# Consolidated Financial Statements
# for the period ended December 31, 2015 and 2014

(Translation of Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

## COLBÚN S.A. AND SUBSIDIARIES

**Thousands of US dollars – ThUS$**

**This document is composed of:**
**- Consolidated Financial Statements**
**- Notes to the Interim Consolidated Financial Statements**

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

# Colbún S.A. and Subsidiaries

## Classified Consolidated Statements of Financial Position
## As of December 31, 2015 and 2014 and January 1, 2014
## (In thousands of US dollars – ThUS$)

| ASSETS | Note N° | December 31, 2015 ThUS$ | December 31, 2014 (*) ThUS$ | January 1, 2014 (*) ThUS$ |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash and cash equivalents | 9 | 876,130 | 254,090 | 260,453 |
| Other financial assets, current | 10 | 185,393 | 584,384 | 2,670 |
| Other non financial assets, current | 21 | 28,376 | 40,669 | 229,259 |
| Trade and other accounts receivables, current | 11 | 166,602 | 243,659 | 133,022 |
| Accounts receivable from related entities, current | 13.b | 2,590 | 2,487 | 4,451 |
| Inventories | 14 | 98,060 | 97,877 | 70,228 |
| Tax assets | 20 | 8,634 | 38,620 | 40,961 |
| **Total current assets** | | **1,365,785** | **1,261,786** | **741,044** |
| **Non current assets** | | | | |
| Other financial assets, non current | 10 | 212 | 248 | 3,496 |
| Other non financial assets, non current | 21 | 32,262 | 24,778 | 27,178 |
| Trade receivables and other receivables | 11 | 17,722 | - | - |
| Accounts receivable to related entities, non current | 13.b | 280 | 368 | 384 |
| Investments accounted for using the equity method | 17 | 36,012 | 40,115 | 157,447 |
| Intangible assets other than goodwill | 18 | 91,340 | 85,388 | 87,258 |
| Properties, plant and equipment | 19 | 5,602,622 | 4,956,206 | 5,032,954 |
| Deferred tax assets | 22.b | 6,922 | 5,074 | 12,927 |
| **Total non current assets** | | **5,787,372** | **5,112,177** | **5,321,644** |
| **ASSETS** | | **7,153,157** | **6,373,963** | **6,062,688** |

*Some of the figures in the 2014 financial statements reflect adjustments detailed in note 6.*

*The accompanying notes form an integral part of these consolidated financial statements*

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

## Colbún S.A. and Subsidiaries

### Classified Consolidated Statements of Financial Position (continuation)
### As of December 31, 2015 and 2014 and January 1, 2014
### (In thousands of US dollars – ThUS$)

| LIABILITIES AND NET EQUITY | Note N° | December 31, 2015 MUS$ | December 31, 2014 (*) MUS$ | 1 de Enero, 2014 (*) MUS$ |
|---|---|---|---|---|
| **Current Liabilities** | | | | |
| Other financial liabilities, current | 23.a | 453,385 | 51,145 | 149,471 |
| Trade and other accounts payables, current | 24 | 168,761 | 157,814 | 150,120 |
| Accounts payable to related entities | 13.b | 30,252 | 21,032 | 10,146 |
| Other provisions | 25.a | 15,501 | 10,795 | 1,010 |
| Tax liabilities | 22.a. | 24,045 | 2,149 | 4,691 |
| Provisions for employee benefits, current | 25.b | 11,237 | 11,475 | 13,093 |
| Other non financial liabilities, current | 26 | 4,648 | 3,924 | 13,377 |
| **Total current liabilities** | | **707,829** | **258,334** | **341,908** |
| **Non current liabilities** | | | | |
| Other financial liabilities, non current | 23.a | 1,782,256 | 1,842,747 | 1,550,640 |
| Trade and other accounts payables, non current liabilities | 24 | 6,422 | 3,217 | 3,217 |
| Deferred tax liabilities. | 22.b | 955,956 | 897,791 | 605,266 |
| Provisions for employee benefits, non current | 25.a | 23,001 | 24,101 | 22,581 |
| Other non financial liabilities, non current | 26 | 10,603 | 9,800 | 8,092 |
| **Total non current liabilities** | | **2,778,238** | **2,777,656** | **2,189,796** |
| **Total Liabilities** | | **3,486,067** | **3,035,990** | **2,531,704** |
| **Equity** | | | | |
| Issued capital | 27.a | 1,282,793 | 1,282,793 | 1,282,793 |
| Retained earnings | 27.f | 1,412,537 | 1,284,692 | 1,455,830 |
| Share premiums | 27.c | 52,595 | 52,595 | 52,595 |
| Other reserves | 27.e | 715,588 | 717,893 | 739,766 |
| **Net Equity attributable to equity holders of the parent** | | 3,463,513 | 3,337,973 | 3,530,984 |
| Not controlled shares | | 203,577 | - | - |
| **Total net equity** | | **3,667,090** | **3,337,973** | **3,530,984** |
| **TOTAL LIABILITIES AND NET EQUITY** | | **7,153,157** | **6,373,963** | **6,062,688** |

*Some of the figures in the 2014 financial statements reflect adjustments detailed in note 6.*

*The accompanying notes form an integral part of these consolidated financial statements*

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

## Colbún S.A. and Subsidiaries

### Consolidated Statements of Comprehensive Income by Nature
### for the periods ended December 31, 2015 and 2014
### (In thousands of US dollars – ThUS$)

| STATEMENT OF COMPREHENSIVE INCOME BY NATURE | Note | January - December | |
|---|---|---|---|
| | N° | 2015 ThUS$ | 2014 ThUS$ |
| Net income from ordinary activities | 8 y 28 | 1,313,856 | 1,502,577 |
| Raw materials and consumables used | 29 | (645,934) | (883,708) |
| Expenses for benefit to employees | 30 | (56,082) | (59,707) |
| Depreciation and amortization expenses | 31 | (194,947) | (182,375) |
| Other expenses, by nature | - | (28,503) | (22,604) |
| Other profit (losses) | 35 | 452 | (1,420) |
| **Profit (loss) from operating activities** | | **388,842** | **352,763** |
| Financial income | 32 | 5,517 | 5,561 |
| Financial costs | 32 | (90,536) | (75,969) |
| Share of profit of associates and joint ventures accounted for using the equity method | 34 | 6,620 | (99,315) |
| Exchange rate differences | 33 | (11,160) | (22,421) |
| Readjustment profit (loss) | 33 | 2,425 | 9,050 |
| **Profit (loss) before taxes** | | **301,708** | **169,669** |
| Income tax expense | 22.a | (99,603) | (87,405) |
| **Profit of continuing operations** | | **202,105** | **82,264** |
| **PROFIT** | | **202,105** | **82,264** |
| **Attributable to:** | | | |
| Profit attributable to the owners of the controller | 6 y 27.i | 204,659 | 82,264 |
| Profit attributable to non-controlling stakes | | (2,554) | - |
| **PROFIT** | | **202,105** | **82,264** |
| **Earnings per share** | | | |
| Earnings per basic share from continuing operations | 27.i | 0.01167 | 0.00469 |
| **Basic earnings per share** | | **0.01167** | **0.00469** |
| Earnings per diluted share from continuing operations | 27.i | 0.01167 | 0.00469 |
| **Diluted earnings per share** | | **0.01167** | **0.00469** |

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(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

## Colbún S.A. and Subsidiaries
### Consolidated Statements Other of Comprehensive Income by Nature
### for the periods ended December 31, 2015 and 2014
### (In thousands of US dollars – ThUS$)

| STATEMENTS OF OTHER COMPREHENSIVE INCOMES BY NATURE | Note | January - December | |
|---|---|---|---|
| | | 2015 | 2014 (*) |
| | N° | ThUS$ | ThUS$ |
| **Profit** | 25.i | **202,105** | **82,264** |
| **Components of other comprehensive income not being reclassified to profit or loss in subsequent periods, before tax:** | | | |
| Profits (losses) by new measurements of defined benefit plans | | (2,433) | (4,111) |
| **Other comprehensive income not being reclassified to profit or loss in subsequent periods, before tax** | | **(2,433)** | **(4,111)** |
| **Components of other comprehensive income to be reclassified to profit or loss in subsequent periods, before tax:** | | | |
| Exchange differences on translation of foreign operations | 17.a | (4,321) | (18,986) |
| Gain / (Loss) on cash flow hedges | | 1,685 | (4,242) |
| Participation of another result integral of associates and joint ventures accounted for using the equity method | | (1,207) | 70 |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods, before tax** | | **(3,843)** | **(23,158)** |
| **Other components of another result integral, before tax** | | **(6,276)** | **(27,269)** |
| **Income tax effect from components of other comprehensive income not being reclassified to profit or loss in subsequent periods:** | | | |
| Income tax effect on actuarial gains (losses) on defined benefit plans | 22.c | 657 | 1,362 |
| **Income tax effect of other comprehensive income to be reclassified to profit or loss in subsequent periods:** | | | |
| Income tax related to participation of another result integral of associates and joint ventures accounted for using the equity method | 22.c | 326 | (15) |
| Income tax related to cash flow hedges | 22.c | 1,381 | 1,720 |
| **Income tax from components of other comprehensive income** | | **2,364** | **3,067** |
| **Other comprehensive income, net of tax** | | **(3,912)** | **(24,202)** |
| **Total other comprehensive income, net of tax** | | **198,193** | **58,062** |
| **Attributable to:** | | | |
| Equity holder of the parent | | 200,747 | 58,062 |
| Non-controlling interests | | (2,554) | - |
| **TOTAL COMPREHENSIVE INCOME** | | **198,193** | **58,062** |

*(*) See note 6*

*The accompanying notes form an integral part of these consolidated financial statements*

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

## Colbún S.A. and Subsidiaries
### Consolidated Statements of Cash Flows - Direct Method
### for the periods ended December 31, 2015 and 2014
### (In thousands of US dollars – ThUS$)

| CASH FLOW STATEMENTS - DIRECT METHOD | Note N° | December 31, 2015 ThUS$ | December 31, 2014 ThUS$ |
|---|---|---|---|
| **Cash flow provided by (used in) operating activities** | | | |
| **Proceeds** | | | |
| Proceeds provided by sale of goods and providing services | | 1,517,454 | 1,701,134 |
| Receipts from premiums and benefits, annuities and other income from written polices | | 33,082 | 51,954 |
| Other receipts provided by operating activities | | 11,330 | 9,792 |
| **Classes of payment** | | | |
| Payments to suppliers for supplying goods and services | | (792,771) | (1,063,095) |
| Payments to and on account of employees | | (62,051) | (60,322) |
| Payments for premiums and claims, annuities and other obligations from underwritten policies | | (37,271) | (25,732) |
| Other payments for activities of operation | | (18,537) | (18,617) |
| **Net cash flows provided by (used in) operating activities** | | **651,236** | **595,114** |
| Dividends received | | 7,550 | 8,740 |
| Interest received | | 5,823 | 6,440 |
| Refunded tax incomes (paid) | | 17,274 | (2,986) |
| Other cash inflows (outflows) | | 16,828 | (11,669) |
| **Net cash flows provided by (used in) operating activities** | | **698,711** | **595,639** |
| **Cash flows provided by (used in) investing activities** | | | |
| Other payments to acquire equity in joint ventures | | (3,922) | (5,570) |
| To obtain the control of subsidiaries or other business | 9.c | (202,222) | - |
| Additions to property, plant and equipment | | (87,651) | (115,834) |
| Other cash inflows (outflows) | | 393,404 | (578,374) |
| **Net cash flows (used in) investing activities** | | **99,609** | **(699,778)** |
| **Cash flows provided by (used in) financing activities** | | | |
| **Proceeds provided by loans** | | **-** | **660,000** |
| Amounts provided by noncurrent loans | | - | 660,000 |
| Loan payments | | (22,894) | (436,768) |
| Dividends paid | | (53,479) | (18,058) |
| Interest paid | | (114,918) | (76,452) |
| Other inputs (outputs) of cash | | 21,721 | (12,052) |
| **Net cash flows provided by (used in) financing activities** | | **(169,570)** | **116,670** |
| **Net increase (decrease) in cash and cash equivalents, before the effect of exchange rate differences** | | **628,750** | **12,531** |
| **Effects of exchange rate differences on cash and cash equivalents** | | | |
| Effects of changes in foreign exchange rate on cash and cash equivalents | | (6,710) | (18,894) |
| **Net increase (decrease) in cash and cash equivalents** | | **622,040** | **(6,363)** |
| Cash and cash equivalents at beginning of period | | 254,090 | 260,453 |
| **Cash and cash equivalents at end of period** | 9 | **876,130** | **254,090** |

*The accompanying notes form an integral part of these consolidated financial statements*

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

# Colbún S.A. and Subsidiaries
## Consolidated Statements of Changes in Equity
## for the periods ended December 31, 2015 and 2014
## (In thousands of US dollars – ThUS$)

| Statemente of changes in net equity | Note | Equity attributable to the owners of the parent company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Other reserves changes | | | | | | | | |
| | | Issued Capital ThUS$ | Share premiuns ThUS$ | Exchange difference on translation reserve ThUS$ | Cash flow hedeges reserve ThUS$ | Actuarial gains / (loss) reserve ThUS$ | Other reserves ThUS$ | Total Other reservers ThUS$ | Gains (loss) accumulated ThUS$ | Attributable to equity holders of the pareny ThUS$ | Share not controlled ThUS$ | Total Equity ThUS$ |
| Beginning balance as of 01/01/2015 | | 1,282,793 | 52,595 | (262,471) | (9,039) | - | 989,403 | 717,893 | 1,284,692 | 3,337,973 | - | 3,337,973 |
| **Changes in Equity** | | | | | | | | | | | | |
| **Comprehensive Income (loss)** | | | | | | | | | | | | |
| Profit (loss) | | | | | | | | | 204,659 | 204,659 | (2,554) | 202,105 |
| Other comprehensive income | | | | (4,321) | 2,185 | (1,776) | - | (3,912) | | (3,912) | - | (3,912) |
| Dividends | | | | | | | | | (73,670) | (73,670) | | (73,670) |
| Increase (decrease) due to transfers and other cha | | - | - | - | - | 1,776 | (169) | 1,607 | (3,144) | (1,537) | 206,131 | 204,594 |
| Total changes in equity | | **-** | **-** | **(4,321)** | **2,185** | **-** | **(169)** | **(2,305)** | **127,845** | **125,540** | **203,577** | **329,117** |
| **Ending balance as of 12/31/2015** | 25 | **1,282,793** | **52,595** | **(266,792)** | **(6,854)** | **-** | **989,234** | **715,588** | **1,412,537** | **3,463,513** | **203,577** | **3,667,090** |

| Statements of changes in net equity | Nota | Equity attributable to the owners of the parent company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Other reserves changes | | | | | | | | |
| | | Issued Capital ThUS$ | Share premiuns ThUS$ | Exchange difference on translation reserve ThUS$ | Cash flow hedeges reserve ThUS$ | Actuarial gains / (loss) reserve ThUS$ | Other reserves ThUS$ | Total Other reservers ThUS$ | Gains (loss) accumulated ThUS$ | Attributable to equity holders of the pareny ThUS$ | Share not controlled ThUS$ | Total Equity ThUS$ |
| Beginning balance as of 01/01/2015 | | 1,282,793 | 52,595 | (243,485) | (6,572) | - | 989,823 | 739,766 | 1,481,152 | 3,556,306 | - | 3,556,306 |
| Increase (decrease) for bug fixes | (*) | - | - | - | - | - | - | - | (25,322) | (25,322) | - | (25,322) |
| Restate initial balance | | 1,282,793 | 52,595 | (243,485) | (6,572) | - | 989,823 | 739,766 | 1,455,830 | 3,530,984 | - | 3,530,984 |
| **Changes in equity** | | | | | | | | | | | | |
| Comprehensive income (loss) | | | | | | | | | | | | |
| Profit (loss) | | | | | | | | | 82,264 | 82,264 | - | 82,264 |
| Other comprehensive income | | | | (18,986) | (2,467) | (2,749) | - | (24,202) | | (24,202) | - | (24,202) |
| Dividends | | | | | | | | | (42,262) | (42,262) | | (42,262) |
| Increase (decrease) due to transfers and other cha | | - | - | - | - | 2,749 | (420) | 2,329 | (211,140) | (208,811) | - | (208,811) |
| Total changes in equity | | **-** | **-** | **(18,986)** | **(2,467)** | **-** | **(420)** | **(21,873)** | **(171,138)** | **(193,011)** | **-** | **(193,011)** |
| **Ending Balance as of 12/31/2015** | 25 | **1,282,793** | **52,595** | **(262,471)** | **(9,039)** | **-** | **989,403** | **717,893** | **1,284,692** | **3,337,973** | **-** | **3,337,973** |

*(*) See note 6*

*The accompanying notes form an integral part of these interim consolidated financial statements*

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

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**COLBÚN S.A. AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
(In thousands of US dollars – ThUS$)

## 1. General information

Colbún S.A. was formed by public deed dated April 30, 1986, signed in Santiago by Public Notary, Mr. Mario Baros G., and is registered in the Commercial Registry of the Talca Real Estate Register, on sheet 86, on May 30, 1986. The Company's taxpayer number is 96.505.760-9.

The Company is registered as a public company in the Securities Registry under 0295, as of September 1, 1986 and therefore is subject to the supervision of the Superintendency of Securities and Insurance ("SVS").

Colbún is an electric energy generating company, which as of December 31, 2015 is the ultimate parent company of the group (hereinafter, the "Company" or "Colbún"), composed of ten companies: Colbún S.A., and nine subsidiaries.

The commercial domicile of Colbún is Avenida Apoquindo 4775, 11th Floor, Las Condes, Santiago, Chile.

The Company's line of business is generation, transportation and distribution of electricity and power capacity, as explained in note 2.

The Company is directly controlled by Matte Group with investments in the electrical, financial, forestry, real estate, telecommunications and port sectors. It is controlled indirectly by the people, in the manner and share stated below, who are all members of the Larraín Matte, Matte Capdevila and Matte Izquierdo families:

Patricia Matte Larraín, National I.D. No. 4.333.299-6 (6.49%) and her children, María Patricia Larraín Matte, National I.D. No. 9.000.338-0 (2.56%); María Magdalena Larraín Matte, National I.D. No. 6.376.977-0 (2.56%); Jorge Bernardo Larraín Matte, National I.D. No. 7.025.583-9 (2.56%), and Jorge Gabriel Larraín Matte, National I.D. No. 10.031.620-K (2.56%).

Eliodoro Matte Larraín, National I.D. No. 4.336.502-2 (7.21%) and his children, Eliodoro Matte Capdevila, National I.D. No. 13.921.597-4 (3.27%); Jorge Matte Capdevila, National I.D. No. 14.169.037-K (3.27%), and María del Pilar Matte Capdevila, National I.D. No. 15. 959.356-8 (3.27%).

Bernardo Matte Larraín, National I.D. No. 6.598.728-7 (7.79%) and his children, Bernardo Matte Izquierdo, National I.D. No. 15.637.711-2 (3.44%); Sofía Matte Izquierdo, National I.D. No. 16.095.796-4 (3.44%), and Francisco Matte Izquierdo, National I.D. No. 16.612.252-K (3.44%).

The aforementioned shareholders belong, by relation with the Parent, to the same business group and have a formal joint action agreement, by the group of legal entities indicated as follows, which own 49.96% of the stock capital of the company:

| Controlling Group | Participation % |
|---|---|
| Minera Valparaíso S.A. | 35.17 |
| Forestal Cominco S.A. | 14.00 |
| Forestal Constructora y Comercial del Pacífico Sur S.A. | 0.19 |
| Forestal y Minera Canadilla S.A. | 0.18 |
| Forestal Cañada S.A. | 0.13 |
| Forestal Bureo S.A. | 0.10 |
| Inversiones Orinoco S.A. | 0.10 |
| Inversiones Coillanca Ltda. | 0.09 |
| **Total** | 49.96 |

## 2. Business description

### Purpose of the Company

The Company's line of business is to produce, transport, distribute and supply energy and power capacity. It also obtains, acquires and exploits concessions. 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.

### Business description in Chile

### Main assets

Generating assets are composed of hydraulic power plants (reservoir and run-of-the-river) and of coal and diesel thermoelectric plants (combined cycle and open cycle), which altogether contribute maximum capacity of 3,278 MW to the Central Interconnected System (SIC) ("Sistema Interconectado Central").

Hydroelectric power plants cumulatively reach the capacity of 1,589 MW which are distributed in 16 power plants: Colbún, Machicura, San Ignacio, Chiburgo and San Clemente located in the Maule Region; Rucúe, Quilleco and Angostura in the Biobío Region; Carena in the Metropolitan Region; Los Quilos, Blanco, Juncal, Juncalito, Chacabuquito and Hornitos, in the Region of Valparaíso; and Canutillar, in the Los Lagos Region. Colbún, Machicura, Canutillar and Angostura power plants have their own reservoirs, whereas the remaining hydraulic facilities correspond to run-of-the-river power plants.

Thermal power plants cumulatively reach the capacity of 1,689 MW and are distributed in the Nehuenco Complex located in the Region of Valparaíso; the Candelaria Power Plant in the O'Higgins Region; the Antilhue Power Plant in the Los Rios Region; the Power Plants Los Pinos and Santa María I located in the Biobío Region.

### Commercial policy

The Company commercial policy is to reach an appropriate balance between the level of electricity sales agreements and its own capacity in terms of generation methods, with the objective of obtaining an increase and stabilization in operating margins, with an acceptable level of risk in the event of droughts. This also requires maintaining an adequate mix of thermoelectric and hydroelectric generation.

As a consequence of this policy, the Company tries to ensure that spot market sales or purchases do not reach significant volumes since the prices on the market experience significant variations which are mostly due to the hydrological conditions.

**Main clients**

The client´s portfolio is composed of regulated and unregulated clients:

- Regulated clients with Tendered Long-term Node Price Contracts are: Chilectra S.A., CGE Distribución S.A. for the Metropolitana Region, CGE Distribución S.A. for the O'Higgins, Maule, Biobío and La Araucanía Regions; Saesa S.A., Frontel S.A., Compañía Eléctrica de Osorno S.A., Cooperativa Eléctrica de Curicó Ltda., Compañía Distribuidora de Energía Eléctrica Codiner Ltda., Cooperativa de Consumo de Energía Eléctrica Chillán Ltda., Cooperativa Eléctrica Los Ángeles Ltda., Cooperativa Regional Eléctrica Llanquihue Ltda., Cooperativa Eléctrica Paillaco Ltda., Cooperativa Eléctrica Charrúa Ltda., Energía del Limarí S.A. and Cooperativa Rural Eléctrica Río Bueno Ltda.

- Unregulated clients are: Anglo American Sur S.A. For its Los Bronces/Las Tórtolas sites; unregulated clients associated with Chilectra S.A. (Aguas Andinas S.A. La Farfana Plant, located in the Metropolitan Region) and Codelco for the divisions Salvador, Andina, Ventanas and El Teniente.

Additionally, as a consequence of the financial insolvency of Campanario Generación S.A., the Superintendency of Electricity and Fuel (SEC) ("Superintendencia de Electricidad y Combustibles") issued an Exempt Resolution No. 2,288 dated August 26, 2011, amended by Exempt Resolution No. 239 dated February 9, 2012. The Resolution instructs all generating companies of the Central Interconnected System (SIC) to supply the consumption of regulated clients whose supply was awarded to Campanario Generación S.A. since September 1, 2011, at the prices and conditions stated in the respective tenders.

**The electric market**

The Chilean electric sector has a regulatory framework with almost 3 decades of operation. This has allowed the development of a very dynamic industry with a high level of participation from the private sector. The sector has been able to satisfy the growing energy demand, with an average growth rate of 4.2% in the last 10 years and with an increase in the GDP of 3% during the same period.

Chile has 4 interconnected systems and Colbún operates in the largest one, the Central Interconnected system (SIC), which extends from Taltal in the north up to the Large Island of Chiloé in the south. This zone's consumption represents 75% of the electricity demand in Chile. Colbún is the second electrical generator in terms of SIC installed capacity, with a market share of around 21%.

The tariff system distinguishes between different mechanisms for the short and long-term. As for the short-term tariffs, the sector is based on a marginal cost scheme, which in turn includes security criteria and efficiency in the allocation of resources. Marginal energy costs result from the operation of the electricity system in accordance with programming based on economic merit carried out by the Center for Economic Capacity Dispatch (CDEC) ("Centro de Despacho Económico de Carga") and which corresponds to the variable production cost of the most expensive unit that is operating at any given time. Power capacity remuneration is calculated on the basis of the firm capacity of the power plants, i.e. the level of capacity that the power plant can contribute to the system at peak hours, with a high level of assurance. The price of power capacity is determined as an economic signal, representative of investments in the most efficient units absorbing the demand for power capacity, at the system's peak hours.

For long-term tariff purposes, generators can have 2 types of clients: regulated and unregulated.

In compliance with Law No. 20,018 (Short Law II) that came into force on January 1, 2010, in the regulated clients market, made up of distribution companies, generators sell energy at a price resulting from public competitive tenders, denominated long-term Node Price.

Unregulated clients are those that have a connected power over 2,000 kW, and freely negotiate their prices with their suppliers.

In the spot market generators trade energy and power capacity surpluses or deficits among themselves at marginal costs (at an hourly level) that result from the net commercial position of their production capacity since dispatch orders are based on the economic and exogenous merits of each generator.

The regulation allows users with connected power between 500 KW and 2,000 KW, to opt for an unregulated or regulated price regime, with a minimum period of permanence of four years in each regime.

To inject its electricity to the system and supply energy and electric power capacity to its clients, Colbún uses its own and third party transmission facilities, in compliance with the existing electric legislation.

In order to determine the rates, the legislation establishes the following concepts: Trunk Transmission Systems, Subtransmission and Additional.

**Description of the Business in Peru**

**Main Assets**

Combined cycle natural gas 570 MW power plant located in Las Salinas, Chilca district, 64 kilometers south of Lima, owned by the subsidiary Fenix Power Perú. Its location is strategic because it is near the Camisea gas pipeline and Chilca electrical substation, allowing the generation of power at efficient costs.

This plant began commercial operations in December 2014 and consists of two dual General Electric turbines (gas or diesel) generating 60% of the plant's power and a General Electric steam turbine generating the remaining 40%. Given its characteristics, this plant is a strategic asset of the Peruvian electricity market since it is the most efficient and the third largest of the power plants in the country

**Main clients**

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

Supplemental customers, which represent short-term contracts with both distributors and generators: Celepsa S.A., TermoChilca S.A.C.

**The electric market**

Peru restructured the energy market in 1992 (Electricity Law 25,844) and in the last four years major reforms have been made to the regulatory framework for the sector.

The Peruvian electricity market has an installed capacity of approximately 10 GW, of which about 60% is thermal capacity, 37% hydro and the remaining 3% based on renewable energies. Therefore, natural gas plays a fundamental role in the thermal generation of the country given the substantial reserves and exploration wells it has, Camisea being the main oilfield with more than 15 trillion cubic feet.

The tarification system distinguishes between two categories of customers: regulated users that consume less than 200 kW and unregulated customers (large private users with consumption above 2,500 kW). Customers with demand falling between 200 kW and 2,500 kW have the option of being regulated or unregulated customers.

As in the case of Chile, the National Interconnected Electric System (SEIN) is administered by a Committee of Economic Operation System (COES), which is constituted as a private non-profit and is a legal public entity. COES consists of all SEIN agents (generators, transmitters, distributors and free users) and its decisions are binding for all agents. Its purpose is to coordinate the short, medium and long-term operation of SEIN preserving the security of the system and the best use of energy resources, as well as plan the development of SEIN transmission and administer the Short Term Market, the latter that is based on marginal costs.

In terms of consumption, annual energy demand stands at around 40 TWh with demand concentrated by mining and residential sectors.

## 3. Summary of significant accounting policies

### 3.1 Accounting principles

These consolidated financial statements as of December 31, 2015 have been prepared in accordance with instructions and standards of preparation and presentation of financial information issued by the Superintendency of Securities and Insurance (hereinafter "SVS"), which are composed of the International Financial Reporting Standards (hereinafter "IFRS"), issued by the International Accounting Standards Board (hereinafter the "IASB"), and rules of the SVS, including Oficio Circular N° 856 referred to in the following paragraph.

The Oficio Circular N°856 issued by the SVS on October 17, 2014 sets forth a temporary exception to IAS 12 to account for the effect on deferred tax assets and liabilities arising from the first category tax rate increase as a consequence of the Law 27,780 (Tax reform), published in the Official Bulletin on September 29, 2014. To this extent, the SVS resolved that the differences in deferred tax assets and liabilities should be accounted against equity.

The amount recognized in equity for this concept in the year 2014 amounted to ThUS$ 212,538.

These consolidated financial statements have been prepared based on the ability to continue as an ongoing company and have been approved by its Board of Directors at the meeting held on January 29, 2016.

The following are the accounting principles adopted in the preparation of these consolidated financial statements. These policies have been defined in compliance with the financial reporting standards issued by the SVS as of December 31, 2015, applied in a uniform manner to all periods presented in these consolidated financial statements.

**a. Basis of preparation and period covered -** The present consolidated financial statements of Colbún S.A. are composed of the statements of financial position as of December 31, 2015 and

December 31, 2014 and January 1, 2014 and the corresponding statements of comprehensive income, changes in net equity and cash flows for the periods ended December 31, 2015 and 2014 and related notes.

The Company is responsible for the information contained in these consolidated financial statements.

The consolidated financial statements have been prepared using historical cost criteria, with the exception (in accordance with financial reporting standards issued by the SVS) of assets and liabilities that are recorded at fair value (Note 3.h and 3.i).

**a.1 Functional currency**

The Company's functional currency is the U.S. dollar, as this is the primary currency that influences the sales prices of the goods and services in the Company's sector. All information in the present consolidated financial statements is presented in thousands of dollars (ThUS$), unless indicated otherwise.

**b. Basis of consolidation** – The consolidated financial statements include the financial statements of the Parent Company and those of the companies controlled by the Company (subsidiaries).

It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements.

Subsidiaries companies are those that Colbún S.A. is exposed to, or has rights to the variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the case of the Company, in general, the power over its subsidiaries is derived from the possession of the majority of voting rights granted by the subsidiaries' capital instruments.

Subsidiaries are detailed as follows:

| Subsidiary | Country | Functional Currency | Taxpayer number | Percentage of participation at | | | |
|---|---|---|---|---|---|---|---|
| | | | | 12.31.2015 | | | 12.31.2014 |
| | | | | Direct | Indirect | Total | Total |
| Empresa Eléctrica Industrial S.A. | Chile | Dollar | 96.854.000-9 | 99.9999 | - | 99.9999 | 99.9999 |
| Colbún International Limited | Islas Caimán | Dollar | 0-E | - | - | - | 99.9999 |
| Sociedad Hidroeléctrica Melocotón Ltda. | Chile | Dollar | 86.856.100-9 | 99.9000 | 0.1000 | 100 | 100 |
| Río Tranquilo S.A. | Chile | Dollar | 76.293.900-2 | 99.9999 | 0.0001 | 100 | 100 |
| Termoeléctrica Nehuenco S.A. | Chile | Dollar | 76.528.870-3 | 99.9999 | 0.0001 | 100 | 100 |
| Termoeléctrica Antilhue S.A. | Chile | Dollar | 76.009.904-K | 99.9999 | 0.0001 | 100 | 100 |
| Colbún Transmisión S.A. | Chile | Dollar | 76.218.856-2 | 99.9999 | 0.0001 | 100 | 100 |
| Colbún Desarrollo S.P.A. | Chile | Dollar | 76.442.095-0 | 100 | - | 100 | - |
| Inversiones SUD S.P.A. | Chile | Dollar | 76.455.649-6 | 100 | - | 100 | - |
| Inversiones Andinas S.P.A. | Chile | Dollar | 76.455.646-1 | 100 | - | 100 | - |
| Colbún Perú S.A. | Perú | Dollar | 0-E | 99.9996 | 0.0004 | 100 | - |
| Inversiones Las Canteras S.A. | Perú | Dollar | 0-E | - | 51 | 51 | - |
| Fénix Power Perú S.A. | Perú | Dollar | 0-E | - | 51 | 51 | - |

**Variations in the consolidation perimeter**

During the year 2015, there have been the following changes in the scope of consolidation:

Colbún International Limited was dissolved on March 31, 2015.

Colbún Desarrollo S.P.A. was incorporated on March 18, 2015 with a capital of ThUS$ 160. The company is a direct, wholly-owned subsidiary of Colbún S.A.
On March 31, 2015, the company Inversiones SUD S.P.A. was constituted with a capital of ThUS$ 10. On April 6, 2015, a share subscription contract was signed by which Colbún S.A. subscribed 100% of the shares. Therefore, as of said date, the company is a direct subsidiary of Colbún S.A.

On March 31, 2015, the company Inversiones Andinas S.P.A. was constituted with a capital of ThUS$ 10. On April 6, 2015, a share subscription contract was signed by which Colbún S.A. subscribed 100% of the shares. Therefore, as of said date, the company is a direct subsidiary of Colbún S.A.

Colbún Perú S.A. is a closed stock corporation organized according to the laws of the Republic of Peru, acquired by Colbún Desarrollo S.P.A. on September 28, 2015. Subsequently, at the Extraordinary Shareholders Meeting on December 15, 2015, Colbún S.A was incorporated, which currently owns 99.9996% of the shares, with Colbún Desarrollo S.P.A. owning the remaining 0.0004%.

Inversiones Las Canteras SA is a closed corporation organized under the laws of the Republic of Peru, incorporated on November 16, 2015 by Inversiones Hacienda Montalbán S.A. (now Colbún Perú S.A.) and Juan Carlos Escudero Velano, who later transferred his share to the former. On December 18, 2015, a capital increase was carried out, in which Colbún Perú S.A. subscribed and paid 51% of the shares and incorporated as new partners Sigma Fondo de Inversión en Infraestructura with 13% of the shares and Blue Bolt A 2015 Limited with 36% of the shares.

Fenix Power Perú S.A. is a closed corporation organized under the laws of the Republic of Peru, incorporated on September 15, 2004, by Enrique Victor Macedo Abreu, Fernando Enrique Macedo Abreu, and Horace Alfred Sklar. Currently, Inversiones Las Canteras S.A. owns 100% of the shares.

During the year 2014, there were no changes in the consolidation perimeter.

All significant intercompany transactions and balances have been eliminated upon consolidation and non-controlling interests corresponding to third party interests in subsidiaries have been recognized and are incorporated in a separate manner in Colbún’s consolidated equity.

**b.1 Business combinations** – Business combinations are accounted for using the acquisition method. The cost of acquisition is the sum of the consideration transferred, valued at fair value at the date of acquisition, and the amount of minority interest of the acquiree, if any. For each business combination, the Company determines whether to value the non-controlling interest of the acquiree at fair value or the proportionate share of the net identifiable assets acquired. Related acquisition costs are recorded as incurred under other expenses by nature.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification based on contractual agreements, economic conditions and other relevant conditions existing at the date of acquisition. This includes the separation of embedded derivatives from the main contracts of the acquire.

If the business combination is achieved in stages, the shares previously held in the acquired assets are valued at fair value and gains or losses are recognized in the income statement.

Any contingent consideration that must be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent considerations classified as financial assets or liabilities in accordance with IAS 39 Financial Instruments: Recognition and Measurement are measured at fair value and changes in fair value with changes in profit or loss recorded in other comprehensive income. In cases where contingent considerations are not within the scope of IAS 39, they are valued according to the corresponding IFRS. If the contingent consideration is classified as equity, it is not revalued and any subsequent settlement is recorded in equity.

Goodwill is the excess of the sum of the consideration transferred recorded on the net value of the assets acquired and liabilities assumed. If the fair value of the net assets acquired exceeds the value of the consideration transferred, the Company makes a new assessment to ensure that it has correctly identified all the assets acquired and all liabilities assumed and reviews the procedures for assessing the amounts recognized at the acquisition date. If this re-assessment is in excess of fair value of net assets acquired over the aggregate amount of the consideration transferred, the difference is recognized as profit in the income statement.

After initial recognition, goodwill is recorded at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the date of acquisition, to each cash-generating unit of the Company that is expected to benefit from the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill forms part of a cash-generating unit and part of the operations of the unit are derecognized, the goodwill associated with these disposed operations are included in the carrying amount of the operation when determining the gain or loss on the disposal of the operation. The goodwill derecognized in these circumstances is valued on the basis of the relative values of the disposed operation and the portion of the cash-generating unit that is retained.

**b.2 Non-Controlling Interests**

The value of the interest of non-controlling shareholders of equity and comprehensive income of subsidiaries is presented respectively in the items " Not controlled shares" in the consolidated statement of financial position and "Profit attributable to non-controlling stakes" and "Total other comprehensive income, net of tax: Attributable to non-controlling interests" in the statement of comprehensive income.

**b.3 Special purpose entities**

On May 17, 2010, the Chilean Ministry of Justice granted legal personality to Colbún Foundation and approved its statutes, according to D.E. Nº3,024, hereinafter the “Foundation”. The main objectives of the Foundation include:

Promoting, encouraging and supporting all types of work and activities aimed to perfect and improve the living standards of the sectors of the population with the greatest needs.

Research, development and spread of culture and arts. The Foundation can participate in the formation, organization, management and support of all entities, institutions, associations, companies and organizations, both public and private, which pursue similar goals.

The Foundation shall support all entities whose purpose is the dissemination, investigation, encouragement and development of culture and arts.

The Foundation can finance the acquisition of real estate, equipment, furniture, laboratories, classrooms, museums and libraries, finance readjustment of infrastructure to support academic training. In addition, it can finance development of research, develop and implement instruction programs, provide development training or coaching and finance the edition and distribution of books, leaflets and any type of publication.

During exercise 2015, Colbún and its subsidiaries provided ThUS$ 797 to the Foundation for compliance of its objectives, an amount that has been included in the Company's interim consolidated financial statements.

**c. Investments accounted by using the equity method** – Correspond to the participation in companies over which Colbún exercises joint control with another company or in which it has significant influence.

The equity method consists of recording the participation by the fraction of net equity represented by the Company's interest over the adjusted capital of the investee.

If the resulting amount is negative, the participation would be recorded at zero unless there is a commitment from the Company to restore the subsidiary's equity situation, in which case the corresponding accrual is recorded.

Dividends received from these companies are recorded reducing the value of the interest and profits (losses) obtained by these companies corresponding to Colbún based on its interest are incorporated, net of their tax effects to the statement of comprehensive income account "Share of profit of associates and joint ventures accounted for using the equity method".

Companies accounted for using the equity method are detailed as follows:

| Type relationship | Company | Country | Currency | Taxpayer number | Percentage of participation at | |
|---|---|---|---|---|---|---|
| | | | | | 31.12.2015 | 31.12.2014 |
| | | | | | Direct | Direct |
| Associated | Electrogas S.A. | Chile | Dollar | 96.806.130-5 | 42.5 | 42.5 |
| Join venture | Centrales Hidroeléctricas de Aysén S.A. | Chile | Chilean Pesos | 76.652.400-1 | 49.0 | 49.0 |
| Join venture | Transmisora Eléctrica de Quillota Ltda. | Chile | Chilean Pesos | 77.017.930-0 | 50.0 | 50.0 |

**c.1 Investments in associated entities**

Associate entities are entities in which the Company has significant influence, but not control over the financial and operating policies. In general, it is assumed that there is significant influence when the Company holds between 20% and 50% of the other entity's voting rights.

**c.2 Jointly controlled entities**

Are entities in which the Company has joint control over their activities, established by means of contractual agreements and that unanimous consent is required for making strategic financial and operating decisions.

**d. Effects of variations in foreign currency exchange rates** – Transactions in local and foreign currency, other than the functional currency, are converted to the functional currency using exchange rates from the transaction dates.

Loss and profits in foreign currency resulting from liquidation of these transactions and from the conversion of monetary assets and liabilities denominated in currencies other than the functional currency at closing exchange rates are recognized in the Statement of Comprehensive Income, except for when they are deferred in net equity as cash flow hedges and net investment hedges. Likewise, the conversion of accounts receivable or payable as of each closing date is performed with the closing exchange rate during consolidation. Valuation differences produced are recorded as "Exchange rate differences" in the statement of comprehensive income.

**e. Basis of conversion –** Assets and liabilities in Chilean pesos, Euros, Peruvian soles and UF

(Unidades de Fomento – a Chilean peso-dominated inflation-indexed monetary unit) have been converted into US Dollars at the exchange rates as of the closing date of the financial statements, detailed as follows:

| Equivalency per one US Dollar | 12.31.2015 | 12.31.2014 |
|---|---|---|
| Chilean Pesos | 710.16 | 606.75 |
| Euros | 0.9168 | 0.8221 |
| Sol | 3.4101 | - |
| UF | 0.0277 | 0.0246 |

**f. Property, plant and equipment** - Property, plant and equipment items are those used in the generation of electricity services or for management purposes and are recorded at cost, net of accumulated depreciation and impairment, if applicable. The cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to operate as intended. This cost value includes – in addition to the purchase price of the assets – the following concepts, as permitted by IFRS:

- Financial cost of loans destined to finance the work in progress; this is capitalized during the construction period.
- Employee expenses related directly to work in progress.
- Expansion, modernization or improvement costs that represent an increase in productivity, capacity or efficiency or an increase in the useful lives of the assets are capitalized as higher cost of the corresponding assets.
- Substitutions or renewals of complete elements that increase the useful lives of the asset or their economic capacity are recorded as higher value of property, plant and equipment, with the consequent accounting withdrawal of the substituted or renovated elements.
- The costs of decommissioning, withdrawing or rehabilitating property, plant and equipment are based on the contractual obligation of each project (Note 25 c).

Work in progress is transferred to operational fixed assets once the testing period is ended, moment at which their depreciation begins.

Periodic maintenance expenses, conservation and repairs are accounted for in the statement of comprehensive income in the period in which they are incurred.

Property, plant and equipment items, net of their residual value are depreciated using the straight-line method distributing the cost of the different elements that compose the asset over their estimated technical useful lives (Note 5.a.(i)).

The residual value and useful lives of assets are reviewed and adjusted as necessary, as of each statement of financial position closing date.

**g. Intangibles other than goodwill -** Intangible assets acquired individually are initially measured at cost. In the case of intangible assets acquired in a business combination, it is the fair value on the acquisition date. After initial recognition, they are recognized at cost less cumulative amortization and cumulative impairment losses.

At initial recognition the Company assesses whether the useful life of intangible assets is definite or indefinite.

Assets with finite useful lives are amortized over their economic useful lives and impairment is assessed when there are indications that they may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at the end of each year. The criteria for recognizing impairment losses on these assets and, where applicable, the recovery of impairment losses recorded are explained in Note 5 b.

Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are taken into consideration in order to change the period or method of amortization, if applicable, and are treated as a change in accounting estimate. The amortization expense of intangible assets with finite useful lives is recognized in the statement of comprehensive income.

**h. Financial instruments**

**h.1. Financial assets –** Financial assets are classified into the following categories:

a) Loans and accounts receivable.
b) Financial assets held to maturity.
c) Financial assets at fair value through profit and loss.
d) Available-for-sale financial assets.

Classification depends on the nature and purpose of financial assets and is determined at the initial recognition.

**h.1.1 Loans and accounts receivable –** They are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After their initial recognition, they are recorded at amortized cost, this being the amount of consideration received less accumulated amortization (calculated using effective interest rate method) and are classified as current assets, except for those expiring more than 12 months from the date of the statement of financial position which are classified as non-current assets. Trade and other accounts receivables, accounts receivable from related parties are classified in Loans and accounts receivable.

The effective interest rate method corresponds to the method for calculating the amortized cost of a financial asset and the allocation of interest income within the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash flows receivable (including all charges on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the financial asset.

**h.1.2 Investments held to maturity –** Are investments in which the Company has the intention and capacity to hold the investment to maturity, and which are also accounted at their amortized cost. In general investments in instruments such as Fixed Time Deposits are recognized in this category.

**h.1.3 Financial assets recorded at fair value through profit and loss –** Financial assets recorded at fair value through profit and loss include the trading portfolio and financial assets that are managed and evaluated using the fair value criteria. Changes in value are recorded directly in the statement of comprehensive income when they occur. Investments in current Mutual Funds are recognized in this category.

**h.1.4 Available-for-sale investments –** Correspond to the rest of investments assigned specifically as available for sale or those that do not qualify for any of the previous three categories. These investments are recorded at their fair value when it is possible to determine this in a reliable manner.

**h.1.5 Derecognition financial assets –** The Company only derecognizes financial assets when the rights to receive cash flows have been cancelled, annulled, expired or have been transferred.

**h.1.6 Impairment of financial assets –** Financial assets other than those valued at fair value through profit and loss are evaluated as of the closing date of each exercise to establish the presence of impairment indicators. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the investment have been affected as a result of one or more events occurred after initial recognition.

The existence of significant financial difficulties on the part of the debtor, the probability that the debtor will declare bankruptcy or a financial reorganization and default or delay in payments, are considered indicators that the accounts receivable has been impaired. The value of the provision is the difference between the book value of the asset and the current value of estimated future cash flows, discounted at the effective interest rate. The loss is recognized in the statement of comprehensive income.

When an account receivable finally becomes uncollectable (all reasonable pre-judicial and judicial collection instances have been exhausted, based on the respective legal regulations) and their financial write-off is applicable, it is regularized against the allowance established for impaired accounts receivable.

When the fair value of an asset is lower than its acquisition cost and there is objective evidence that the asset has suffered impairment that cannot be considered temporary, the difference is recorded directly in losses for the year.

In the case of instruments classified as available for sale, to determine whether they have suffered impairment losses, the Company considers if there has been a significant or prolonged decrease in the fair value of the instrument below cost. Should there be any evidence of this type for financial assets available for sale, the accumulated loss determined as the difference between the cost of acquisition and the current fair value, less any impairment loss in this financial asset previously recognized in Other Comprehensive Income is eliminated from other reserves and recognized in the statement of Comprehensive Income. Impairment losses recognized in the statement of comprehensive income statement on equity instruments are not reversed.

It is not required to test financial assets at fair value through profit and loss for impairment.

Considering that, as of December 31, 2015, all the Company's financial investments have been made in institutions of the highest credit quality and they mature in the short-term (less than 60 days), impairment tests indicate that there is no observable impairment.

**h.2. Financial liabilities**

**h.2.1 Classification as debt or equity** – Debt and equity instruments are classified as either financial liabilities or equity, depending on the substance of the contractual agreement.

**h.2.2 Equity instruments** – An equity instrument is any contract that manifests a residual interest in the entity's assets once all its liabilities have been deducted. Equity instruments issued by Colbún S.A. are recorded when the compensation is received, net of direct issuance costs. To the moment, the Parent Company has only issued single series shares.

**h.2.3 Financial liabilities –** Financial liabilities are classified either as financial liabilities at 'fair value through income' or as '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 when they are held for trading or designated at fair value through the statement of comprehensive income.

**h.2.5 Other financial liabilities -** Other financial liabilities, including loans, are initially valued for the effective amount received, net of transaction costs. Other financial liabilities are subsequently valued at amortized cost by using the effective interest rate method.

The effective interest rate method corresponds to the method of calculating the amortized cost of a financial liability and the allocation of interest expenses during the entire corresponding period. The effective interest rate corresponds to the rate that exactly discounts estimated future cash flows payable during the expected life of the financial liability or, when applicable, a shorter period when the associated liability has a prepayment option that is believed will be exercised.

**h.2.6 Derecognition of financial liabilities** – The Company only derecognizes financial liabilities when the obligations are paid, void or expired.

**i. Derivatives –** Derivative contracts are signed by the company to mitigate the risks of changes in interest rates, exchange rates and the price of fuels.

The effects that arise as a result of changes in the fair value of these instruments at the date of the consolidated financial statements are recorded in the statement of comprehensive income, to the extent that they have been designated as a hedging instrument for accounting purposes and all requirements to apply IFRS hedge accounting are met.

Hedges are classified in the following categories:

- <u>Fair value hedges</u>: hedge from exposure to changes in the fair value of recognized assets or liabilities or unrecognized firm commitments that can be attributed to a particular risk. For this type of hedge, both the value of the hedge instrument and the hedged element are recorded in the statement of comprehensive income netting both effects in the same heading.

- <u>Cash flow hedges</u>: hedge from exposure to changes in cash flows that (i) are attributed to a particular risk associated to a recognized asset or liability or to a highly probable foreseen transaction. Changes in the fair value of derivatives are recorded, for the part of those hedges that are effective, in the Total Equity reserve called “Cash Flow Hedge Hedges”. The accumulated deficit or profit in that heading is transferred to the statement of comprehensive income to the extent that the underlying has an impact on the statement of comprehensive income due to the risk hedged, netting that effect in the same heading. Profits (losses) from the ineffective part of hedges are recorded directly in the statement of comprehensive income.

A hedge is considered highly effective when changes in the fair value or in cash flows of the underlying attributable to the risk hedged, are offset with changes in fair value or in effective cash flows of the hedge instrument, with effectiveness in the range of 80% - 125%. In the periods covered by these consolidated financial statements the Company designated certain derivatives as hedge instruments on highly probable foreseen transactions or exchange rate risk hedge instruments on firm commitments (cash flows hedge instruments).

In this respect, all derivatives have been designated as hedge accounting.

**j. Inventory** – Inventory includes petroleum and coal stocks, which are valued at weighted average price, and inventory in warehouse (spare parts) and in transit that are valued at cost, net of any obsolescence allowance, calculated at the end of each year.

**j.1** Criteria to calculate obsolescence allowance on spare parts – The estimation of the spare parts that are obsolete is based on an item by item basis and general analysis that is perfomed by the company's technical personnel, who assessed the rotation and technological obsolescence of the spare parts stock at each plant.

**k. Statement of cash flows** – The Company has determined the following considerations for the purpose of preparing the statement of cash flows:

Cash and cash equivalents include available cash, term deposits to credit entities and other short-term investments with high liquidity that mature in less than 3 months and which are subject to significantly low risk of changes in value. In the statement of financial position, bank overdrafts are classified as current liabilities.

<u>Operating activities:</u> correspond to the activities that constitute the Company's main source of ordinary income, as well as other activities that cannot be qualified as investing or financing.

<u>Investing activities:</u> correspond to activities involving acquisition, alienation or disposal by other means of non-current assets and other investments not included in cash and cash equivalents.

<u>Financing activities:</u> correspond to activities that produce changes in the size and composition of net equity and of liabilities of a financial segment.

**l. Income taxes** – The Company and its subsidiaries determine the taxable income and calculate their income taxes in compliance with the valid legal provisions for each period.

Deferred taxes arising from temporary differences and other events that create differences between the accounting and tax base of assets and liabilities are recorded in accordance with the standards established in IAS 12 "Income taxes".

Corporate taxes are recorded in the statement of comprehensive income or other comprehensive income of the consolidated statement of financial position depending on where the profits or losses that originate them were recorded. Differences between the accounting value of assets and liabilities and their tax base generate balances of deferred tax assets or liabilities that are calculated using the tax rates expected to be effective when the assets and liabilities are realized.

Variances produced during the period in deferred tax assets or liabilities are recorded in the profits account on the consolidated comprehensive income statement or in the categories of total equity in the statement of financial position, based on where profits or losses generated have been recorded.

As an exception to the rule previously described, on October 17, 2014 the Superintendencia de Valores y Seguros under its authority issued Circular No. 856 instructed entities under its supervision to record the differences in assets and liabilities for deferred tax assets or liabilities arising as a direct effect of the changes in the tax rates introduced by Law 20.780 that was issued on September 29, 2014, against equity (retained earnings).

Deferred tax assets are only recognized when it is expected that the Company will have sufficient future tax profits in order to recover deductions for temporary differences and use the tax losses.

Non-monetary taxable assets and liabilities are determined in Chilean Pesos and are converted to the functional currency of Colbún and its subsidiaries at the exchange rate indicated for each period closing date. Changes in the exchange rate result in temporary differences.

Each accounting close deferred tax assets and liabilities are recorded in order to verify that they are still current, making timely corrections in accordance with the results of the mentioned analysis.

A level of accounts in the consolidated statement of financial position has been clearing assets and deferred tax liabilities of Colbún´s and its subsidiaries if, and only if, they relate to the tax corresponding to the same income tax administration, provided that the entity has a legally enforceable set off the current tax assets with current tax liabilities law.

**m. Severance Benefits–** Obligations recognized for the concept of termination benefits at any event arise as a consequence of agreements of a collective nature signed with the Company’s employees, which establish the Company’s commitment. The Company recognizes the cost of employee benefits in accordance with an actuarial calculation as required by IAS 19 “Employee Benefits”, which includes variables such as life expectancy, salary increases, etc.

The amount of net actuarial liabilities accrued as of the end of the period is shown under the heading “Provisions for employee benefits” of current and non-current liabilities in the interim consolidated statement of financial position.

The Company recognizes all actuarial profits or losses arising from the valuation of defined benefits plans in other comprehensive income, whereas costs related to benefit plans are recorded under employee expenses in the statement of comprehensive income.

**n. Provisions** – Obligations existing as of the date of the statement of financial position, arising as a consequence of past events which can probably affect the Company equity and whose amount and time of payment can be reliably estimated are recorded as provisions for the current value of the most probable estimated amount that the Company will have to disburse to pay the obligation.

Provisions are reviewed periodically and are quantified considering the best information available as of the consolidated financial statements closing date.

**n.1 Restructuring –** A restructuring provision is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuration as such has already begun or has been publicly announced. Future operating costs are not provisioned.

**n.2 Vacations** – The expense related to the personnel vacations is recorded in the statement of comprehensive income when the employee acquires the right to it in compliance with IAS 19.

**o. Recognition of income** - Income from the sale of electric energy, in Chile and Peru, is valued at the fair value of the amount received or to be received and represents the amounts for the services rendered during normal commercial activities, reduced by any related tax or discount.

The following is a description of the revenue recognition policies for each type of client:

- Regulated clients - distribution companies: Income sale of energy and power capacity is recorded on the basis of physical delivery, in conformity with its long-term contracts at a tendered price.
- Unregulated clients – connected capacity greater than 2,000 KW in Chile and between 200 KW and 2,500 KW in Perú: Income sale of energy and power capacity for these clients is recorded on the basis of physical delivery at the rates specified in the respective contracts.
- Spot market clients: Income sale of energy and power capacity are recorded on the basis of physical delivery to other generating companies, at the marginal cost. By law the spot market is organized and coordinated through the “Centro de Despacho” (CDEC in Chile and COES in Peru), where the surplus or deficit of energy and power capacity is commercialized. Surplus energy and

power capacity is recorded as income and deficits are recorded as expenses in the consolidated statement of comprehensive income.

When goods or services are exchanged for other goods or services of a similar nature and value, the exchange is not considered to be a transaction that generates income.

In addition, any tax received from clients and sent to the government authorities (for example VAT, sales tax or duties, etc.) is recorded on a net basis and therefore is excluded from income in the consolidated statement of comprehensive income.

**p. Dividends** - Article 79 of the Companies Law establishes that, unless there is another agreement adopted at an Ordinary Shareholders' Meeting, by unanimity of shares issued, publicly traded stock companies must distribute annually at least 30% of distributable net income for the year as cash dividends to their shareholders, prorated to their shares or in the proportion established in the bylaws, should there be preferred shares, except when accumulated deficit from previous years must be absorbed.

As of each year-end the amount of the obligation with shareholders is determined, net of dividends that have been approved during the year and are recorded under "Trade and Other Accounts Payable" or under "Accounts Payable to Related Entities", as applicable, with a charge to Net Equity.

The provisional and final dividends are recorded as a decrease in equity at the moment of their approval by the competent body which, in the first case, is generally the Company's Board of Directors, or in the second case the Ordinary Shareholders' Meeting.

**q. Environment** – In the event of environmental liabilities, they are recorded on the basis of the current interpretation of environmental laws and regulations, when it is probable that a real obligation will be produced and the amount of that liability can be reliably calculated (see note 25.c).

Investments in infrastructure destined to complying with environmental requirements are capitalized following the general accounting criteria for property, plant and equipment.

**r. Classification of balances as current and non-current** - In the interim consolidated statement of financial position, balances are classified based on their expiration, i.e. as current those expiring in twelve months or less and as non-current those expiring in excess of that period.

**s. Leases** –The Company applies IFRIC 4 to assess whether an agreement is or contains a lease. Leases in which substantially all risks and benefits inherent to ownership are transferred, are classified as financial leases. All other leases are classified as operating leases.

Financial leases in which Colbún S.A. and its subsidiaries act as lessee are recognized at the beginning of the contract, recording an asset based on its nature and a liability for the same amount and equal to the fair value of the leased asset or else at the present value of minimum payment of the lease should be lower. Subsequently, minimum lease payments are divided between the finance cost and reduction of the debt. The financial cost is recognized as an expense and distributed over the term of the lease in order to obtain a constant interest rate in each year on the balance of the debt pending amortization. The asset is depreciated under the same terms as the rest of similar depreciable assets, should there be reasonable certainty that the lessee will acquire ownership of the asset at the end of the lease. If such certainty does not exist, the asset is depreciated over the useful life of the asset or over the term of the lease, whichever is shorter.

Operating lease installments are recognized as an expense using the straight-line method over the term of the lease, unless another systematic distribution basis is more representative.

**t. Operations with related parties -** Operations between the Parent Company and its dependent subsidiaries or between subsidiaries, known as related parties, are part of the Company's regular transactions in terms of its purpose and conditions, and are eliminated in the consolidation process. The identification of the relationship between the Parent Company, Subsidiary, Joint Ventures and Associates is described in note 3 3.1.b and c.

All related party transactions are carried out under market terms and conditions.

**u. Government grants** - Government subsidies are measured at the fair value of the asset received or to be received. A subsidy without specific future performance conditions is recognized as income when the amounts obtained from the subsidy are received. A subsidy that imposes specific future performance conditions is recognized as income when such conditions are fulfilled.

Government subsidies are presented separately from the assets to which they are related. Government subsidies recognized as income are presented separately in the notes. Government subsidies received before the income criteria are fulfilled are presented as a separate liability in the statement of financial position.

No amount whatsoever is recognized for government assistance to which fair value cannot be assigned. However, if it exists, the entity must disclose information regarding that assistance.

**v. Interest Costs** - Interest costs that are directly attributable to the acquisition, construction or production of an asset and whose start-up or sale necessarily requires a prolonged period of time are capitalized as part of the cost of the asset. The Company has established a policy to capitalize interests based on the phase of construction. All other interest costs are recognized as expenses in the period incurred. Financial expenses include interest and other costs incurred by the Company in relation with financing obtained.

**w. Goodwill or Goodwill** - Is the excess of the sum of the consideration transferred recorded over the net value of the assets acquired and liabilities assumed. If the fair value of the net assets acquired exceeds the value of the consideration transferred, the Company conducts a new assessment to ensure that it has correctly identified all the assets acquired and all liabilities assumed and reviews the applied procedures for assessing the amounts recognized at the acquisition date. If this new assessment results in an excess of fair value of net assets acquired over the aggregate amount of the consideration transferred, the difference is recognized as profit in the statement of income.

After initial recognition, goodwill is recorded at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the date of acquisition, to each cash-generating unit of the Company that is expected to benefit from the combination, independently of whether there other assets or liabilities of the acquiree assigned to those units.

When goodwill is part of a cash-generating unit and part of the operations of the unit are derecognized, the goodwill associated with these disposed operations are included in the carrying amount of the operation when determining the gain or loss from the disposal of the operation. Goodwill derecognized in these circumstances is valued on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit that is retained.

**3.2 New accounting pronouncements**

The following new Standards and Interpretations have been issued, but their application date is not yet effective:

| New IFRS | | Date of mandatory application |
|---|---|---|
| NIIF 9 | Financial Instruments. Classification and measurement | January 1, 2018 |
| NIIF 14 | Regulatory Deferral Accounts | January 1, 2016 |
| NIIF 15 | Revenue from Contracts with Customers | January 1, 2017 |
| NIIF 16 | Leases | January 1, 2019 |

IFRS 9 "Financial Instruments"

In July 2014 it was issued the final version of IFRS 9 Financial Instruments, gathering all phases of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard includes new requirements based on principles for the classification and measurement, introduces a "more forward-looking" model of expected accounting impairment substantially reformed and focus hedge accounting for credit losses. The institutions also have the option of applying in advance accounting gains and losses from changes in fair value related to the "own credit risk" to financial liabilities designated at fair value through profit or loss, without using the other requirements of IFRS 9.The standard is mandatory for annual periods beginning on or after January 1st, 2018. Earlier application is permitted.

IFRS 14 "Regulated Deferral Accounts"

Issued in January 2014, is a standard that aims to improve the comparability of financial information from entities that are involved in activities with regulated prices. Many countries have industries that are subject to price regulation (eg gas, water and electricity), which can have a significant impact on the recognition (timing and amount) of income of the entity. This standard allows entities adopting IFRS for the first time to continue to recognize amounts related to price regulation under the previous GAAP requirements, however, by showing them apart. An entity that presents financial statements under IFRS should not implement this standard. Its application is effective starting on January 1st, 2016 and early adoption is permitted.

IFRS 15 "Revenue from contracts with customers"

It is a new standard that is applicable to all contracts with customers except leases, financial instruments and insurance contracts. It is a joint project with the FASB to eliminate differences in the recognition of income between IFRS and US-GAAP. This new standard is intended to improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparability of companies from different industries and regions. It provides a new model for recognizing revenue and more detailed requirements for contracts with multiple elements. It also requires more detailed disclosures. Application is effective starting on January 1st, 2017 and early adoption is permitted.

IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16 Leases. IFRS 16 establishes the definition of a lease contract and specifies the accounting treatment of assets and liabilities arising from these contracts from the point of view of the lessor and lessee. The new standard does not differ significantly from the norm that precedes it, IAS 17 Leases, regarding the accounting treatment from the point of view of the lessor. However, from the point of view of the tenant, the new standard requires the recognition of assets and liabilities for most leases. IFRS 16 is mandatory for annual periods beginning on or after January 1, 2019. Early application is permitted if it is adopted in conjunction with IFRS 15 Revenue from Contracts with Customers.

| Amendments to IFRS | Date of mandatory application |
|---|---|
| IAS 19 Employee Benefits | January 1, 2016 |
| IAS 16 Property, plant and equipment | January 1, 2016 |
| IAS 38 Intangible Assets | January 1, 2016 |
| IAS 41 Agriculture | January 1, 2016 |
| IFRS 11 Joint arrangements | January 1, 2016 |
| IAS 27 Separate Financial Statements | January 1, 2016 |
| IAS 28 Investments in Associates and Joint Ventures | January 1, 2016 |
| IFRS 10 Consolidated Financial Statements | January 1, 2016 |
| IFRS 5 Non-current Assets Held for Sale and Discontinued Operations | January 1, 2016 |
| IFRS 7 Financial Instruments: Disclosures | January 1, 2016 |
| IAS 34 Interim Financial Reporting | January 1, 2016 |
| IFRS 12 Disclosure of Interests in Other Entities | January 1, 2016 |
| IAS 1 Presentation of Financial Statements | January 1, 2016 |

IAS 19 “Employee Benefits”

"Annual Improvements 2012-2014 cycle" issued in September 2014, clarifies that the depth of the market for corporate bonds of high credit quality is evaluated based on the currency in which the obligation is denominated, rather than the currency of a country in which the obligation exists. If the market for such bonds in that currency is not deep enough, bonds issued by government in the same currency and the same maturity will be used. The amendments will become mandatory for annual periods beginning from January 1st, 2016. Earlier application is permitted.

IAS 16 "Property, Plant and Equipment", IAS 38 "Intangible Assets"

IAS 16 and IAS 38 establish the core principle of depreciation and amortization to be the expected pattern of consumption of the future economic benefits of an asset. In its amendments to IAS 16 and IAS 38 published in May 2014, the IASB clarified that the use of income-based methods to calculate depreciation of an asset is not suitable because the income generated by an activity that involves the use of an active generally reflect factors other than consumption of the economic benefits embodied in the asset. The IASB also clarified that income generally has an inadequate basis for measuring the consumption of the future economic benefits embodied in an intangible asset. However, this presumption may be rebutted in certain limited circumstances. The amendments apply to count from January 1st, 2016. Earlier application is permitted.

IAS 16 "Property, Plant and Equipment", IAS 41 "Agriculture"

The amendments to IAS 16 and IAS 41 require that the accounting treatment of host plants must be equal to Property, plant and equipment, because their operations are similar to manufacturing operations. The amendments apply to count from January 1st 2016. Earlier application is permitted.

IFRS 11 "Joint Arrangements"

The amendments to IFRS 11, issued in May 2014, apply to the acquisition of an interest in a joint operation which constitutes a business. The amendments clarify that the buyers of these parts must apply all the principles of accounting for business combinations IFRS 3 Business Combinations and other rules that are not in conflict with the guidelines of IFRS 11 Joint Arrangements. The amendments apply to count from January 1st, 2016. Earlier application is permitted.

IAS 27 "Separate Financial Statements"

The amendments to IAS 27, issued in August 2014, reset the option of using the equity method accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements. The amendments will become mandatory for annual periods beginning on or after January 1st, 2016. Earlier application is permitted.

IAS 28 "Investments in Associates and Joint Ventures" IFRS 10 "Consolidated Financial Statements"

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address a recognized inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the treatment of the sale or supply of goods between an investor and its associate or joint venture. The amendments issued in September 2014, provides that when the transaction involves a business (both when in a subsidiary or not) a gain or loss is fully recognized. A gain or partial loss is recognized if the transaction involves assets that do not constitute a business, even when the assets are in a subsidiary. The amendments will become mandatory for annual periods beginning on or after January 1st, 2016. Earlier application is permitted.

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

“Annual Improvements cycle 2012–2014”, clarifies that if an entity reclassifies an asset (or group of assets for disposal) from held for sale to directly held for distribution to owners, or from held for distribution to owners to directly held for sale, then the change in classification is considered a continuation of the original plan of sale. The IASB clarifies that in these cases the requirements of accounting for changes shall not apply to a sale plan. The amendments will become mandatory for annual periods beginning on or after January 1st, 2016. Earlier application is permitted.

IFRS 7 "Financial Instruments: Disclosures"

“Annual Improvements cycle 2012–2014”, clarifies that service agreements may constitute continuing involvement in a transferred asset for the purposes of the disclosures for transfers of financial assets. Usually this will be the case when the administrator has an interest in the future performance of financial assets transferred as a result of that contract. The amendments will become mandatory for annual periods beginning on or after January 1st, 2016. Earlier application is permitted.

IAS 34 "Interim Financial Reporting"

"Annual Improvements cycle 2012-2014", issued in September 2014, clarifies that the disclosures required should be included in the interim financial statements or should be indicated and cross referenced between interim financial statements and any other interim report that contains them. The amendments will become mandatory for annual periods beginning on or after January 1st, 2016. Earlier application is permitted.

IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 28 "Investments in Associates and Joint Ventures"

Amendments to IFRS 10, IFRS 12 and IAS 28 introduce minor clarifications regarding the requirements for accounting for investment companies. In addition, these amendments provide relief in certain circumstances, which will reduce the cost of implementing these standards. The amendments will become mandatory for annual periods beginning on or after January 1st, 2016. Earlier application is permitted.

IAS 1 "Presentation of Financial Statements"

In December 2014 the IASB issued amendments to IAS 1 "Disclosure Initiative". The amendments to IAS 1 addresses some expressed concerns about the presentation and disclosure requirements, and ensure that entities have the ability to exercise judgment when applying IAS 1. The amendments will become mandatory for annual periods beginning on or after January 1st, 2016. Earlier application is permitted.

The Company is evaluating the impact that these new standards and its amendment will have as of the date of their effective application. The management of the Company believes that there should not be significant effect on the consolidated financial statements.

### 3.3 Responsibility for information and estimates performed

The information contained in the present consolidated financial statements is the responsibility of the Company's Board of Directors, which expressly states that it has applied all instructions and rules regarding the preparation and presentation of financial information issued by the SVS, which are composed of IFRS issued by the "IASB", and the SVS rules including Official Circular No. 856, of the SVS.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts of assets and liabilities as of the date of the financial statements and the amounts of income and expenses during the reported year. These estimates are based on management's best knowledge of the amounts, events or actions reported.

In the preparation of the consolidated financial statements estimates such as the following have been used:

- Useful lives and residual values of property, plant and equipment and intangibles (see notes 3.1.f and 5.a)
- Asset valuation to determine the existence of impairment losses (see Note 5.b).
- Hypothesis used to calculate the fair value of financial instruments (see Note 3.1.h).
- Hypothesis used in the actuarial calculation of liabilities and obligations with employees (see Note 3.1.m).
- Probability of occurrence and the amount of uncertain or contingent liabilities (see Note 3.1.n).
- The taxable income of the different subsidiaries of the Company, which will be declared to the respective tax authorities in the future and have been the basis for the recording of different balances related to income taxes in these consolidated financial statements (see Note 3.i).

Although these estimates have been performed with the use of the best information available on the date of issuance of these consolidated financial statements, it is possible that events that might take place in the future could result in modification (upward or downward) in future periods, which would be applied prospectively when the change becomes known, recognizing the effects of the change in estimate in the corresponding future consolidated financial statements in accordance with IAS 8.

## 4. Financial Risk Management

### 4.1 Risk management policy

The risk management strategy is oriented to safeguard the Company's stability and sustainability, eliminating or mitigating the uncertainty variables that do or might affect it.

Risks management assumes the identification, measurement, analysis, mitigation and control of the different risks arising from the Company's different management departments, as well as estimating the impact on its consolidated position, follow up and control throughout time. This process involves the intervention of the Company senior management and the risk taking areas.

Tolerable risk limits, metrics for measuring risk and periodicity of risk analysis are policies established by the Company’s Board of Directors.

The risk management function is carried out by a Risk Committee with support of the Risk Management and Control Management Area and in coordination with the rest of the Company’s divisions.

A Risk Committee performs the risk management function with the support of Corporate Risk Management and in coordination with the other divisions of the Company.

### 4.2 Risk factors

The activities of the Company are exposed to various risks, which have been classified into electricity business risks and financial risks.

#### 4.2.1 Electrical business risks

At Colbún, risk management is a strategic issue to safeguard the principles of company stability and sustainability, eliminating or mitigating uncertainty variables that could significantly affect the achievement of its objectives.

Fully managing risks assumes the identification, assessment and control of the different risks faced by the different areas of the company, as well as estimating their impact of its consolidated position, follow up and control over time. This process involves Colbún's senior management and the areas that directly manage the risks.

The Risks Committee, with the support of Corporate Risk Management and in coordination with the rest of the company's divisions follows up on risk management.

**a. Hydrological risk**

In Chile, 48% of Colbún’s power plants correspond to hydro facilities that are exposed to hydrology conditions. 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, operating its inefficient thermal plants or even buying the energy on the spot market.

This situation raises Colbún’s costs, increasing variability of its earnings depending on the hydrological conditions. The Company's exposure to hydrological risk is reasonably mitigated by a commercial policy that aims to maintain a balance between competitive base generation (hydro generation in a medium to dry year and thermal coal generation) and commercial commitments. Under conditions of extreme and recurrent drought, a potential shortage of water for refrigeration could affect the generation capacity of combined cycles, whose impact could be mitigated by the purchase of water from third parties and/or by operating these units in an open cycle.

In Peru, Colbún has a combined cycle plant and commercial policy oriented towards committing that energy base. The exposure to dry seasons is restricted since it would only impact in the event of potential operational failures requiring Colbún to resort to the spot market. Additionally, the Peruvian electrical market presents an efficient thermal offering and greater availability of natural gas compared to the Chilean electric market.

**b. Fuel price risk**

In Chile in situations of low water availability in its hydro power plants, Colbún should use its thermal plants or purchase energy in the spot market at marginal cost. In these scenarios, there is a risk associated to potential variations in international fuel prices. Part of this risk is mitigated by contracts, whose selling prices are also indexed to changes in fuel prices. Additionally, in order to reduce fuel price risks there is a hedge program in place with different derivative instruments such as call options and put options to hedge the remaining exposure, if necessary.

In Peru, the cost of natural gas is less dependant to international prices due to an important domestic offering of this hydrocarbon, limiting its exposure to this risk. Like Chile, the proportion exposed to variations in international prices is mitigated by indexed formulas in energy sales contracts.

Due to the above, exposure to the risk of changes in fuel prices is largely mitigated.

**c. Fuel supply risks**

For the liquid fuel supply, in Chile the Company has agreements with suppliers and its own storage capacity to ensure adequate reliability in respect to the availability of this type of fuel.

Regarding the supply of natural gas, in Chile Colbún has medium-term contracts with ENAP and Metrogas and in Peru the Fenix plant has long-term contracts with the ECL88 Consortium (Pluspetrol, Pluspetrol Camisea, Hunt, SK, Sonatrach, Tecpetrol and Repsol) and gas transportation agreements with TGP.

New tenders have been undertaken inviting important international suppliers to bid on coal purchases for the Santa María unit I power plant, awarding the supply contract to well supported competitive companies. This is in line with an early purchasing policy in order to substantially mitigate any risk of not having this fuel available.

**d. Equipment failure and maintenance risks of facilities Colbún**

The availability and reliability of Colbún´s generating units and transmission facilities are essential to the business. This is why Colbún has a policy to conduct regular maintenance on its equipment according to the recommendations of its suppliers and also maintains a policy to cover such risks through insurances for its physical assets, including coverage for physical damage and/or other loss of profit.

Regarding this risk and despite the daily operational management carried out by the company, on October 16, 2015, while maintenance works were being carried out in the Unit 1 of Central Chacabuquito (29 MW), located in the district of Los Andes, an incident occurred with a medium voltage switch, which has kept that Central out of service. Entry into service is expected during the first half of 2016.

**e. Project construction risks**

The development of new generation and transmission projects can be affected by factors such as delays in obtaining environmental approvals, regulatory framework changes, prosecutions, increase in the price of equipment, opposition from local and international stakeholders, and adverse geographical conditions, natural disasters, accidents or other unforeseen events.

The Company's exposure to such risks is managed through a commercial policy that considers the effects of potential project delays. Alternatively we incorporate clearance levels with respect to the time and cost of construction estimates. Additionally, the Company's exposure to this risk is partially covered with the “All Construction Risk” insurance policies covering both physical damage and loss of profit as a result of delay in service resulting from a disaster, both with standard deductibles for this type of insurance.

We face a very challenging electricity market, with a lot of activity on the part of diverse interest groups, mainly from local communities, which are legitimately looking for more participation and prominence. Additionally, even though it is necessary to build new infrastructure, a long and uncertain environmental approval process is needed. On top of that, after the approval there is a long and litigious process. This situation has led to a decrease in the construction of significant new projects.

Colbún also has a policy to integrate with excellence social and environmental development dimensions to their projects. Meanwhile, the Company has developed a model of social link that allows it to work with neighboring communities and society in general, starting a transparent process of public participation and confidence-building in the early stages of projects and throughout the life cycle thereof.

**f. Regulatory risks**

Regulatory stability is fundamental to the generation sector, due to the long-term nature of the development, execution and return on investment of investment projects. Colbún believes that regulatory changes must be made, taking into consideration the complexities of the electrical system and maintaining adequate investment incentives. It is important to have a regulation that provides clear and transparent rules that consolidate the trust of the agents in the sector.

In Chile, the energy agenda promoted by the government considers different regulatory changes which, depending on the form in which they are implemented, could represent an opportunity or risk for the Company. Changes that are currently being discussed in the Congress regarding (i) the new Transfer Law that will redefine fundamental aspects of this segment and a new organization of the CDECs that considers CDEC-SIC and CDEC-SING merger, (ii) the reformation of the Water Code, and (iii) the Fair Tariff Act that seeks a certain tariff equivalence in the country in order to facilitate the development of new electricity projects at a local level; are particularly relevant. In the same way, cross-cutting draft laws such as the denominated "Labor Reform", particularly those topics that are critical to the electricity generation industry like the qualification of "strategic companies" and "minimal services" for replacement in case of a strike, are also important to the business. Relevant regulatory initiatives also include: (i) the definition of the country's long-term Energy Policy (2050) and (ii) the Law on Biodiversity and Protected Areas, which is currently being discussed in the Congress, among others.

In Peru, the regulatory authority is promoting certain changes in energy matters. Among the regulatory changes we can mention: (i) Proposal for modification of LCE regulation (Law of Electric Concessions) regarding the definition of regulated and free users and how it could change regulated commitments before an eventual transfer of regulated to free users and (ii) Proposal for regulation of short-term markets about the possibility that free customers can have direct access to spot market prices.

The necessary and balanced development of the electricity market during the next few years depends greatly on the quality of these new regulations and the indications provided by the authorities

**g. Risk of change in demand and selling price of electric energy**

The projection of future electricity consumption demand is information that is very relevant to the determination of its market price.

In Chile, the medium term, lower-than-projected growth in demand would produce an imbalance between supply and demand, thus affecting energy prices. On the other hand, there is a higher development of NCRE projects at more competitive rates that also contribute efficient supplies.

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

#### 4.2.2 Financial risks

The risks associated with the inability to perform transactions or the breach of obligations from the activities for lack of funds, as well as variations in interest rates, exchanges rates, counterparty bankruptcy or other financial market variables that may materially affect Colbún.

**a. Foreign Exchange rate risk**

The exchange rate risk is mainly due to currency fluctuations that come from two sources. The first source of exposure comes from cash flows corresponding to revenue, costs and disbursements of investments denominated in currencies other than the functional currency (U.S. dollar). The second source of risk corresponds to the accounting mismatch between assets and liabilities of the statement of financial position denominated in currencies other than the functional currency.

Exposure to cash flows in currencies other than U.S. dollar is limited because virtually all sales of the company are denominated directly in or indexed to dollar. Similarly, the main costs are related to the purchases of diesel oil, natural gas and coal, incorporating pricing formulas based on international prices denominated in dollars. Regarding disbursements of investment projects, the company incorporates indexers in its contracts with suppliers and resorts to the use of derivatives to fix the expenses in currencies other than U.S. dollar.

Exposure to the mismatching of accounts is mitigated by applying a policy of maximum mismatch between assets and liabilities for those structural items denominated in currencies other than U.S. dollar. For the above purposes , Colbún maintains a significant proportion of its cash surpluses in dollars and additionally resorts to the use of derivatives mainly using currency swaps and forwards.

Given the above, as of December 31, 2015, the Company's exposure to this risk is quite restricted, resulting in an exchange difference of approximately US$1.8 million on a quarterly basis based on a sensitivity analysis with 95% confidence.

**b. Interest rate risk**

Refers to changes in interest rates that affect the value of future cash flows tied to a floating interest rate, and changes in the fair value of assets and liabilities linked to fixed interest rate that are measured at fair value. In order to mitigate these risks fixed interest rate swaps are used.

The Company's financial debt, including the effect of the contracted interest rate derivatives, has the following profile:

| **Interest rate** | **12.31.2015** | **12.31.2014** |
|---|---|---|
| Fixed | 100% | 100% |
| Variable | 0% | 0% |
| **Total** | **100%** | **100%** |

As of December 31, 2015, all financial debt of the company is denominated at a fixed rate.

**c. Credit risk**

The Company is exposed to the risk arising from the possibility that a counterpart fails to meet its contractual obligations, producing an economic or financial loss. Historically, all of Colbún's counterparties with which it has maintained supply energy contracts have made the corresponding payments correctly.

With respect to cash and derivatives statements, Colbún has entered into these transactions with entities with high credit ratings. Additionally, the Company has established limits by counterparty, which are approved by the Board of Directors and periodically reviewed.

As of December 31, 2015, cash surpluses are invested in mutual funds of subsidiaries of banks and in fixed-time deposits in local and international banks. The former correspond to short-term mutual funds with maturities of less than 90 days, and known as "money market". In the case of fixed-time deposits, these are made in local banks with a credit rating equal or superior to AA- and foreign banks with investment grade credit rating. At the end of the period, the financial institution that concentrates the highest share reaches 19%. Regarding existing derivatives, the Company's international counterparts have a credit rating equivalent to A- or higher and national counterparts have local credit rating of AA+ or higher. It should be noted that no counterpart concentrates more than 15% in notional terms.

**d. Liquidity risk**

This risk results from different funding requirements to meet investment commitments and business expenses, debt payments, among others. The funds needed to meet these cash flow outputs are obtained from our own resources generated by the ordinary activity of Colbún and by contracting credit lines to ensure sufficient funds to cover projected needs for a given period.

As of December 31, 2015, Colbún has cash in excess for an amount of US$ 1.061,5 million, invested in mutual funds and time deposits with a maturity of less than 60 days. The Company also has as additional liquidity sources available to date: (i) a committed line with local banks for UF 4 million, (ii) two lines of bonds registered in the local market for a total amount of UF 7 million, (iii) a line of trade notes in the local market for UF 2.5 million and (iv) uncommitted bank lines of approximately US$ 175 million.

In the next 12 months, the Company must disburse approximately US$518 million in interests and amortization of principal. These disbursements consider the refinancing of Fenix's current bank debt of approximately US$ 362 million to be carried out during 1Q16. In addition, it considers the amortization for US$ 40 million of an international bank credit granted to Colbún S.A. This last credit, with the remaining interest and lower amortization, is expected to be covered with the Company's own cash flow generation.

As of December 31, 2015, Colbún has a national risk rating of A+ by Fitch Ratings and AA- by Humphreys, both with stable perspectives. At the international level, the Company's rating is BBB by Fitch Ratings and BBB- by Standard & Poor's (S&P), both with stable perspectives.

Considering the foregoing, it is believed that the Company´s liquidity risk is currently limited.

**4.3 Risk measurement**

The Company periodically analyzes and measures its exposure to the different risk variables, in accordance with the previous paragraphs.

Regarding business risks, specifically with those related to changes in commodity prices, Colbún has implemented mitigation measures consistent with indexers in contracts for sale of energy and hedges with derivative instruments to hedge any possible remaining exposure. It is for this reason that it does not present a sensitivity analysis.

To mitigate the risk of equipment failure or construction projects, the Company has insurance coverage for damage to its physical property, business interruption damages and loss of profit for delay in the commissioning of a project. This risk is considered to be fairly limited.

With regard to financial risks, for purposes of measuring exposure, Colbún prepares a sensitivity analysis and Value at Risk in order to monitor potential losses assumed by the Company in the event that exposure exists.

Credit risk is limited because Colbún works only with local and international banking counterparties with high credit ratings and has established policies of maximum exposure per counterparty that limits the specific concentration with these institutions.

Liquidity risk is regarded as low considering the relevant cash position of the company, the amount of financial obligations over the next twelve months and access to additional sources of funding, including committed and uncommitted financing lines.

The risk of changes in interest rates is fully mitigated because 100% of the debt is fully contracted at a fixed rate (directly and using derivatives).

Exchange rate risk is also considered to be limited because the main cash flows of the Company (revenue, costs and disbursements of projects) are directly denominated in or indexed to U.S. dollar. Exposure to mismatching of accounts is mitigated by applying a policy of maximum mismatch between assets and liabilities for those structural items denominated in currencies other than the dollar.

Given the above, as of December 31, 2015, the Company's exposure to this risk is quite restricted, resulting in an exchange rate difference of approximately US$ 1.8 million on a quarterly basis based on a sensitivity analysis with 95% confidence.

**5. Critical accounting criteria**

Management must necessarily use its judgment and make estimates that have a significant effect on the figures presented in financial statements. Changes in assumptions and estimates might have a significant impact on the consolidated financial statements. Critical estimates and judgments used by management to prepare these consolidated financial statements are detailed as follows:

**a. Calculation of depreciation, amortization and estimate of associated useful lives:**

Property, plant and equipment and Intangible assets other than goodwill with a defined useful life are depreciated and amortized linearly based on their estimated useful lives. The useful lives have been estimated and determined considering technical aspects, the nature of the asset and their condition.

Estimated useful lives as of the dates of the Balances of Financial Position are detailed as follows:

**(i) Useful lives of property, plant and equipment:**

The useful lives of the main property, plant and equipment items are detailed as follows:

| Class of property, plants and equipments | Range of estimated useful life | Average remaining useful life |
|---|---|---|
| Buildings and infrastructure | 30 - 50 | 25 |
| Machinery and equipment | 20 - 50 | 27 |
| Transport equipment | 5 - 15 | 10 |
| Office equipment | 5 - 30 | 29 |
| Computer equipments | 3 - 10 | 4 |
| Other property, plants and equipment | 30 - 50 | 33 |

The following provides additional detailed subdivided by type of plant:

| Classes of plants | Range of estimated useful lives | Average remaining useful life |
|---|---|---|
| **Generating facilities** | | |
| Hydraulic power plants | | |
| Civil works | 30 - 50 | 34 |
| Electromechanical equipment | 20 - 50 | 38 |
| Thermoelectric power plants | | |
| Civil works | 20 - 50 | 27 |
| Electromechanical equipment | 20 - 35 | 21 |

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

Intangible assets of a contractual relationship with customers relate mainly to energy supply contracts associated with our subsidiary Fenix Power Perú S.A.

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

| Intangible Assets | Range of estimated useful life |
|---|---|
| Contractual relations of clients. | 2 - 12 |
| Software | 1 - 15 |
| Rights and concessions | 2 - 10 |

At the close of each fiscal year, it is assessed whether there is any indication that an asset might have suffered an impairment loss. If there is an indication, an estimate is made of the recoverable amount of the asset to determine, if applicable, the amount of impairment.

**(iii) Useful lives of intangible assets other than goodwill (with indefinite useful lives)**

The Company analyzed the useful lives of intangible assets other than goodwill, easements and water rights, among other items, concluding that there is no foreseeable limit to the period, in which the asset will generate net cash inflows. For these intangible assets it was determined that their useful lives are of an indefinite nature.

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

As of each year end or on the dates considered necessary, the value of assets is analyzed to determine whether there is any indication that those assets have suffered an impairment loss. Should there be any indicator; an estimate of the recoverable amount of that asset is made to determine the necessary write-down. In the case of identifiable assets that do not generate cash flows in an independent manner, the recoverability is tested at the level of the Cash Generating Unit ("CGU") to which the asset belongs. For this purpose, it has been determined that all assets located in Chile make up a single cash-generating unit (CGU), while assets located in Peru make another CGU.

In the case of Cash Generating Units to which intangible assets with indefinite useful lives have been allocated, the analysis of their recoverability is performed systematically as of each year-end or under circumstances considered necessary to perform such analysis, except when it is considered that the most recent calculations of the recoverable amount, made in the previous year, can be used in the current year, provided that all of the following criteria is met:

(a) the assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation;

(b) the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and

(c) based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

The recoverable amount is the higher between the market value discounting the cost necessary for its sale and value in use, understanding this to be the current value of estimated future cash flows. For the calculation of the recoverable value of tangible and intangible assets, the value in use is the criteria used by the Company.

In order to estimate value in use, the Company prepares future cash flows provisions before taxes using the most recent budgets approved by the Company's management. These budgets incorporate the best estimates available of income and costs of CGU using the best information available as of that date, past experience and future expectations.

These cash flows are discounted to calculate their current value at a rate, before taxes, which covers the cost of capital of the business in which it operates. To calculate it, one takes into account the current cost of money and risk premiums used in a general manner for the business.

Should the recoverable amount be less than the net book value of the asset, the corresponding impairment loss provision is recorded for the difference with a charge to the "depreciation and amortization expenses" account in the statement of income.

Impairment losses, recognized on an asset in previous years, are reverted when there is a change in the estimates of the recoverable amount increasing the value of the asset with a credit to income with the limit of the book value that the asset would have had, had no write-down been recognized.

As of December 31, 2015, the Company considers that there are no impairment indicators of fixed and intangible assets as well as intangibles with indefinite useful life.

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

As described in Note 4.3, Management uses its criteria to select an appropriate valuation technique for financial instruments that are not traded in an active market using valuation techniques commonly used by market professionals. In the case of derivative financial instruments, assumptions are formed on the basis of quoted market rates, adjusted in accordance with the specific characteristics of the instrument. Other financial instruments are valued using an analysis of the restatement of cash flows based on support assumptions, whenever possible, by observable market prices or rates.

## 6. Prior period errors

During 2015, a review was conducted to determine the Company’s income tax, resulting in the need to reprocess the tax asset module. This rework generated effects in determining the income tax provision and deferred taxes for the years 2012, 2013 and 2014.

In accordance with IAS 8, initial balances have been modified by restating each line of the financial statements affected in the previous year, as follows:

| **Impact in heritage (increase/decrease) in net equity** | **December 31, 2014** ThUS$ | **January, 1 2014** ThUS$ | **Totales** ThUS$ |
|---|---|---|---|
| Tax assets | (5,299) | (3,085) | |
| **Total Assets** | **(5,299)** | **(3,085)** | **(8,384)** |
| Deferred tax liabilities | (8,037) | 22,237 | |
| **Total liabilities** | **(8,037)** | **22,237** | **14,200** |
| Gain (loss) accumulated | 2,738 | (25,322) | |
| **Net impact on heritage** | **2,738** | **(25,322)** | **(22,584)** |

| **Impact on the income statement (increase/decrease)** | **December 31, 2014** ThUS$ |
|---|---|
| Income tax expense | 2,738 |
| **Net income** | **2,738** |
| **Profit attributable** | |
| Profit attributable to the controller´s owner | **2,738** |
| Profit attributable to non controlling interests. | **-** |

The change has no impact on the status of other comprehensive income or to cash flows.

## 7. Business combinations

On December 18, 2015, Inversiones Las Canteras S.A., a subsidiary of the Company, acquired 100% of the shares with voting rights of Fenix Power Perú S.A. ("Fenix"), a closed corporation organized under the laws of the Republic of Peru.

Fenix has a 570 MW thermoelectric generation plant located in the town of Las Salinas, south of Lima, in the Chilca district of the Cañete province. The construction of the power plant was completed in 2014 and began commercial operations in December 2014.

According to IFRS 3, the measurement period is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination. This period shall not exceed more than one year from the date of acquisition.

Considering the nature of Fenix business and assets, the measurement of the assets acquired and liabilities assumed was made using fair value criteria and there were no significant differences with the carrying amounts of such assets and liabilities. Regarding property, plant and equipment, it has recently been constructed and in operation (about 1 to 2 years), which shows no significant differences with respect to the book value.

Intangible assets, mainly customer contracts, are valued by focusing on Excess Earnings, which is based on the theory that economic returns, beyond those attributable to tangible assets, are derived from certain intangible assets, discounted in the case of Fenix Power Peru at an approximate rate between 7% and 8%.

**Assets acquired and liabilities assumed**

The fair values of the identifiable assets acquired and liabilities assumed from Fenix Power Perú S.A. at the date of acquisition were:

| Assets acquired and liabilities assumed | Fair value recorded in the acquisition MUS$ |
|---|---|
| **Assets** | |
| Cash and cash equivalent | 11,378 |
| Trade receivables and other receivable accounts | 29,464 |
| Trade receivables to related entities | - |
| Other non financial assets, current | 14,424 |
| Inventories | 3,896 |
| Other non financial assets, non current | 17,035 |
| Property, plant and equipment | 735,538 |
| Intangible assets other than goodwill | 3,541 |
| Deferred tax assets | 2,743 |
| **Total Assets** | 818,019 |
| **Liabilities** | |
| Other financial liabilities, current | 15,684 |
| Trade payables and other payables, current | 3,184 |
| Accounts payable to related entities | 224,095 |
| Other provisions | 2,232 |
| Other liabilities non financial, non current | 361,929 |
| Trade payables and other payables, non current | 25,186 |
| Provisions for employee benefits, non current | 890 |
| Other non financial, non current liabilities | 6,046 |
| **Total Liabilities** | 639,246 |
| | **178,773** |
| Gain from business combination | 1,672 |
| | **177,101** |

From the date of acquisition, Fenix Power Perú contributed to the Company revenues of ThUS$ 6,224 and a loss from continuing operations before taxes of ThUS$ 5,733. If the business combination had taken place at beginning of the year, revenue from continuing operations would have totaled ThUS$ 1,521,771 and the Company’s income from continuing operations before taxes would have been ThUS$ 224,618.

## 8. Operations by segments

Colbún’s business is the generation and sale of electric energy. For this, it has assets that produce that energy which is sold to various clients, which either have supply contracts or do not have contracts, in accordance with what is stipulated by Law.

Colbún's management control system analyzes the business from a perspective of a mix of hydraulic /thermoelectric assets that produce electric energy to serve a portfolio of customers. Consequently, the allocation of resources and performance measurements will be analyzed in aggregate terms.

Notwithstanding the above, the internal management considers classification criteria for assets and clients, for merely descriptive purposes but at no time the business segmentation according to the criteria established by IAS 8.

Some of these classification criteria are, for example production technology: hydroelectric plants (which in turn can be run-of-the-river or reservoir type) and thermoelectric plants (which in their turn can be coal, combined cycle, open cycle, etc.). Customers, in turn, are classified following concepts contained in the Chilean electric regulation into free clients, regulated clients and the spot market, and regulated clients and unregulated clients according to the Peruvian electric regulations (see note 2).

In general, there is no direct relation between each of the generator plants and the supply contracts, but these are established according to the total capacity of Colbún, always supplied by the Company's and third parties' most efficient generation, purchasing energy in the spot market from other generation companies. One exception is the case of Codelco in Chile, which has two supply contracts signed with the Company. One of these contracts is covered with Colbún´s entire power generating matrix and the other's supply is preferentially based on the production of Santa Maria I.

Colbún is part of the SIC dispatch system in Chile and SEIN dispatch system in Peru; therefore the generation of each of the plants is defined by this dispatch system, in accordance with the definition of economic optimum in the case of both systems.

Electrical regulation in both systems contemplates a conceptual distinction between energy and power capacity, not because they are different physical elements, but rather for the purpose of an economically efficient pricing. Hence, the energy is valued in monetary units per unit of energy (KWh, MWh, etc.) and power capacity is valued in monetary units per unit of power – unit of time (KW-month).

Consequently, for the purpose of application of IFRS 8, the entire aforementioned business is defined as the only operating segment for Colbún S.A.

Since Colbún S.A. operates in two electrical systems, in the Central Interconnected System in Chile, and the National Interconnected System in Peru, the information by segment is structured according to the geographic distribution by country.

The following table presents information by geographic area:

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

| Disclosure about segments of operation | 12.31.2015 | | | | | |
|---|---|---|---|---|---|---|
| | Country | | Segments that must be reported | Segments of operation | Elimination of amounts | Total of the entuty by segments of operation |
| | Chile | Perú | | | | |
| | ThUS$ | ThUS$ | ThUS$ | ThUS$ | ThUS$ | ThUS$ |
| **Statement of financial situation** | | | | | | |
| **Asstes** | | | | | | |
| Cash and cash equivalent | 851,587 | 24,543 | 876,130 | 876,130 | - | 876,130 |
| Other financial assets, current | 185,393 | - | 185,393 | 185,393 | - | 185,393 |
| Other non financial assets, current | 27,838 | 538 | 28,376 | 28,376 | - | 28,376 |
| Trade receivables and other receivable accounts | 117,256 | 49,346 | 166,602 | 166,602 | - | 166,602 |
| Trade receivables to related entities, current | 2,590 | - | 2,590 | 2,590 | - | 2,590 |
| Inventories | 94,199 | 3,861 | 98,060 | 98,060 | - | 98,060 |
| Tax assets | 8,634 | - | 8,634 | 8,634 | - | 8,634 |
| **Total current assets** | **1,287,497** | **78,288** | **1,365,785** | **1,365,785** | **-** | **1,365,785** |
| Other financial assets, non current | 212 | - | 212 | 212 | - | 212 |
| Other non financial assets, non current | 32,262 | - | 32,262 | 32,262 | - | 32,262 |
| Trade receivables and other receivables | 0 | 17,722 | 17,722 | 17,722 | | 17,722 |
| Accounts receivable to related entities, non current | 280 | - | 280 | 280 | - | 280 |
| Investments accounted for using the equity method | 247,919 | - | 247,919 | 247,919 | (211,907) | 36,012 |
| Goodwill | 0 | - | 0 | 0 | - | 0 |
| Intangible assets other than goodwill | 87,803 | 3,537 | 91,340 | 91,340 | - | 91,340 |
| Properties, plant and equipment | 4,868,230 | 734,392 | 5,602,622 | 5,602,622 | - | 5,602,622 |
| Deferred tax assets | 4,409 | 2,513 | 6,922 | 6,922 | - | 6,922 |
| **Total non current assets** | **5,241,115** | **758,164** | **5,999,279** | **5,999,279** | **(211,907)** | **5,787,372** |
| **ASSETS** | **6,528,612** | **836,452** | **7,365,064** | **7,365,064** | **(211,907)** | **7,153,157** |
| **Liabilities Net and equity** | | | | | | |
| Other financial, current liabilities | 91,371 | 362,014 | 453,385 | 453,385 | - | 453,385 |
| Payables trade and other payables, current | 133,290 | 35,471 | 168,761 | 168,761 | - | 168,761 |
| Accounts payable to related entities | 30,252 | - | 30,252 | 30,252 | - | 30,252 |
| Other provisions | 13,269 | 2,232 | 15,501 | 15,501 | - | 15,501 |
| Tax liabilities | 23,878 | 167 | 24,045 | 24,045 | - | 24,045 |
| Provisions for employee benefits, current | 10,236 | 1,001 | 11,237 | 11,237 | - | 11,237 |
| Other non financial liabilities, current | 4,302 | 346 | 4,648 | 4,648 | - | 4,648 |
| **Total current liabilities** | **306,598** | **401,231** | **707,829** | **707,829** | **-** | **707,829** |
| Other financial liabilities, non current | 1,766,573 | 15,683 | 1,782,256 | 1,782,256 | - | 1,782,256 |
| Payables trade and other payables, non current liabilities | 3,217 | 3,205 | 6,422 | 6,422 | - | 6,422 |
| Deferred tax liabilities. | 955,107 | 849 | 955,956 | 955,956 | - | 955,956 |
| Provisions for employee benefits, non current | 23,001 | - | 23,001 | 23,001 | - | 23,001 |
| Other non financial, non current liabilities | 10,603 | - | 10,603 | 10,603 | - | 10,603 |
| **Total non current liabilities** | **2,758,501** | **19,737** | **2,778,238** | **2,778,238** | **-** | **2,778,238** |
| **Equity** | | | | | | |
| Issued capital | 1,282,793 | 213,600 | 1,496,393 | 1,496,393 | (213,600) | 1,282,793 |
| Retained earnings | 1,412,537 | (1,693) | 1,410,844 | 1,410,844 | 1,693 | 1,412,537 |
| Share premiums | 52,595 | - | 52,595 | 52,595 | - | 52,595 |
| Other reserves | 715,588 | - | 715,588 | 715,588 | - | 715,588 |
| **Net Equity attributable to equity holders of the parent** | **3,463,513** | **211,907** | **3,675,420** | **3,675,420** | **(211,907)** | **3,463,513** |
| Not controlled shares | - | 203,577 | 203,576.54 | 203,577 | - | 203,577 |
| **Total Equity** | **3,463,513** | **415,483** | **3,878,996** | **3,878,996** | **(211,907)** | **3,667,090** |
| **TOTAL LIABILITIES AND NET EQUITY** | **6,528,612** | **836,451** | **7,365,063** | **7,365,063** | **(211,907)** | **7,153,157** |

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

## Continuation

| Disclosure about segments of operation | 12.31.2015 | | | | | |
|---|---|---|---|---|---|---|
| | Country | | Segments that must be reported | Segments of operation | Elimination of amounts | Total of the entuty by segments of operation |
| | Chile | Perú (*) | | | | |
| | ThUS$ | ThUS$ | ThUS$ | ThUS$ | ThUS$ | ThUS$ |
| **STATEMENTS COMPREHENSIVE INCOME** | | | | | | |
| **Net income from ordinary activities** | | | | | | |
| Net income from ordinary activities | 1,307,633 | 6,223 | 1,313,856 | 1,313,856 | - | 1,313,856 |
| **Whole income of ordinary activities proceeding from external clients and deals with other segments of operation of the same entity.** | **1,307,633** | **6,223** | **1,313,856** | **1,313,856** | **-** | **1,313,856** |
| **Raw materials and consumables used** | | | | | | |
| Raw materials and consumables used | (641,146) | (4,788) | (645,934) | (645,934) | - | (645,934) |
| Expenses for benefit to employees | (55,911) | (171) | (56,082) | (56,082) | - | (56,082) |
| Depreciation and amortization expenses | (193,730) | (1,217) | (194,947) | (194,947) | - | (194,947) |
| Other expenses, by nature | (28,525) | 22 | (28,503) | (28,503) | - | (28,503) |
| Other profit (losses) | (2,159) | 2,611 | 452 | 452 | - | 452 |
| Financial income | 5,474 | 43 | 5,517 | 5,517 | - | 5,517 |
| Financial costs | (85,170) | (5,366) | (90,536) | (90,536) | - | (90,536) |
| Share of profit of associated and joint ventures accounted for using the equity method | 4,927 | - | 4,927 | 4,927 | 1,693 | 6,620 |
| Exchange rate differences | (10,658) | (502) | (11,160) | (11,160) | - | (11,160) |
| Readjustment profit (loss) | 2,425 | - | 2,425 | 2,425 | - | 2,425 |
| **Profit (loss) of continuing operations** | **303,160** | **(3,145)** | **300,015** | **300,015** | **1,693** | **301,708** |
| Income tax expense | (98,500) | (1,103) | (99,603) | (99,603) | - | (99,603) |
| **Profit (loss)** | **204,660** | **(4,248)** | **200,412** | **200,412** | **1,693** | **202,105** |
| **Attributable to:** | | | | | | |
| Profit attributable to the owners of the controller | 204,659 | (1,693) | 202,966 | 202,966 | 1,693 | 204,659 |
| Profit attributable to non-controlling stakes | - | (2,554) | (2,554) | (2,554) | - | (2,554) |
| **Profit** | **204,659** | **(4,247)** | **200,412** | **200,412** | **1,693** | **202,105** |
| **Statements of cash flow** | | | | | | |
| Cash flows from (used in) operating activities. | 682,470 | 16,241 | 698,711 | 698,711 | - | 698,711 |
| Cash flows from (used in) investment activities. | 99,675 | (66) | 99,609 | 99,609 | - | 99,609 |
| Cash flows from (used in) financing activities | (166,560) | (3,010) | (169,570) | (169,570) | - | (169,570) |

(1) Income for 12 days of December

As of December 31, 2014, for purposes of the application of IFRS 8, the electricity business in Chile existed as the only, single operating and geographical segment for Colbún S.A.

**Information on sales to main clients**

| Main clients | January-December | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | ThUS$ | % | ThUS$ | % |
| **Chile** | | | | |
| CGE Distribución S.A. | 293,825 | 22% | 413,982 | 28% |
| Corporación Nacional del Cobre Chile | 296,758 | 23% | 344,408 | 23% |
| Chilectra S.A. | 202,844 | 16% | 219,852 | 15% |
| Sociedad Austral del Sur S.A. | 75,969 | 6% | 134,413 | 9% |
| Anglo American S.A. | 90,059 | 7% | 92,334 | 6% |
| Others | 348,178 | 26% | 297,588 | 19% |
| **Subtotal** | **1,307,633** | **100%** | **1,502,577** | **100%** |
| **Perú** | | | | |
| Luz del Sur | 4,655 | 75% | - | - |
| Electrocentro | 1,187 | 19% | - | - |
| Electrodunas | 187 | 3% | - | - |
| Others | 194 | 3% | - | - |
| **Subtotal (*)** | **6,223** | **100%** | **-** | **-** |
| **Total sales** | **1,313,856** | | **1,502,577** | |

(*) Income for 12 days

## 9. Classes of cash and cash equivalents

### a. Account composition

Cash and cash equivalents are detailed as follows:

| Cash and cash equivalent | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Cash | 52 | 34 |
| Banks balances | 25,465 | 359 |
| Time deposits | 770,796 | 164,218 |
| Other fixed-income instruments | 79,817 | 89,479 |
| **Total** | **876,130** | **254,090** |

Time deposits maturity in a term of less than three months and accrue market interest for this type of current investment.

The Other Net Instruments correspond to fixed income funds in Chilean pesos, Euros and in US dollars, of very low risk, which are recorded at the value of the respective unit as of the closing date of these consolidated financial statements.

In addition to these instruments, as of December 31, 2015 and 2014, the Company has other time deposits which matured more than three months from their acquisition, which are presented in Note 10.

**b. Details by type of currency**

Cash and cash equivalents, organized by type of currency, considering the effect of derivatives are detailed as follows:

| Currency | 12.31.2015 | | 12.31.2014 | |
|---|---|---|---|---|
| | Original currency ThUS$ | Currency with derivate [1] MUS$ | Original currency ThUS$ | Currency with derivate [1] MUS$ |
| EUR | 440 | 440 | 992 | 992 |
| CLP | 220,942 | 134,145 | 193,427 | 43,720 |
| PEN | 5,815 | 5,815 | - | - |
| USD | 648,933 | 735,730 | 59,671 | 211,670 |
| **Total** | **876,130** | **876,130** | **254,090** | **256,382** |

(1) Considers the effect of the mark-to-market of foreign exchange forwards signed to re-denominate certain time deposits in Chilean Pesos to US dollars or Euros.

**Acquisition of subsidiaries**

| Acquisition of subsidiaries | 12.31.2015 ThUS$ |
|---|---|
| Cash and cash equivalents cash paid by entities acquired | (213,600) |
| Cash and cash equivalents received from entities acquired ( * ) | 11,378 |
| **Total Net** | **(202,222)** |

(*) Corresponds to the cash flow of Fenix Power Perú (see note 7).

## 10. Other financial assets

Other financial assets are detailed as follows:

| | Current | | Non current | |
|---|---|---|---|---|
| | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
| Fixed-term deposit (1) | 185,269 | 578,673 | - | - |
| Derivatives coverage (2) (see note 15.1) | 124 | 5,711 | - | - |
| Investment in the CDEC | - | - | 212 | 248 |
| **Total** | **185,393** | **584,384** | **212** | **248** |

(1) At December 31, 2015 and 2014 investments in time deposits that were classified in this category have an original investment within less than six months and the remaining maturity period is 60 days on average. These investments are presented under Cash Flows as investment activities in other cash inflows (outflows).

(2) This corresponds to current positive mark-to-market of hedging derivatives effective at the close of each period

## 11. Trade and other accounts receivable

Trade and other accounts receivable are detailed as follows:

| Item | Current | | Non current | |
|---|---|---|---|---|
| | 12.31.2015 MUS$ | 12.31.2014 MUS$ | 12.31.2015 MUS$ | 12.31.2014 MUS$ |
| Trade receivables with contract | 123,967 | 132,321 | - | - |
| Other receivables (1) | 42,635 | 111,338 | 17,722 | - |
| **Total** | **166,602** | **243,659** | **17,722** | - |

(1) As of December 31, 2015 the current balance considers recoverable taxes (VAT and specific tax, global sales tax (GST)) by ThUS$35.874. The Company estimates that the recovery period of these assets at September 30, 2015 is 12 months. For the December 31, 2014 balance it corresponds to recoverable taxes of ThUS$109,159. The non-current balance corresponds to what GST expects to recover in the long term.

The average client collection period is 30 days.

Colbún's commercial counterparts are first level companies in terms of credit quality and distribution companies which due to their regulation and/or historical behavior do not show signs of significant impairment or delay in payment terms.

Considering the solvency of the debtors, the quality of the accounts receivable and the current regulations in accordance with the policy on allowance for doubtful accounts declared in our accounting policies (see Note 3.h.1.6); the Company believes that there is no objective evidence of impairment of trade and other accounts receivable requiring the need for an allowance as of each reported period, therefore it does not require an uncollectible provision.

The fair values of trade accounts receivable and other accounts receivable are the same as their commercial values.

As of December 31, 2015 and 2014, the analysis of Trade Accounts Receivable is as follows:

a) Portfolio distribution by profit, overdue but not impaired.

| Trade accounts receivable invoiced | Balance as 12.31.2015 | | | | | |
|---|---|---|---|---|---|---|
| | Current ThUS$ | 1-30 days ThUS$ | 31-60 ThUS$ | 61-90 ThUS$ | 91-more ThUS$ | Total ThUS$ |
| Regulated customers | - | 1,656 | 5 | 2 | 122 | 1,785 |
| Unregulated customers | - | - | - | - | - | - |
| Other receivables | - | 774 | 237 | 17 | - | 1,028 |
| | **-** | **2,430** | **242** | **19** | **122** | **2,813** |

| Trade accounts receivable to be invoiced | Balance as 12.31.2015 | | | | | |
|---|---|---|---|---|---|---|
| | Current ThUS$ | 1-30 days ThUS$ | 31-60 ThUS$ | 61-90 ThUS$ | 91-more ThUS$ | Total ThUS$ |
| Regulated customers | 15,944 | 51,347 | 5,989 | 22 | 6,305 | 79,607 |
| Unregulated customers | - | 34,942 | 225 | - | - | 35,167 |
| Other receivables | - | 2,079 | 1,341 | - | 2,960 | 6,380 |
| **Subtotal** | **15,944** | **88,368** | **7,555** | **22** | **9,265** | **121,154** |
| **Total trade accounts receivable** | **15,944** | **90,798** | **7,797** | **41** | **9,387** | **123,967** |
| **Nunber of clientes (not audited)** | **6** | **156** | **56** | **78** | **22** | |

| Trade accounts receivable invoiced | Balance as 12.31.2014 | | | | | |
|---|---|---|---|---|---|---|
| | Current ThUS$ | 1-30 days ThUS$ | 31-60 ThUS$ | 61-90 ThUS$ | 91-more ThUS$ | Total ThUS$ |
| Regulated customers | - | 1,574 | 132 | 70 | 32 | 1,808 |
| Unregulated customers | 46 | 364 | - | - | - | 410 |
| Other receivables | 36 | 923 | 74 | 36 | 766 | 1,835 |
| | **82** | **2,861** | **206** | **106** | **798** | **4,053** |

| Trade accounts receivable to be invoiced | Balance as 12.31.2014 | | | | | |
|---|---|---|---|---|---|---|
| | Current ThUS$ | 1-30 days ThUS$ | 31-60 ThUS$ | 61-90 ThUS$ | 91-more ThUS$ | Total ThUS$ |
| Regulated customers | 1 | 68,879 | 8,194 | 184 | 18,528 | 95,786 |
| Unregulated customers | 19,598 | 7,768 | 203 | - | 478 | 28,047 |
| Other receivables | - | 3,401 | 517 | 517 | - | 4,435 |
| **Subtotal** | **19,599** | **80,048** | **8,914** | **701** | **19,006** | **128,268** |
| **Total trade accounts receivable** | **19,681** | **82,909** | **9,120** | **807** | **19,804** | **132,321** |
| **Number of clients (not audited)** | **8** | **87** | **75** | **48** | **77** | |

b) Accounts Receivable in judicial collection

There are no trade accounts receivables or other accounts receivable recorded in the accounting in judicial collection.

## 12. Financial instruments

### a. Financial instruments by category

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

### a.1 Assets

| December 31, 2015 | Cash and cash equivalent ThUS$ | Held at maturity ThUS$ | Loans and accounts receivable (1) ThUS$ | Assets at fair value with changes in result ThUS$ | Hedging derivates ThUS$ | Total ThUS$ |
|---|---|---|---|---|---|---|
| Cash on hand and bank balance (see note 9) | 25,517 | - | - | - | - | 25,517 |
| Term Deposits and other liquid instruments (see note 9) | - | 770,796 | - | 79,817 | - | 850,613 |
| Trade and other accounts receivable (see Note 11) | - | - | 148,011 | - | - | 148,011 |
| Accounts receivable from related parties (see Note 13.b.1) | - | - | 2,870 | - | - | 2,870 |
| Financial derivative instruments (see Note 15.1) | - | - | - | - | 124 | 124 |
| Other financial assets (see Note 10) | - | 185,481 | - | - | - | 185,481 |
| **Total** | **25,517** | **956,277** | **150,881** | **79,817** | **124** | **1,212,616** |

| December 31, 2014 | Cash and cash equivalent ThUS$ | Held at maturity ThUS$ | Loans and accounts receivable (1) ThUS$ | Assets at fair value with changes in result ThUS$ | Hedging derivates ThUS$ | Total ThUS$ |
|---|---|---|---|---|---|---|
| Cash on hand and bank balance (see note 9) | 393 | - | - | - | - | 393 |
| Term Deposits and other liquid instruments (see note 9) | - | 164,218 | - | 89,479 | - | 253,697 |
| Trade and other accounts receivable (see Note 11) | - | - | 134,500 | - | - | 134,500 |
| Accounts receivable from related parties (see Note 13.b.1) | - | - | 2,855 | - | - | 2,855 |
| Financial derivative instruments (see Note 15.1) | - | - | - | - | 5,711 | 5,711 |
| Other financial assets (see Note 10) | - | 578,921 | - | - | - | 578,921 |
| **Total** | **393** | **743,139** | **137,355** | **89,479** | **5,711** | **976,077** |

As of December 31, 2015, this does not consider recoverable taxes of ThUS$ 18,591 current and ThUS$ 17,722 non-current and ThUS$ 101,159 as of December 31, 2014.

### a.2 Liabilities

| December 31, 2015 | Other financial liabilities ThUS$ | Hedging derivates ThUS$ | Total ThUS$ |
|---|---|---|---|
| Loans that accrue interest (see note 23.a) | 2,177,968 | - | 2,177,968 |
| Liabilities from leasing | 16,025 | - | 16,025 |
| Financial derivative instruments (see note 15.1) | - | 41,648 | 41,648 |
| Trade accounts payables (see note 24) | 175,183 | - | 175,183 |
| Accounts payable to related parties (see Note 13.b.2) | 30,252 | - | 30,252 |
| **Total** | **2,399,428** | **41,648** | **2,441,076** |

| December 31, 2014 | Other financial liabilities ThUS$ | Hedging derivates ThUS$ | Total ThUS$ |
|---|---|---|---|
| Loans that accrue interest (see note 23.a) | 1,873,080 | - | 1,873,080 |
| Financial derivative instruments (see note 15.1) | - | 20,812 | 20,812 |
| Trade accounts payables (see note 24) | 161,031 | - | 161,031 |
| Accounts payable to related parties (see Note 13.b.2) | 21,032 | - | 21,032 |
| **Total** | **2,055,143** | **20,812** | **2,075,955** |

**b. Financial assets credit rating**

The credit rating of financial assets that have not matured yet and which have not suffered impairment losses can be evaluated on the basis of the credit rating granted to the counterparts of the Company by risk rating agencies with renowned national and international prestige.

| Credit rating of financial assets | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| **Customers with local risk rating** | | |
| AAA | 27,377 | 19,437 |
| AA+ | 1 | 9 |
| AA | 23,685 | 44,103 |
| AA- | - | 141 |
| A+ | 50,067 | 51,985 |
| A | 26 | - |
| **Total** | **101,156** | **115,675** |
| **Customers without local risk rating** | | |
| **Total** | **22,811** | **16,646** |
| **Bank balances and short-term bank deposits, local market** | | |
| AAA | 239,061 | 295,695 |
| AA+ | 32,679 | 97,147 |
| AA | 100,297 | 60,238 |
| AA- | 80 | 72,894 |
| A+o Smallets | 6,907 | 72,894 |
| **Total** | **379,024** | **525,974** |
| **Bank balances and short-term bank deposits, international market** | | |
| BBB- o superior | 602,558 | 217,310 |
| **Total** | **602,558** | **217,310** |
| **Derivate financial assets counterpart Local Market** | | |
| AAA | - | 91 |
| AA+ | - | 1,011 |
| AA | - | - |
| AA- | - | 4,120 |
| **Total** | **-** | **5,222** |
| **Derivate financial assets counterpart International Market (**)** | | |
| A o Higher | 124 | 489 |
| **Total** | **124** | **489** |

(*) International risk rating

## 13. Related party information

Operations between the Parent Company and its dependent subsidiaries, which are related parties form part of the Company's regular transactions related to their line of business and conditions and have been eliminated in the process of consolidation. The connection between the Controller, subsidiary and associates is detailed in note 3 3.1.b and c.

### a. Controlling shareholders

The distribution of the Parent Company's shareholders, as of December 31, 2015, is detailed as follows:

| Shareholders name | Participation % |
|---|---|
| Minera Valparaíso S.A. (*) | 35.17 |
| Forestal Cominco S.A. (*) | 14.00 |
| Antarchile S.A. | 9.58 |
| AFP Habitat S.A. (**) | 4.85 |
| AFP Provida S.A. (**) | 4.61 |
| Banco de Chile por cuenta de terceros | 4.46 |
| AFP Cuprum S.A. (**) | 4.09 |
| AFP Capital S.A. (**) | 3.71 |
| Banco Itaú por cuenta de inversionistas | 3.32 |
| Banco Santander - JP Morgan | 1.86 |
| Otros accionistas | 14.35 |
| **Total** | **100** |

(*) Companies belonging to the controlling group (Matte Group).
(**) Correspond to the total participation of each pension fund administrator.

### b. Balances and transactions with related entities

Operations receivable, payable and transactions with entities were conducted under terms and market conditions and conform to the provisions of Article No. 44 of Law No. 18,046 on Corporations. The Company did not register a provision for doubtful accounts receivable, since such obligations are paid within the prescribed time limits (less than 30 days) or relate to payments of dividends which related entities have provisioned (Electrogas S.A. case).

### b.1. Accounts receivable from related entities

| Taxpayer nunmber | Company | Country | Relationship | Currency | Current | | Non Current | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
| 96.806.130-5 | Electrogas S.A. | Chile | Associate | Dollar | 2,527 | 2,265 | - | - |
| 96.853.150-6 | Papeles Cordillera S.A. | Chile | Business group | Chilean pesos | 40 | 115 | 280 | 368 |
| 96.529.310-8 | CMPC Tissue S.A. | Chile | Business group | Chilean pesos | 13 | 13 | - | - |
| 77.017.930-0 | Transmisora Eléctrica de Quillota Ltda. | Chile | Joint venture | Chilean pesos | 10 | 12 | - | - |
| 96.731.890-6 | Cartulinas CMPC S.A. | Chile | Business group | Chilean pesos | - | 82 | - | - |
| | | | | **Total** | **2,590** | **2,487** | **280** | **368** |

**b.2. Accounts payable to related entities**

| Taxpayer nunmber | Company | Country | Relationship | Currency | Current | |
|---|---|---|---|---|---|---|
| | | | | | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
| 77.017.930-0 | Transmisora Eléctrica de Quillota Ltda. | Chile | Joint venture | Chilean Pesos | - | 214 |
| 96.565.580-8 | Cía. Leasing Tattersall S.A. | Chile | Common director | Chilean Pesos | 56 | 4 |
| 99.520.000-7 | Compañía de Petróleos de Chile Copec S.A. | Chile | Common director | Chilean Pesos | 227 | 6 |
| 97.080.000-K | Banco Bice | Chile | Business group | Chilean Pesos | - | 2 |
| 96.806.980-2 | Entel PCS Comunicaciones S.A. | Chile | Common director | Chilean Pesos | 24 | 28 |
| 90.412.000-6 | Minera Valparaíso S.A. | Chile | Majority shareholder | Dollar | 21,419 | 14,862 |
| 79.621.850-9 | Forestal Cominco S.A. | Chile | Majority shareholder | Dollar | 8,526 | 5,916 |
| | | | | **Total** | **30,252** | **21,032** |

There are no guarantees, given or received, for transactions with related parties.

## b.3 Most significant transactions and their effects on income

| Taxpayer nunmber | Company | Country | Relationship | Currency | Descripción de la Transacción | January-December 2015 Amount ThUS$ | 2015 Effect on result (charge) ThUS$ | 2014 Amount ThUS$ | 2014 Effect in income (expense) ThUS$ |
|---|---|---|---|---|---|---|---|---|---|
| 77.017.930-0 | Transmisora Eléctrica de Quillota Ltda. | Chile | Joint venture | Chilean pesos | Toll use of facilities | 2,225 | (1,871) | 2,604 | (2,189) |
| | | | | UF | Incomes for services rendered | 131 | 110 | 144 | 121 |
| 76.652.400-1 | Centrales Hidroeléctricas de Aysén S.A. | Chile | Joint venture | Chilean pesos | Capotal contribution (1) | 3,906 | - | 5,570 | - |
| 96.806.130-5 | Electrogas S.A. | Chile | Associated | Dollar | Gas transportation service | 9,608 | (8,073) | 9,913 | (8,330) |
| | | | | Dollar | Diesel transportation service | 1,150 | (969) | 1,086 | (913) |
| | | | | Dollar | Declared dividends (2) | 2,527 | - | 2,265 | - |
| | | | | Dollar | Dividends received (2) | 7,550 | - | 8,740 | - |
| 96.853.150-6 | Papeles Cordillera S.A. | Chile | Business group | Chilean pesos | Other leases less | 414 | 348 | 530 | 445 |
| 97.080.000-K | Banco Bice | Chile | Common director | Chilean pesos | Expenses for services received | 26 | (22) | 31 | (25) |
| 96.620.900-3 | Empresa Chilena de Gas Natural S.A. | Chile | Common director | Chilean pesos | Purchases of natural gas | 108,790 | (91,420) | 112,803 | (94,792) |
| 96.731.890-6 | Cartulinas CMPC S.A. | Chile | Business group | Chilean pesos | le of energy, power capacity and transmission t | 1,185 | 996 | 1,171 | 984 |
| 79.621.850-9 | Forestal Cominco S.A. | Chile | Majority shareholder | Dollar | Dividends (3) | 16,229 | - | 8,429 | - |
| 90.412.000-6 | Minera Valparaíso S.A. | Chile | Majority shareholder | Dollar | Dividends (3) | 40,770 | - | 21,335 | - |
| 99.520.000-7 | Compañía de Petróleos de Chile Copec S.A. | Chile | Common director | Chilean pesos | Supply service of diesel | 46,093 | (35,028) | 112,135 | (84,573) |
| 96.565.580-8 | Cía. Leasing Tattersall S.A. | Chile | Common director | Chilean pesos | Car rental | 1,385 | (1,213) | 1,479 | (1,249) |
| 96.806.980-2 | Entel PCS Telecomunicaciones S.A. | Chile | Common director | Chilean pesos | Phone service | 409 | (353) | 365 | (307) |
| 96.697.410-9 | Entel Telefonía Local S.A. | Chile | Common director | Chilean pesos | Phone service | 69 | (57) | 92 | (77) |
| 96.722.460-k | Metrogas S.A. | Chile | Common director | Dollar | Purchases of natural gas | 26,308 | (22,108) | 6,085 | (5,113) |

(1) Contributions to Centrales Hidroeléctricas de Aysén S.A.
- On December 11, 2015 Colbún carried out a capital contribution for MCh$ 245 (ThUS$348), as agreed upon at the 21th Extraordinary Shareholders' Meeting of Hidroaysén held on December 4, 2015.
- On May 7, 2015 Colbún carried out a capital contribution for MCh$ 490 (ThUS$ 805), as per the agreement made in the 20th Extraordinary Shareholders’ Meeting of HidroAysén on April 30, 2015.
- On March 2, 2015 Colbún carried out a second and last capital contribution for MCh$ 1,715 (ThUS$2,753), as agreed upon at the 18th Extraordinary Shareholders' Meeting of Hidroaysén held on October 22, 2014.
- On October 27, 2015 Colbún carried out a second and last capital contribution for MCh$ 490 (ThUS$839), as agreed upon at the 18th Extraordinary Shareholders' Meeting of Hidroaysén held on October 22, 2014.
- On March 20, 2014 Colbún carried out a second and last capital contribution to Centrales Hidroeléctricas de Aysén S.A. in the amount of MCh$ 2,695 (ThUS$4,731), as agreed upon at the 15th Extraordinary Shareholders' Meeting of Hidroaysén held on August 30, 2013.

(2) Dividends declared and received by Electrogas S.A.
- On December 2015, Electrogas S.A. declare a provisional dividend with charge to profits for 2015, of MUS$ 2.5.
- In the Annual Shareholders’ Meeting, held by Electrogas S.A. on March 28, 2015, the profits’ distribution of the year 2014 for MUS$17.8 was established, 42.5% of which correspond to Colbún, the equivalent of MUS$7.6. This dividend was made in two payments, one in May, 2015 for MUS$5.1 and the second in September, 2015, for MUS$2.5.
- On December 2014, Electrogas S.A. declared a provisional dividend with charge to profits for 2014, of MUS$ 2.3.

- In the Annual Shareholders' Meeting, held by Electrogas S.A. on March 28, 2014, the distribution of profits of the year 2013 for MUS$20.6 was established, 42.5% of which correspond to Colbún, the equivalent of MUS$8.7. This dividend was made in two payments, one in May, 2014 for MUS$5.9 and the second in September, 2014, for MUS$2.8.

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

- At a Board of Directors' Meeting held on December 22, 2015, a provisional dividend was agreed with charge to 2015 profits, payable in the total amount of MUS$ 39.7, which was paid on January 12, 2016.
- At an Ordinary Shareholders' Meeting held on April 22, 2015, they agreed to pay final dividend No. 44 for a total of MUS$12.8, paid on May 6, 2015.
- Minimum mandatory dividend provision as of 12.31.2015 less interim dividend agreed upon December 22, 2015 for MUS$ 21.2.
- At a Board of Directors' Meeting held on November 25, 2014, a provisional dividend was agreed with charge to 2014 profits, payable in the total amount of MUS$ 42.2, which was paid on January 6, 2015.
- At an Ordinary Shareholders' Meeting held on April 23, 2014, a final dividend No. 42 was agreed to be paid for a total of MUS$18.4, paid on May 5, 2014.

**c. Administration and Senior Management**

Senior management and other people that assume the management of the Company, as well as the shareholders, individuals or companies, which they represent, have not participated in any unusual and/or relevant transactions, as of December 31, 2015 and 2014.

The Company is managed by a Board of Directors composed of 9 members, who serve for a 3-year term with possibility of reelection.

At an Ordinary Shareholders' Meeting held on April 22, 2015, the Company's Board of Directors was renewed, electing Ms. Vivianne Blanlot Soza and Ms. Luz Granier Bulnes, both as independent directors and Mr. Bernardo Larraín Matte, Mr. Luis Felipe Gazitúa Achondo, Mr. Arturo Mackenna Iñiguez, Mr. Eliodoro Matte Larraín, Mr. Juan Hurtado Vicuña, Mr. Eduardo Navarro Beltrán and Mr. Juan Eduardo Correa García.

**d. Directors Committee**

In conformity with Article 50 bis of Companies Law 18,046, Colbún and its subsidiaries have a Directors Committee composed of 3 members, with the faculties contemplated in that article.

On April 28, 2015, at a Board of Directors' Meeting, Mr. Luis Felipe Gazitúa Achondo, Ms. Vivianne Blanlot Soza and Ms. Luz Granier Bulnes were designated as members of the Directors' Committee.

**e. Compensation and other services**

In conformity with Article 33 of Companies Law 18,046, the remuneration of the Board is determined at the Company's Ordinary Shareholders' Meeting.

Amounts paid during the periods ended as of December 31, 2015 and 2014; include the members of the Directors Committee are detailed as follows:

**e.1 Board's remuneration**

| Name | Tittle | January-December | | | |
|---|---|---|---|---|---|
| | | 2015 | | 2014 | |
| | | Colbun Directory ThUS$ | Directors Committee ThUS$ | Colbún Board ThUS$ | Directors Committee ThUS$ |
| Bernardo Larraín Matte [1] | President | 92 | - | 108 | - |
| Luis Felipe Gazitúa Achondo [1] | Vice-president | 46 | 15 | 50 | 16 |
| Arturo Mackenna Iñiguez [1] | Director | 46 | - | 50 | - |
| Bernardo Matte Larraín | Director | - | - | 20 | - |
| Eduardo Navarro Beltrán [1] | Director | 46 | - | 50 | - |
| Eliodoro Matte Larraín [1] | Director | 46 | - | 50 | - |
| Juan Eduardo Correa García [1] | Director | 46 | - | 28 | - |
| Juan Hurtado Vicuña [1] | Director | 46 | - | 50 | - |
| Sergio Undurraga Saavedra | Director | 12 | 4 | 50 | 16 |
| Vivianne Blanlot Soza [1] | Director | 46 | 15 | 50 | 16 |
| Luz Granier Bulnes [1] | Director | 34 | 11 | - | - |
| | | **460** | **45** | **506** | **48** |

(1) Current directors as of December 31, 2015

As of December 31, 2015, an amount of ThUS$ 611 was provisioned for variable compensation for the Board.

**e.2 Board advisory expenses**

Periods ended December 31, 2015 and 2014, the Board of Directors had no advisory expenses

**e.3 Remuneration of members of Senior Management who are not Directors**

| Name | Tittle |
|---|---|
| Thomas Keller Lippold | General manager |
| Juan Eduardo Vásquez Moya | Manager division business and Energy management |
| Carlos Luna Cabrera | Manager division generation |
| Sebastián Moraga Zúñiga | Manager Division Finance and Administration |
| Eduardo Lauer Rodríguez | Manager Engineering Division and projects. |
| Juan Pablo Schaeffer Fabres | Manager Division Sustainable Development. |
| Rodrigo Pérez Stiepovic | Legal Manager |
| Paula Martínez Osorio | Manager of Organization and People |
| Sebastián Fernández Cox | Development Manager |
| Heraldo Alvarez Arenas | Manager of Internal Audit |

Remunerations accrued for key management employees are detailed as follows:

| Type | January-December | |
|---|---|---|
| | 2015 ThUS$ | 2014 ThUS$ |
| Current employee benefits | 4,561 | 4,640 |
| Termination benefits | 107 | 47 |
| **Total** | **4,668** | **4,687** |

**e.4 Accounts Receivable, payable and other transactions**

As of December 31, 2015 and 2014, there is an Advisory Services Delivery Contract, between Colbún S.A. and MR Consult Limitada, for the development, planning, management, direction and control of projects in current execution or future projects developed by the company, either transmission line projects, electric substations, hydroelectric or thermoelectric plants and other industrial facilities of Colbún S.A. or its subsidiaries.

The contract has a cost of $ 7 million per month for a period of 12 months and corresponds to the fourth renewal of it. The Committee reviewed this contract each time. MR Consult Limited is a company related to Director Arturo Mackenna I., who is a principal partner of the same.

**e.5 Other transactions**

There are no other transactions between the Company and its Directors and the Company's Management.

**e.6 Guarantees established by the Company in favor of Directors**

During the periods ended as of September 30, 2015 and 2014, the Company has not undertaken this type of transaction.

**e.7 Incentive plans for executives and managers**

The Company has established bonuses for its entire executive staff on the basis of evaluation of their individual performance and achievement of goals at the company level as well as the Company and individual performance of each executive.

**e.8 Indemnities paid to executives and managers**

During the periods ending December 31, 2015 and 2014, payments were ThUS$155 and ThUS$213 respectively.

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

The Company has not agreed upon guarantee clauses with its directors and management.

**e.10 Retribution plans associated with shares traded**

The Company does not engage in this type of operation.

## 14. Inventory

Inventory is detailed as follows:

| Classes of inventory | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Warehouse stocks | 77,536 | 74,000 |
| Provision obsolescence [1] | (2,660) | (4,400) |
| Coal | 15,750 | 12,574 |
| Petroleum | 5,927 | 6,650 |
| Gas Line Pack | 274 | 274 |
| Inventory in transit (1) | 1,233 | 8,779 |
| **Total** | **98,060** | **97,877** |

(1) Corresponds to the obsolescence allowance of spare parts (Note 3 3.1.j.1).
(2) Corresponds to coal inventory to be used by Unit 1 of Santa María Complex power plant.

No inventory items are pledge as debt guarantees.

**Cost of inventory recognized as expense**

Consumption recognized as expense during the periods ended are as follows:

| Cost of inventory | January - December | |
|---|---|---|
| | 2015 ThUS$ | 2014 ThUS$ |
| Warehouse supplies | 10,360 | 8,042 |
| Petroleum (see note 29) | 44,073 | 109,795 |
| Gas Line Pack (see note 29) | 253,413 | 341,647 |
| Coal (see note 29) | 77,637 | 92,406 |
| **Total** | **385,483** | **551,890** |

## 15. Derivative instruments

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

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

Currency derivatives are used to set the exchange rates of the US dollar in respect to the Peso (CLP), Unidad de Fomento (UF), Peruvian Soles (PEN) and Euro (EUR), among others, due to existing obligations or investments in these currencies. These instruments correspond mainly to Forwards and Cross Currency Swaps.

Derivatives related to fuel prices are used to mitigate the risk of variation in revenues from sales and the Company's energy production costs due to a change in the price of fuels used for such purposes. The instruments used mainly correspond to options and forwards.

As of December 31, 2015, the Company classifies all its hedges as “Cash Flow Hedges”.

### 13.1 Hedge instruments

The detail of this caption that includes the fair value of the financial instruments, by each risk hedged is as follows:

| Hedge Assets | | Current | | Non current | |
|---|---|---|---|---|---|
| | | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
| **Exchange rate hedge** | Cash flows hedge | - | 2,378 | - | - |
| **Fuel price hedge** | Cash flows hedge | 124 | 3,333 | - | - |
| | **Total (see nota 8)** | **124** | **5,711** | - | - |

| Hedge Liabilities | | Current | | Non current | |
|---|---|---|---|---|---|
| | | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
| **Exchange rate hedge** | Cash flows hedge | 3,604 | 624 | 34,256 | 16,385 |
| **Interest rate hedge** | Cash flows hedge | 1,179 | 1,179 | 2,609 | 2,624 |
| | **Total (see nota 23.a)** | **4,783** | **1,803** | **36,865** | **19,009** |

The hedge instrument portfolio of Colbún S.A. is detailed as follows:

| Hedge Instrument | Fair value Hedge instrument | | Hedged underlying | Hegded risk | Type of hedge |
|---|---|---|---|---|---|
| | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ | | | |
| Currency forwards | (1,401) | - | Future disbursements project | Exchange rate | Cash flow |
| Currency forwards | 353 | - | Dividends | Exchange rate | Cash flow |
| Currency forwards | (217) | 2,378 | Financial investment | Exchange rate | Cash flow |
| Interest rate swaps | (1,079) | (620) | Bank loans | Interest rate | Cash flow |
| Interest rate swaps | (2,215) | (2,851) | Obligations with the public (Bonds) | Interest rate | Cash flow |
| Cross currency swaps | - | - | Bank loans | Exchange rate | Cash flow |
| Cross currency swaps | (37,089) | (17,341) | Obligations with the public (Bonds) | Exchange rate | Cash flow |
| Gas option | - | 22 | Gas purchases | Gas price | Cash flow |
| Petroleum options | 124 | 1,389 | Petroleum purchases | Petroleum price | Cash flow |
| Coal options | - | 1,922 | Energy purchases | Coal proce | Cash flow |
| **Total** | **(41,524)** | **(15,101)** | | | |

During the periods ended as of December 31, 2015, the Company did not recognize profits or losses due to hedge ineffectiveness on the cash flow hedges.

### 13.2 Fair value hierarchy

The fair value of financial instruments recognized in the statement of financial position, has been determined using the following hierarchy, according to the entry data used to perform the valuation:

Level 1: Prices quoted in active markets for identical instruments.

Level 2: Prices quoted in active markets for similar assets or liabilities or other valuation techniques, for which all significant inputs are based on observable market data.

Level 3: Valuation techniques using all relevant inputs are not based on observable market data.

As of December 31, 2015, the calculation of fair value of all financial instruments subject to valuation has been determined on the basis of Level 2 of the aforementioned hierarchy.

## 16. Investments in subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and controlled companies. The following table includes detailed information of subsidiaries as of December 31, 2015 and 2014:

| Subsidiary | 12.31.2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Current assets ThUS$ | Non current assets ThUS$ | Current liabilities ThUS$ | Non current liabilities ThUS$ | Equity ThUS$ | Ordinary incomes ThUS$ | Net profit (loss) ThUS$ |
| Empresa Eléctrica Industrial S.A. | 622 | 12,742 | 2,962 | 8,507 | 1,895 | 4,689 | (2,799) |
| Colbun International Limited (1) | | | | | | | |
| Sociedad Hidroeléctrica Melocotón | 3 | 4,557 | 478 | 144 | 3,938 | 3,504 | 1,788 |
| Río Tranquilo S.A. | 1,612 | 58,088 | 3,427 | 11,754 | 44,519 | 14,633 | (1,060) |
| Termoeléctrica Nehuenco S.A. | 225 | 4,409 | 1,750 | 20,488 | (17,604) | 7,693 | (4,384) |
| Termoeléctrica Antilhue S.A. | 90 | 43,455 | 1,735 | 18,065 | 23,745 | 4,800 | (308) |
| Colbún Transmisión S.A. | 2,787 | 113,452 | 1,201 | 21,851 | 93,187 | 26,084 | 8,841 |
| Colbún Desarrollo S.P.A. | 160 | - | - | - | 160 | - | - |
| Inversiones SUD S.P.A. | 10 | - | - | - | 10 | - | - |
| Inversiones Andinas S.P.A. | 10 | - | - | - | 10 | - | - |
| Colbún Perú S.A. | 15 | 211,893 | 1 | - | 211,907 | - | (1,693) |
| Inversiones Las Canteras S.A. | 7,908 | 421,613 | 13,197 | 862 | 415,462 | - | (5,212) |
| Fenix Power Perú S.A. (*) | 94,289 | 781,884 | 394,236 | 63,652 | 418,285 | 6,224 | (6,855) |

| Subsidiary | 12.31.2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Current assets ThUS$ | Non current assets ThUS$ | Current liabilities ThUS$ | Non current liabilities ThUS$ | Equity ThUS$ | Ordinary incomes ThUS$ | Net profis (loss) ThUS$ |
| Empresa Eléctrica Industrial S.A. | 524 | 12,417 | 891 | 7,328 | 4,722 | 6,608 | 1,977 |
| Colbun International Limited | 489 | - | 9 | - | 480 | - | (17) |
| Sociedad Hidroeléctrica Melocotón | 21 | 5,127 | 575 | 2,423 | 2,150 | 3,504 | 2,466 |
| Río Tranquilo S.A. | 1,723 | 57,791 | 1,385 | 12,551 | 45,578 | 5,692 | (1,248) |
| Termoeléctrica Nehuenco S.A. | 333 | 5,074 | 1,742 | 16,743 | (13,078) | 8,467 | 673 |
| Termoeléctrica Antilhue S.A. | 129 | 45,864 | 562 | 21,379 | 24,052 | 4,800 | 1,305 |
| Colbún Transmisión S.A. | 3,755 | 107,054 | 1,232 | 22,629 | 86,948 | 33,028 | 11,492 |

(*) Considers revenues and net profit (loss) for the 12 days of December 2015.
See note 3.b.

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

## 17. Investments accounted for using the equity method

### a. Equity method

As of December 31, 2015 and 2014, the associates and joint controlled companies accounted for using the equity method and their movements are detailed as follows:

| Type of relation | Company | Number of shares | Participation 12.31.2015 | Balance as 01.01.2015 | Additions | Result of the period | Dividends | Equity reserves: Exchange conversion difference | Equity reserves: Hedging derivates reserve | Equity reserves: Adjustment of heritage | Total<br>0 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | % | ThUS$ | ThUS$ | ThUS$ | ThUS$ | ThUS$ | ThUS$ | ThUS$ | ThUS$ |
| Associated | Electrogas S.A. | 175,076 | 42.50% | 17,351 | - | 8,388 | (7,889) | - | (882) | - | 16,968 |
| Joint ventures | Centrales Hidroeléctricas de Aysén S.A. | 8,731,996 | 49.00% | 12,120 | 3,906 | (3,563) | - | (2,725) | - | (1,537) | 8,201 |
| Joint ventures | Transmisora Eléctrica de Quillota Ltda. | - | 50.00% | 10,644 | - | 1,795 | - | (1,596) | - | - | 10,843 |
| | | | **Totals** | **40,115** | **3,906** | **6,620** | **(7,889)** | **(4,321)** | **(882)** | **(1,537)** | **36,012** |

| Type of relation | Company | Number of shares | Participation 12.31.2014 | Balance as 01.01.2014 | Additions | Result of the period | Dividends | Equity reserves: Exchange conversion difference | Equity reserves: Hedging derivates reserve | Equity reserves: Adjustment rate tax Law N° 20.780 (1) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | % | ThUS$ | ThUS$ | ThUS$ | ThUS$ | ThUS$ | ThUS$ | ThUS$ | ThUS$ |
| Associated | Electrogas S.A. | 175,076 | 42.50% | 18,424 | - | 7,255 | (8,383) | - | 55 | - | 17,351 |
| Joint ventures | Centrales Hidroeléctricas de Aysén S.A. | 8,433,096 | 49.00% | 127,398 | 5,570 | (107,597) | - | (17,373) | - | 4,122 | 12,120 |
| Joint ventures | Transmisora Eléctrica de Quillota Ltda. | - | 50.00% | 11,625 | - | 1,027 | - | (1,613) | - | (395) | 10,644 |
| | | | **Totals** | **157,447** | **5,570** | **(99,315)** | **(8,383)** | **(18,986)** | **55** | **3,727** | **40,115** |

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

**b. Financial information on investment associates and companies under joint control**

The following table includes information as of December 31, 2015 and 2014, from the financial statements of associates and companies under joint control in which the Company has an interest:

**Al 31.12.2015**

| Type of relation | Company | Current assets ThUS$ | Non-current assets ThUS$ | Current liabilities ThUS$ | Non-current liabilities ThUS$ | Ordinary income ThUS$ | Ordinary expenses ThUS$ | Profit (losses) ThUS$ |
|---|---|---|---|---|---|---|---|---|
| Associated | Electrogas S.A. | 13,808 | 65,959 | 17,177 | 22,667 | 35,964 | (2,949) | 19,737 |
| Joint ventures | Centrales Hidroeléctricas de Aysén S.A. | 708 | 21,346 | 4,633 | 80 | 9 | (5,820) | (7,271) |
| Joint ventures | Transmisora Eléctrica de Quillota Ltda. | 7,471 | 17,151 | 650 | 2,492 | 4,017 | (919) | 3,590 |

**Al 31.12.2014**

| Type of relation | Company | Current assets ThUS$ | Non-current assets ThUS$ | Current liabilities ThUS$ | Non-current liabilities ThUS$ | Ordinary income ThUS$ | Ordinary expenses ThUS$ | Profit (losses) ThUS$ |
|---|---|---|---|---|---|---|---|---|
| Associated | Electrogas S.A. | 10,022 | 71,284 | 16,594 | 22,953 | 34,463 | (2,918) | 18,402 |
| Joint ventures | Centrales Hidroeléctricas de Aysén S.A. | 801 | 24,984 | 5,853 | 75 | 88 | (8,003) | (222,722) |
| Joint ventures | Transmisora Eléctrica de Quillota Ltda. | 7,236 | 18,843 | 1,860 | 3,037 | 4,405 | (778) | 2,053 |

**Additional information**

**i) <u>Electrogas S.A.:</u>**

Company dedicated to the transportation of natural gas. It has a gas pipeline going from "City Gate III" located in the community of San Bernardo in the Metropolitan Region to "Plant Gate" located in the community of Quillota in the V Region, and a gas pipeline that goes from "Plant Gate" to the Colmo zone, in the community of Concón. Its main customers are Compañía Eléctrica San Isidro S.A., Colbún S.A., Empresa de Gas Quinta Región (Gasvalpo), Energas S.A. and Refinería de Petróleos de Concón (RPC). Colbún has a 42.5% direct ownership interest in this Company.

**ii) <u>Centrales Hidroeléctricas de Aysén S.A. (HidroAysén S.A.):</u>**

Colbún has a 49% share of HidroAysén S.A.

Notwithstanding the natural uncertainty regarding the deadlines and contents of the resolutions of judicial instances to which HidroAysén has resorted, as well as the guidelines, conditions or possible reformulations that the processes that are being carried out by the government on long-term energy policy and territorial planning of basins may determine in relation to the development of Aysén's hydroelectric potential, Colbún S.A. reiterates its conviction that current water rights, requests for additional water rights, the environmental qualification resolution, concessions, soil studies, engineering, authorizations and real estate of the project are assets that have been acquired and developed by the company during the last 8 years, in accordance with current institutional arrangements and international technical and environmental standards.

Colbún S.A. has ratified that the development of the aforementioned hydroelectric potential presents benefits for the country's growth and that the option of participation in it would be a potential source of long-term value generation for the company.

In December 31, 2014, Colbún S.A. recorded in its financial statements a provision for impairment of its participation in Hidroaysén S.A. for an approximate amount of US$ 102 million.

**iii) <u>Transmisora Eléctrica de Quillota Ltda.:</u>**

Company created by Colbún S.A. and San Isidro S.A. (now Company Eléctrica de Tarapacá S.A.), in June 1997, with the purpose of jointly developing and operating the necessary facilities to evacuate the power and energy generated by their respective power stations to the Quillota Substation owned by Transelec S.A.

Transmisora Eléctrica de Quillota Ltda. owns the San Luis substation, located close to the combined cycle Nehuenco and San Isidro plants, in addition to the 220 KV high voltage line which joins that substation to the SIC's Quillota Substation.

Colbún has a 50% share of Transmisora Eléctrica de Quillota Ltda.

## 18. Intangible assets other than goodwill

### a. Details by class of intangibles

The detail as of the dates of the balances of financial position is as follows:

| Intangible assets, net | | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|---|
| Rights not internally generated | Particulate material emission rights | 7,701 | 7,701 |
| | Concessions | 87 | 2 |
| | Water rights | 18,418 | 17,647 |
| | Easements | 57,844 | 55,880 |
| | Plusvalor | 3,315 | - |
| Licenses | Software | 3,975 | 4,158 |
| | **Total** | **91,340** | **85,388** |

| Intangible assets, gross | | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|---|
| Rights not internally generated | Particulate material emission rights | 7,701 | 7,701 |
| | Concessions | 98 | 11 |
| | Water rights | 18,426 | 17,651 |
| | Easements | 58,796 | 56,657 |
| | Plusvalor | 3,315 | - |
| Licenses | Software | 10,051 | 9,172 |
| | **Total** | **98,387** | **91,192** |

| Accumulated amortization | | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|---|
| Rights not internally generated | Concessions | (11) | (9) |
| | Water rights | (8) | (4) |
| | Easements | (952) | (777) |
| Licenses | Software | (6,076) | (5,014) |
| | **Total** | **(7,047)** | **(5,804)** |

**b. Movement of intangibles during the period**

Movements during the periods are detailed as follows**:**

| Movements 12.31.2015 | Not generated internally | | | | | Licenses | Intangibles, net |
|---|---|---|---|---|---|---|---|
| | Particulate material emission rights ThUS$ | Concessions ThUS$ | Water rights ThUS$ | Easements ThUS$ | Intangible assets,related clients. ThUS$ | Software ThUS$ | ThUS$ |
| Beginning balance as of 01.01.2015 | 7,701 | 2 | 17,647 | 55,880 | - | 4,158 | 85,388 |
| Additions | - | 87 | 775 | 477 | - | 658 | 1,997 |
| Acquisitions through business combinations (see note 6). | - | - | - | - | 3,315 | 226 | 3,541 |
| Current additions | - | - | - | 1,662 | - | - | 1,662 |
| Expropiations | - | - | - | - | | - | - |
| Transfers. | - | - | - | - | | - | - |
| Amortization expenses (see note 31) | - | (2) | (4) | (175) | - | (1,067) | (1,248) |
| **Ending balance as of 12.31.2015** | **7,701** | **87** | **18,418** | **57,844** | **3,315** | **3,975** | **91,340** |

| Movements 12.31.2014 | Not generated internally | | | | | Licenses | Intangibles, net |
|---|---|---|---|---|---|---|---|
| | Particulate material emission rights ThUS$ | Concessions ThUS$ | Water rights ThUS$ | Easements ThUS$ | Intangible assets,related clients. ThUS$ | Software ThUS$ | ThUS$ |
| Beginning balance as of 01.01.2014 | 12,644 | 8 | 16,701 | 52,970 | - | 4,935 | 87,258 |
| Additions | - | - | 950 | 2,881 | - | 157 | 3,988 |
| Current additions | - | - | - | - | - | - | - |
| Expropiations | (4,943) | - | - | (161) | - | - | (5,104) |
| Transfers. | - | - | - | 252 | - | 118 | 370 |
| Amortization expenses (see note 31) | - | (6) | (4) | (62) | - | (1,052) | (1,124) |
| **Ending balance as of 12.31.2014** | **7,701** | **2** | **17,647** | **55,880** | **-** | **4,158** | **85,388** |

In accordance with what was explained in Note 5.b) the Company management considers that there is no impairment of the carrying amount of intangible assets. The Company does not have intangible assets that guarantee compliance with these obligations.

## 19. Classes of property, plant and equipment

### a. Details by classes of property, plant and equipment

Property, plant and equipment as of the dates of the balances of financial position are as follows:

| Classes of Property, Plant & Equipment, net | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Land | 288,398 | 288,068 |
| Buildings and infrastructure | 251,672 | 141,577 |
| Machinery and equipment | 2,300,513 | 1,782,798 |
| Transport equipment | 511 | 346 |
| Office Equipment | 3,660 | 3,896 |
| Computer equipment | 1,236 | 1,091 |
| Builds in progress | 438,221 | 358,925 |
| Finances leases | 14,739 | - |
| Other property, plant & equipment | 2,303,672 | 2,379,505 |
| **Total** | **5,602,622** | **4,956,206** |

| Classes of Property, Plant & Equipment, gross | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Land | 288,398 | 288,068 |
| Buildings and infrastructure | 285,442 | 168,339 |
| Machinery and equipment | 2,802,508 | 2,186,565 |
| Transport equipment | 1,072 | 859 |
| Office Equipment | 8,460 | 8,297 |
| Computer equipment | 6,708 | 6,034 |
| Builds in progress | 439,780 | 358,925 |
| Finances leases | 14,768 | - |
| Other property, plant & equipment | 2,842,959 | 2,831,384 |
| **Total** | **6,690,095** | **5,848,471** |

| Classes of Property, Plant & Equipment, accumulated depreciation and impairment | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Buildings and infrastructure | (33,770) | (26,762) |
| Machinery and equipment | (501,995) | (403,767) |
| Transport equipment | (561) | (513) |
| Office Equipment | (4,800) | (4,401) |
| Computer equipment | (5,472) | (4,943) |
| Builds in progress | (1,559) | - |
| Finances leases | (29) | - |
| Other property, plant & equipment | (539,287) | (451,879) |
| **Total** | **(1,087,473)** | **(892,265)** |

## b. Movements of property, plant and equipment

Movements in property, plant and equipment were as follows:

| Movements 12.31.2015 | Land<br>ThUS$ | Buildings and infrastructure<br>ThUS$ | Machinery and equipment<br>ThUS$ | Transpot equipment<br>ThUS$ | Office equipment<br>ThUS$ | IT equipment<br>ThUS$ | Builds in progress<br>ThUS$ | Finance leases<br>ThUS$ | Other Property, plant & equipment<br>ThUS$ | Property, plant & equipment, net<br>ThUS$ |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning balance as of 01.01.2015 | 288,068 | 141,577 | 1,782,798 | 346 | 3,896 | 1,091 | 358,925 | - | 2,379,505 | 4,956,206 |
| Additions | - | - | 3 | - | 17 | 656 | 105,985 | - | 24 | 106,685 |
| Acquisitions through business combinations (see note 6). | 39 | 115,733 | 591,417 | 213 | 174 | 83 | 3,574 | 14,768 | 9,537 | 735,538 |
| Current additions | - | - | - | - | - | - | - | - | - | - |
| Expropiations | (52) | (25) | (430) | - | (28) | (64) | - | - | - | (599) |
| Accumulated depretiations expropiations | - | 2 | 526 | - | 19 | 62 | - | - | - | 609 |
| Impairment losses recognized in the result of period. | - | - | (40) | - | - | - | (1,559) | - | (519) | (2,118) |
| Transfers. | - | 1,394 | 24,953 | - | 1 | - | (28,704) | - | 2,013 | (343) |
| Amortization expenses (see note 31) | - | (7,009) | (98,714) | (48) | (419) | (592) | | (29) | (86,888) | (193,699) |
| Total Movement | **(13)** | **110,095** | **517,715** | **165** | **(236)** | **145** | **79,296** | **14,739** | **(75,833)** | **646,073** |
| **Ending balance as of 12.31.2015** | **288,055** | **251,672** | **2,300,513** | **511** | **3,660** | **1,236** | **438,221** | **14,739** | **2,303,672** | **5,602,279** |

| Movements 12.31.2014 | Land<br>ThUS$ | Buildings and infrastructure<br>ThUS$ | Machinery and equipment<br>ThUS$ | Transpot equipment<br>ThUS$ | Office equipment<br>ThUS$ | IT equipment<br>ThUS$ | Builds in progress<br>ThUS$ | Finance leases<br>ThUS$ | Other Property, plant &<br>ThUS$ | Property, plant & equipment, net<br>ThUS$ |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning balance as of 01.01.2014 | 287,367 | 148,424 | 1,565,806 | 358 | 4,578 | 1,369 | 1,108,074 | - | 1,916,978 | 5,032,954 |
| Additions | 549 | 16 | 228 | 29 | 15 | 360 | 110,905 | - | 354 | 112,456 |
| Expropiations | (137) | - | (7,142) | - | (11) | (15) | - | - | (350) | (7,655) |
| Accumulated depretiations expropiations | - | - | 47 | - | 10 | 15 | - | - | - | 72 |
| Transfers. | 289 | 26 | 312,234 | - | 3 | 125 | (860,054) | - | 547,007 | (370) |
| Amortization expenses (see note 31) | | (6,889) | (88,375) | (41) | (699) | (763) | | | (84,484) | (181,251) |
| Total Movement | **701** | **(6,847)** | **216,992** | **(12)** | **(682)** | **(278)** | **(749,149)** | **-** | **462,527** | **(76,748)** |
| **Ending balance as of 12.31.2014** | **288,068** | **141,577** | **1,782,798** | **346** | **3,896** | **1,091** | **358,925** | **-** | **2,379,505** | **4,956,206** |

**c. Other disclosures**

**i)** The Company does not possess property, plant and equipment that is affected as guarantee for the fulfillment of obligations, with the exception of the Fenix Power Perú subsidiary, which has guarantees granted in favor of Banco BTG Pactual S.A. under a credit contract signed in February 2013.

The Company has insurance covering both their central physical damage such as loss of profit, with standard deductible.

**ii)** Colbún and its subsidiaries have signed insurance policies to cover possible risks, which the different elements of its tangible property, plant and equipment are exposed to, as well as possible claims that might be filed against them for carrying out its line of business, in the understanding that such policies adequately cover the risks to which they are exposed.

In addition, the loss of benefits that might occur as a consequence of a shutdown is covered through insurance.

**iii)** As of December 31, 2015 and 2014 the Company had commitments for the acquisition of property, plant and equipment derived from construction contracts in the amount of ThUS$65,724 and ThUS$53,656, respectively. The companies with which it operates are: Zublin International Gmbh Chile SPA, B. Bosch S.A., Abengoa Chile S.A., Power Machines, Power Machines Agencia en Chile, Constructora Santa María Ltda y ABB Ltda.

**iv)** Capitalized interest costs (IAS23) for the periods ended December 31, 2015 and 2014 amounted to:

| Concept | January-December | |
|---|---|---|
| | **2015** ThUS$ | **2014** ThUS$ |
| Costs for capitalized loans MUS$ (see note 32) | 7,292 | 15,376 |
| Capitalization rate of costs by loans eligible for capitalization | 5.08% | 4.87% |

**v) Operating lease**

As of December 31, 2015 and 2014 the Company has implicit operating leases corresponding to:

1) Transmission Line Contracts (220 KV Alto Jahuel-Candelaria and 220 KV Candelaria-Minero), signed between the Company and National Copper Corporation of Chile. Those contracts are for a term of 30 years.
2) Additional Toll contracts (Transmission Line – Substation Polpaico/ Substation Maitenes) signed between the Company and Anglo American Sur. The term of the contract is for 21 year.
3) Energy and capacity supply signed between the Company and Codelco. The term of the contract is 30 years.

Future collections derived from those contracts are detailed as follows:

| December 31, 2015 | Next twelve months ThUS$ | Between 1 and 5 years ThUS$ | More than 5 years ThUS$ | Total ThUS$ ThUS$ |
|---|---|---|---|---|
| Minimal leases payments for charging under not cancellable operative leases | 114,343 | 457,371 | 2,614,726 | 3,186,440 |
| **Total** | **114,343** | **457,371** | **2,614,726** | **3,186,440** |

| December 31, 2014 | Next twelve months ThUS$ | Between 1 and 5 years ThUS$ | More than 5 years ThUS$ | Total ThUS$ ThUS$ |
|---|---|---|---|---|
| Minimal leases payments for charging under not cancellable operative leases | 117,624 | 470,496 | 2,762,330 | 3,350,450 |
| **Total** | **117,624** | **470,496** | **2,762,330** | **3,350,450** |

### vi) Financial lease

As of December 31, 2015, property, plant and equipment include ThUS$ 14,739, corresponding to the net book value of assets that are the subject of financial lease contracts.

Leased assets come from the Fenix subsidiary, corresponding to a contract signed with Consorcio Transmantaro S.A. ("CTM"), in which CTM is obliged to provide the service operation and maintenance of the transmission line of approximately 8 kilometers from the Chilca substation to the Fenix thermal plant. This contract has a term of 20 years and accrues interest at an annual rate of 12%. In addition, CTM is obliged to build facilities for the provision of the transmission service.

The present value of future payments under these contracts is as follows:

| December 31, 2015 | Next twelve ThUS$ | Between 1 and 5 years ThUS$ | More than 5 years ThUS$ | Total ThUS$ ThUS$ |
|---|---|---|---|---|
| Gross | 2,354 | 12,918 | 23,177 | **38,449** |
| Interests | 2,012 | 8,920 | 11,492 | **22,424** |
| fair Value (see note 23.a) | 342 | 3,998 | 11,685 | **16,025** |

## vii) Information required by the XBRL taxonomy

### 1. Disbursements recognized in work in progress

| Disbursements recognized work in progress | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Work in progress | 82,679 | 111,196 |
| **Total** | **82,679** | **111,196** |

### 2. Assets completely depreciated but being used

| Assets completely depreciated but being used, gross | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Buildings and infrastructure | 20 | 1 |
| Machinery and equipment | 23,918 | 5,131 |
| Transport equipment | 403 | 375 |
| Office Equipment | 3,381 | 2,796 |
| Hardware | 4,341 | 3,114 |
| Other property, plant and equipment | 4,734 | 1,398 |
| **Total** | **36,797** | **12,815** |

| Assets completely depreciated a but being used, accumulated depreciation and impairment | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Buildings and infrastructure | 20 | 1 |
| Machinery and equipment | 23,918 | 5,131 |
| Transport equipment | 403 | 375 |
| Office Equipment | 3,380 | 2,796 |
| Hardware | 4,341 | 3,114 |
| Other property, plant and equipment | 4,675 | 1,398 |
| **Total** | **36,737** | **12,815** |

## viii) Details of other property, plant and equipment

As of December 31, 2015 and 2014, the details of other property, plant and equipment are as follows:

| Other property, plant and equipment. | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Civil works | 2,438,908 | 2,436,864 |
| Transmission lines | 169,770 | 153,930 |
| Substations | 204,513 | 210,822 |
| Other fixed assets | 1,440 | 1,440 |
| Parts of long-term classified as fixed assets | 28,328 | 28,328 |
| **Total other properties, plants and equipment** | **2,842,959** | **2,831,384** |

**Depreciation**

| Other property, plant and equipment. | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Civil works | (478,129) | (405,219) |
| Transmission lines | (21,815) | (16,970) |
| Substations | (37,397) | (18,253) |
| Other fixed assets | (1,946) | (11,437) |
| **Total depreciations** | **(539,287)** | **(451,879)** |

| Other property, plant and equipment. | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Civil works | 1,960,779 | 2,031,645 |
| Transmission lines | 147,955 | 136,960 |
| Substations | 167,116 | 192,569 |
| Other fixed assets | (506) | (9,997) |
| Parts of long-term classified as fixed assets | 28,328 | 28,328 |
| **Balance of other property, plants and equipment** | **2,303,672** | **2,379,505** |

## 20. Current tax assets

Tax accounts receivable as of the dates of the Balances of Financial Position, are as follows:

| | Current | |
|---|---|---|
| | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
| Monthly provisional payments | 919 | 3,917 |
| Provisional payment for absorbed earning | 7,715 | 34,703 |
| **Total** | **8,634** | **38,620** |

## 21. Other non-financial assets

Other assets as of the dates of the Balances of Financial Position are as follows:

| | Current | | Non current | |
|---|---|---|---|---|
| | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
| Installations and civil insurance premiums | 15,726 | 21,050 | - | - |
| Prepayments | 12,430 | 19,423 | 16,988 | 17,352 |
| Patents on non-use of water rights (1) | - | - | 7,113 | 5,915 |
| Advance parts GE - Siemens | - | - | 6,969 | - |
| Other miscellaneous assets | 220 | 196 | 1,192 | 1,511 |
| **Total** | **28,376** | **40,669** | **32,262** | **24,778** |

(1) Credit in accordance with Article 129 bis 20 of the Water Code DFL 1,122. As of December 31, 2015 and impairment of ThUS$1,831 recognized, whereas as of December 31, 2014, an impairment of ThUS$ 5,337 was recognized. Payment of these licenses is associated to the implementation of projects that will use this water; therefore it is an economic variable that the Company evaluates on an ongoing basis. In this context, the Company adequately controls payments made and recognizes estimates for project start-ups, in order to record impairment of the asset if it projects that the use will be subsequent to the period where it can take advantage of the tax credit.

## 22. Income taxes

### a. Income taxes

| Results by income tax | January-December 2015 ThUS$ | 2014 (1) ThUS$ |
|---|---|---|
| Current income tax | (33,559) | (2,353) |
| Utilization of tax losses | - | 14,838 |
| Adjustments to current tax of prior period | (4,410) | (50) |
| **Total current tax expense, net** | **(37,969)** | **12,435** |
| **Deferred income tax (expense) income** | | |
| Temporary differences results (2) | (9,948) | (48,300) |
| Other deferred tax expenses (3) | (51,686) | (51,540) |
| **Deferred income tax (expense) income** | **(61,634)** | **(99,840)** |
| **Total income tax** | **(99,603)** | **(87,405)** |

(1) See note 6
(2) Primarily includes the effect of temporary differences related to property, plant and equipment, expenses carried to assets in Works in progress and the recognition of income for derivative operations (received and accrued). Also recognizes the deferred tax asset for unused tax losses
(3) Effect produced by the temporary difference generated when comparing the balances of property, plant and equipment for tax purposes, converted to US Dollars at the closing exchange rate.

### a.1 Reconciliation of current taxes

As of December 31, 2015 current taxes can be reconciled with income as follows:

| Conciliation of current taxes | 12.31.2015 | | | |
|---|---|---|---|---|
| **Company** | **Current taxes (income) ThUS$** | **PPM ThUS$** | **Income taxes ThUS$** | **Liabilities taxes ThUS$** |
| Colbún S.A. | (25,068) | 5,821 | (566) | (19,813) |
| Colbún Peru S.A. | (23) | - | (144) | (167) |
| Empresa Eléctrica Industrial S.A. | (494) | 44 | - | (450) |
| Soc. Hidroeléctrica Melocoton Ltda. | (884) | 458 | - | (426) |
| Termoelectrica Antilhue S.A. | (985) | 385 | - | (600) |
| Río Tranquilo S.A. | (2,788) | 219 | - | (2,569) |
| Colbún Transmisión S.A. | (3,317) | 3,317 | (20) | (20) |
| Total | **(33,559)** | **10,244** | **(730)** | **(24,045)** |

As of December 31, 2015 the company has operations in other countries in Perú.

| Results by income tax | January-December 2015 MUS$ |
|---|---|
| Profit before tax | (3,145) |
| **Income tax using the legal rate** (2) | **944** |
| Tax income (expense) using the effective rate | (19) |
| Difference in rate of imputation tax loss | 19 |
| tax accounting in CLP with effect in deferred taxes (3) | (2,047) |
| **Results by income tax** | **(1,103)** |

(1) Tax rate of foreign operations 30% based on legislation in force in Peru.

As of December 31, 2014, the Company did not record income abroad.

**a.2 Reconciliation of tax expenses**

As of December 31, 2015 current taxes can be reconciled with income as follows:

| Results by income tax | January-December | |
|---|---|---|
| | 2015 ThUS$ | 2014 (1) ThUS$ |
| Profit before tax | 301,708 | **169,669** |
| **Income tax using the legal rate** (2) | **(67,648)** | **(35,630)** |
| Tax income (expense) using the effective rate | (19) | - |
| Difference in rate of imputation tax loss | 19 | (4,817) |
| Difference between financial accounting expressed in USD and tax accounting in CLP with effect in deferred taxes (3) | (31,955) | (46,958) |
| **Results by income tax** | **(99,603)** | **(87,405)** |

(1) See note 6
(2) As of December 31, 2015 the Income Tax charge was calculated using atax rate of 22.5% (Law 20,780) for operations in Chile and 30% tax rate in Peru. Whereas in December 2014 the tax rate used was 21%.
(3) In accordance with International Financial Reporting Standards (IFRS) the Company records its operations in its functional U.S. dollar currency and for tax purposes it keeps books in local Chilean pesos. The balances of assets and liabilities are converted as of each period closing date to compare them with balances under IFRS in functional currency (U.S. dollar), and in this manner determine the deferred tax on differences existing between both amounts.

**a.3 Effective rate calculation**

| Tax Rate | January-December | |
|---|---|---|
| | 2015 % | 2014 (1) % |
| **Legal tax rate** | 22.5% | 21.0% |
| Adjustments to legal tax rate | 10.5% | 32.1% |
| **Effective tax rate** | **33.0%** | **53.1%** |

(1) See note 6

**b. Deferred taxes**

Deferred tax assets and by concept is as follows:

| Deferred tax assets | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ | 01.01.2014 MUS$ |
|---|---|---|---|
| Tax losses | 51,199 | 4,531 | 5,312 |
| Others | 7,891 | 8,661 | 3,176 |
| Provisions | 2,960 | 2,869 | 2,796 |
| Obsolescence | 2,084 | 2,363 | - |
| Hedge instruments | 4,745 | 3,364 | 1,643 |
| Employees post-employment benefits | 3,746 | 3,883 | 2,408 |
| **Deferred tax assets** | **72,625** | **25,671** | **15,335** |
| **Deferred tax liabilities** | **12.31.2015 ThUS$** | **12.31.2014 ThUS$** | **01.01.2014 MUS$** |
| Depreciation | (1,013,221) | (907,123) | (602,156) |
| Others | (8,438) | (11,265) | (5,518) |
| **Deferred tax liabilities** | **(1,021,659)** | **(918,388)** | **(607,674)** |
| **Deferred tax assets and liabilities, net** | **(949,034)** | **(892,717)** | **(592,339)** |

The deferred tax position of each company is as follows:

| Net position on deferred tax per company | | | | |
|---|---|---|---|---|
| Company | Net position | | | |
| | Assets | | Liabilities | |
| | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
| Empresa Eléctrica Industrial S.A. | - | - | (470) | (171) |
| Termoeléctrica Nehuenco S.A. | 4,409 | 5,074 | - | - |
| Soc. Hidroeléctrica Melocotón Ltda. | - | - | (144) | (78) |
| Colbún S.A. | - | - | (912,216) | (853,843) |
| Termoeléctrica Antilhue S.A. | - | - | (8,671) | (8,520) |
| Río Tranquilo S.A. | - | - | (11,754) | (12,551) |
| Colbún Transmisión S.A. | - | - | (21,851) | (22,628) |
| Colbún Perú S.A. | 6 | - | - | - |
| Inversiones Las Canteras S.A. | - | - | (850) | - |
| Fénix Power Perú S.A. | 2,507 | - | - | - |
| **Subtotal** | **6,922** | **5,074** | **(955,956)** | **(897,791)** |
| **Deferred tax, net** | | | **(949,034)** | **(892,717)** |

At the end of September 2014 the Tax Reform was passed (Law 20,780), increasing the first category tax rate. As a consequence of this reform, and considering that the Company falls within the Partially Integrated System, the net deferred tax liability increased in the amount of MUS$ 212.5. Following Oficio Circular N°856 from the Superintendencia de Valores y Seguros, the effect was accounted for against equity.

**c. Income taxes on other comprehensive income**

| | January-December | |
|---|---|---|
| | **2015** ThUS$ | **2014** ThUS$ |
| Cash flow hedges | 1,381 | 1,720 |
| Defined benefits plans | 657 | 1,362 |
| **Income tax related to items in other comprehensive income** | **2,038** | **3,082** |
| Other comprehensive income related to equity interest in asociated and join ventured using the equity method | 326 | (15) |

As of December 31, 2015, the company Colbún S.A. together with its subsidiaries Empresa Eléctrica Industrial S.A., Sociedad Hidroeléctrica Melocotón Ltda., Termoeléctrica Antilhue S.A. and Río Tranquilo S.A determined its tax profits. As a result, it recorded a consolidated income tax provision for ThUS$ 33,559. In turn, the subsidiary Termoeléctrica Nehuenco S.A. presented at year-end a tax loss of ThUS$ 14,479, which is expected to reverse in the future, and therefore the Company determined a deferred tax asset.

In accordance with IAS 12, the Company recognizes a deferred tax asset on tax losses when management has determined that it is probable that there will be future taxable net income to which these losses can be attributed.

## 23. Other financial liabilities

As of the date of the balances of financial position, other financial liabilities are detailed as follows:

### a. Obligations with financial entities

| Other financial liabilities | Current | | Non current | |
|---|---|---|---|---|
| | **12.31.2015** ThUS$ | **12.31.2014** ThUS$ | **12.31.2015** ThUS$ | **12.31.2014** ThUS$ |
| Loans from financial entities (1) | 402,596 | 1,145 | 366,964 | 406,125 |
| Leasing obligations | 342 | - | 15,683 | - |
| Negotiable instruments (Bonds, commercial papers) (1) | 45,664 | 48,197 | 1,362,744 | 1,417,613 |
| Notes payable | | - | | - |
| Hedge derivatives (2) | 4,783 | 1,803 | 36,865 | 19,009 |
| **Total** | **453,385** | **51,145** | **1,782,256** | **1,842,747** |

(1) Interest accrued on loans with financial entities and obligations with the public have been determined at an effective rate.
(2) See detail in Note 15.1.

### b. Financial debt by type of currency

The value of Colbún's financial debt (bank liabilities and bonds) considering only the effect of derivative instruments with a liability position is detailed as follows:

| Financial debt by currency | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| US Dollars | 2,124,600 | 1,705,818 |
| UF | 111,041 | 188,074 |
| **Total** | **2,235,641** | **1,893,892** |

**c. Maturity and currency of obligations with financial entities**

**Obligations with banks**

| As of 12.31.2015 | | | | |
|---|---|---|---|---|
| Debtor's taxpayer No. | 96505760-9 | 96505760-9 | 0-E | |
| Debtor's name | Colbún S.A. | Colbún S.A. | Fenix Power | |
| Debtor's country | Chile | Chile | Perú | |
| Creditor's taxpayer No. | 0-E | 0-E | 0-E | |
| Creditor's name | The Bank of Tokyo-Mitsubishi UFJ, Ltd | Scotiabank & Trust (Cayman) Ltd | Banco BTG Pactual S.A. | |
| Creditor's country | USA | Cayman | Brasil | |
| Currency or readjustment | US$ | US$ | US$ | |
| Type of amortization | Bullet | Anual | Bullet | |
| Interest rate | Variable | Variable | Fijo | |
| Base | Libor 6M | Libor 6M | - | |
| Effective rate | 2.30% | 2.46% | 7.63% | |
| Nominal rate | 2.02% | 2.22% | 6.25% | |
| **Nominal amounts** | | **ThUS$** | | **Total** |
| Up to 90 days | - | - | 362,000 | **362,000** |
| More than 90 days up to 1 | 1,083 | 40,207 | - | **41,290** |
| **More than 1 year up to 3** | **250,000** | **40,000** | - | **290,000** |
| More than 1 year up to 2 | - | 40,000 | - | 40,000 |
| More than 2 years up to 3 | 250,000 | - | - | 250,000 |
| **More than 3 years up to 5** | - | **40,000** | - | **40,000** |
| More than 3 years up to 4 | - | 40,000 | - | 40,000 |
| More than 4 years up to 5 | - | - | - | - |
| **More than 5 years** | - | **40,000** | - | **40,000** |
| **Subtotal nominal amounts** | **251,083** | **160,207** | **362,000** | **773,290** |
| **Accounting values** | | **ThUS$** | | **Total** |
| Up to 90 days | - | - | 361,672 | **361,672** |
| More than 90 days up to 1 | 1,083 | 39,841 | | **40,924** |
| **Current bank loans** | **1,083** | **39,841** | **361,672** | **402,596** |
| **More than 1 year up to 3** | **248,062** | **39,634** | - | **287,696** |
| More than 1 year up to 2 | - | 39,634 | - | 39,634 |
| More than 2 years up to 3 | 248,062 | - | - | 248,062 |
| **More than 3 years up to 5** | - | **39,634** | - | **39,634** |
| More than 3 years up to 4 | - | 39,634 | - | 39,634 |
| More than 4 years up to 5 | - | - | - | - |
| **More than 5 years** | - | **39,634** | - | **39,634** |
| **Non-current banks loans** | **248,062** | **118,902** | - | **366,964** |
| **Bank loans total** | **249,145** | **158,743** | **361,672** | **769,560** |

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

**Obligations with banks**

| As of 12.31.2014 | | |
|---|---|---|
| Debtor's taxpayer No. | 96505760-9 | 96505760-9 |
| Debtor's name | Colbún S.A. | Colbún S.A. |
| Debtor's country | Chile | Chile |
| Creditor's taxpayer No. | 0-E | 0-E |
| Creditor's name | The Bank of Tokyo-Mitsubishi UFJ, Ltd | Scotiabank & Trust (Cayman) Ltd |
| Creditor's country | USA | Cayman |
| Currency or readjustment unit | US$ | US$ |
| Type of amortization | Bullet | Anual |
| Interest rate | Variable | Variable |
| Base | Libor 6M | Libor 6M |
| Effective rate | 2.10% | 2.08% |
| Nominal rate | 1.82% | 1.84% |

| **Nominal amounts** | **ThUS$** | | **Total** |
|---|---|---|---|
| Up to 90 days | - | - | - |
| More than 90 days up to 1 year | 974 | 171 | 1,145 |
| **More than 1 year up to 3** | - | **80,000** | **80,000** |
| More than 1 year up to 2 | - | 40,000 | 40,000 |
| More than 2 years up to 3 | - | 40,000 | 40,000 |
| **More than 3 years up to 5** | **250,000** | **40,000** | **290,000** |
| More than 3 years up to 4 | 250,000 | - | 250,000 |
| More than 4 years up to 5 | - | 40,000 | 40,000 |
| **More than 5 years** | - | 40,000 | **40,000** |
| **Subtotal nominal amounts** | **250,974** | **160,171** | **411,145** |

| **Accounting values** | **ThUS$** | | **Total** |
|---|---|---|---|
| Up to 90 days | - | - | **-** |
| More than 90 days up to 1 year | 974 | 171 | 1,145 |
| **Current bank loans** | **974** | **171** | **1,145** |
| **More than 1 year up to 3** | - | **79,090** | **79,090** |
| More than 1 year up to 2 | - | 39,545 | 39,545 |
| More than 2 years up to 3 | - | 39,545 | 39,545 |
| **More than 3 years up to 5** | **247,945** | **39,545** | **287,490** |
| More than 3 years up to 4 | 247,945 | - | 247,945 |
| More than 4 years up to 5 | - | 39,545 | 39,545 |
| **More than 5 years** | - | **39,545** | **39,545** |
| **Non-current banks loans** | **247,945** | **158,180** | **406,125** |
| **Bank loans total** | **248,919** | **158,351** | **407,270** |

**Obligations with the public**

| As of 12.31.2015 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Debtor's taxpayer No. | 96505760-9 | 96505760-9 | 96505760-9 | 96505760-9 | 96505760-9 | 96505760-9 | |
| Debtor's name | Colbún S.A. | Colbún S.A. | Colbún S.A. | Colbún S.A. | Colbún S.A. | Colbún S.A. | |
| Debtor's country | Chile | Chile | Chile | Chile | Chile | Chile | |
| Registration number | 234 | 499 | 537 | 538 | - | - | |
| Series | Serie C | Serie F | Serie H | Serie I | 144A/RegS | 144A/RegS | |
| Due date | 15-10-2021 | 01-05-2028 | 10-06-2018 | 10-06-2029 | 21-01-2020 | 10-07-2024 | |
| Currency or adjustment unit | UF | UF | US$ | UF | US$ | US$ | |
| Periodicity of amortization | Semestral | Semestral | Bullet | Semestral | Bullet | Bullet | |
| Interest rate | Fija | Fija | Variable | Fija | Fija | Fija | |
| Base | Fija | Fija | Libor 6M | Fija | Fija | Fija | |
| Effective rate | 8.10% | 4.46% | 3.31% | 5.02% | 6.26% | 4.97% | |
| Nominal rate | 7.00% | 3.40% | 2.83% | 4.50% | 6.00% | 4.50% | |
| **Nominal amounts** | **ThUS$** | | | | | | **Total ThUS$** |
| Up to 90 days | - | - | - | - | 13,250 | 10,625 | **23,875** |
| More than 90 days up to 1 year | 6,562 | 15,432 | 127 | 268 | - | - | **22,389** |
| **More than 1 year up to 3** | **12,880** | **28,870** | **80,800** | **4,921** | **-** | **-** | **127,471** |
| More than 1 year up to 2 | 6,281 | 14,435 | - | - | - | - | 20,716 |
| More than 2 years up to 3 | 6,599 | 14,435 | 80,800 | 4,921 | - | - | 106,755 |
| **More than 3 years up to 5** | **14,217** | **28,870** | **-** | **19,684** | **500,000** | **-** | **562,771** |
| More than 3 years up to 4 | 6,933 | 14,435 | - | 9,842 | - | - | 31,210 |
| More than 4 years up to 5 | 7,284 | 14,435 | - | 9,842 | 500,000 | - | 531,561 |
| **More than 5 years** | **7,652** | **108,264** | **-** | **83,659** | **-** | **500,000** | **699,575** |
| **Subtotal nominal amounts** | **41,311** | **181,436** | **80,927** | **108,532** | **513,250** | **510,625** | **1,436,081** |
| **Accounting values** | **ThUS$** | | | | | | **Total ThUS$** |
| Up to 90 days | - | - | - | - | 13,250 | 10,625 | **23,875** |
| More than 90 days up to 1 year | 6,450 | 14,945 | 127 | 267 | - | - | **21,789** |
| **Current obligations with the public** | **6,450** | **14,945** | **127** | **267** | **13,250** | **10,625** | **45,664** |
| **More than 1 year up to 3** | **12,638** | **27,896** | **76,030** | **4,794** | **-** | **-** | **121,358** |
| More than 1 year up to 2 | 6,163 | 13,948 | - | - | - | - | 20,111 |
| More than 2 years up to 3 | 6,475 | 13,948 | 76,030 | 4,794 | - | - | 101,247 |
| **More than 3 years up to 5** | **13,950** | **27,896** | **-** | **19,178** | **496,546** | **-** | **557,570** |
| More than 3 years up to 4 | 6,803 | 13,948 | - | 9,589 | - | - | 30,340 |
| More than 4 years up to 5 | 7,147 | 13,948 | - | 9,589 | 496,546 | - | 527,230 |
| **More than 5 years** | **7,507** | **104,610** | **-** | **81,504** | **-** | **490,195** | **683,816** |
| **Non-current obligations with the public** | **34,095** | **160,402** | **76,030** | **105,476** | **496,546** | **490,195** | **1,362,744** |
| **Obligations with the public total** | **40,545** | **175,347** | **76,157** | **105,743** | **509,796** | **500,820** | **1,408,408** |

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

**Obligations with the public**

| As of 12.31.2014 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Debtor's taxpayer No. | 96505760-9 | 96505760-9 | 96505760-9 | 96505760-9 | 96505760-9 | 96505760-9 | |
| Debtor's name | Colbún S.A. | Colbún S.A. | Colbún S.A. | Colbún S.A. | Colbún S.A. | Colbún S.A. | |
| Debtor's country | Chile | Chile | Chile | Chile | Chile | Chile | |
| Registration number | 234 | 499 | 537 | 538 | - | - | |
| Series | Serie C | Serie F | Serie H | Serie I | 144A/RegS | 144A/RegS | |
| Due date | 15-10-2021 | 01-05-2028 | 10-06-2018 | 10-06-2029 | 21-01-2020 | 10-07-2024 | |
| Currency or adjustment unit | UF | UF | US$ | UF | US$ | US$ | |
| Periodicity of amortization | Semestral | Semestral | Bullet | Semestral | Bullet | Bullet | |
| Interest rate | Fija | Fija | Variable | Fija | Fija | Fija | |
| Base | Fija | Fija | Libor 6M | Fija | Fija | Fija | |
| Effective rate | 8.10% | 4.46% | 2.91% | 5.02% | 6.26% | 4.97% | |
| Nominal rate | 7.00% | 3.40% | 2.44% | 4.50% | 6.00% | 4.50% | |
| **Nominal amounts** | | | **ThUS$** | | | | **Total ThUS$** |
| Up to 90 days | - | - | - | - | 13,250 | 10,625 | **23,875** |
| More than 90 days up to 1 year | 7,147 | 17,445 | 109 | 301 | - | - | **25,002** |
| **More than 1 year up to 3** | **13,786** | **32,468** | **-** | **-** | **-** | **-** | **46,254** |
| More than 1 year up to 2 | 6,723 | 16,234 | - | - | - | - | 22,957 |
| More than 2 years up to 3 | 7,063 | 16,234 | - | - | - | - | 23,297 |
| **More than 3 years up to 5** | **15,218** | **32,468** | **80,800** | **16,602** | **-** | **-** | **145,088** |
| More than 3 years up to 4 | 7,421 | 16,234 | 80,800 | 5,534 | - | - | 109,989 |
| More than 4 years up to 5 | 7,797 | 16,234 | - | 11,068 | - | - | 35,099 |
| **More than 5 years** | **16,797** | **137,987** | **-** | **105,151** | **500,000** | **500,000** | **1,259,935** |
| **Subtotal nominal amounts** | **52,948** | **220,368** | **80,909** | **122,054** | **513,250** | **510,625** | **1,500,154** |
| **Book values** | | | **ThUS$** | | | | **Total ThUS$** |
| Up to 90 days | - | - | - | - | 13,250 | 10,626 | **23,876** |
| More than 90 days up to 1 year | 7,013 | 16,898 | 109 | 301 | - | - | **24,321** |
| **Current obligations with the public** | **7,013** | **16,898** | **109** | **301** | **13,250** | **10,626** | **48,197** |
| **More than 1 year up to 3** | **13,497** | **31,374** | **-** | **-** | **-** | **-** | **44,871** |
| More than 1 year up to 2 | 6,582 | 15,687 | - | - | - | - | 22,269 |
| More than 2 years up to 3 | 6,915 | 15,687 | - | - | - | - | 22,602 |
| **More than 3 years up to 5** | **14,898** | **31,374** | **74,009** | **16,114** | **-** | **-** | **136,395** |
| More than 3 years up to 4 | 7,265 | 15,687 | 74,009 | 5,371 | - | - | 102,332 |
| More than 4 years up to 5 | 7,633 | 15,687 | - | 10,743 | - | - | 34,063 |
| **More than 5 years** | **16,445** | **133,338** | **-** | **102,056** | **495,624** | **488,884** | **1,236,347** |
| **Non-current obligations with the public** | **44,840** | **196,086** | **74,009** | **118,170** | **495,624** | **488,884** | **1,417,613** |
| **Obligations with the public total** | **51,853** | **212,984** | **74,118** | **118,471** | **508,874** | **499,510** | **1,465,810** |

**Obligations leasing**

| As of 31.12.2015 | | |
|---|---|---|
| Debtor's taxpayer No. | 0-E | |
| Debtor's name | Fenix Power Peru S.A. | |
| Debtor's country | Peru | |
| Registration number | 0-E | |
| Series | Consorcio Transmantaro S.A | |
| Maturity date | Perú | |
| Currency or readjustment unit | USD | |
| Periodicity of amortization | Trimestral | |
| Interest rate | Fijo | |
| Base | - | |
| Effective rate | 12.00% | |
| Nominal rate | 12.00% | |
| **Nominal amounts** | **ThUS$** | **Total** |
| Up to 90 days | - | **-** |
| More than 90 days up to 1 year | 342 | **342** |
| **More than 1 year up to 3** | **1,564** | **1,564** |
| More than 1 year up to 2 | 704 | 704 |
| More than 2 years up to 3 | 860 | 860 |
| **More than 3 years up to 5** | **2,434** | **2,434** |
| More than 3 years up to 4 | 1,080 | 1,080 |
| More than 4 years up to 5 | 1,354 | 1,354 |
| **More than 5 years** | **11,685** | **11,685** |
| **Subtotal nominal amounts** | **16,025** | **16,025** |
| **Accounting values** | **ThUS$** | **Total** |
| Up to 90 days | - | **-** |
| More than 90 days up to 1 year | 342 | **342** |
| **Current bank loans** | **342** | **342** |
| **More than 1 year up to 3** | **1,564** | **1,564** |
| More than 1 year up to 2 | 704 | 704 |
| More than 2 years up to 3 | 860 | 860 |
| **More than 3 years up to 5** | **2,434** | **2,434** |
| More than 3 years up to 4 | 1,080 | 1,080 |
| More than 4 years up to 5 | 1,354 | 1,354 |
| **More than 5 years** | **11,685** | **11,685** |
| **Liabilities from leasing non current** | **15,683** | **15,683** |
| **Total leasing liabilities** | **16,025** | **16,025** |

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

## c.1 Projected interest on obligations with financial entities detailed by currency:

| Liability | Currency | Interests as of 12.31.2015 | | Principal | Due Date | Expiration | | | | | Total interests | Total debt |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Accrued | Projected | | | Up to 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | More than 5 years | | |
| Loan The Bank of Tokyo-Mitsubishi UFJ, Ltd [1] | US$ | 1,083 | 14,326 | 250,000 | 15-10-2018 | - | 5,174 | 10,235 | - | - | 15,409 | 265,409 |
| Loan Scotiabank & Trust (Cayman) Ltdl [1] | US$ | 207 | 8,321 | 160,000 | 10-06-2021 | - | 2,941 | 3,349 | 1,866 | 372 | 8,528 | 168,528 |
| Bank BTG Pactual S.A. (Fénix Power Perú) | US$ | 3,457 | 2,325 | 362,000 | 06-02-2016 | 5,782 | - | - | - | - | 5,782 | 367,782 |
| Financial leasing (Fénix Power Perú) | US$ | - | 22,268 | 16,026 | 28-03-2033 | 480 | 1,425 | 3,720 | 3,524 | 13,119 | 22,268 | 38,294 |
| Series C Bond | UFR | 16 | 248 | 1,128 | 15-04-2021 | - | 75 | 114 | 63 | 12 | 264 | 1,392 |
| Series F Bond | UFR | 28 | 1,068 | 5,000 | 01-05-2028 | - | 165 | 290 | 236 | 405 | 1,096 | 6,096 |
| Series H Bond (1) | US$ | 127 | 5,589 | 80,800 | 10-06-2018 | - | 2,287 | 3,429 | - | - | 5,716 | 86,516 |
| Series I Bond | UFR | 7 | 1,094 | 3,000 | 10-06-2029 | - | 134 | 267 | 236 | 464 | 1,101 | 4,101 |
| Bond 144A/RegS 2010 | US$ | 13,250 | 121,750 | 500,000 | 21-01-2020 | 15,000 | 15,000 | 60,000 | 45,000 | - | 135,000 | 635,000 |
| Bond 144A/RegS 2014 | US$ | 10,625 | 191,875 | 500,000 | 10-07-2024 | 11,250 | 11,250 | 45,000 | 45,000 | 90,000 | 202,500 | 702,500 |

| Liability | Currency | Interests as of 12.31.2014 | | Principal | Maturity Day | Expiration | | | | | Total interests | Total debt |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Accrued | Projected | | | Next 3 months | 3 to 12 months | 1 to 3 years | 3 to 5 years | More than 5 years | | |
| Loan The Bank of Tokyo-Mitsubishi UFJ, Ltd [1] | US$ | 974 | 17,502 | 250,000 | 15-10-2018 | - | 4,616 | 9,257 | 4,603 | - | 18,476 | 268,476 |
| Loan Scotiabank & Trust (Cayman) Ltdl [1] | US$ | 172 | 10,934 | 160,000 | 10-06-2021 | - | 2,970 | 4,446 | 2,580 | 1,110.00 | 11,106 | 171,106 |
| Series C Bond | UFR | 18 | 331 | 1,286 | 15-04-2021 | - | 86 | 138 | 90 | 35.00 | 349 | 1,635 |
| Series F Bond | UFR | 30 | 1,245 | 5,400 | 01-05-2028 | - | 179 | 317 | 263 | 516.00 | 1,275 | 6,675 |
| Series H Bond (1) | US$ | 109 | 6,785 | 80,800 | 10-06-2018 | - | 1,970 | 3,940 | 984 | - | 6,894 | 87,694 |
| Series I Bond | UFR | 7 | 1,228 | 3,000 | 10-06-2029 | - | 134 | 267 | 257 | 577.00 | 1,235 | 4,235 |
| Bond 144A/RegS 2010 | US$ | 13,250 | 151,750 | 500,000 | 21-01-2020 | 15,000 | 15,000 | 60,000 | 60,000 | 15,000.00 | 165,000 | 665,000 |
| Bond 144A/RegS 2014 | US$ | 10,625 | 214,375 | 500,000 | 10-07-2024 | 11,250 | 11,250 | 45,000 | 45,000 | 112,500.00 | 225,000 | 725,000 |

(1) Liabilities with variable rate, consider current set rate as of 12.31.2015 and 12.31.2014 respectively, to calculate projected interest.

**d) Committed and uncommitted lines of credit**

The Company has a committed line of credit with local financial entities for UF 4 million, with the possibility of drawing on the line up to 2016. The maturity is in 2019.

In addition, Colbún has uncommitted lines of credit amounting to US$175 million.

Other lines:

The Company has a line of credit for UF 2.5 million for the issuance of negotiable instruments, registered with the SVS in July 2008, for a 10-year period.

Additionally, the Company has registered two lines of bonds with the SVS for a joint amount of up to 7 million UF, with a ten and thirty-year maturity, respectively (since their approval in August 2009), and against which no placements have been made to date.

## 24. Trade and other accounts payable

Trade and other accounts payable as of the dates of the Balances of Financial Positions are as follows:

| | Current | | Non-current | |
|---|---|---|---|---|
| | **12.31.2015** ThUS$ | **12.31.2014** ThUS$ | **12.31.2015** ThUS$ | **12.31.2014** ThUS$ |
| Trade payable | 160,150 | 156,544 | - | - |
| Other accounts payable | 8,611 | 1,270 | 6,422 | 3,217 |
| **Total** | **168,761** | **157,814** | **6,422** | **3,217** |

The main suppliers to December 31, 2015 are:

| **Suppliers (*)** | **%** |
|---|---|
| Mapfre Cia. Seguros Generales de Chile S.A. | 25.9 |
| ANDRITZ HYDRO S.R.L. | 8.4 |
| General Electric Energy Parts, Inc. | 5.0 |
| Campanario Generacion S.A. | 4.7 |
| Punta Palmeras S.A. | 4.4 |
| Transelec S.A. | 4.3 |
| Zublin International Gmbh Chile SPA | 4.1 |
| Others | 43.2 |
| | **100.00** |

(*) Does not consider ThUS$ 61,535 corresponding to interim dividends

a) The ageing of the trade payables balance that are no due is as follows:

| Concept | Balances at 12.31.2015 | |
|---|---|---|
| | 1 to 30 days ThUS$ | Total ThUS$ |
| Goods | 9,397 | **9,397** |
| Services | 129,076 | **129,076** |
| Others | 11,469 | **11,469** |
| **Subtotal** | **149,942** | **149,942** |

| Concept | Balances at 12.31.2014 | |
|---|---|---|
| | 1-30 días ThUS$ | Total ThUS$ |
| Goods | 38,582 | **38,582** |
| Services | 95,693 | **95,693** |
| Others | 20,946 | **20,946** |
| **Subtotal** | **155,221** | **155,221** |

As of December 31, 2015 there were accrued expenses for which the invoice has not been received for an amount of ThUS$ 67,110 (ThUS$ 88,213 as of December 31, 2014).

b) The ageing of the trade payables balance that are overdue is as follows:

| Concept | Balances at 12.31.2015 | | | | | |
|---|---|---|---|---|---|---|
| | 1-30 días ThUS$ | 31-60 ThUS$ | 61-90 ThUS$ | 91-120 ThUS$ | 121 - 180 ThUS$ | Total ThUS$ |
| Goods | - | 103 | 1,150 | 65 | 6,893 | **8,211** |
| Services | - | 1,499 | - | 8 | 474 | **1,981** |
| Others | - | 1 | - | 5 | 10 | **16** |
| **Subtotal** | **-** | **1,603** | **1,150** | **78** | **7,377** | **10,208** |

| Concept | Balances at 12.31.2014 | | | | | |
|---|---|---|---|---|---|---|
| | 1-30 días ThUS$ | 31-60 ThUS$ | 61-90 ThUS$ | 91-120 ThUS$ | 121 - 180 ThUS$ | Total ThUS$ |
| Goods | 688 | 57 | 9 | - | - | **754** |
| Services | 211 | 348 | 2 | - | - | **561** |
| Others | 7 | 1 | - | - | - | **8** |
| **Subtotal** | **906** | **406** | **11** | **-** | **-** | **1,323** |

The average period for payments to suppliers is 30 days; therefore fair value does not significantly differ from book value.

## 25. Provisions

### a. Classes of provisions

As of the dates of the balances of financial position, provisions are as follows:

| Provisions | Current | | Non-current | |
|---|---|---|---|---|
| | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
| **Other** | | | | |
| Other provisions, current | 15,501 | 10,795 | - | - |
| **Total** | **15,501** | **10,795** | **-** | **-** |
| **Employee benefits** | | | | |
| Employee benefits (Note 25.f) | 11,237 | 11,475 | 926 | 1,061 |
| Severances, non-current (Note 25.g) | - | - | 22,075 | 23,040 |
| **Total** | **11,237** | **11,475** | **23,001** | **24,101** |
| **Total provisions** | **26,738** | **22,270** | **23,001** | **24,101** |

### b. Movement of provisions during the period

Movement of provisions during the period is as follows:

| Movements as of 12.31.2015 | Provisions | | | | |
|---|---|---|---|---|---|
| | Holiday and incentive bonus ThUS$ | Lawsuit SEC ThUS$ | Provision contracts (1) ThUS$ | Other (2) ThUS$ | Total ThUS$ |
| Beginning balance as of 01.01.2015 | 11,475 | 127 | 10,500 | 168 | 22,270 |
| Increase (decrease) in existing provisions | 8,318 | (59) | 418 | 4,415 | 13,092 |
| Utilization | (8,556) | (68) | - | - | (8,624) |
| **Ending balance as of 12.31.2015** | **11,237** | **-** | **10,918** | **4,583** | **26,738** |

| Movements as of 12.31.2015 | Provisions | | | | |
|---|---|---|---|---|---|
| | Holiday and incentive bonus ThUS$ | Lawsuit SEC ThUS$ | Provision contracts (1) ThUS$ | Other (2) ThUS$ | Total ThUS$ |
| Beginning balance as of 01.01.2014 | 13,093 | 858 | - | 152 | 14,103 |
| Increase (decrease) in existing provisions | 8,659 | (344) | 10,500 | 16 | 18,831 |
| Utilization | (10,277) | (387) | - | - | (10,664) |
| **Ending balance as of 12.31.2014** | **11,475** | **127** | **10,500** | **168** | **22,270** |

(1) Provisions that originate in differences related to supply agreed upon with customers.
(2) Provisions made for differences and/or administrative and tax contingencies. (See note 36.c)

### c. Environmental restoration

The provision for decommissioning costs includes the future disbursements necessary for the removal of ash and rehabilitation of the seabed in the Santa Maria Complex Unit I, at the end of its useful life. The net present value of these disbursements is incorporated as part of the property, plant and equipment. The amount at the end of the period is ThUS$ 183.

**d. Restructuring**

The Company has not established provisions for this concept.

**e. Litigation**

As of December 31, 2015 and 2014 the Company records a provision for litigation, in accordance with IAS 37 (see Note 36.c).

**f. Breakdown of provisions**

**Employee benefits** The Company recognizes provisions for benefits and bonuses for its employees, such as vacation accrual, benefits from completion of project contracts and production incentives.

| Employee benefits | Current | | Non current | |
|---|---|---|---|---|
| | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
| Acurred benefit, current | 3,164 | 3,005 | - | - |
| Performance incentives, current | 8,073 | 8,470 | - | - |
| Termination of project term contracts | - | - | 926 | 1,061 |
| **Total** | **11,237** | **11,475** | **926** | **1,061** |

**g. Non-current employee benefits accrual**

The Parent Company and certain subsidiaries have established a provision to cover the obligation for termination benefits that will be paid to its employees, in accordance with collective contracts signed with its employees. This provision represents the entire accrued provision (see Note 3 3.1 m).

The Company constantly assesses the basis used in the actuarial calculation of obligations with employees. At December 31, 2015 the Company updated certain indicators in order to better reflect current market conditions.

**i) Composition of employee benefits provision -** The main concepts included in the employee benefits accrual as of the dates of the balances of financial position, is detailed as follows:

| Employee benefits provision | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Severance indemnity | 22,075 | 23,040 |
| **Total** | **22,075** | **23,040** |

| Net present value of defined | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Beginnig balance | 23,040 | 20,953 |
| Service cost | 1,716 | 1,672 |
| Interests cost | 380 | 293 |
| Exchange rate difference | (3,355) | (2,836) |
| Actuarial (losses) gains on experience | (131) | (182) |
| Actuarial (losses) gains on hypotheses | 2,353 | 4,458 |
| Payments | (1,928) | (1,318) |
| **Ending balance (see Note 25.a)** | **22,075** | **23,040** |

**ii) Actuarial hypotheses -** The main assumptions used in the actuarial calculation are:

| Actuarial basis used | | 12.31.2015 | 12.31.2014 |
|---|---|---|---|
| Discount rate | | 1.93% | 1.62% |
| Expected salary increase | | 2.65% | 2.65% |
| Rotation date | Voluntary | 3.10% | 3.30% |
| | Dismissed | 3.80% | 2.60% |
| Retirement age | Men | 65 | 65 |
| | Women | 60 | 60 |
| Mortality table | | RV-2009 | RV-2009 |

<u>Discount rate:</u> corresponds to the interest rate to be used to bring estimated services to be paid in the future to the current moment. This is determined using the discount rate for Chilean Central Bank Bonds in UF at a 20-year term as of the dates of the balances of financial position. The source for this rate is Bloomberg.

<u>Expected salary increase rate:</u> is the salary growth rate estimated by the Company for its employee remunerations, based on the internal compensation policy.

<u>Turnover Index:</u> corresponds to turnover rates calculated by the Company based on its historical information.

<u>Retirement Age:</u> corresponds to the legal retirement age, both for men and women, as stated in DL 3,500 which contains the standards that govern the current pension system.

<u>Mortality Table:</u> corresponds to the mortality table published by the Superintendency of Securities and Insurance.

**iii) Sensitivity to actuarial assumptions** - For sensitivity purposes, only the discount rate has been considered to be a relevant parameter. The results of changes in actuarial liabilities, due to sensitivity to the discount rate are detailed as follows:

| Sensibility | Rate | | Obligation amount | |
|---|---|---|---|---|
| | 12.31.2015 % | 12.31.2014 % | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
| Discount rate used | 1.93 | 1.62 | 22,075 | 23,040 |
| Decrease of 50 basis points | 1.43 | 1.12 | 23,086 | 24,226 |
| Increase of 50 basis points | 2.43 | 2.12 | 21,140 | 21,947 |

**iv) Projection for actuarial calculation for the following year** - The following table shows the projection of the liability one year later than the date of the balance of financial position as of December 31, 2015 for the concept of employee benefits under IAS 19, using actuarial assumptions and data reported by the Company.

| Projection | Obligation amount ThUS$ |
|---|---|
| Situation as of 03.31.2015 | 22,075 |
| Projection to 03.31.2016 | 22,209 |
| Projected increase | 134 |

**v) Future disbursements** - According to the estimate available to the Company, the projection of expected payment cash flows for the following periods is detailed as follows:

| Period | Payments ThUS$ |
|---|---|
| January 2016 | 643 |
| February 2016 | 150 |
| March 2016 | 125 |
| April 2016 | 398 |
| May 2016 | 118 |
| June 2016 | 279 |
| July 2016 | 429 |
| August 2016 | 110 |
| September 2016 | 110 |
| October 2016 | 139 |
| November 2016 | 181 |
| Devember 2016 | 115 |
| **Total** | **2,797** |

## 26. Other non-financial liabilities

As of the dates of the balances of financial position, other non-financial liabilities are detailed as follows:

| | Current | | Non Current | |
|---|---|---|---|---|
| | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
| Retentions | 3,955 | 3,259 | - | - |
| Unearned income [(1)] | 630 | 601 | 10,603 | 9,800 |
| Other liabilities | 63 | 64 | - | - |
| **Total** | **4,648** | **3,924** | **10,603** | **9,800** |

(1) Corresponds to prepayments received related to maintenance operations and services. Income is recognized when the services are provided. The balance classified as non-current includes ThUS$ 3,732 for the leasing with Anglo American (2030 contract expiration).

## 27. Net equity information to be disclosed

### a. Subscribed and paid-in capital and number of shares

At the General Shareholders' Meeting of Colbún S.A. held on April 29, 2009, the shareholders approved a change in the currency in which stock capital is expressed. The change came into force on December 31, 2008. The currency stock capital is expressed in U.S. Dollars and using the exchange rate used as of December 31, 2008, divided 17,536,167,720 into the same number of registered ordinary shares, each of the same value and without par value.

As of the dates of the balances of financial position, subscribed and paid-in capital and number of shares is detailed as follows:

**Number of shares**

| Series | Number of subscribed shares | Number of paid shares | Number of shares with voting rights |
|---|---|---|---|
| Only | 17,536,167,720 | 17,536,167,720 | 17,536,167,720 |

**Capital (Amount US$)**

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

### a.1 Reconciliation of shares

The following table details the conciliation between the number of outstanding shares at the beginning and end of the reported periods:

| **Shares** | **12.31.2015** | **12.31.2014** |
|---|---|---|
| Number of outstanding shares at the beginning of the period | 17,536,167,720 | 17,536,167,720 |
| **Changes on the number of outstanding shares** | | |
| Increase (decrease) in the number of outstanding shares | - | - |
| Number of outstanding shares at the end of the period | 17,536,167,720 | 17,536,167,720 |

### a.2 Number of shareholdes

As of December 31, 2015 Colbún, S.A. had 3,245 shareholders (unaudited).

**b. Social capital**

Stock capital corresponds to paid-in capital indicated in a).

**c. Share premiums**

As of December 31, 2015 and 2014 issuance premiums amount to ThUS$ 52,595 and are generated by an amount of ThUS$ 30,700, corresponding to the surcharge received in the subscription period from issuance of shares approved at the Extraordinary Shareholders' Meeting held on March 14, 2008, plus a surcharge of ThUS$ 21,895, product of capital increases prior to 2008.

**d. Dividends**

The general policy and procedure for distributing dividends agreed upon by the shareholders at the shareholders' meeting held on April 22, 2015, established the distribution of a minimum dividend of 30% of net income. According to IFRS, there is a legal and assumed obligation which requires the recording of a liability at the close of each year for this concept.

At an Ordinary Shareholders' Meeting held on April 22, 2015, they agreed to distribute a final dividend with charge to profits for the year ended December 31, 2014, payable in cash for a total amount of ThUS$ 12,765, corresponding to US$0.000728 per share. This dividend began to be paid on May 6, 2015.

In the Board of Directors Meeting on December 22, 2015, it was agreed to distribute an interim dividend with a charge to earnings for the year ended December 31, 2015, payable in money up to the amount of ThUS $ 39,673, corresponding to US$ 0.00226 per share. On January 12, 2016, the Company began paying the dividend.

**e. Composition of other reserves**

Following is a detail of other reserves:

| Other reserves | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Effect of first-time adoption deflation of paid-in capital. Official Circular No.456 SVS | 517,617 | 517,617 |
| Effect of first-time adoption, conversion IAS 21 | (230,797) | (230,797) |
| Effect of conversion associates | (51,336) | (47,015) |
| Effect of coverage associates | (827) | 55 |
| Hedge reserves | (6,027) | (9,094) |
| **Subtotal** | **228,630** | **230,766** |
| Merger reserve, Hidroélectrica Cenelca S.A. | 500,761 | 500,761 |
| Subsidiaries reserves | (13,803) | (13,634) |
| **Subtotal** | **486,958** | **487,127** |
| **Total** | **715,588** | **717,893** |

<u>Effect of first-time adoption deflation of paid-in capital:</u> Official Circular No. 456 issued by the SVS and effect of first-time adoption conversion IAS 21: Reserves generated by first-time adoption of IFRS, which are considered susceptible to being capitalized, if accounting standards and the law allow it.

Effect of conversion in associates: Corresponds to foreign currency translation generated by variations in exchange rates on investments in associates and joint businesses, which maintain the Chilean peso as the functional currency.

Effect of hedging reserve: Represents the effective portion of those transactions that have been designated as cash flow hedges, awaiting the recognition of the item covered in income.

Subsidiaries reserves: Corresponds to reserves originated from the merger and increased participation of subsidiaries; they are considered susceptible to being capitalized if accounting standards and the law allows it.

**f. Retained earnings (losses)**

The movement of retained earnings reserve has been as follows:

| Distributable Retained earnings | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| Beginning Balance | 885,723 | 1,073,603 |
| Errors in previous exercises (1) | - | (25,322) |
| **Beginning balance re expressed** | **885,723** | **1,048,281** |
| Result of the exercise. | 204,659 | 79,526 |
| Errors in previous exercises (1) | - | 2,738 |
| **Result of balance re expressed** | **204,659** | **82,264** |
| Effect of adjustment performed on first-time application of IFRS | 8,399 | 8,580 |
| Effect profit (losses) actuarial | (1,607) | (2,329) |
| Dividends | (73,670) | (42,262) |
| Adjust heritage associates | (1,537) | - |
| Effect law No. 20.780 (2) | - | (212,538) |
| Effect law No. 20.780 associates (see note 17.a) | - | 3,727 |
| **Total distributable reatained earnigs** | **1,021,967** | **885,723** |
| **Non distributable adjustments on first time application of IFRS** | | |
| Revaluation of property, plant & equipment | 469,799 | 480,298 |
| Deferred tax revaluation | (79,229) | (81,329) |
| **Total non-distributable retained earnings** | **390,570** | **398,969** |
| **Total** | **1,412,537** | **1,284,692** |

(1) See note 6
(2) On October 17, 2014 the Superintendencia de Valores y Seguros (SVS) issued the Oficio Circular N°856 that set forth as an exception that the change in the deferred tax assets and liabilities arising as a consequence of Law 20,780 should be accounted against equity, resulting in a charge of MUS$212.5.

The following table shows the detail of adjustments on first-time adoption of IFRS, as required by Circular No. 1,945 issued by the SVS, to present the adjustment on first-time application of IFRS recorded as a credit on retained earnings and their corresponding realization.

Realized amounts and amounts pending realization as of the dates of the balances of financial position are detailed as follows:

| Concepts | 12.31.2015 | | 12.31.2014 | |
|---|---|---|---|---|
| | Realized during the period ThUS$ | Pending to be realized ThUS$ | Realized during the period ThUS$ | Pending to be realized ThUS$ |
| Revaluation of propertym plant and equipment (1) | (10,499) | 469,799 | (10,725) | 480,298 |
| Revaluation deferred tax (2) | 2,100 | (79,229) | 2,145 | (81,329) |
| **Total** | **(8,399)** | **390,570** | **(8,580)** | **398,969** |

(1) Revaluation of Property, plant and equipment: The method used to quantify the assets under this concept corresponds to the application of the useful lives by asset type used for the depreciation method at the revaluation amount determined on the date of adoption.

(2) Deferred taxes: Adjustments to the valuation of assets or liabilities generated by the application of IFRS have meant the determination of new temporary differences that were recorded against the Retained Income account in Equity. The realization of this concept has been determined in the same proportion as the entries that led to it.

**g. Capital management**

Capital management is framed within the Company's Investing and Financing Policies, which establishes that investments must have appropriate financing, depending on the project, in accordance with the Financing Policy. Total investments for each year shall not exceed 100% of the Company's equity and must be in accordance with the Company's financial capacity.

The Company shall attempt to maintain sufficient liquidity to have an adequate financial leeway to cover its commitments and the risks associated with its businesses. The Company's cash surpluses shall be invested in securities issued by financial institutions and marketable securities in accordance with the criteria for selection and diversification of portfolio determined by the Company's management.

Investments shall be controlled by the Board, who will approve the amount and financing of each specific investments, , with a reference framework stated in the Company's Bylaws. Additionally, the approval of the Shareholders' Meeting is required.

Financing must endeavor to provide the funds necessary for the adequate operation of existing assets, as well as for making new investments in accordance with the Investing Policy. Internal resources and external resources available shall be used to a limit that does not compromise the Company's equity position or limit its growth.

Consistent with the above, the debt level must attempt to not compromise the "investment grade" credit rating of the debt instruments issued by Colbún in national and international markets.

The Company shall endeavor to maintain multiple financing options open, for which the following sources of financing shall be preferred: bank loans (both national and international), non-current bond market (both international and domestic), supplier credit, retained earnings and capital increases.

As of the dates of the balances of financial position, leverage ratios are detailed as follows:

| | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| **Total liabilities** | **3,486,067** | **3,035,990** |
| Total current liabilities | 707,829 | 258,334 |
| Total non-current liabilities | 2,778,238 | 2,777,656 |
| **Total equity** | **3,667,090** | **3,337,973** |
| Attributable company | 3,463,513 | 3,337,973 |
| Non-controlling interests | 203,577 | - |
| **Financial debt ratio** | **0.95** | **0.91** |

On a quarterly basis, the Company has to report compliance with its obligations with financial entities. As of December 31, 2015, the Company has complied with all the financial indicators specified in those contracts (See note 37).

**h. Restrictions on disposal of funds of subsidiaries**

The subsidiary Fenix Power Perú S.A. has restrictions on dividends and capital reductions under the provisions of the Credit Contract signed with BTG Pactual on February 6, 2013. The Company is in the process of refinancing this obligation, which is expected to be completed during the first quarter of 2016.

**i. Earnings per share and distributable net income**

Earnings per share have been obtained by dividing income for the period attributed to the shareholders of the controller by the weighted average of outstanding ordinary shares during the reported periods.

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| Profit (loss) attributable to holders of equity instruments in the net equity of the parent company (ThUS$) | 204,659 | 82,264 |
| Income (loss) available for common shareholders, basic (ThUS$) | 204,659 | 82,264 |
| Weighted average number of shares, basic (No. of shares) | 17,536,167,720 | 17,536,167,720 |
| **Basic earnings (loss) per share (US Dollars per share)** | **0.01167** | **0.00469** |

The Company has not performed any type of operation with a dilutive effect that assumes diluted earnings per share other than basic earnings per share during the reported period.

By virtue of what is established in Circular No. 1,945 of September 29, 2009, Colbún S.A., agreed to establish a general policy for determining distributable net income. To effectively calculate Obligatory Minimum and Additional Dividend on the basis realized, relevant changes must be purged in the fair value of unrealized assets and liabilities, which must be reintegrated when calculating net income for the year in which those variations are realized.

Consequently, additions and deductions to be made from distributable net income due to changes in the fair value of unrealized assets or liabilities and which have been recognized in "Profit (loss) attributable to holders of equity", instrument in the net equity of the controller and non-controlling interest, correspond to the possible effects generated by variations in the fair value of derivative instruments held by the Company as of each period-end, net of the corresponding income tax.

As of the dates of the balances of financial position, the calculation of the distributable net profit is detailed as follows:

| Calculated distributable liquid net income (cash flows) | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|
| **Net income according to the Financial Statements** | **204,659** | **82,264** |
| Cash flows in the year with a charge to prior years | (5,668) | (2,688) |
| Effect on unearned financial income that does not generate cash | 4,022 | 4,518 |
| **Net cash flows for the period** | **(1,646)** | **1,830** |
| **Distributable net income** | **203,013** | **84,094** |
| **Minimum mandatory dividend** | **60,904** | **25,228** |

## 28. Income from ordinary activities

Ordinary revenue for the periods ended December 31, 2015 and 2014, respectively, are presented in the following detail:

| | January - December | |
|---|---|---|
| | **2015** ThUS$ | **2014** ThUS$ |
| Sale to distribution clients | 623,443 | 724,620 |
| Sale to industrial clients | 357,640 | 502,113 |
| Tolls | 146,463 | 163,244 |
| Sale to other generators | 153,471 | 55,929 |
| Other income | 32,839 | 56,671 |
| **Total** | **1,313,856** | **1,502,577** |

## 29. Raw materials and consumables used

The consumption of raw materials and secondary materials for the periods ended December 31, 2015 and 2014, respectively, are presented in the following detail:

| | January-December | |
|---|---|---|
| | **2015** ThUS$ | **2014** ThUS$ |
| Oil consumption (see note 14) | (44,073) | (109,795) |
| Gas consumption (see note 14) | (253,413) | (341,647) |
| Coal consumption (see nota 14) | (77,637) | (92,406) |
| Purchase of energy and power | (41,222) | (70,906) |
| Tolls | (142,769) | (161,918) |
| Third party work and supplies | (86,820) | (107,036) |
| **Total** | **(645,934)** | **(883,708)** |

## 30. Employee benefits expenses

The employee benefits expenses for the periods ended December 31, 2015 and 2014, respectively, are presented in the following detail (see note 3 3.1.m. and 3.1.n.2):

| | January-December | |
|---|---|---|
| | **2015** ThUS$ | **2014** ThUS$ |
| Wages and salaries | (43,602) | (45,657) |
| Current benefits to employees | (4,536) | (5,063) |
| Compensation for end of employment relations | (2,716) | (2,722) |
| Other employee expenses | (5,228) | (6,265) |
| **Total** | **(56,082)** | **(59,707)** |

## 31. Depreciation and amortization expenses

Depreciation and amortization for the periods ended December 31, 2015 and 2014, respectively, are presented in the following detail:

| | January-December | |
|---|---|---|
| | **2015** ThUS$ | **2014** ThUS$ |
| Depreciations (see note 19.b) | (193,699) | (181,251) |
| Amortization of intangibles (see Note 18.b) | (1,248) | (1,124) |
| **Total** | **(194,947)** | **(182,375)** |

## 32. Financial income and financial costs

Financial income for the periods ended December 31, 2015 and 2014, respectively, are presented in the following detail:

| **Income (loss) from investment** | January-December | |
|---|---|---|
| | **2015** ThUS$ | **2014** ThUS$ |
| Cash income and other equivalent means | 5,517 | 5,561 |
| **Total financial income** | **5,517** | **5,561** |
| **Financial costs** | **January-December** | |
| | **2015** ThUS$ | **2014** ThUS$ |
| Bond expenses | (69,461) | (59,937) |
| Financial provision expense | (9,724) | (6,693) |
| Expenses/profit from valuation of net financial derivatives | (9,319) | (14,101) |
| Bank loan expenses | (8,891) | (10,271) |
| Other expenses (bank expenses) | (433) | (343) |
| Capitalized financial expenses (see note 19.c.iv) | 7,292 | 15,376 |
| **Total financial cost** | **(90,536)** | **(75,969)** |
| **Total financial result** | **(85,019)** | **(70,408)** |

## 33. Exchange rate differences and income from indexation units

The items that cause the effect on income by net foreign exchange items and results of indexed units are detailed as follows:

### Exchange rate differences

| Exhange difference | Currency | January-December | |
|---|---|---|---|
| | | 2015 ThUS$ | 2014 ThUS$ |
| Cash and cash equivalents | Chilean pesos | (8,676) | (15,115) |
| Cash and cash equivalents | Peruvian sol | 225 | - |
| Trade and other accounts receivable | Chilean pesos | (10,524) | (14,152) |
| Trade and other accounts receivable | Peruvian sol | (24) | - |
| Current tax assets | Chilean pesos | (13,701) | (27,744) |
| Current tax assets | Peruvian sol | 288 | - |
| Other non-current non-financial assets | Chilean pesos | (1,355) | (1,467) |
| Non-current accounts receivable from related entities | Chilean pesos | (492) | (465) |
| **Exchange rate differences on assets** | | **(34,259)** | **(58,943)** |
| Other current financial liabilities | UF | 18,239 | 26,290 |
| Trade and other accounts payable | Chilean pesos | 801 | 2,492 |
| Trade and other accounts payable | Peruvian sol | 21 | - |
| Other non-financial liabilities | Chilean pesos | (1,250) | 1,378 |
| Employee benefits provision accrual | Chilean pesos | 5,296 | 5,252 |
| Employee benefits provision accrual | Chilean pesos | (8) | - |
| Other non-current financial liabilities | Chilean pesos | - | 1,110 |
| **Exchange rate differences on liabilities** | | **23,099** | **36,522** |
| **Total exchange difference** | | **(11,160)** | **(22,421)** |

### Income from indexation units

| Indexation units | Currency | January-December | |
|---|---|---|---|
| | | 2015 ThUS$ | 2014 ThUS$ |
| Current tax assets | UTM | 2,425 | 9,050 |
| **Total income from indexation units** | | **2,425** | **9,050** |

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

The revenue from investments recorded using the share method for the periods ended December 31, 2015 and 2014, respectively, are presented in the following detail:

| Net participation in income from associates | January-December 2015 ThUS$ | January-December 2014 ThUS$ |
|---|---|---|
| Electrogas S.A. | 8,388 | 7,255 |
| Centrales Hidroeléctricas de Aysén S.A. | (3,563) | (107,597) |
| Transmisora Eléctrica de Quillota Ltda. | 1,795 | 1,027 |
| **Total** | **6,620** | **(99,315)** |

## 35. Other profits (losses)

Others profits (losses) are as follows:

| Other incomes, other than operation | January-December 2015 ThUS$ | January-December 2014 ThUS$ |
|---|---|---|
| Insurance (1) | 11,518 | 18,430 |
| Sale goods property, plant and equipment. | - | 726 |
| Other incomes | 1,859 | 826 |
| **Total other incomes** | **13,377** | **19,982** |
| **Other expenses, other than operation** | **January-December 2015** ThUS$ | **January-December 2014** ThUS$ |
| Impairment of patents of water rights not used | (1,831) | (5,338) |
| Results derivative contracts | (4,023) | (4,537) |
| Lawsuits fees | (860) | (582) |
| Disposals of property, plant and equipment (2) | (2,129) | (6,967) |
| Punishmentes and fines | (75) | 773 |
| Badwill business combination (3) | 1,672 | - |
| Cost of out debt restructuring | (4,132) | - |
| Inventory obsolescence | 1,740 | (4,400) |
| Other | (3,287) | (351) |
| **Total other expenses** | **(12,925)** | **(21,402)** |
| **Total other profits (loss)** | **452** | **(1,420)** |

(1) During the year 2015 this corresponds to the insurance settlement claim Central Blanco due to physical damage. During the year 2014 this corresponds to the insurance settlement claim Nehuenco I y II, physical damage

(2) During fiscal 2015, an impairment provision was registered for projects that with current information management has decided to abandon temporarily. During the year 2014 the Company recognized impairment of the Blanco power plant.

(3) Badwill obtained in determining the PPA (Purchase Price Allocation) of the business combination in the acquisition of Fenix Power Perú.

## 36. Committed guarantees with third parties, contingent assets and liabilities

### a. Third party guarantees

## a. 1 Direct guarantees

| Guarantee creditor | Debtor | | Commited assets | | | Outstanding balances | Release of guarantees | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Relationship | Type of guarantee | Currency | Book value | 12.31.2015 ThUS$ | 2015 | 2016 | 2017 | 2099 |
| Comité Innova Chile | Colbún S.A. | Creditor | Guarantee deposit | CLP | 51,500,000 | 72 | - | - | 72 | - |
| Ministerio de Obras Públicas | Colbún S.A. | Creditor | Guarantee deposit | UF | 203,062 | 7,329 | - | 7,329 | - | - |
| Ministerio de Obras Públicas | Colbún S.A. | Creditor | Guarantee deposit | UF | 15,361 | 554 | - | - | 554 | - |
| Good Year de Chile S.A.I.C. | Colbún S.A. | Creditor | Guarantee deposit | UF | 300 | 11 | - | 11 | - | - |
| Sociedad Contractual Minera Atacama Kozan | Colbún S.A. | Creditor | Guarantee deposit | UF | 300 | 11 | - | 11 | - | - |
| Chilectra S.A. (1) | Colbún S.A. | Creditor | Guarantee deposit | UF | 100 | 4 | - | - | - | 4 |
| Fisco de Chile Servicio Nacional de Aduanas | Colbún S.A. | Creditor | Guarantee deposit | USD | 1,000 | 1 | - | 1 | - | - |
| Anglo American Sur | Colbún S.A. | Creditor | Guarantee deposit | USD | 5,720,000 | 5,720 | - | 5,720 | - | - |
| GNL Chile S.A | Colbún S.A. | Creditor | Guarantee deposit | USD | 20,968,932 | 20,969 | - | 20,969 | - | - |
| Consorcio Transmantaro | Fénix Power Perú S.A. | Creditor | Guarantee deposit | USD | 3,000,000 | 3,000 | - | 3,000 | - | - |
| Termochilca | Fénix Power Perú S.A. | Creditor | Guarantee deposit | USD | 2,051,780 | 2,052 | - | 2,052 | - | - |
| Gas Natural de Lima y Callao | Fénix Power Perú S.A. | Creditor | Guarantee deposit | USD | 275,000 | 275 | - | 275 | - | - |
| Edelnor | Fénix Power Perú S.A. | Creditor | Guarantee deposit | PEN | 101,194 | 30 | 30 | - | - | - |

(1) Indefinite maturity warranty.

## b. Guarantees obtained from third parties

**Current guarantees in US Dollars, as of December 31, 2015 are as follows:**

| Deposited by | Relationship | Total ThUS$ |
|---|---|---|
| GE Energy Parts Inc | Supplier | 15,000 |
| Punta Palmeras S.A. | Supplier | 10,297 |
| Posco Engineering and Construction Co. | Supplier | 10,000 |
| Siemens Energy Inc. | Supplier | 9,000 |
| Power Machines | Supplier | 8,586 |
| Abengoa Chile S.A. | Supplier | 2,352 |
| Alstom Hydro France S.A. | Supplier | 1,393 |
| Andritz Hydro Gmbh-Andritz Chile Ltda. | Supplier | 551 |
| Abb S.A. | Supplier | 312 |
| Abb Ltda. | Supplier | 282 |
| Hyundai Corporation | Supplier | 183 |
| Asea Brown Boveri Ltda. | Supplier | 177 |
| Cobra Chile Servicios S.A. | Supplier | 132 |
| Siemens S.A. | Supplier | 130 |
| Hmv Ingenieros Ltda. | Supplier | 100 |
| Ingetec S.A. | Supplier | 83 |
| Ima Tegnologías Ltda. | Supplier | 59 |
| Max Control Spa | Supplier | 54 |
| Emerson Electric US Holding Corporation Chile Ltda. | Supplier | 50 |
| Integral S.A. | Supplier | 50 |
| Hyosung Corporation | Supplier | 34 |
| Aguasin Spa | Supplier | 32 |
| Química del Sur y Cía Ltda. | Supplier | 16 |
| Rolec Comercial e Industrial S.A. | Supplier | 6 |
| Servicios Industriales y Técnica Científica Ltda. | Supplier | 3 |
| | **Total** | **58,882** |

**Current guarantees in Euros, as of December 31, 2015 are as follows:**

| Deposited by | Relationship | Total ThUS$ |
|---|---|---|
| Alstom Hydro France S.A. | Supplier | 3,738 |
| Andritz Hydro S.R.L | Supplier | 2,040 |
| Andritz Hydro Gmbh-Andritz Chile Ltda. | Supplier | 782 |
| Andritz Hydro | Supplier | 752 |
| Andritz Chile S.R.L | Supplier | 471 |
| Brueel + Kjaer Vibro Gmbh | Supplier | 56 |
| Andritz Chile Ltda. | Supplier | 31 |
| | **Total** | **7,870** |

**Current guarantees in CLP, as of December 31, 2015 are as follows:**

| Deposited by | Relationship | Total ThUS$ |
|---|---|---|
| Metalizaciones Industriales Soc. Comercial e Ind. S.A. | Supplier | 246 |
| Hidráulica, Construcción y Conservación S.A. | Supplier | 62 |
| Echeverría Izquierdo Montajes Industriales S.A. | Supplier | 54 |
| Wilfredo Parra Lobos Cía Ltda. | Supplier | 37 |
| Ika Servicios Industriales Spa | Supplier | 35 |
| Servicios Industriales y Técnica Científica Ltda. | Supplier | 28 |
| Contructora R2 Limitada | Supplier | 28 |
| Sistema Integral de Telecomunicaciones Ltda. | Supplier | 27 |
| Sociedad Comercial Camin Limitada | Supplier | 19 |
| Andes Minerals Spa | Supplier | 19 |
| Constructora Pesa Ltda. | Supplier | 18 |
| Rodrigo López y Cía Ltda. | Supplier | 18 |
| Servicios de Respaldo de Energía Teknica Ltda. | Supplier | 13 |
| Efepe S.A | Supplier | 12 |
| Kost Vogtmann Ltda. | Supplier | 12 |
| Constructora RTM Ingeniería Ltda. | Supplier | 10 |
| Olivares Leiva Miguel Ángel | Supplier | 10 |
| Transportes José Carrasco Retamal Empresa Individual de Resp. Ltda. | Supplier | 9 |
| Constructora Gómez Salazar Ltda. | Supplier | 8 |
| Ortiz Soto Juan Ángel | Supplier | 7 |
| Sociedad de Transporte Turismo e Inversiones Kemelbus Ltda. | Supplier | 7 |
| Ingeniería Multidiciplinaria Arquietect | Supplier | 7 |
| Comercial Dinsa Ltda. | Supplier | 7 |
| Sociedad Comercial y de Inv. Conyser Ltda. | Supplier | 7 |
| Peredo Canifru Marcela Catalina | Supplier | 6 |
| Teco Natural Resource Group Chile Spa | Supplier | 5 |
| Eulen Seguridad S.A. | Supplier | 5 |
| Sociedad VBA Servicios y Montaje Ltda. | Supplier | 4 |
| Empresa Constructora RTM Ingeniería Ltda. | Supplier | 4 |
| Centro de Ecología Aplicada Ltda. | Supplier | 4 |
| Sociedad Klagges y Cía Limitada | Supplier | 4 |
| María Angélica Álvarez González | Supplier | 3 |
| Mantención de Jardines Arcoiris Ltda. | Supplier | 3 |
| Max Control Spa | Supplier | 3 |
| Asesorías Informáticas y Automatización Oyaneder S.A. | Supplier | 3 |
| Eulen Chile S.A. | Supplier | 2 |
| Veset y Cía Ltda. | Supplier | 1 |
| Servicios Empresariales Mol Ltda. | Supplier | 1 |
| | **Total** | **748** |

**Current guarantees in UF, as of December 31, 2015 are as follows:**

| Deposited by | Relationship | Total ThUS$ |
|---|---|---|
| Zublin International Gmbh Chile Spa | Supplier | 15,606 |
| Empresa Constructora Angostura Ltda. | Supplier | 13,291 |
| B. Bosch S.A. | Supplier | 3,045 |
| Alstom Hydro France S.A. | Supplier | 1,847 |
| Andritz Hydro Gmbh-Andritz Chile Ltda. | Supplier | 960 |
| Constructora Santa María Ltda. | Supplier | 556 |
| Kdm Industrial S.A. | Supplier | 185 |
| Abb S.A. | Supplier | 177 |
| Poch Ambiental S.A. | Supplier | 115 |
| Cobra Chile Servicios S.A. | Supplier | 97 |
| Sociedad Comercial e Ingeniería de Gestión Industrial Ingher Ltda. | Supplier | 91 |
| G4S Security Services Regiones S.A. | Supplier | 87 |
| Egesa Ingeniería S.A. | Supplier | 68 |
| Ingeniería y Servicios S.A. | Supplier | 44 |
| Aseos Industriales de Talca Ltda. | Supplier | 34 |
| Oma Topografía y Construccioes Ltda. | Supplier | 33 |
| Edic Ingenieros S.A. | Supplier | 32 |
| Pozos Profundos S.A. | Supplier | 32 |
| Transporte Pola Ltda. | Supplier | 29 |
| Transportes Bretti Ltda. | Supplier | 29 |
| Centro de Ecología Aplicada Ltda. | Supplier | 29 |
| Autoflame Chile Ltda. | Supplier | 27 |
| Sodexo Chile S.A. | Supplier | 27 |
| Eulen Seguridad S.A. | Supplier | 25 |
| Arrigoni Modular Spa | Supplier | 24 |
| Unilink Soluciones y Servicios Spa | Supplier | 24 |
| Montakes del Pacífico S.A. | Supplier | 22 |
| Knight Piesold S.A. | Supplier | 21 |
| Buses Ahumada Ltda. | Supplier | 20 |
| Universidad de Concepción | Supplier | 15 |
| Jaime Illanes y Asociados Consultores S.A. | Supplier | 14 |
| Transportes José Carrasco Retamal Empresa Individual de Resp. Ltda. | Supplier | 12 |
| GLG Construcciones Ltda. | Supplier | 12 |
| Servicios Emca Spa | Supplier | 11 |
| Jaime Rodríguez Veloz Seguridad Privada E.I.R.L | Supplier | 10 |
| Max Control Spa | Supplier | 8 |

| Deposited by | Relationship | Total ThUS$ |
|---|---|---|
| Siemens S.A. | Supplier | 7 |
| Valenzuela Pérez Félix Atilio | Supplier | 6 |
| Mwh Americas Inc Chile Ltda. | Supplier | 5 |
| Servicios Integrales de Seguridad Marítima y Terrestre Ltda. | Supplier | 5 |
| Marcelo Javier Urrea Caro | Supplier | 4 |
| Cristian Prado Arquitectos Asociados Ltda. | Supplier | 4 |
| Comercial Calle-Calle Limitada | Supplier | 3 |
| Sociedad Comercial Camin Limitada | Supplier | 2 |
| Mantención de Jardines Arcoiris Ltda. | Supplier | 2 |
| | **Total** | **36,697** |

**Fénix Power Perú S.A.**

**Current guarantees in US Dollars, as of December 31, 2015 are as follows:**

| Deposited by | Relationship | Total ThUS$ |
|---|---|---|
| Busser SAC | Supplier | 55 |
| SGS del Perú S.A.C. | Supplier | 35 |
| | **Total** | **90** |

**Current guarantees in Peruvian Soles, as of December 31, 2015 are as follows:**

| Deposited by | Relationship | Total ThUS$ |
|---|---|---|
| Empresa Regional de Servicio Publico del oriente SA | Supplier | 1,527 |
| Unicontrol S.A.C | Supplier | 29 |
| Fito Decoraciones | Supplier | 23 |
| Consorcio Electrico de Villacuri Sac | Supplier | 18 |
| | **Total** | **1,597** |

**c. Detail of litigations and others**

With the information available to date, Colbún's management considers that the provisions recorded in the consolidated statement of financial position adequately covers the risks of litigation and other operations described in this note, therefore it does not expect that liabilities other than those recorded will result from them.

Due to the characteristics of the risks covered by these provisions, it is not possible to determine a reasonable schedule of payment dates, if any.

In accordance with IAS 37, as of December 31, 2015 a description of the most important litigations is included:

**Chile**

1.- Arbitrage with CGE Distribution on the application of Sub Transmission Decree N°14

In October 7, 2014 Colbún S.A. filed an arbitrage demand against the Arbitrage and Mediation Center with the Cámara de Comercio de Santiago A.G. against CGE Distribution S.A. because of the unilateral modification of the invoicing methodology of two supply contracts signed between the two parties as a consequence of the application of the Sub Transmission Decree N°14, issued by the Ministry of Energy, that set the tariffs to be paid for the use of the sub transmission system. Colbún demanded the fulfillment of the contract indicating that the invoicing methodology cannot be modified unilaterally, and any change must be implemented by mutual agreement, or by default, determined by the mechanism set forth in the contract to settle any discrepancy.

To date, the probationary period has come to an end and CGE has presented to the Constitutional Court a request of Inapplicability due to Unconstitutionality of the article 1554 of the Chilean Civil Code. The Court has not yet reached a decision regarding the admissibility of such request.

2.- Arbitrage ADM International SarL as a consequence of over demurrage and load in excess

In October 14, 2014, Colbún S.A. was notified of the arbitrage initiated by ADM International against the Company, under the freight contract subscribed August 30, 2014 in New York under the rule of the Society of Maritime Arbitrators because of an over demurrage and load in excess for an approximate amount of ThUS$ 137 plus interests and costs. The panel of arbitrators was constituted and the parties presented their initial arguments on May 19, 2015.
On September 4, 2015, each party's replies to the other's allegations were presented.

To date, the issuing of sentence is expected.

3.- Lawsuit for environmental damage for the operation of the Santa María CT.

Lawsuit filed October 15, 2015, before the Environmental Court of Valdivia by 6 fishermen's unions of Coronel and a group of fishermen from Lota who claim alleged environmental damage caused by the operation of the Santa Maria power station (unauthorized emissions of heavy metals in the ground and water of the bay, excessive presence of sulfur oxides and nitrogen produced by the combustion of the plant, thermal shock from the cooling and antifouling system).

To date, the lawsuit has not yet been notified.

4.- Sanctioning process for breaches of environmental regulations in the operation of the CT Nehuenco.

In November 2015 the Superintendency of the Environment issued 14 charges against Colbún for breach of Environmental Qualification Resolutions of the complex, which occurred mainly in 2013, including lack of measurements of particulate matter, NO2, CO, isokinetic measurements; operating with diesel without requiring authorization for emergency conditions; and exceeding emission limit values of CO, particulate matter and NO2.

All the charges relate to the year 2013 and, to a lesser extent in 2014, framing these in a context influenced by the consequences of the Argentine gas crisis, the prolonged drought in the area and the availability of water for cooling, and also the installation of so-called CMEs resulting from new environmental regulations on emissions. Without prejudice to the fact that a significant number of charges could have been released since almost all the infringements are today are in compliance, in

December a Compliance Program was presented, which eliminates exposure to fines - as long as this program is approved, suspending the sanction process as long as it complies fully with the aforementioned program.

5.- Complaints to the Superintendency of the Environment for Santa Maria thermal plant (CTSM).

On September 3, 2015, a group of 1,796 residents of the town of Coronel filed two complaints before the Superintendency of Environment (SMA) for alleged breach of the Environmental Qualification Resolution against CTSM, based on that it would be producing more power than considered in the environmental assessment, which would affect the water and hydrobiological resources of the Coronel bay, and there would be an increase in emissions of particulate matter from the field of coal. The SMA performed an audit of the CTSM, requiring a series of background information that have been already delivered by Colbún.

On December 11, 2015, a note was presented requesting that the complaint be dismissed, which to date has not yet been resolved.

6.- Application for Protection of the Santa Maria Thermal Power Station (CTSM)

On October 29, 2015, the same group of 1,796 residents of the town of Coronel brought before the Court of Appeals of Concepción a protection injunction, claiming that the CTSM operation would affect their right to live in an environment free of pollution, since it produces more power than considered in its environmental assessment. They sought an injunction (ONI) to the Court of Appeals so that it order the reduction of the gross power of CTSM to 350 MW - while the appeal is being processed, which was ultimately rejected because there is no background information that justifies it. Currently, the reports of the Superintendent of the Environment, the Environmental Assessment Service, the CDEC-SIC and Colbún have been presented.

The arguments were made and the case ended in agreement.

7.- Tax proceedings against Empresa Eléctrica Industrial SA before the Internal Revenue Service (SII).

By Settlement No. 373, of 08.30.2010, the Regional Director of SII contested items in the income statement of Empresa Eléctrica Industrial SA (EEI) of 2007. The initial amount of the settlement was ThUS$ 568 (ThCh$ 403,410) (judgment case no. 10-120-2010). Subsequently, by assessments No. 439, 440 and 441, all of 08.29.2011, the SII disputed 3 items of IAS income declarations for tax periods 2008, 2009 and 2010. The initial amount of the settlement was ThUS$ 259 (ThCh$ 183,769), ThUS$ 352 (ThCh$ 249,906) and ThUS$ 358 (ThCh$ 254,555), respectively (judgment case no. 10-541-2011). To date, the maximum amount of contingency for both trials amounts to ThUS$ 4,658 (ThCh$ 3,307,639), including adjustments and interest.

The first instance judgment issued notified December 2, 2015 rejects the claims filed by the Company. Against this decision an appeal for reversal was made with a subsidy appeal on December 14, 2015. The appeal for reversal and subsidy appeal are pending judgment.

**Perú**

Termochilca S.A. (TCH) filed an arbitration lawsuit petition for alleged breaches by Fenix of the Purchase Option Contract of Active Energy and Installed Capacity, alleging that Fenix would have settled and billed energy considering parameters that would not relate to the provisions of the Contract, and that is related to the effective capacity of Fenix. Additionally, it seeks compensation for energy not supplied due to the delay of launch of Fenix operations, partial operations and unscheduled outages. The size of the judgment would amount to an approximate ThUS $ 5,000.  The company is waiting to be summoned to a hearing by the Arbitral Court, after which TCH will have 10 days to present its demand.

## 37. Commitments

### Commitments entered into with financial entities and others

The loan contracts signed by Colbún S.A. with financial entities and the bonds and negotiable instruments issue contracts, assign the Company different obligations beyond mere payment, including compliance with various financial indicators during the effective terms of these contracts, which are customary in these types of financing operations.

The Company must report compliance with these obligations in a quarterly manner. As of December 31, 2015 the Company is in compliance with all the financial indicators required in those contracts. These obligations are detailed as follows:

| Covenants | Condition | 12.31.2015 | | Validity |
|---|---|---|---|---|
| **Bank Loans** | | | | |
| Total liabilities/Net Tangible Equity | < 1,2 | 0.95 | | jun-2021 |
| Minimum Equity | > ThUS$ 2.022.000 | ThUS$ | 3,463,513 | jun-2021 |
| **Bonds Local Market** | | | | |
| Ebitda/Net interest expense | >3,0 | 6.86 | | jun-2029 |
| Debt ratio | <1,2 | 0.95 | | jun-2029 |
| Minimun equity | > ThUS$ 1.348.000 | ThUS$ | 3,463,513 | jun-2029 |
| **Commited lines** | | | | |
| Total liabilities/Net equity of the Controller | < 1,2 | 0.95 | | jun-2016 |
| Minimun equity | > ThUS$ 1.995.000 | ThUS$ | 3,463,513 | jun-2016 |

| Indicator | Headings | Value at 12.31.2015 | |
|---|---|---|---|
| Net Equity | Total Equity - Non-controlling Interests | ThUS$ | 3,463,513 |
| Minimun Equity | Total Equity - Non-controlling Interests | ThUS$ | 3,463,513 |
| Total Liabilities | Total current liabilities + Total non-current liabilities | ThUS$ | 3,486,067 |
| Debt Ratio | Total liabilities/Equity | | 0.95 |
| Ebitda | Income from ordinary activities - Raw materials and supplies used - Employees benefits expenses - Other expenses by nature | ThUS$ | 583,337 |
| Net Financial Cost | Financial costs - Financial income | ThUS$ | 85,019 |

(*) 12 moving months

## 38. Environment

The companies of the group with disbursements associated with the environment are the following: Colbún S.A., Empresa Eléctrica Industrial S.A., Río Tranquilo S.A. and Termoeléctrica Antilhue S.A.

The disbursements made for the concept of environment are primarily associated with facilities; therefore, they shall be recognized under income via depreciation according to their useful lives, except the development of Environmental Impact Studies and Declarations, which correspond to environmental permits given prior to the construction phase.

The main projects in progress including a brief description of them are detailed as follows:

*San Pedro hydroelectric power plant:* In June 2015, the Environmental Impact Study (EIS) for the modifications to the project was presented, which was initially admitted for processing by the Environmental Assessment Service (SEA in Spanish) of the region of Los Ríos. Nevertheless, in August 2015, the authorities concluded the processing early due to lack of essential information.

Actually, the company is now analyzing the public services' observations with the aim of collecting and preparing the necessary background information that would allow it to give an opportune and technically grounded response. In parallel, a plan to implement explanatory meetings and training is being carried out with municipalities, public services and regional authorities, in addition to indigenous communities, among other interest groups, with the purpose of presenting the project again when a suitable opportunity arises.

All of the above with the aim of presenting a new EIA in the first half of 2016.

*La Mina hydroelectric power plant:* run-of-the-river hydropower plant located in the high basin of the Maule River, in the Maule Region.

During the second semester 2015, concrete placement began in the different work fronts and diffusers are mounted.  All the project works and their respective environmental management are progressing as planned.

In November 2015, construction of the transmission line was initiated from the power plant to the Loma Alta substation. This also involves the development of certain environmental actions on different aspects.

The amount to be invested, including the transmission line, is approximately MUS$130.

To this we add the disbursements associated to the 24 generation plants (and annex facilities) that are in operation.

Expenditures related to the environment mad by the companies are as follows:

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

**Accumulated disbursements made as of 12.31.2015**

| Company | Name of the project associated to disbursement | Concept | Asset / Expense | Description asset / expense | Amount ThUS$ |
|---|---|---|---|---|---|
| Colbún S.A. | Estudio de impacto ambiental - San Pedro | Project Environmental management | Asset | Work in progress | 340 |
| Colbún S.A. | Medio Ambiente - La Mina | Project Environmental management | Asset | Work in progress | 99 |
| Colbún S.A. | Prefactibilidad Ambiental - Candelaria | Project Environmental management | Asset | Work in progress | 81 |
| Colbún S.A. | Parque Coronel Proy.Sta.María 1 | Project Environmental management | Asset | Work in progress | 21 |
| Colbún S.A. | Medio Ambiente administración - San Pedro | Project Environmental management | Asset | Work in progress | 19 |
| Colbún S.A. | Rezago RCA/RSE Medio Ambiente - Angostura | Project Environmental management | Asset | Work in progress | 16 |
| Colbún S.A. | Estudios de Impacto Ambiental -Guaquivilo Melado | Project Environmental management | Asset | Work in progress | 7 |
| Colbún S.A. | Asesorías Medioambientales Santa María | Project Environmental management | Asset | Work in progress | 4 |
| Colbún S.A. | Gestión Forestal | Parent Environmental Management | Expense | Expense | 118 |
| Colbún S.A. | Gestión Ambiental Proyectos | Parent Environmental Management | Expense | Expense | 81 |
| Colbún S.A. | Gestión Ambiental Centrales | Parent Environmental Management | Expense | Expense | 67 |
| Colbún S.A. | Gerente de Medio Ambiente | Parent Environmental Management | Expense | Expense | 20 |
| Colbún S.A. | Estudios Ambientales | Parent Environmental Management | Expense | Expense | 4 |
| Colbún S.A. | Compromisos Ambientales - Angostura | Power Plants Environmental management | Expense | Cost | 1,408 |
| Colbún S.A. | Compromisos Ambientales - Santa María | Power Plants Environmental management | Expense | Cost | 1,196 |
| Colbún S.A. | Compromisos Ambientales - Candelaria | Project Environmental management | Expense | Cost | 283 |
| Colbún S.A. | Compromisos Ambientales - Antilhue | Power Plants Environmental management | Expense | Cost | 229 |
| Colbún S.A. | Compromisos Ambientales - Los Quilos | Power Plants Environmental management | Expense | Cost | 203 |
| Colbún S.A. | Compromisos Ambientales - Los Pinos | Power Plants Environmental management | Expense | Cost | 181 |
| Colbún S.A. | Compromisos Ambientales - Quilleco | Power Plants Environmental management | Expense | Cost | 179 |
| Colbún S.A. | Compromisos Ambientales - Canutillar | Power Plants Environmental management | Expense | Cost | 71 |
| Colbún S.A. | Compromisos Ambientales - Rucue | Power Plants Environmental management | Expense | Cost | 55 |
| Colbún S.A. | Compromisos Ambientales - Colbún | Power Plants Environmental management | Expense | Cost | 37 |
| Empresa Eléctrica Industrial S.A. | Compromisos Ambientales - Carena | Power Plants Environmental management | Expense | Cost | 38 |
| Río Tranquilo S.A. | Compromisos Ambientales - Hornitos | Power Plants Environmental management | Asset | Asset | 176 |
| Termoeléctrica Nehuenco S.A. | Compromisos Ambientales - Nehuenco | Power Plants Environmental management | Expense | Cost | 716 |
| | | | | **Total** | **5,649** |

**Future expenses at 31.12.2015**

| Company | Name of the project associated to disbursement | Concept | Asset / Expense | Description asset / expense | Amount ThUS$ |
|---|---|---|---|---|---|
| Colbún S.A. | Medio Ambiente - La Mina | Project Environmental management | Asset | Work in progress | 56 |
| Colbún S.A. | Estudio de impacto ambiental - San Pedro | Project Environmental management | Asset | Work in progress | 80 |
| Colbún S.A. | Compromisos Ambientales Angostura | Project Environmental management | Asset | Asset | 31 |
| Colbún S.A. | Compromisos Ambientales Santa María | Project Environmental management | Asset | Asset | 4 |
| Colbún S.A. | Compromisos Ambientales Candelaria | Project Environmental management | Asset | Asset | 4 |
| Colbún S.A. | Gestión Forestal | Parent Environmental Management | Asset | Asset | 34 |
| Colbún S.A. | Gestión Ambiental Proyectos | Parent Environmental Management | Asset | Asset | 9 |
| Colbún S.A. | Gestión Ambiental Centrales | Parent Environmental Management | Asset | Asset | 9 |
| Colbún S.A. | Compromisos Ambientales Colbun | Project Environmental management | Asset | Asset | 1 |
| | | | | **Total** | **228** |

(Translation of the Interim Consolidated Financial Statements originally issued in Spanish- See note 3.1)

**Accumulated disbursements at 12.31.2014**

| Company | Name of the project associated to disbursement | Concept | Asset / Expense | Description asset / expense | Amount ThUS$ | Estimated date |
|---|---|---|---|---|---|---|
| Colbún S.A. | Asesoria Medio Ambiente | Project Environmental management | Asset | Work in progress | 109 | 12-1-2014 |
| Colbún S.A. | Rezago RCA/RSE Medio Ambiente | Project Environmental management | Asset | Work in progress | 223 | 12-1-2014 |
| Colbún S.A. | Servicios compromisos ambientales | Project Environmental management | Asset | Asset | 169 | 1-28-2014 |
| Colbún S.A. | Parque Coronel Proy.Sta.María | Power Plants Environmental management | Asset | Asset | 88 | 12-22-2014 |
| Colbún S.A. | Cementos Bío Bío S.A. Proy.Sta.María | Power Plants Environmental management | Asset | Asset | 1,712 | 12-25-2014 |
| Colbún S.A. | Compromisos Ambientales Antilhue | Power Plants Environmental management | Expense | Cost | 1 | 12-26-2014 |
| Colbún S.A. | Compromisos Ambientales Candelaria | Power Plants Environmental management | Expense | Cost | 18 | 12-27-2014 |
| Colbún S.A. | Compromisos Ambientales Canutillar | Power Plants Environmental management | Expense | Cost | 112 | 12-29-2014 |
| Colbún S.A. | Compromisos Ambientales Colbún | Power Plants Environmental management | Expense | Cost | 60 | 12-31-2014 |
| Colbún S.A. | Compromisos Ambientales Los Quilos | Power Plants Environmental management | Expense | Cost | 154 | 12-31-2014 |
| Colbún S.A. | Compromisos Ambientales Los Pinos | Power Plants Environmental management | Expense | Cost | 250 | 12-31-2014 |
| Colbún S.A. | Compromisos Ambientales Rucue-Quilleco | Power Plants Environmental management | Expense | Cost | 1 | 12-28-2014 |
| Empresa Eléctrica Industrial S.A. | Compromisos Ambientales Carena | Power Plants Environmental management | Expense | Cost | 26 | 12-29-2014 |
| Termoeléctrica Nehuenco S.A. | Compromisos Ambientales Nehuenco 1 | Power Plants Environmental management | Expense | Cost | 50 | 12-30-2014 |
| Río Tranquilo S.A. | Compromisos Ambientales Hornitos | Power Plants Environmental management | Expense | Cost | 128 | 12-31-2014 |
| | | | | **Total** | **3,101** | |

**Future expenses at 12.31.2014**

| Company | Name of the project associated to disbursement | Concept | Asset / Expense | Description asset / expense | Amount ThUS$ | Estimated date |
|---|---|---|---|---|---|---|
| Colbún S.A. | Rezago- Rca/Rse Medio Ambiente Angostura | Project Environmental management | Asset | Work in progress | 21 | 12-31-2015 |
| Colbún S.A. | Parque Coronel Santa María | Project Environmental management | Asset | Asset | 44 | 12-31-2015 |
| Colbún S.A. | Compromisos Ambientales Canutillar | Power Plants Environmental management | Expense | Cost | 1 | 12-31-2015 |
| Colbún S.A. | Compromisos Ambientales Los Quilos | Power Plants Environmental management | Expense | Cost | 54 | 12-31-2015 |
| Colbún S.A. | Compromisos Ambientales Los Pinos | Power Plants Environmental management | Expense | Cost | 17 | 12-31-2015 |
| Empresa Eléctrica Industrial S.A. | Compromisos Ambientales Carena | Power Plants Environmental management | Expense | Cost | 1 | 12-31-2015 |
| Río Tranquilo S.A. | Compromisos Ambientales Hornitos | Power Plants Environmental management | Expense | Cost | 4 | 12-31-2015 |
| | | | | **Total** | **142** | |

## 39. Events occurred after the statement of position date

No subsequent events have occurred between December 31, 2015 and the date of issue of these consolidated financial statements.

## 40. Foreign currency

The detail of Assets and Liabilities in foreign currency with effects upon profits due to the foreign currency translation is as follows:

| Assets | Foreign currency | Functional currency | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|---|---|
| **Total current assets** | | | | |
| Cash and cash equivalents | Chilean Pesos | Dollar | 134,145 | 43,720 |
| Cash and cash equivalents | Euro | Dollar | 440 | 992 |
| Cash and cash equivalents | Peruvian Soles | Dollar | 5,815 | - |
| Other non-financial assets, current | Chilean Pesos | Dollar | 638 | 5,395 |
| Other non-financial assets, current | Peruvian Soles | Dollar | 13 | - |
| Trade and other current accounts receivable | Chilean Pesos | Dollar | 77,022 | 225,730 |
| Trade and other current accounts receivable | Peruvian Soles | Dollar | 46,914 | - |
| Current accounts receivable from related companies | Chilean Pesos | Dollar | 63 | 222 |
| Current tax assets | Chilean Pesos | Dollar | 8,634 | 47,004 |
| **Total current assets** | | | **273,684** | **323,063** |
| **Non-current assets** | | | | |
| Other non-current financial assets | Chilean Pesos | Dollar | 212 | 248 |
| Other non-current non-financial assets | Chilean Pesos | Dollar | 7,905 | 7,026 |
| Trade and other accounts receivable, non current | Peruvian Soles | Dollar | 17,722 | - |
| **Total non-current assets** | | | **25,839** | **7,274** |
| **Total assets** | | | **299,523** | **330,337** |

| Liabilities | Foreign currency | Functional currency | 12.31.2015 ThUS$ | 12.31.2014 ThUS$ |
|---|---|---|---|---|
| **Total current liabilities** | | | | |
| Other current financial liabilities | UF | Dollar | 10,453 | 11,539 |
| Trade and other accounts payable | Chilean Pesos | Dollar | 102,887 | 110,165 |
| Trade and other accounts payable | Peruvian Soles | Dollar | 6,096 | - |
| Current accounts payable to related entities | Chilean Pesos | Dollar | 307 | 254 |
| Other current provisions | Chilean Pesos | Dollar | 15,501 | 10,795 |
| Current tax liabilities | Chilean Pesos | Dollar | 23,878 | 2,149 |
| Current tax liabilities | Peruvian Soles | Dollar | 167 | - |
| Current provisions for employee benefits | Chilean Pesos | Dollar | 10,235 | 11,475 |
| Current provisions for employee benefits | Peruvian Soles | Dollar | 1,002 | - |
| Other current non-financial liabilities | Chilean Pesos | Dollar | 10,893 | 3,863 |
| Other current non-financial liabilities | Peruvian Soles | Dollar | 344 | - |
| **Total current liabilities** | | | **181,763** | **150,240** |
| Other non-current financial liabilities | UF | Dollar | 100,588 | 200,532 |
| Non current provisions for employee benefits | Chilean Pesos | Dollar | 23,001 | 24,101 |
| Other non current non-financial liabilities | Chilean Pesos | Dollar | 3,422 | 217 |
| **Total non-current liabilities** | | | **127,011** | **224,850** |
| **Total liabilities** | | | **308,774** | **375,090** |

The detail of assets and liabilities in foreign currency does not include investments reported using the share method, as the differences originated from foreign currency translation are reported in equity as foreign currency translation adjustments (see note 27.e).

The maturity of other financial liabilities in foreign currency is detailed as follows:

| As of 12.31.2015 | Foreign currency | Functional currency | Up to 91 days ThUS$ | From 91 days to 1 year ThUS$ | From 1 year to 3 years ThUS$ | From 3 years to 5 years ThUS$ | More than 5 years ThUS$ | Total ThUS$ |
|---|---|---|---|---|---|---|---|---|
| Other financial liabilities | UF | Dollar | - | 6,629 | 15,498 | 26,799 | 62,115 | 111,041 |
| | | **Totals** | **-** | **6,629** | **15,498** | **26,799** | **62,115** | **111,041** |

| As of 12.31.2014 | Foreign currency | Functional currency | Up to 91 days ThUS$ | From 91 days to 1 year ThUS$ | From 1 year to 3 years ThUS$ | From 3 years to 5 years ThUS$ | More than 5 years ThUS$ | Total ThUS$ |
|---|---|---|---|---|---|---|---|---|
| Other financial liabilities | UF | Dollar | - | 11,539 | 21,341 | 38,856 | 151,836 | 223,572 |
| | | **Totals** | **-** | **11,539** | **21,341** | **38,856** | **151,836** | **223,572** |

## 41. Staffing (unaudited)

As of the dates of the balances of financial position, the Company's staffing is detailed as follows:

| | Number of employees | | | | |
|---|---|---|---|---|---|
| | 12.31.2015 | | | 12.31.2014 | |
| | Chile | Perú | Total | Chile | Total |
| Managers and primary executives | 70 | 4 | 74 | 70 | 70 |
| Professional & technicians | 658 | 53 | 711 | 593 | 593 |
| Employees and others | 322 | 30 | 352 | 298 | 298 |
| Total | 1,050 | 87 | 1,137 | 961 | 961 |
| **Annual average** | **966** | **86** | **1,052** | **970** | **970** |

**Annex No. 1 additional information required for XBRL taxonomy**

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

**Remunerations paid to external auditors**

Remunerations paid to the external auditors during the periods are detailed as follows:

| | January-December | |
|---|---|---|
| | **2015** ThUS$ | **2014** ThUS$ |
| Audit services | 302 | 311 |
| Tax services | 99 | - |
| Other services | 41 | 223 |
| **Auditor´s fees** | **442** | **534** |

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