.1.b.

## 15. Equity-accounted investees

### a. Equity-accounted investees

The detail of equity-accounted investees and its movements as of March 31, 2019 and December 31, 2018 is described below.

Relationship	Company	No. of shares	Ownership percentage 03.31.2019 %	Balance as of 01.01.2019 ThUS\$	Accrued profit or loss ThUS\$	Dividends ThUS\$	Equity reserve		Settlement ThUS\$	Other increase (decrease) ThUS\$	Total 03.31.2019 ThUS\$
							Foreign currency translation difference ThUS\$	Reserve in hedge derivatives ThUS\$			
Associate	Electrogas S.A.	175,076	42.5%	16,603	2,113	(5,538)	-	(57)	-	-	13,121
Joint venture	Aysén Transmisión S.A., under liquidation	4,900	0.0%	(25)	-	-	(2)	-	27	-	-
Joint venture	Aysén Energía S.A., under liquidation	4,900	0.0%	(11)	-	-	-	-	11	-	-
Joint venture	Transmisora Eléctrica de Quillota Ltda.	-	50.0%	13,635	231	-	322	-	-	-	14,188
<b>Total</b>				<b>30,202</b>	<b>2,344</b>	<b>(5,538)</b>	<b>320</b>	<b>(57)</b>	<b>38</b>	<b>-</b>	<b>27,309</b>

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

<sup>(1)</sup> <sup>(2)</sup> See Note 3.1.c.

## b. Financial information about investments in associates and joint ventures

The information in the financial statements of the Company's associates and joint ventures as of March 31, 2019 and December 31, 2018, is as follows:

Relationship	Company	03.31.2019							
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Revenue	Cost of sales	Retained earnings (accumulated deficit)
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Associate	Electrogas S.A.	12,405	50,191	18,961	12,763	30,872	8,995	(721)	4,972
Joint venture	Transmisora Eléctrica de Quillota Ltda.	14,540	16,757	415	2,505	28,377	1,108	(231)	461

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

---

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 Gas Atacama Chile S.A., Colbún S.A., Empresa de Gas Quinta Región (Gasvalpo), Energas S.A. and Enap Refinerías Concón.

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

**ii) Aysén Transmisión S.A. under liquidation - Aysén Energía S.A. under liquidation:**

Companies incorporated for the development and operation of a hydroelectric project.

At the Extraordinary General Shareholders' Meeting held on December 7, 2017, the shareholders of Aysén Transmisión S.A. and Aysén Energía S.A. agreed the early dissolution of the Company and liquidation of its assets, appointing a Committee responsible for such process. The agreements achieved at such Meeting will be effective after the resulting minute is drafted as public deed, which will be performed after the Chilean Internal Revenue Service authorizes the Company's closure, formalizing the Business Closure Certificate issued together with such public deed. Accordingly, the Chilean Internal Revenue Service issued a Business Closure Certificate for both companies on March 6, 2019. As these companies have no assets that could be liquidated, all corporate debts should be paid with the available resources, and all existing loans should be collected.

On March 6, 2019, the inspection of these companies closure process was formally completed, issuing the business closure certificate. On March 19, 2019, the minute approving the dissolution of both companies was drafted as public deed.

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

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

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

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

## 16. Intangible assets other than goodwill

### a. Detail by classes of intangible assets

As of March 31, 2019 and December 31, 2018, this caption is detailed as follows:

<b>Intangible assets, net</b>		<b>03.31.2019</b>	<b>12.31.2018</b>
		ThUS\$	ThUS\$
<b>Rights not internally generated</b>	Emission rights for particulate matter	9,582	9,582
	Concessions	202	202
	Water rights	17,436	17,436
	Easements	58,208	58,246
	Intangible assets related to customers	39,392	40,186
<b>Licenses</b>	Software	2,052	2,288
<b>Total</b>		<b>126,872</b>	<b>127,940</b>
<b>Intangible assets, gross</b>		<b>03.31.2019</b>	<b>12.31.2018</b>
		ThUS\$	ThUS\$
<b>Rights not internally generated</b>	Emission rights for particulate matter	9,582	9,582
	Concessions	228	228
	Water rights	17,455	17,455
	Easements	59,755	59,749
	Intangible assets related to customers	46,815	46,815
<b>Licenses</b>	Software	14,010	13,889
<b>Total</b>		<b>147,845</b>	<b>147,718</b>
<b>Accumulated amortization</b>		<b>03.31.2019</b>	<b>12.31.2018</b>
		ThUS\$	ThUS\$
<b>Rights not internally generated</b>	Concessions	(26)	(26)
	Water rights	(19)	(19)
	Easements	(1,547)	(1,503)
	Intangible assets related to customers	(7,423)	(6,629)
<b>Licenses</b>	Software	(11,958)	(11,601)
<b>Total</b>		<b>(20,973)</b>	<b>(19,778)</b>



## b. Movements in intangible assets

As of March 31, 2019 and December 31, 2018, this caption comprises the following:

Movements as of 2019	Rights not internally generated					Licenses	Intangible assets, net ThUS\$
	Emission rights for particulate matter	Concessions	Water rights	Easements	Intangible assets related to customers	Software	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Opening balance as of 01.01.2019	9,582	202	17,436	58,246	40,186	2,288	127,940
Additions	-	-	-	6	-	121	127
Increase (decrease) resulting from other movements	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Transport from assets under construction	-	-	-	-	-	-	-
Transport between assets	-	-	-	-	-	-	-
Amortization expenses (see Note 30)	-	-	-	(44)	(794)	(357)	(1,195)
<b>Closing balance as of 03.31.2019</b>	<b>9,582</b>	<b>202</b>	<b>17,436</b>	<b>58,208</b>	<b>39,392</b>	<b>2,052</b>	<b>126,872</b>

  

Movements as of 2018	Rights not internally generated					Licenses	Intangible assets, net ThUS\$
	Emission rights for particulate matter	Concessions	Water rights	Easements	Intangible assets related to customers	Software	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Saldo inicial al 01.01.2018	9,582	87	17,440	58,145	43,362	3,451	132,067
Additions	-	115	-	30	-	37	182
Increase (decrease) resulting from other movements	-	-	-	13	-	-	13
Disposals	-	-	-	(43)	-	-	(43)
Transport from assets under construction	-	-	-	275	-	966	1,241
Transport between assets	-	-	-	-	-	87	87
Amortization expenses	-	-	(4)	(174)	(3,176)	(2,253)	(5,607)
<b>Closing balance as of 12.31.2018</b>	<b>9,582</b>	<b>202</b>	<b>17,436</b>	<b>58,246</b>	<b>40,186</b>	<b>2,288</b>	<b>127,940</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.

## 17. Property, plant and equipment

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

As of March 31, 2019 and December 31, 2018, the caption property, plant and equipment is detailed as follows:

Property, plant and equipment, net	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Land	306,894	306,894
Building, construction and facilities	111,614	112,707
Machinery	1,143	1,186
Transport equipment	592	626
Office equipment	3,106	3,168
IT equipment	1,271	1,439
Power-generating assets	4,193,749	4,233,043
Assets under construction	336,233	314,410
Right-of-use assets	19,187	10,558
Other property, plant and equipment	415,563	413,125
<b>Total</b>	<b>5,389,352</b>	<b>5,397,156</b>
Property, plant and equipment, gross	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Land	306,894	306,894
Building, construction and facilities	134,587	134,587
Machinery	1,640	1,640
Transport equipment	1,663	1,663
Office equipment	9,112	9,087
IT equipment	9,001	9,001
Power-generating assets	5,899,667	5,887,279
Assets under construction	420,303	398,480
Right-of-use assets	24,596	15,154
Other property, plant and equipment	522,908	516,612
<b>Total</b>	<b>7,330,371</b>	<b>7,280,397</b>
Accumulated depreciation and impairment of property, plant and equipment	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Building, construction and facilities	(22,973)	(21,880)
Machinery	(497)	(454)
Transport equipment	(1,071)	(1,037)
Office equipment	(6,006)	(5,919)
IT equipment	(7,730)	(7,562)
Power-generating assets	(1,705,918)	(1,654,236)
Assets under construction	(84,070)	(84,070)
Right-of-use assets	(5,409)	(4,596)
Other property, plant and equipment	(107,345)	(103,487)
<b>Total</b>	<b>(1,941,019)</b>	<b>(1,883,241)</b>

## b. Movements in property, plant and equipment

As of March 31, 2019 and December 31, 2018, the caption property, plant and equipment, net is composed of the following:

Movements as of 2019	Land	Building, construction and facilities	Machinery	Transport equipment	Office equipment	IT equipment	Power-generating assets	Assets under construction	Right-of-use assets	Other property, plant and equipment	Property, plant and equipment, net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of 01.01.2019	306,894	112,707	1,186	626	3,168	1,439	4,233,043	314,410	10,558	413,125	5,397,156
Additions	-	-	-	-	23	-	14,785	24,368	9,442	-	48,618
Increase (decrease) resulting from other movements	-	-	-	-	-	-	-	-	-	6,436	6,436
Disposals	-	-	-	-	-	-	(4,919)	-	-	(161)	(5,080)
Accumulated depreciation, disposals	-	-	-	-	-	-	1,044	-	-	2	1,046
Impairment losses recognized in profit or loss for the year	-	-	-	-	-	-	-	-	-	-	-
Transport from assets under construction	-	-	-	-	2	-	2,522	(2,545)	-	21	-
Transport between assets	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation, transport between assets	-	-	-	-	-	-	-	-	-	-	-
Depreciation expenses (see Note 30)	-	(1,093)	(43)	(34)	(87)	(168)	(52,726)	-	(813)	(3,860)	(58,824)
<b>Total movements</b>	<b>-</b>	<b>(1,093)</b>	<b>(43)</b>	<b>(34)</b>	<b>(62)</b>	<b>(168)</b>	<b>(39,294)</b>	<b>21,823</b>	<b>8,629</b>	<b>2,438</b>	<b>(7,804)</b>
<b>Closing balance as of 03.31.2019</b>	<b>306,894</b>	<b>111,614</b>	<b>1,143</b>	<b>592</b>	<b>3,106</b>	<b>1,271</b>	<b>4,193,749</b>	<b>336,233</b>	<b>19,187</b>	<b>415,563</b>	<b>5,389,352</b>

Movements as of 2018	Land	Building, construction and facilities	Machinery	Transport equipment	Office equipment	IT equipment	Power-generating assets	Assets under construction	Right-of-use assets	Other property, plant and equipment	Property, plant and equipment, net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of 01.01.2018	297,742	225,930	574	755	3,410	1,472	4,068,854	530,185	11,307	376,249	5,516,478
Additions	9,042	-	5	-	-	224	283	99,628	-	-	109,182
Increase (decrease) resulting from other movements	(22)	-	-	-	-	-	-	-	-	24,475	24,453
Disposals	-	(384)	-	(67)	(41)	(46)	(4,035)	-	-	-	(4,573)
Accumulated depreciation, disposals	-	373	-	67	26	6	2,470	-	-	-	2,942
Impairment losses recognized in profit or loss for the year	-	-	-	-	-	-	-	(18,824)	-	-	(18,824)
Transport from assets under construction	132	886	730	-	115	543	265,582	(296,579)	-	27,350	(1,241)
Transport between assets	-	(150,192)	23	-	-	14	150,013	-	-	229	87
Accumulated depreciation, transfers	-	40,428	(1)	-	-	-	(40,427)	-	-	-	-
Depreciation expenses	-	(4,334)	(145)	(129)	(342)	(774)	(209,697)	-	(749)	(15,178)	(231,348)
<b>Total movements</b>	<b>9,152</b>	<b>(113,223)</b>	<b>612</b>	<b>(129)</b>	<b>(242)</b>	<b>(33)</b>	<b>164,189</b>	<b>(215,775)</b>	<b>(749)</b>	<b>36,876</b>	<b>(119,322)</b>
<b>Closing balance as of 12.31.2018</b>	<b>306,894</b>	<b>112,707</b>	<b>1,186</b>	<b>626</b>	<b>3,168</b>	<b>1,439</b>	<b>4,233,043</b>	<b>314,410</b>	<b>10,558</b>	<b>413,125</b>	<b>5,397,156</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, 2019 and 2018, the Company had commitments associated with the acquisition of property, plant and equipment for construction agreements for ThUS\$26,922 and ThUS\$55,198, respectively. The companies in which it operates are: Toshiba America do Sul Ltda., Consorcio Isotron Sacyr S.A., Ingeniería Agrosonda Ltda., Pine SpA, Soc. Com. e Ingeniería y Gestión Ind. Ingher Ltda., Rhona S.A., Sap Chile Limitada, Contract Chile S.A., among others.

iii) As of March 31, 2019 and 2018, accumulated capitalized interest costs (IAS 23) are detailed as follows:

Concept	January - March	
	2019 ThUS\$	2018 ThUS\$
<b>Borrowing costs</b>		
Capitalized borrowing costs	-	-
Borrowing costs recognized as expenses	2,122	2,134
Total borrowing costs incurred	<b>2,122</b>	<b>2,134</b>
<b>Interest costs</b>		
Capitalized interest costs	-	-
Interest expenses	18,272	18,837
Total interest costs incurred	<b>18,272</b>	<b>18,837</b>
Capitalization rate of borrowing costs subject to capitalization	5.20%	5.31%

### iv) Operating leases - Lessor

As of March 31, 2019 and December 31, 2018, the Company holds embedded operating leases corresponding to:

1. Transmission line contracts (Alto Jahuel-Candelaria 220 KV and Candelaria-Minero 220 KV) entered into between the Company and Corporación Nacional del Cobre de Chile. Such contracts have a term of 30 years.
2. Additional toll contracts (transmission lines - Polpaico substation-Maitenes substation) entered into between the Company and Anglo American Sur. Such contracts have a term of 21 years.
3. Energy supply and electric power contract entered into between Colbún and Corporación Nacional del Cobre de Chile. Such contract has a term of 30 years.

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

March 31, 2019	0-1 year ThUS\$	1-5 years ThUS\$	Over 5 years ThUS\$	Total ThUS\$
Minimum lease payments under operating non-cancellable leases	120,300	481,185	2,366,363	2,967,848
<b>Total</b>	<b>120,300</b>	<b>481,185</b>	<b>2,366,363</b>	<b>2,967,848</b>

  

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

#### v) Financial lease - Lessee

As of March 31, 2019, the caption property, plant and equipment includes ThUS\$19,187, corresponding to the net accounting value of assets that are subject to finance lease agreements. In addition, as of December 31, 2018, property, plant and equipment included ThUS\$10,558 for the same concept.

Currently, Colbún records finance leases related to its offices, warehouse, parking lots, vehicles and printers. The subsidiary Fenix maintains a contract entered into with 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, 2019 and December 31, 2018, right-of-use assets recognized as finance lease are detailed as follows:

	Right-of-use assets		Depreciation, right-of-use assets	
	03.31.2019 ThUS\$	12.31.2018 ThUS\$	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Buildings and facilities	6,704	-	(360)	-
Parking lot	499	-	(27)	-
Vehicles	2,181	-	(233)	-
Transmission line operation and maintenance	15,154	15,154	(4,782)	(4,596)
Printers	58	-	(7)	-
<b>Total</b>	<b>24,596</b>	<b>15,154</b>	<b>(5,409)</b>	<b>(4,596)</b>

As of March 31, 2019 and December 31, 2018, the present value of future payments arising from contracts recognized as finance leases are detailed as follows:

March 31, 2019	0-1 year ThUS\$	1-5 years ThUS\$	Over 5 years ThUS\$	Total ThUS\$
Gross	5,723	19,254	29,555	<b>54,532</b>
Interests	(2,846)	(10,524)	(17,762)	<b>(31,132)</b>
Current value (see Note 21.a)	2,877	8,730	11,793	<b>23,400</b>

  

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

vi) Additional information required for XBRL taxonomy.

1. Disbursements recognized during the construction

Disbursements recognized during the construction, gross	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Assets under construction	18,872	106,431
<b>Total</b>	<b>18,872</b>	<b>106,431</b>

2. Assets fully depreciated still in use

Assets fully depreciated still in use, gross	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Buildings	63	63
Machinery	47	47
Transport equipment	587	587
Office equipment	4,026	3,991
IT equipment	6,350	6,330
Power-generating assets	12,490	12,481
Other property, plant and equipment	1,430	1,430
<b>Total</b>	<b>24,993</b>	<b>24,929</b>

  

Assets fully depreciated still in use, accumulated depreciation and impairment	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Buildings	(63)	(63)
Machinery	(47)	(47)
Transport equipment	(585)	(585)
Office equipment	(4,026)	(3,991)
IT equipment	(6,350)	(6,330)
Power-generating assets	(12,479)	(12,470)
Other property, plant and equipment	(1,430)	(1,430)
<b>Total</b>	<b>(24,980)</b>	<b>(24,916)</b>

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

As of March 31, 2019 and December 31, 2018, this caption comprises the following:

<b>Other property, plant and equipment, net</b>	<b>03.31.2019</b> ThUS\$	<b>12.31.2018</b> ThUS\$
Substations	147,960	150,725
Transmission lines	136,461	137,577
Spare parts classified as property, plant and equipment	123,275	116,839
Other property, plant and equipment	7,867	7,984
<b>Balance of other property, plant and equipment, net</b>	<b>415,563</b>	<b>413,125</b>

<b>Other property, plant and equipment, gross</b>	<b>03.31.2019</b> ThUS\$	<b>12.31.2018</b> ThUS\$
Substations	218,277	218,417
Transmission lines	170,000	170,000
Spare parts classified as property, plant and equipment	123,275	116,839
Other property, plant and equipment	11,356	11,356
<b>Total other property, plant and equipment, gross</b>	<b>522,908</b>	<b>516,612</b>

<b>Accumulated depreciation and impairment of property, plant and equipment</b>	<b>03.31.2019</b> ThUS\$	<b>12.31.2018</b> ThUS\$
Substations	(70,317)	(67,692)
Transmission lines	(33,539)	(32,423)
Other property, plant and equipment	(3,489)	(3,372)
<b>Total depreciation and impairment</b>	<b>(107,345)</b>	<b>(103,487)</b>

viii) Detail of power-generating assets

Power-generating assets, net		03.31.2019	12.31.2018
		ThUS\$	ThUS\$
Power-generating civil works	Hydropower	1,675,546	1,683,169
	Coal-fired thermal power	281,254	284,275
	Oil and gas-fired thermal power	44,220	43,420
	Solar power	157	158
Power-generating equipment and machinery	Hydropower	639,017	650,133
	Coal-fired thermal power	466,691	472,991
	Oil and gas-fired thermal power	1,077,813	1,089,736
	Solar power	9,051	9,161
<b>Balance of power-generating assets, net</b>		<b>4,193,749</b>	<b>4,233,043</b>

  

Power-generating assets, gross		03.31.2019	12.31.2018
		ThUS\$	ThUS\$
Power-generating civil works	Hydropower	2,226,488	2,227,502
	Coal-fired thermal power	358,731	358,731
	Oil and gas-fired thermal power	55,987	54,700
	Solar power	162	162
Power-generating equipment and machinery	Hydropower	936,163	934,531
	Coal-fired thermal power	620,012	620,012
	Oil and gas-fired thermal power	1,692,706	1,682,223
	Solar power	9,418	9,418
<b>Total power-generating assets, gross</b>		<b>5,899,667</b>	<b>5,887,279</b>

  

Accumulated depreciation and impairment of power-generating assets		03.31.2019	12.31.2018
		ThUS\$	ThUS\$
Power-generating civil works	Hydropower	(550,942)	(544,333)
	Coal-fired thermal power	(77,477)	(74,456)
	Oil and gas-fired thermal power	(11,767)	(11,280)
	Solar power	(5)	(4)
Power-generating equipment and machinery	Hydropower	(297,146)	(284,398)
	Coal-fired thermal power	(153,321)	(147,021)
	Oil and gas-fired thermal power	(614,893)	(592,487)
	Solar power	(367)	(257)
<b>Total depreciation and impairment</b>		<b>(1,705,918)</b>	<b>(1,654,236)</b>



## 18. Current income tax assets recoverable

As of March 31, 2019 and December 31, 2018, this caption comprises the following:

### a. Current tax assets

	Current	
	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Recoverable taxes from previous years	54,265	12,733
Recoverable taxes for the year (see Note 20.a.1)	2,990	43,247
<b>Total</b>	<b>57,255</b>	<b>55,980</b>

### b. Current tax liabilities

	Current	
	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Recoverable taxes for the year (see Note 20.a.1)	1,569	74
<b>Total</b>	<b>1,569</b>	<b>74</b>

## 19. Other non-financial assets

As of March 31, 2019 and December 31, 2018, this caption comprises the following:

	Current		Non-current	
	03.31.2019 ThUS\$	12.31.2018 ThUS\$	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Insurance premium for facilities and civil responsibility	10,007	14,440	-	-
Prepayments <sup>(1)</sup>	5,271	5,222	28,908	21,816
Patent for non-use of water rights <sup>(2)</sup>	-	-	9,478	3,916
Other miscellaneous assets	138	134	1,192	1,198
<b>Total</b>	<b>15,416</b>	<b>19,796</b>	<b>39,578</b>	<b>26,930</b>

<sup>(1)</sup> Corresponds to advance payments to domestic and foreign suppliers.

<sup>(2)</sup> Credit under Article No.129 bis 20 of the Chilean Water Code, Decree Law No.1.122. As of March 31, 2019, the Company recognized no impairment charges, whereas as of December 31, 2018, the Company recognized ThUS\$8,076. The payment of these patents relates to the implementation of projects that will use such water rights; accordingly, is an economic variable under permanent assessment by the Company. Within this context, the Company accurately controls the payments made and acknowledges the estimates of project start-ups to recognize the impairment of an asset, if it is foreseen that its use will be subsequent to the leverage ratio of the Fiscal Credit.

## 20. Income taxes

### a. Income tax benefit (expense)

Income tax benefit (expense)	January - March	
	2019 ThUS\$	2018 ThUS\$
<b>Current income tax (expense) benefit</b>		
Current income taxes	(24,367)	(21,674)
Adjustments to prior-year current income tax expense	(229)	(536)
<b>Total income tax expense, net</b>	<b>(24,596)</b>	<b>(22,210)</b>
<b>Deferred income tax (expense) benefit</b>		
Deferred income tax benefit arising from temporary differences <sup>(1)</sup>	4,568	(1,430)
<b>Total deferred income tax benefit, net</b>	<b>4,568</b>	<b>(1,430)</b>
<b>Income tax benefit (expense)</b>	<b>(20,028)</b>	<b>(23,640)</b>

<sup>(1)</sup> See Note 3.1.c

As of March 31, 2019 and 2018, income tax benefit (expense) and deferred taxes from foreign and domestic parties is detailed as follows:

Income tax benefit (expense)	January - March	
	2019 ThUS\$	2018 ThUS\$
Domestic current income tax (expense) benefit	(23,621)	(22,210)
Foreign current income tax (expense) benefit	(975)	-
<b>Total current income tax expense, net</b>	<b>(24,596)</b>	<b>(22,210)</b>
Domestic deferred income tax benefit (expense)	1,282	(2,677)
Foreign deferred income tax benefit	3,286	1,247
<b>Total deferred income tax benefit</b>	<b>4,568</b>	<b>(1,430)</b>
<b>Income tax expense charged to profit or loss</b>	<b>(20,028)</b>	<b>(23,640)</b>

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

As of March 31, 2019 and December 31, 2018, the reconciliation of current taxes to income tax is as follows:

Current tax reconciliation		03.31.2019					
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 assets ThUS\$	Tax liabilities ThUS\$
Colbún S.A.	(16,386)	(829)	19,653	554	(2)	2,990	-
Colbún Transmisión S.A.	(6,775)	-	5,210	-	-	-	(1,565)
Termoeléctrica Antilhue S.A.	(229)	-	225	-	-	-	(4)
Colbún Perú S.A.	-	-	-	-	-	-	-
Fenix Power S.A.	(975)	-	975	-	-	-	-
<b>Total</b>	<b>(24,365)</b>	<b>(829)</b>	<b>26,063</b>	<b>554</b>	<b>(2)</b>	<b>2,990</b>	<b>(1,569)</b>

Current tax reconciliation		12.31.2018					
Company	Current taxes (profit or loss) ThUS\$	Current taxes for equity adjustments ThUS\$	Monthly provisional income tax payments ThUS\$	Other credits ThUS\$	Tax under Article No. 21 (profit or loss) ThUS\$	Tax assets ThUS\$	Tax liabilities ThUS\$
Colbún S.A.	(41,487)	(1,120)	77,158	1,065	(29)	35,587	-
Colbún Transmisión S.A.	(7,224)	-	8,247	-	-	1,023	-
Río Tranquilo S.A. <sup>(1)</sup>	(2,893)	-	3,248	-	-	355	-
Soc. Hidroeléctrica Melocotón Ltda. <sup>(1)</sup>	(980)	-	933	-	-	-	(47)
Termoeléctrica Antilhue S.A.	(790)	-	904	-	-	114	-
Empresa Eléctrica Industrial S.A. <sup>(1)</sup>	(209)	-	440	1	-	232	-
Colbún Perú S.A.	(28)	-	1	-	-	-	(27)
Inversiones SUD SpA <sup>(1)</sup>	(7)	-	73	-	-	66	-
Fenix Power S.A.	-	-	2,740	3,130	-	5,870	-
<b>Total</b>	<b>(53,618)</b>	<b>(1,120)</b>	<b>93,744</b>	<b>4,196</b>	<b>(29)</b>	<b>43,247</b>	<b>(74)</b>

As of March 31, 2019, 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\$1,569.

<sup>(1)</sup>See Note 3.1.b

In the case of the foreign subsidiary Fenix Power Perú S.A., as of March 31, 2019, it recognizes accumulated tax losses of ThUS\$169,915. Additionally, the accumulated tax losses of the domestic subsidiary Termoeléctrica Nehuenco S.A. records an amount to ThUS\$9,277. With respect to the aforementioned subsidiaries with accumulated tax losses, such losses are expected to reverse in the future; accordingly, a deferred tax asset was recognized.

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

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

As of March 31, 2019 and 2018, the total tax expense can be reconciled to the accounting profit as follows:

Income tax benefit (expense)	January - March			
	2019		2018	
	Amount ThUS\$	Rate %	Amount ThUS\$	Rate %
Profit before income taxes	86,442		88,047	
<b>Tax expense using the legal rate <sup>(1)</sup></b>	<b>(23,339)</b>	<b>27.0%</b>	<b>(23,773)</b>	<b>27.0%</b>
Differences between US dollars and tax financial accounting in local currency through deferred taxes <sup>(2)</sup>	2,600	-3.0%	600	-0.7%
Tax effect of exchange rate differences in other jurisdictions	-	0.0%	-	0.0%
Other differences	711	-0.8%	(467)	0.5%
<b>Actual Income tax expense</b>	<b>(20,028)</b>	<b>23.2%</b>	<b>(23,640)</b>	<b>26.8%</b>

<sup>(1)</sup> As of March 31, 2019, 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, 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.

<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

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

Deferred tax assets	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Deferred taxes related to tax losses	51,663	51,908
Deferred taxes related to unearned revenue	3,660	3,763
Deferred taxes related to inventory	1,919	1,918
Deferred taxes related to provisions	19,818	19,895
Deferred taxes related to unrealized gain or loss	292	292
Deferred taxes related to contingencies	46	663
Deferred taxes related to obligations for post-employment benefits	8,382	7,503
<b>Total deferred tax assets</b>	<b>85,780</b>	<b>85,942</b>
Deferred tax liabilities	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Deferred taxes related to depreciation	(974,706)	(979,537)
Deferred taxes related to rights of use	(13)	-
Deferred taxes related to intangible assets	(13,108)	(13,482)
Deferred taxes related to finance costs	(15,437)	(15,761)
Deferred taxes related to hedging instruments	(239)	99
<b>Total deferred tax liabilities</b>	<b>(1,003,503)</b>	<b>(1,008,681)</b>
<b>Total deferred tax assets and liabilities, net</b>	<b>(917,723)</b>	<b>(922,739)</b>
Changes in deferred taxes	03.31.2019 ThUS\$	12.31.2018 ThUS\$
<b>Deferred taxes as of January 1</b>	<b>(922,739)</b>	<b>(879,685)</b>
Property, plant and equipment	4,830	(12,409)
Rights of use	(13)	-
Contingencies	(617)	617
Obligations for post-employment benefits	879	(138)
Tax losses	(244)	4,576
Intangible assets	374	1,117
Investments in associates <sup>(1)</sup>	-	(39,980)
Unearned revenue	(103)	224
Hedging instruments	(338)	1,086
Finance costs	324	2,211
Inventories	1	165
Provisions	(77)	(523)
<b>Closing balance</b>	<b>(917,723)</b>	<b>(922,739)</b>

<sup>(1)</sup> See Note 3.1.c.

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

Net deferred tax position by company				
Company	Net position			
	Non-current assets		Non-current liabilities	
	03.31.2019 ThUS\$	12.31.2018 ThUS\$	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Fenix Power Perú S.A.	35,985	32,719	-	-
Termoeléctrica Nehuenco S.A.	2,505	3,189	-	-
Santa Sofía SpA	145	153	-	-
Soc. Hidroeléctrica Melocotón Ltda.	-	-	-	(144)
Empresa Eléctrica Industrial S.A.	-	-	-	(766)
Inversiones de Las Canteras S.A.	-	-	(713)	(733)
Termoeléctrica Antihue S.A.	-	-	(5,045)	(5,250)
Río Tranquilo S.A.	-	-	-	(10,388)
Colbún Transmisión S.A.	-	-	(60,204)	(62,546)
Colbún S.A.	-	-	(890,396)	(878,973)
<b>Subtotal</b>	<b>38,635</b>	<b>36,061</b>	<b>(956,358)</b>	<b>(958,800)</b>
			<b>Net deferred taxes</b>	<b>(922,739)</b>

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

	January - March	
	2019 ThUS\$	2018 ThUS\$
Related to cash flow hedges	(858)	(2,117)
Related to defined benefit plans	474	26
<b>Income tax related to components of other comprehensive income</b>	<b>(384)</b>	<b>(2,091)</b>
Related to share of other comprehensive profit or loss on associates and joint ventures using the equity method	7	18
<b>Income tax related to components of other comprehensive income</b>	<b>(377)</b>	<b>(2,073)</b>

## 21. Other financial liabilities

As of March 31, 2019 and December 31, 2018, this caption comprises the following:

### a. Obligations with financial institutions

Other financial liabilities	Current		Non-current	
	03.31.2019 ThUS\$	12.31.2018 ThUS\$	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Performance bonds and promissory notes (Bonds, commercial paper) <sup>(1)</sup>	68,650	66,058	1,519,237	1,520,599
Lease obligations <sup>(2)</sup>	2,877	483	20,523	14,161
Hedging derivatives <sup>(3)</sup>	719	1,962	-	-
<b>Total</b>	<b>72,246</b>	<b>68,503</b>	<b>1,539,760</b>	<b>1,534,760</b>

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

<sup>(2)</sup> Leases recognized under IFRS 16.

<sup>(3)</sup> See Note 13.1

### b. Financial debt by currency

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

Financial debt by currency	03.31.2019 ThUS\$	12.31.2018 ThUS\$
U.S. dollar	1,520,401	1,523,196
Inflation-adjusted units	91,605	80,067
<b>Total</b>	<b>1,612,006</b>	<b>1,603,263</b>

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

### c.1 Bank borrowings

As of March 31, 2019, the Company has no bank borrowings.

### c.2 Bonds payable and promissory notes

As of 03.31.2019							
Debtor's ID number	96.505.760-9	96.505.760-9	96.505.760-9	96.505.760-9	96.505.760-9	0-E	
Debtor's name	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Colbún S.A.	Fenix Power Perú S.A.	
Debtor's country	Chile	Chile	Chile	Chile	Chile	Peru	
Creditor's ID number	234	499	538	-	-	-	
Series	Series C	Series F	Series I	144A/RegS	144A/RegS	144A/RegS	
Maturity date	10-15-2021	05-01-2028	06-10-2029	10-10-2027	07-10-2024	09-20-2027	
Currency or inflation-adjusted unit	UF	UF	UF	US\$	US\$	US\$	
Amortization frequency	Biannual	Biannual	Biannual	Bullet	Bullet	Biannual	
Interest type	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Base	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Effective rate	8.10%	4.46%	5.02%	5.11%	4.80%	4.57%	
Nominal rate	7.00%	3.40%	4.50%	3.95%	4.50%	4.32%	
<b>Nominal amounts</b>	<b>ThUS\$</b>						<b>Total ThUS\$</b>
Up to 90 days	4,631	10,281	7,123	9,272	-	-	<b>31,307</b>
90 days to 1 year	3,951	8,127	5,541	-	5,000	15,394	<b>38,013</b>
<b>1-3 years</b>	<b>16,817</b>	<b>32,508</b>	<b>22,164</b>	-	-	<b>46,500</b>	<b>117,989</b>
1-2 years	8,201	16,254	11,082	-	-	21,000	56,537
2-3 years	8,616	16,254	11,082	-	-	25,500	61,452
<b>over 3 years up to 5 years</b>	-	<b>32,508</b>	<b>22,164</b>	-	-	<b>53,500</b>	<b>108,172</b>
over 3 years up to 4 years	-	16,254	11,082	-	-	27,500	54,836
over 4 years up to 5 years	-	16,254	11,082	-	-	26,000	53,336
<b>Over 5 years</b>	-	<b>73,141</b>	<b>60,951</b>	<b>500,000</b>	<b>500,000</b>	<b>214,000</b>	<b>1,348,092</b>
<b>Subtotal nominal amounts</b>	<b>25,399</b>	<b>156,565</b>	<b>117,943</b>	<b>509,272</b>	<b>505,000</b>	<b>329,394</b>	<b>1,643,573</b>
<b>Carrying amounts</b>	<b>ThUS\$</b>						<b>Total ThUS\$</b>
Up to 90 days	4,584	10,083	7,034	9,272	-	-	<b>30,973</b>
90 days to 1 year	3,904	7,928	5,451	-	5,000	15,394	<b>37,677</b>
<b>Current performance bonds and promissory notes</b>	<b>8,488</b>	<b>18,011</b>	<b>12,485</b>	<b>9,272</b>	<b>5,000</b>	<b>15,394</b>	<b>68,650</b>
<b>1-3 years</b>	<b>16,612</b>	<b>31,714</b>	<b>21,806</b>	-	-	<b>45,281</b>	<b>115,413</b>
1-2 years	8,101	15,857	10,903	-	-	20,376	55,237
2-3 years	8,511	15,857	10,903	-	-	24,905	60,176
<b>over 3 years up to 5 years</b>	-	<b>31,714</b>	<b>21,806</b>	-	-	<b>52,437</b>	<b>105,957</b>
over 3 years up to 4 years	-	15,857	10,903	-	-	26,946	53,706
over 4 years up to 5 years	-	15,857	10,903	-	-	25,491	52,251
<b>Over 5 years</b>	-	<b>71,356</b>	<b>59,966</b>	<b>460,477</b>	<b>494,199</b>	<b>211,869</b>	<b>1,297,867</b>
<b>Non-current performance bonds and promissory notes</b>	<b>16,612</b>	<b>134,784</b>	<b>103,578</b>	<b>460,477</b>	<b>494,199</b>	<b>309,587</b>	<b>1,519,237</b>
<b>Total performance bonds and promissory notes</b>	<b>25,100</b>	<b>152,795</b>	<b>116,063</b>	<b>469,749</b>	<b>499,199</b>	<b>324,981</b>	<b>1,587,887</b>



**Bonds payable and promissory notes**

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

### c.3 Lease obligations

As of 03.31.2019								
Debtor's ID number	96505760-9	96505760-9	96505760-9	0-E	0-E	0-E	0-E	
Debtor's name	Colbún S.A.	Colbún S.A.	Colbún S.A.	Fenix Power Perú S.A.	Fenix Power Perú S.A.	Fenix Power Perú S.A.	Fenix Power Perú S.A.	
Debtor's country	Chile	Chile	Chile	Peru	Peru	Peru	Peru	
Creditor's ID number	96549050-7	96860250-0	96565580-8	0-E	0-E	0-E	0-E	
Creditor's name	Seguros Vida Sura SA	B.Raices Santa Lucia SA	Cia. De Leasing Tattersall S.A.	Laila Fatima Gaber B.	Arrendamiento Operativo CIB S.A.	T-COPIA	Consortio Transmataro S.A.	
Creditor's country	Chile	Chile	Chile	Peru	Peru	Peru	Peru	
Currency or inflation-adjusted unit	UF	UF	UF	US\$	US\$	US\$	US\$	
Amortization type	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Quarterly	
Interest type	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	
Base	-	-	-	-	-	-	-	
Effective rate	5.00%	5.00%	5.00%	5.50%	5.50%	5.50%	12.00%	
Nominal rate	5.00%	5.00%	5.00%	5.50%	5.50%	5.50%	12.00%	
<b>Nominal amounts</b>	<b>ThUS\$</b>						<b>ThUS\$</b>	<b>Total</b>
Up to 90 days	187	157	242	1	3	4	-	<b>594</b>
90 days to 1 year	576	478	696	6	11	19	497	<b>2,283</b>
<b>1-3 years</b>	<b>1,644</b>	<b>1,365</b>	<b>953</b>	<b>11</b>	<b>43</b>	<b>32</b>	<b>1,199</b>	<b>5,247</b>
1-2 years	802	666	953	4	26	32	562	3,045
2-3 years	842	699	-	7	17	-	637	2,202
<b>Over 3 years up to 5 years</b>	<b>1,189</b>	<b>986</b>	-	<b>41</b>	-	-	<b>1,267</b>	<b>3,483</b>
over 3 years up to 4 years	884	734	-	14	-	-	531	2,163
over 4 years up to 5 years	305	252	-	27	-	-	736	1,320
<b>Over 5 years</b>	-	-	-	<b>228</b>	-	-	<b>11,565</b>	<b>11,793</b>
<b>Subtotal nominal amounts</b>	<b>3,596</b>	<b>2,986</b>	<b>1,891</b>	<b>287</b>	<b>57</b>	<b>55</b>	<b>14,528</b>	<b>23,400</b>
<b>Carrying amounts</b>	<b>ThUS\$</b>						<b>ThUS\$</b>	<b>Total</b>
Up to 90 days	187	157	242	1	3	4	-	<b>594</b>
90 days to 1 year	576	478	696	6	11	19	497	<b>2,283</b>
<b>Liabilities under lease agreements</b>	<b>763</b>	<b>635</b>	<b>938</b>	<b>7</b>	<b>14</b>	<b>23</b>	<b>497</b>	<b>2,877</b>
<b>1-3 years</b>	<b>1,644</b>	<b>1,365</b>	<b>953</b>	<b>11</b>	<b>43</b>	<b>32</b>	<b>1,199</b>	<b>5,247</b>
1-2 years	802	666	953	4	26	32	562	3,045
2-3 years	842	699	-	7	17	-	637	2,202
<b>Over 3 years up to 5 years</b>	<b>1,189</b>	<b>986</b>	-	<b>41</b>	-	-	<b>1,267</b>	<b>3,483</b>
over 3 years up to 4 years	884	734	-	14	-	-	531	2,163
over 4 years up to 5 years	305	252	-	27	-	-	736	1,320
<b>Over 5 years</b>	-	-	-	<b>228</b>	-	-	<b>11,565</b>	<b>11,793</b>
<b>Liabilities under lease agreements, non-current</b>	<b>2,833</b>	<b>2,351</b>	<b>953</b>	<b>280</b>	<b>43</b>	<b>32</b>	<b>14,031</b>	<b>20,523</b>
<b>Total liabilities under lease agreements</b>	<b>3,596</b>	<b>2,986</b>	<b>1,891</b>	<b>287</b>	<b>57</b>	<b>55</b>	<b>14,528</b>	<b>23,400</b>

## Lease obligations

As of 12.31.2018		
Debtor's ID number	0-E	
Debtor's name	Fenix Power Perú S.A.	
Debtor's country	Peru	
Creditor's ID number	0-E	
Creditor's name	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	483	483
<b>1-3 years</b>	<b>1,163</b>	<b>1,163</b>
1-2 years	544	544
2-3 years	619	619
<b>Over 3 years up to 5 years</b>	<b>1,432</b>	<b>1,432</b>
over 3 years up to 4 years	696	696
over 4 years up to 5 years	736	736
<b>Over 5 years</b>	<b>11,565</b>	<b>11,565</b>
<b>Subtotal nominal amounts</b>	<b>14,643</b>	<b>14,643</b>
Carrying amounts	ThUS\$	Total
Up to 90 days	-	-
90 days to 1 year	483	483
<b>Liabilities under lease agreements</b>	<b>483</b>	<b>483</b>
<b>1-3 years</b>	<b>1,163</b>	<b>1,163</b>
1-2 years	544	544
2-3 years	619	619
<b>Over 3 years up to 5 years</b>	<b>1,433</b>	<b>1,433</b>
over 3 years up to 4 years	697	697
over 4 years up to 5 years	736	736
<b>Over 5 years</b>	<b>11,565</b>	<b>11,565</b>
<b>Liabilities under lease agreements, non-current</b>	<b>14,161</b>	<b>14,161</b>
<b>Total liabilities under lease agreements</b>	<b>14,644</b>	<b>14,644</b>

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

Liabilities	Currency	Interests as of 03.31.2019		Capital	Maturity date	Maturity					Total interests	Total debt
		Accrued	Forecasted			Up to 3 months	3 - 12 months	1 to 3 years	1 to 3 years	Over 5 years		
Bond 144A/RegS 2017 (Fenix Power Perú)	US\$	433	88,572	329,000	09-20-2027	-	14,073	25,751	21,315	27,866	89,005	418,005
Finance lease (Fenix Power Perú)	US\$	-	15,802	15,976	03-28-2033	443	1,308	3,329	3,049	7,673	15,802	31,778
Series C Bond	UFR	19	55	606	04-15-2021	21	17	36	-	-	74	680
Series F Bond	UFR	53	588	3,800	05-01-2028	64	61	209	155	152	641	4,441
Series I Bond	UFR	39	662	2,864	06-10-2029	64	61	212	164	200	701	3,565
Bono 144A/RegS 2014	US\$	5,000	118,750	500,000	07-10-2024	-	22,500	45,000	45,000	11,250	123,750	623,750
Bono 144A/RegS 2017	US\$	9,272	207,978	500,000	10-11-2027	9,875	9,875	39,500	39,500	118,500	217,250	717,250

  

Liabilities	Currency	Interests as of 12.31.2018		Capital	Maturity date	Maturity					Total interests	Total debt
		Accrued	Forecasted			Up to 3 months	3 - 12 months	1 to 3 years	1 to 3 years	Over 5 years		
Bono 144A/RegS 2017 (Fenix Power Perú)	US\$	4,057	92,179	335,000	09-20-2027	7,231	7,101	26,657	22,502	32,745	96,236	431,236
Finance lease (Fenix Power Perú)	US\$	-	16,248	15,976	03-28-2033	446	1,318	3,360	3,088	8,036	16,248	32,224
Series C Bond	UFR	9	65	606	04-15-2021	-	38	36	-	-	74	680
Series F Bond	UFR	21	620	3,800	05-01-2028	-	125	209	155	152	641	4,441
Series I Bond	UFR	7	693	2,864	06-10-2029	-	124	212	164	200	700	3,564
Bono 144A/RegS 2014	US\$	10,625	124,375	500,000	07-10-2024	11,250	11,250	45,000	45,000	22,500	135,000	635,000
Bono 144A/RegS 2017	US\$	4,334	212,916	500,000	10-11-2027	-	19,750	39,500	39,500	118,500	217,250	717,250

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

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

Other revolving credit facilities:

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

In addition, Fenix Power has revolving credit facilities of US\$ 20 million assumed for a year term with two local banks.

#### 22. Trade and other payables

As of March 31, 2019 and December 31, 2018, trade and other payables are composed of the following:

	Current		Non-current	
	03.31.2019 ThUS\$	12.31.2018 ThUS\$	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Trade payables	165,682	171,292	-	-
Dividends payable	487	584	-	-
Other payables	190	11,007	22,633	3,739
<b>Total</b>	<b>166,359</b>	<b>182,883</b>	<b>22,633</b>	<b>3,739</b>

As of March 31, 2019, main creditors and their related percentages are detailed as follows:

Main creditors	%
Enap Refinerías S.A.	12.22
Empresa Chilena de Gas Natural S.A.	10.28
Siemens Energy, Inc.	6.64
Interocean Coal Sales, LLC	5.74
GE Packaged Power LLC	2.03
Transelec S.A.	1.44
Other	61.65
	<b>100.00</b>

Aging of the portfolio of trade and other payables:

Concept	Balance as of 03.31.2019	
	Current ThUS\$	Total ThUS\$
Goods	59,631	59,631
Services	79,341	79,341
Other	26,710	26,710
<b>Subtotal</b>	<b>165,682</b>	<b>165,682</b>

  

Concept	Balance as of 12.31.2018	
	Current ThUS\$	Total ThUS\$
Goods	45,382	45,382
Services	99,548	99,548
Other	26,362	26,362
<b>Subtotal</b>	<b>171,292</b>	<b>171,292</b>

As of March 31, 2019, the amounts payable for invoices receivable for goods and services amount to ThUS\$120,081; as of December 31, 2018 amounted to ThUS\$104,641.

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

## 23. Other provisions

### a. Description of provisions

As of March 2019 and December 31, 2018, this caption comprises the following:

Provisions	Current		Non-current	
	03.31.2019 ThUS\$	12.31.2018 ThUS\$	03.31.2019 ThUS\$	12.31.2018 ThUS\$
From legal proceedings	6,765	7,433	-	-
Decommissioning, restoration and rehabilitation costs	-	-	35,283	34,948
Related to the environment	31,798	24,071	-	-
<b>Total</b>	<b>38,563</b>	<b>31,504</b>	<b>35,283</b>	<b>34,948</b>

## b. Movements in provisions during the period

As of March 2019 and December 31, 2018, this caption comprises the following:

Movements in provisions	From legal proceedings <sup>(1)</sup>	Decommissioning, restoration and rehabilitation costs	Related to the environment <sup>(2)</sup>	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Balance as of 01.01.2019	7,433	34,948	24,071	66,452
Increase in existing provisions, other provisions	350	335	7,727	8,412
Provision used, other provisions	(1,018)	-	-	(1,018)
<b>Balance as of 03.31.2019</b>	<b>6,765</b>	<b>35,283</b>	<b>31,798</b>	<b>73,846</b>

Movements in provisions	From legal proceedings <sup>(1)</sup>	Decommissioning, restoration and rehabilitation costs	Related to the environment <sup>(2)</sup>	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Balance as of 01.01.2018	4,461	33,389	25,287	63,137
Increase in existing provisions, other provisions	2,972	1,559	24,071	28,602
Provision used, other provisions	-	-	(25,287)	(25,287)
<b>Balance as of 12.31.2018</b>	<b>7,433</b>	<b>34,948</b>	<b>24,071</b>	<b>66,452</b>

<sup>(1)</sup> Provisions for differences and/or tax and administrative contingencies. (See Note 35.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.

## 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, 2019 and December 31, 2018, the Company recognized provisions for litigation in accordance with IAS 37 (see Note 35, letter c).

## 24. Provisions for employee benefits

### a. Employee benefits

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

As of March 31, 2019 and December 31, 2018, this caption comprises the following:

Employee benefits	Current		Non-current	
	03.31.2019 ThUS\$	12.31.2018 ThUS\$	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Accrued vacations, current	3,616	3,989	-	-
Performance bonus, current	2,198	10,843	-	-
Other benefits	278	175	3,410	3,428
Provision for severance indemnity payments	5,942	5,455	30,603	27,358
<b>Total</b>	<b>12,034</b>	<b>20,462</b>	<b>34,013</b>	<b>30,786</b>

### b. Movements in provisions during the period

As of March 31, 2019 and December 31, 2018, this caption comprises the following:

Movements in provisions	Accrued vacations, current ThUS\$	Performance incentive, current ThUS\$	Other benefits, current ThUS\$	Provision for severance indemnity payments ThUS\$	Total ThUS\$
Balance as of 01.01.2019	3,989	10,843	175	5,455	20,462
Increase in current provisions, other provisions	(251)	2,473	103	487	2,812
Provision used, other provisions	(122)	(11,118)	-	-	(11,240)
<b>Balance as of 03.31.2019</b>	<b>3,616</b>	<b>2,198</b>	<b>278</b>	<b>5,942</b>	<b>12,034</b>

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

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

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

The basis for the actuarial calculation of the obligations with employees is permanently assessed by the Company. As of March 31, 2019, 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, 2019 and December 31, 2018, this caption comprises the following:

<b>Provision for employee benefits</b>	<b>03.31.2019</b> ThUS\$	<b>12.31.2018</b> ThUS\$
Severance indemnity payments	36,545	32,813
<b>Total</b>	<b>36,545</b>	<b>32,813</b>
<b>Present value of the obligation for defined benefit plans</b>	<b>03.31.2019</b> ThUS\$	<b>12.31.2018</b> ThUS\$
Opening balance	32,813	33,334
Cost of current service	1,010	4,471
Interest cost	108	527
Foreign currency translation differences	1,163	(3,839)
Actuarial gain (loss)	1,764	726
Payments	(313)	(2,406)
<b>Closing balance</b>	<b>36,545</b>	<b>32,813</b>

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

<b>Actuarial basis used</b>	<b>03.31.2019</b>	<b>12.31.2018</b>	
Discount rate	1.47%	1.85%	
Expected rate of salary increases	1.62%	1.62%	
Turnover rate	Voluntary	2.60%	2.30%
	Dismissal	3.83%	3.70%
Retirement date	Men	65	65
	Women	60	60
Mortality rate	RV-2014	RV-2014	

Discount rate: Corresponds to the interest rate to be used to show in present value terms the disbursements expected to be realized in the future. The discount rate was determined based on the bonds denominated in inflation-adjusted units (UF) of the Chilean Central Bank with a 20-year term as of March 31, 2019. 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	
	03.31.2019 %	12.31.2018 %	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Period rate	1.47	1.85	36,545	32,813
Rate decrease by 50 b.p.	0.97	1.35	39,316	35,652
Rate increased by 50 b.p.	1.97	2.35	34,078	30,980

## 25. Other non-financial liabilities

As of March 31, 2019 and December 31, 2018, this caption comprises the following:

	Current		Non-current	
	03.31.2019 ThUS\$	12.31.2018 ThUS\$	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Withholdings	14,830	23,101	-	-
Deferred income <sup>(1)</sup>	194	867	13,214	13,013
<b>Total</b>	<b>15,024</b>	<b>23,968</b>	<b>13,214</b>	<b>13,013</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\$6,697 corresponding to the recognition of the lease agreement entered into between the Company and Anglo American (expiration of the contract in 2030). As of December 31, 2018, such balance amounted to ThUS\$6,469.

## 26. Disclosures on equity

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

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

As of March 31, 2019 and December 31, 2018, this caption comprises the following:

#### No. of shares

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

#### Capital (Amount US\$)

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

## a.1 Reconciliation of shares

At the reporting date, the reconciliation of the number of outstanding shares, is detailed as follows:

Shares	03.31.2019	12.31.2018
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, 2019, the number of shareholders is 2,867.

## b. Share capital

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

## c. Share premium

As of March 31, 2019 and December 31, 2018, 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 25, 2019, established that the Company will distribute at least 50% of net profit. In accordance with IFRS, there is a legal and assumed obligation requiring the accounting for of a liability at each reporting date for the concept of the minimum legal dividend.

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

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

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

At the Board of Directors' Meeting held on March 26, 2019, the directors agreed to propose to the Shareholders' Meeting the distribution of the net distributable profit as follows: (i) Distribute a final dividend of ThUS\$156,114, or ThUS\$0.00890 per share, which in addition to a provisional dividend of ThUS\$84,236, or ThUS\$0.00480 per share, would amount to ThUS\$240,350 or 100% of Net Distributable Profit for 2018; and (ii) Distribute a provisional dividend with a debit to prior year retained earnings of ThUS\$100,000, or ThUS\$0.00570 per share.

## e. Detail of Other reserves

This caption comprises the following:

Other reserves	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Effect of first adoption of paid-in capital deflation	517,617	517,617
Effect of first-time adoption of translation in accordance with IAS 21	(230,797)	(230,797)
Revaluation of property, plant and equipment	425,169	428,893
Revaluation of deferred taxes	(114,861)	(115,780)
Merger reserve	208,267	213,024
Affiliate translation effects	(40,360)	(40,680)
Subsidiaries' reserve	(12,051)	(12,142)
Hedging reserve	12,231	10,124
Affiliate hedging effects	170	190
<b>Total</b>	<b>765,385</b>	<b>770,449</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, 2019 and December 31, 2018, changes in reserves for retained earnings are detailed as follows:

Distributable retained earnings	03.31.2019 ThUS\$	12.31.2018 ThUS\$
Opening balance	1,550,677	1,601,772
Profit or loss for the year	64,403	240,350
Effect of actuarial profit (loss)	(1,282)	(558)
Dividends	-	(309,866)
Realized retained earnings	9,391	20,899
Legal reserve of Subsidiaries (Art. 229 General Company Act, Peru) <sup>(1)</sup>	(1,920)	(1,920)
<b>Total distributable retained earnings</b>	<b>1,621,269</b>	<b>1,550,677</b>

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

## g. Capital management

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

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

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

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

Accordingly, the indebtedness level shall not compromise the "investment grade" credit rating of the debt securities issued by 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, 2019 and December 31, 2018, the indebtedness level is as follows:

	03.31.2019 ThUS\$	12.31.2018 ThUS\$
<b>Total liabilities</b>	<b>2,925,997</b>	<b>2,921,411</b>
Total current liabilities	324,736	345,365
Total non-current liabilities	2,601,261	2,576,046
<b>Total equity</b>	<b>3,924,476</b>	<b>3,856,938</b>
Equity attributable to the Parent	3,722,042	3,656,514
Non-controlling interests	202,434	200,424
<b>Indebtedness ratio</b>	<b>0.75</b>	<b>0.76</b>

The Company should report the compliance of commitments entered into with financial institutions on a quarterly basis. As of March 31, 2019, the Company complies with all the financial indicators required in such contracts (See Note 36).

#### h. Earnings per share and net distributable profit

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

	03.31.2019	03.31.2018	12.31.2018
Profit (loss) attributable to equity holders of the Parent (ThUS\$)	64,403	65,158	240,350
Profit (loss) available for common shareholders, basic (ThUS\$)	64,403	65,158	240,350
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 (U.S. dollars per share)</b>	<b>0.00367</b>	<b>0.00372</b>	<b>0.01371</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 as general policy that the net distributable profit to be considered for the calculation of the Additional and Compulsory Minimum Dividend is established on the base effectively performed, eliminating those significant fluctuations in the fair value of unrealized assets and liabilities, which must be included in the calculation of net profit for the year in which such fluctuations occur.

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

The calculation of net distributable profit is detailed as follows:

Calculation of net profit for distribution (cash flows)	03.31.2019 ThUS\$	03.31.2018 ThUS\$	12.31.2018 ThUS\$
<b>Owners of the Parent</b>	<b>64,403</b>	<b>65,158</b>	<b>240,350</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>64,403</b>	<b>65,158</b>	<b>240,350</b>
<b>Mandatory minimum dividend</b>	<b>-</b>	<b>-</b>	<b>120,175</b>

## 27. Revenue

As of March 31, 2019 and 2018, this caption comprises the following:

	January - March	
	2019 ThUS\$	2018 ThUS\$
Supplier customer sales	147,984	186,937
Industrial customer sales	164,086	149,686
Toll charges	21,075	29,289
Sales to other power generation companies	52,617	33,455
Other income	8,017	7,251
<b>Total</b>	<b>393,779</b>	<b>406,618</b>

## 28. Raw materials and consumables

As of March 31, 2019 and 2018, this caption comprises the following:

	January - March	
	2019 ThUS\$	2018 ThUS\$
Oil consumption (see Note 12)	(9,145)	(3,009)
Gas consumption (see Note 12)	(107,348)	(100,800)
Coal consumption (see Note 12)	(25,952)	(22,118)
Purchase of energy and capacity	(2,760)	(14,032)
Toll charges	(43,621)	(49,971)
Work and third-party supply	(19,581)	(24,682)
<b>Total</b>	<b>(208,407)</b>	<b>(214,612)</b>

## 29. Employee benefit expenses

For the years ended March 31, 2019 and 2018, this caption comprises the following (see Notes 3.1.m. and 3.1.o.):

	January - March	
	2019 ThUS\$	2018 ThUS\$
Salaries and wages	(14,345)	(16,668)
Short-term employee benefits	(1,515)	(1,552)
Severance indemnity payments	(779)	(773)
Other personnel expenses	(1,507)	(1,840)
<b>Total</b>	<b>(18,146)</b>	<b>(20,833)</b>

## 30. Depreciation and amortization expenses

For the years ended March 31, 2019 and 2018, this caption comprises the following:

	January - March	
	2019 ThUS\$	2018 ThUS\$
Depreciation (see Note 17.b)	(58,824)	(57,167)
Amortization of intangible assets (see Note 16.b)	(1,195)	(1,452)
<b>Total</b>	<b>(60,019)</b>	<b>(58,619)</b>

## 31. Total finance income and finance costs

For the years ended March 31, 2019 and 2018, this caption comprises the following:

Income (loss) from investments	January - March	
	2019 ThUS\$	2018 ThUS\$
Income on cash and other cash equivalents	6,384	4,856
<b>Total finance income</b>	<b>6,384</b>	<b>4,856</b>
Finance costs	January - March	
	2019 ThUS\$	2018 ThUS\$
Expenses on bonds	(17,914)	(18,677)
Expense incurred for financial provisions	(2,122)	(2,134)
Expense/income for measurement of net financial derivatives	(358)	(255)
Other expenses (bank expenses)	(109)	(65)
Interest expense for lease liabilities <sup>(1)</sup>	(168)	-
<b>Total finance cost</b>	<b>(20,671)</b>	<b>(21,131)</b>
<b>Total finance income and finance costs</b>	<b>(14,287)</b>	<b>(16,275)</b>

<sup>(1)</sup> Leases recognized under IFRS 16



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

As of March 31, 2019 and 2018, this caption comprises the following:

Foreign currency translation differences	Currency	January - March	
		2019 ThUS\$	2018 ThUS\$
Cash and cash equivalents	Ch\$	2,975	(2,457)
Cash and cash equivalents	PEN	454	(21)
Trade and other receivables	Ch\$	2,959	(1,149)
Trade and other receivables	PEN	38	(3)
Current income tax assets	Ch\$	(541)	92
Current income tax assets	PEN	259	110
Other non-financial non-current assets	Ch\$	200	(92)
Other non-financial non-current assets	PEN	41	(267)
<b>Foreign currency translation difference - assets</b>		<b>6,385</b>	<b>(3,787)</b>
Other financial current liabilities	UF	(1,812)	1,093
Other financial current liabilities	PEN	(28)	(2)
Trade and other payables	Ch\$	(2,256)	301
Trade and other payables	PEN	(14)	(8)
Other non-financial liabilities	Ch\$	(50)	9
Provisions for employee benefits	Ch\$	(963)	1,281
<b>Foreign currency translation difference - liabilities</b>		<b>(5,123)</b>	<b>2,674</b>
<b>Total foreign currency translation difference</b>		<b>1,262</b>	<b>(1,113)</b>

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

As of March 31, 2019 and 2018, income from investments accounted for using the equity method of accounting are detailed as follows:

Net interest in affiliates' income	January - March	
	2019 ThUS\$	2018 ThUS\$
Electrogas S.A.	2,113	1,680
Centrales Hidroeléctricas de Aysén S.A. <sup>(1)</sup>	-	2,730
Transmisora Eléctrica de Quillota Ltda.	231	240
<b>Total</b>	<b>2,344</b>	<b>4,650</b>

<sup>(1)</sup> See Note 3.1.c.

### 34. Other gains (losses)

As of March 31, 2019 and 2018, other gains (losses) are detailed as follows:

Other income derived from other than operating activities	January - March	
	2019 ThUS\$	2018 ThUS\$
Other income	2,144	838
<b>Total other income</b>	<b>2,144</b>	<b>838</b>
Other expenses derived from other than operating activities	January - March	
	2019 ThUS\$	2018 ThUS\$
Loss from derivative contracts	(288)	(103)
Litigation-related legal fees	(170)	(114)
Disposal of property, plant and equipment	(239)	(1)
Write-offs and fines	(130)	(3)
Allowance for doubtful accounts	(80)	(63)
Emissions of thermoelectric plants <sup>(1)</sup>	(3,843)	(3,301)
Other	(1,908)	(1,427)
<b>Total other expenses</b>	<b>(6,658)</b>	<b>(5,012)</b>
<b>Total other gains (losses)</b>	<b>(4,514)</b>	<b>(4,174)</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.

### 35. Guarantees with third parties and contingent assets and liabilities

#### a. Guarantees with third parties

##### a.1 Direct guarantees

Creditor	Debtor		Assets committed			Pending balances					
	Name	Relationship	Type of guarantee	Currency	Carrying amount	03.31.2019	2019	2020	2022	2025	2099
						ThUS\$					
Dirección Regional de Vialidad del Biobío	Colbún S.A.	Creditor	Performance bond	Ch\$	600,000,000	884	884	-	-	-	-
Hospital Guillermo Grant Benavente	Colbún S.A.	Creditor	Performance bond	Ch\$	135,415,080	200	-	-	-	200	-
Hospital Las Higueras	Colbún S.A.	Creditor	Performance bond	Ch\$	125,069,734	184	-	-	-	184	-
Complejo Asistencial Dr. Víctor Ríos Ruiz	Colbún S.A.	Creditor	Performance bond	Ch\$	123,921,099	183	-	-	-	183	-
Hospital Herminda Martín	Colbún S.A.	Creditor	Performance bond	Ch\$	87,962,609	130	-	-	-	130	-
Astilleros y Maestranzas de La Armada	Colbún S.A.	Creditor	Performance bond	Ch\$	80,000,000	118	-	118	-	-	-
Hospital Penco-Lirquén	Colbún S.A.	Creditor	Performance bond	Ch\$	32,544,993	48	-	-	-	48	-
Hospital San Carlos	Colbún S.A.	Creditor	Performance bond	Ch\$	23,370,206	34	-	-	-	34	-
Hospital Traumatólogo de Concepción	Colbún S.A.	Creditor	Performance bond	Ch\$	23,058,502	34	-	-	-	34	-
Hospital Tomé	Colbún S.A.	Creditor	Performance bond	Ch\$	15,700,562	23	-	-	-	23	-
Citibank NA	Fenix Power Perú S.A.	Creditor	Performance bond	US\$	13,102,000	13,102	13,102	-	-	-	-
Gobierno Regional de la Región del Biobío	Colbún S.A.	Creditor	Performance bond	Ch\$	6,730,719	10	-	-	-	10	-
Universidad de Concepción	Colbún S.A.	Creditor	Performance bond	Ch\$	5,000,000	7	7	-	-	-	-
Centro de Sangre Concepción	Colbún S.A.	Creditor	Performance bond	Ch\$	4,794,720	7	-	-	-	7	-
Consortio Transmataro	Fenix Power Perú S.A.	Creditor	Performance bond	US\$	3,000,000	3,000	3,000	-	-	-	-
Coordinador Independiente del Sistema Eléctrico Nacional	Colbún S.A.	Creditor	Performance bond	US\$	890,000	890	890	-	-	-	-
Bio Bio Cementos S.A.	Colbún S.A.	Creditor	Performance bond	US\$	653,005	653	653	-	-	-	-
Empresas CMPC S.A.	Colbún S.A.	Creditor	Performance bond	UF	378,000	15,357	15,357	-	-	-	-
Cementos Bio Bio del Sur S.A.	Colbún S.A.	Creditor	Performance bond	US\$	263,394	263	263	-	-	-	-
Cía. Minera Zaldívar SpA	Colbún S.A.	Creditor	Performance bond	UF	250,000	10,156	10,156	-	-	-	-
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	47,672	1,937	-	-	1,937	-	-
Arenex S.A.	Colbún S.A.	Creditor	Performance bond	US\$	23,121	23	23	-	-	-	-
Cemento Polpaico S.A.	Colbún S.A.	Creditor	Performance bond	UF	22,500	914	914	-	-	-	-
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	7,720	314	314	-	-	-	-
Banmédica S.A.	Colbún S.A.	Creditor	Performance bond	UF	6,000	244	244	-	-	-	-
Corporación Nacional del Cobre	Colbún S.A.	Creditor	Performance bond	UF	2,400	98	98	-	-	-	-
Molibdenos y Metales S.A.	Colbún S.A.	Creditor	Performance bond	UF	1,000	41	41	-	-	-	-
Enel Distribución Chile S.A. <sup>(1)</sup>	Colbún S.A.	Creditor	Performance bond	UF	100	4	-	-	-	-	4
<b>Total</b>						<b>48,941</b>					

(1) Guarantee with finite maturity date.

## b. Third-party guarantees

### b.1 Current guarantees denominated in U.S. dollars as of March 31, 2019

Depositor	Relationship	Total ThUS\$
Siemens Financial Services Inc	Suppliers	9,000
Consorcio Isotron Sacyr S.A.	Suppliers	4,081
Ingeniería Agrosonda SpA	Suppliers	3,248
Tsgf SpA	Suppliers	2,892
Soc.Com. e Ing. y Gestión Industrial Ingher Ltda.	Suppliers	732
Siemens S.A.	Suppliers	703
Abengoa Chile S.A.	Suppliers	593
Vigaflow S.A.	Suppliers	259
Pine SpA	Suppliers	257
Thoshiba América Do Sul Ltda.	Suppliers	163
SAP Chile Ltda.	Suppliers	110
ABB S.A.	Suppliers	99
Reivax S.A.	Suppliers	87
Autotrol Chile S.A.	Suppliers	26
GE Energy Parts Inc	Suppliers	23
Engie Chile S.A.	Suppliers	19
Reliable Energy Ingeniería Ltda.	Suppliers	17
Rhona S.A.	Suppliers	14
Schneider Electric Chile S.A.	Suppliers	6
<b>Total</b>		<b>22,329</b>

### b.2 Current guarantees denominated in Euros as of March 31, 2019

Depositor	Relationship	Total ThUS\$
Andritz Hydro S.R.L.	Suppliers	583
Siemens S.A.	Suppliers	220
<b>Total</b>		<b>803</b>

**b.3 Current guarantees denominated in Chilean pesos as of March 31, 2019**

Depositor	Relationship	Total ThUS\$
Rhona S.A.	Suppliers	677
ODR Ingeniería y Montaje Ltda.	Suppliers	449
SG Ingeniería Eléctrica Ltda.	Suppliers	369
Konecranes Chile SpA	Suppliers	182
Climatermic Ltda.	Suppliers	119
Sodexo Chile S.A.	Suppliers	44
Servicios Y Proyectos Ambientales S.A	Suppliers	42
Constructora Pesa Ltda.	Suppliers	34
ISS Facility Service S.A.	Suppliers	34
Constructora R2 SpA	Suppliers	29
Vigaflow S.A.	Suppliers	25
Serv. Industriales Esteban Carrasco	Suppliers	19
Serv. Industriales Ingeben Ltda.	Suppliers	19
Asesoría Forestal Integral Ltda.	Suppliers	16
Imahe S.A.	Suppliers	13
Mantenición y Montaje Imellev Ltda.	Suppliers	9
Instaplan Sur S.A.	Suppliers	8
Transportes María Angélica Alvarez EIRL	Suppliers	6
Verónica Peña V. Forestal Paisaje Forestal EIRL	Suppliers	6
Garmendia Macus S.A.	Suppliers	5
Andrés Bustos Ojeda Soc. Ltda.	Suppliers	4
Corrosión Integral y Tecnología Ltda.	Suppliers	4
Eulen Seguridad S.A.	Suppliers	4
Ximena Mariela Soto Orellana	Suppliers	4
Máximo E. Sanhueza Manríquez	Suppliers	2
ABB S.A.	Suppliers	1
CAM Chile SpA	Suppliers	1
INGESAT Ingeniería y Serv. en Alta Tensión S.A.	Suppliers	1
Proyectos, Ingeniería y Montajes Eléctricos Ltda.	Suppliers	1
Quanta Services Chile SpA	Suppliers	1
Serv. de Mantenimiento Infrared Ltda.	Suppliers	1
Simantec S.A.	Suppliers	1
Soc. Utility Ingeniería y Cía. Ltda.	Suppliers	1
VAI PS Ingeniería y Serv. Ltda.	Suppliers	1
<b>Total</b>		<b>2,132</b>

**b.4 Current guarantees denominated in Inflation-adjusted units as of March 31, 2019**

Depositor	Relationship	Total ThUS\$
Zublin International Gmbh Chile SpA	Suppliers	2,327
Serv. Industriales Ltda.	Suppliers	335
Algoritmos y Mediciones Ambientales SpA	Suppliers	188
AGEA Consultoría e Ingeniería SpA	Suppliers	83
Transportes Brettli Ltda.	Suppliers	80
Andritz Chile Ltda.	Suppliers	79
Charrúa Transmisora de Energía S.A.	Suppliers	76
Soc. Austral de Electricidad S.A.	Suppliers	76
Securitas S.A.	Suppliers	59
Soc. Comercial Camin Ltda.	Suppliers	55
Marcelo Javier Urrea Caro EIRL	Suppliers	54
Abengoa Chile S.A.	Suppliers	49
Ingeniería Agrosonda SpA	Suppliers	49
Soc. Comercial San Cristóbal Ltda.	Suppliers	49
Soc. Serv. Integrales de Ingeniería, Mantenimiento y Reparación ZU Ltda.	Suppliers	49
Integración de Tecnologías ITQ Ltda.	Suppliers	47
MV Servicios para la Construcción Ltda.	Suppliers	46
Constructora Javag SpA	Suppliers	45
Sodexo Chile S.A.	Suppliers	44
Serv. Emca SpA	Suppliers	43
Universidad de Concepción	Suppliers	42
OHL Serv. Ingesan S.A. Agencia en Chile	Suppliers	40
Durán y Durán Cía. de Seguridad Ltda.	Suppliers	36
IMCD Ingeniería y Construcción SpA	Suppliers	34
Transporte José Carrasco Retamal EIRL	Suppliers	33
Buses Ahumada Ltda.	Suppliers	32
Flota Verschae S.A.	Suppliers	31
Atis Group S.A.	Suppliers	28
Contract Chile S.A.	Suppliers	28
Emp. Serv. Ingeniería e Información Ambiental Esinfa Ltda.	Suppliers	27
Adexus S.A.	Suppliers	24
Coasin Chile S.A.	Suppliers	24
Empresa Nacional de Telecomunicaciones S.A.	Suppliers	24
ST Computación S.A.	Suppliers	24
Kupfer Hermanos S.A.	Suppliers	17
Serv. Industriales Euroambiente Ltda.	Suppliers	16
Soc. OGM Mecánica Integral S.A.	Suppliers	16
Latinoamericana Serv. de Ing. y Construcción Ltda.	Suppliers	15
Rafael Angel Pulgar EIRL	Suppliers	15
Measwind América Ltda.	Suppliers	14
Vigatec S.A.	Suppliers	11
Constructora Gomez Salazar Ltda.	Suppliers	9
Mantenición de Jardines Arcoiris Ltda.	Suppliers	9
MYA Chile Soluciones contra Incendios e Industrial	Suppliers	9
Soc. Comercial Conyser Ltda.	Suppliers	9
DPL Grout Construcciones Ltda.	Suppliers	8
Félix Atilio Valenzuela Pérez	Suppliers	8
G4S Security Services Regiones S.A.	Suppliers	8
Serv. Integrales de Mantenimientos Técnicos S.A.	Suppliers	6
Woss SpA	Suppliers	6
Eulen Chile S.A.	Suppliers	3
Ana María Gómez Vega	Suppliers	2
<b>Total</b>		<b>4,441</b>

## Fénix Power Perú S.A.

### a. Current guarantees denominated in U.S. dollars as of March 31, 2019

Depositor	Relationship	Total ThUS\$
Toshiba América Do Sul Ltda.	Suppliers	179
Cosapi S.A.	Suppliers	77
Termodinámica S.A.	Suppliers	9
Quimex S.A.	Suppliers	9
Fursys S.A.	Suppliers	5
<b>Total</b>		<b>279</b>

### b. Current guarantees denominated in Peruvian soles as of March 31, 2019

Depositor	Relationship	Total ThUS\$
Empresa Regional de Serv. Público del Oriente S.A.	Suppliers	1,837
Busser SAC	Suppliers	32
Julio Crespo Perú S.A.	Suppliers	12
IT Servicios SRL	Suppliers	10
<b>Total</b>		<b>1,891</b>

### c. Detail of litigation and others

Management believes that, on the basis of the information in its possession at the reporting date, the provisions recognized in the 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, 2019, the detail of litigation in accordance with IAS 37 is as follows:

#### Chile

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

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

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

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

On December 31, 2018, the Environment Court of Valdivia fully rejected the claim for damage to the environment.

---

Finally, on January 18, 2019, the plaintiff filed a cassation appeal in form and substance against the ruling rejecting the claim, which is currently in process in the Supreme Court under Case 3647-2019, the review of which is scheduled for March 7, 2019.

(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 case files were joined with the latter, and therefore they are in the same procedural stage.

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

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

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

This proceeding has been suspended from October 16, 2018, until the Chilean Environmental Assessment Service (SEA) issues a report requested by the Chilean Superintendence of the Environment (SMA) with respect to the alleged circumvention of the thermal power plant chimney's environmental assessment.

Notwithstanding the foregoing, both Colbún S.A. and the Chilean Superintendence of the Environment (SMA) filed appeals in cassation with the Supreme Court against the judgment of the TAV, which ordered such filing of charges and established a limit of 350 MW gross to the power plant's capacity. The allegations have already been made and an agreement has been reached on this case by the Court from November 29, 2018.

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

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

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

Through Assessment No.257 dated September 24, 2015, notified on September 24, 2015, the Regional Director of the Metropolitan area of eastern Santiago challenged items of the income tax return filed by Termoeléctrica Antilhue S.A. for 2013, on which tax loss carryforward was included for tax years from 2009 and 2012, among other concepts. The total amount updated as of March 31, 2019 is ThUS\$3,205 (ThCh\$2,174,463), (Case RIT GR-18-00002-2016).

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

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



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

### 36. Commitments

Commitments entered into with financial institutions.

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

The Company should report on a quarterly basis the compliance with these obligations. As of March 31, 2019, the Company complies with all the financial indicators required in such contracts, the detail of which are as follows:

Covenants	Condition	03.31.2019	Term
<b>Local Market Bonds</b>			
EBITDA/Net finance costs	> 3,0	11.09	Jun-29
Indebtedness ratio	< 1,2	0.75	Jun-29
Minimum equity	> ThUS\$ 1,348,000	ThUS\$ 3,722,042	Jun-29

#### Calculation methodologies

Concept	Accounts	Amounts as of 03.31.2019	
Equity	Total equity	ThUS\$	3,924,476
Net equity	Total equity - Non-controlling interests	ThUS\$	3,722,042
Minimum equity	Total equity - Non-controlling interests	ThUS\$	3,722,042
Total liabilities	Total current liabilities + Total non-current liabilities	ThUS\$	2,925,997
Indebtedness ratio	Total liabilities / Equity		0.75
EBITDA <sup>(*)</sup>	Revenue - Raw materials and consumables - Employee benefit expenses - other expenses by nature	ThUS\$	682,201
Net finance costs <sup>(*)</sup>	Finance costs - Finance income	ThUS\$	61,516

<sup>(\*)</sup> 12 trailing months

### **37. Environment**

The Group's companies on which disbursements associated with environment have been made are: Colbún S.A. and Fenix Power Perú S.A.

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

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

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

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

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

As of March 31, 2019 and 2018, the detail of the disbursements performed and to be performed in relation to environment regulations is the following:

**Accrued expense as of 03.31.2019**

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement was or will be made
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	234	Mar-19
Colbún S.A.	Zona Maule	Environmental Management of Power Plant	Expense	Cost	112	Mar-19
Colbún S.A.	Zona Bio-Bio	Environmental Management of Power Plant	Expense	Cost	102	Mar-19
Colbún S.A.	Antilhue	Environmental Management of Power Plant	Expense	Cost	78	Mar-19
Colbún S.A.	Candelaria	Environmental Management of Power Plant	Expense	Cost	68	Mar-19
Colbún S.A.	Canutillar	Environmental Management of Power Plant	Expense	Cost	59	Mar-19
Colbún S.A.	Colbún	Environmental Management of Power Plant	Expense	Cost	52	Mar-19
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Power Plant	Expense	Cost	48	Mar-19
Colbún S.A.	Los Quilos	Environmental Management of Power Plant	Expense	Cost	42	Mar-19
Colbún S.A.	Nehuenco	Environmental Management of Power Plant	Expense	Cost	31	Mar-19
Colbún S.A.	Los Pinos	Environmental Management of Parent	Expense	Cost	28	Mar-19
Colbún S.A.	Quilleco	Environmental Management of Power Plant	Expense	Cost	25	Mar-19
Colbún S.A.	Rucúe	Environmental Management of Power Plant	Expense	Cost	17	Mar-19
Colbún S.A.	Sta María 1	Environmental Management of Power Plant	Expense	Cost	13	Mar-19
Colbún S.A.	Hornitos	Environmental Management of Power Plant	Expense	Cost	3	Feb-19
<b>Total</b>					<b>912</b>	

**Future expense as of 03.31.2019**

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement was or will be made
Colbún S.A.	Angostura	Environmental Management of Power Plant	Expense	Cost	223	Dec-19
Colbún S.A.	Candelaria	Environmental Management of Power Plant	Expense	Cost	135	Dec-19
Colbún S.A.	Zona Bio-Bio	Environmental Management of Power Plant	Expense	Cost	86	Dec-19
Colbún S.A.	Nehuenco	Environmental Management of Power Plant	Expense	Cost	62	Dec-19
Colbún S.A.	Quilleco	Environmental Management of Power Plant	Expense	Cost	53	Dec-19
Colbún S.A.	Gestión Ambiental Corporativa	Environmental Management of Parent	Expense	Cost	50	Dec-19
Colbún S.A.	Sta María 1	Environmental Management of Power Plant	Expense	Cost	45	Dec-19
Colbún S.A.	Hornitos	Environmental Management of Power Plant	Expense	Cost	37	Dec-19
Colbún S.A.	Zona Maule	Environmental Management of Power Plant	Expense	Cost	32	Dec-19
Colbún S.A.	Rucúe	Environmental Management of Power Plant	Expense	Cost	29	Dec-19
Colbún S.A.	Canutillar	Environmental Management of Power Plant	Expense	Cost	24	Dec-19
Colbún S.A.	Los Quilos	Environmental Management of Power Plant	Expense	Cost	14	Dec-19
Colbún S.A.	Antilhue	Environmental Management of Power Plant	Expense	Cost	11	Dec-19
Colbún S.A.	Los Pinos	Environmental Management of Power Plant	Expense	Cost	11	Dec-19
Colbún S.A.	Colbún	Environmental Management of Power Plant	Expense	Cost	11	Dec-19
<b>Total</b>					<b>823</b>	

**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 was 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 was 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>	

## Disbursements in Peru

### Accrued expense as of 03.31.2019

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement was or will be made
Fenix Power Perú S.A.	Monitoreo y Gestión Ambiental	Monitoring and Environmental Management	Expense	Cost	67	Mar-19
<b>Total</b>					<b>67</b>	

### Future expense as of 03.31.2019

Identification of Parent or Subsidiary	Project Name associated with the disbursement	Concept associated with the disbursement	Asset / Expense	Description	Disbursement amount in ThUS\$	Actual or estimated dates when the disbursement was or will be made
Fenix Power Perú S.A.	Monitoreo y Gestión Ambiental	Monitoring and Environmental Management	Expense	Cost	250	Dec-19
<b>Total</b>					<b>250</b>	

### 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 was or will be made
Fenix Power Perú S.A.	Monitoreo y Gestión Ambiental	Monitoring and Environmental Management	Expense	Cost	144	Mar-18
<b>Total</b>					<b>144</b>	

### Future expenses 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 was or will be made
Fenix Power Perú S.A.	Monitoreo y Gestión Ambiental	Monitoring and Environmental Management	Expense	Cost	415	Dec-18
<b>Total</b>					<b>415</b>	

---

### 38. Events occurred after the date of the financial statement

At Ordinary Shareholders' Meeting held on April 25, 2019:

- a. A new Board of Directors was appointed, which is composed of: Mrs. Vivianne Blanlot Soza, Mrs. María Emilia Correa Pérez and Mrs. Luz Granier Bulnes, and Mr. Bernardo Larraín Matte, Mr. Juan Eduardo Correa García, Mr. Andrés Lehuedé Bromley, Mr. Francisco Matte Izquierdo, Mr. Hernán Rodríguez Wilson and Mr. Rodrigo Donoso Munita. Mrs. María Emilia Correa Pérez and Mrs. Luz Granier Bulnes were elected as independent directors.
- b. Shareholders approved the distribution of a final dividend of US\$156,114,002.88, or US\$0.00890 per share, and an additional dividend with a debit to retained earnings from prior years of US\$100,000,000.00, or US\$0.00570 per share.

At the meeting held on April 30, 2019, the Directors appointed Mr. Hernán Rodríguez Wilson as Chairman of the Board and Mrs. Vivianne Blanlot Soza as Vice-Chairwoman of the Board. Likewise, the Directors appointed Mr. Francisco Matte Izquierdo, Mrs. Luz Granier Bulnes and Mrs. María Emilia Correa as members of the Directors' Committee.

At the Board of Directors' Meeting held on April 30, 2019, the Company's Board approved the interim consolidated financial statements as of March 31, 2019, prepared in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Between March 31, 2019 and the date of issuance of these interim consolidated financial statements, no other subsequent events have occurred.

### 39. Foreign currency

This caption comprises the following:

Assets	Foreign currency	Currency	03.31.2019 ThUS\$	12.31.2018 ThUS\$
<b>Total current assets</b>				
Cash and cash equivalents	Ch\$	US\$	126,592	127,136
Cash and cash equivalents	Euro	US\$	1,348	633
Cash and cash equivalents	PEN	US\$	8,081	7,564
Other non-financial assets, current	Ch\$	US\$	875	897
Trade and other receivables, current	Ch\$	US\$	178,820	143,400
Trade and other receivables, current	PEN	US\$	23,312	29,589
Trade receivables due from related parties, current	Ch\$	US\$	2,693	428
Current income tax assets	Ch\$	US\$	138	103
Current income tax assets	PEN	US\$	11,331	6,442
<b>Total current assets</b>			<b>353,190</b>	<b>316,192</b>
<b>Non-current assets</b>				
Other non-financial assets, non-current	Ch\$	US\$	10,269	4,714
<b>Total assets, non-current</b>			<b>10,269</b>	<b>4,714</b>
<b>Total assets</b>			<b>363,459</b>	<b>320,906</b>
Liabilities	Foreign currency	Currency	03.31.2019 ThUS\$	12.31.2018 ThUS\$
<b>Total current liabilities</b>				
Other financial current liabilities	UF	US\$	17,067	13,326
Trade and other payables	Ch\$	US\$	124,293	145,953
Trade and other payables	PEN	US\$	10,871	6,443
Payables due to related parties, current	Ch\$	US\$	1,231	261
Other provisions, current	Ch\$	US\$	3,880	4,678
Provisions for employee benefits	Ch\$	US\$	11,166	19,282
Provisions for employee benefits	PEN	US\$	868	1,180
Other non-financial current liabilities	Ch\$	US\$	14,410	23,354
Other non-financial current liabilities	PEN	US\$	614	614
<b>Total current liabilities</b>			<b>184,400</b>	<b>215,091</b>
<b>Non-current liabilities</b>				
Other financial non-current liabilities	UF	US\$	74,538	62,260
Provisions for employee benefits, non-current	Ch\$	US\$	34,013	30,786
Other non-current non-financial liabilities	Ch\$	US\$	19,633	739
<b>Total liabilities, non-current</b>			<b>128,184</b>	<b>93,785</b>
<b>Total liabilities</b>			<b>312,584</b>	<b>308,876</b>

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

Maturity profile of other financial liabilities in foreign currency

As of 03.31.2019	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\$	8,687	8,380	31,477	13,078	29,983	91,605
<b>Total</b>			<b>8,687</b>	<b>8,380</b>	<b>31,477</b>	<b>13,078</b>	<b>29,983</b>	<b>91,605</b>

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

**40. Headcount (unaudited)**

As of March 31, 2019 and December 31, 2018, this caption comprises the following:

	No. of employees					
	03.31.2019			12.31.2018		
	Chile	Peru	Total	Chile	Peru	Total
Managers and main executives	70	6	76	71	6	77
Professionals and technical staff	639	53	692	636	53	689
Other	264	29	293	264	29	293
<b>Total</b>	<b>973</b>	<b>88</b>	<b>1,061</b>	<b>971</b>	<b>88</b>	<b>1,059</b>
<b>Average for the year</b>	<b>971</b>	<b>90</b>	<b>1,061</b>	<b>984</b>	<b>90</b>	<b>1,074</b>



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

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

Salaries for external auditors

As of March 31, 2019 and 2018, this caption comprises the following:

Concept	January - March	
	2019 ThUS\$	2018 ThUS\$
Audit services	108	68
Tax services	8	-
Other services	15	74
<b>Auditors' fees</b>	<b>131</b>	<b>142</b>

\* \* \* \* \*